

Jefferson Community College

Audit Report

For the year ended June 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Jefferson Community College, Jefferson County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 12, 2007

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**Jefferson Community College
Audit Report
For the year ended June 30, 2007**

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Independent Accountants' Report

Board of Trustees
Jefferson Community College
Steubenville, Ohio

We have audited the accompanying basic financial statements of Jefferson Community College, (a nonprofit organization) and the discretely presented component unit, as of June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respect, the financial position of Jefferson Community College and the discretely presented component unit as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

S. R. Smolgrass, A.C.

Steubenville, Ohio
November 9, 2007

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, 2007, as well as comparative data to the previous year ended June 30, 2006.

USING THIS ANNUAL REPORT

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

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

In Fiscal Year 2007 the College's unrestricted revenues were \$96,860 higher than unrestricted expenses and transfers. However, the College's unrestricted fund balance actually decreased by \$66,758 from the amount reported on the audited Fiscal Year 2006 financial statements due to a prior period adjustment to reclassify bond interest expense for fiscal years 2004-2006 as an expense to unrestricted college funds that was previously expensed to the capital fund balance of the college.

REVENUES

The college receives support from the citizens of Jefferson County through a 1 mill tax levy which generated \$1,159,039 in Fiscal Year 2007. Unlike state subsidy payments and tuition revenue, this support does not fluctuate with enrollment. The state adopted utility deregulation that will eventually result in a \$225,000 annual reduction in levy support. This amount will be phased out through the year 2016 and a detail of this phase out is listed in Note 9 of the financial statements. The state also changed the taxing of personal property. Personal property tax receipts are approximately 10% of the college's annual levy proceeds. The change will result in a reduction of levy proceeds but currently the state is providing a subsidy to offset the revenue loss. The subsidy may be phased out over time.

Revenues and Operating Expenses for the Year Ended June 30, 2006 and 2007

	<u>6-30-06</u>	<u>6-30-07</u>
Operating Revenues		
Tuition and Student Fees	\$ 2,087,196	\$ 2,056,147
Auxiliary Enterprises	1,079,881	1,058,002
Federal Grants and Contracts	2,702,145	2,791,676
State Grants and Contracts	215,196	919,310
Local Grants and Contracts	10,620	16,947
Other Operating Revenues	<u>105,704</u>	<u>130,377</u>
Total Operating Revenues	<u>\$ 6,200,742</u>	<u>\$ 6,972,459</u>
Non-Operating Revenues		
Principle and Prior Year Interest Paid from Capital Funds	\$ 270,270	\$ 185,499
State Grants and Contracts	4,438,658	4,543,303
Local Grants and Contracts	360,846	169,910
Capital Grants and Contracts	1,720,157	69,524
Investment Income	115,095	173,925
Property Taxes	<u>827,352</u>	<u>852,449</u>
Total Non-Operating Revenues	<u>\$ 7,732,378</u>	<u>\$ 5,994,610</u>
Total Revenues	<u>\$13,933,120</u>	<u>\$12,967,069</u>

Revenues and Operating Expenses for the Year Ended June 30, 2006 and 2007 (continued)

	<u>6-30-06</u>	<u>6-30-07</u>
Operating Expenses		
Education and General		
Instructional	\$ 4,520,948	\$ 4,592,846
Public Service	997,988	1,262,102
Academic Support	1,187,235	674,155
Student Services	985,730	1,222,401
Institutional Support	2,020,329	1,979,522
Operational and Maintenance of Plant	1,146,987	928,035
Scholarships and Fellowships	432,137	532,719
Auxiliary Enterprises	1,032,725	1,051,752
Depreciation	<u>555,822</u>	<u>565,380</u>
Total Operating Expenses	<u>\$12,879,901</u>	<u>\$12,808,912</u>
Increase in Net Assets	<u>\$ 1,053,219</u>	<u>\$ 158,157</u>
	<u>6-30-06</u>	<u>6-30-07</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 917,593	\$ 2,596,451
Short-term investments (certificates of deposits)	2,200,000	599,046
Property tax receivable	852,124	869,346
Other receivables	718,028	1,076,808
Inventory	343,790	235,219
Other assets	<u>203,557</u>	<u>291,170</u>
Total Current Assets	<u>\$ 5,235,092</u>	<u>\$ 5,668,040</u>
Non-current Assets		
Restricted Cash and Cash Equivalents	\$ 3,793	\$ 3,082
Endowment Investments	41,709	51,217
Capital assets, gross	18,286,964	18,272,796
Accumulated depreciation	<u>(7,770,934)</u>	<u>(8,219,434)</u>
Total Assets	<u>\$15,796,624</u>	<u>\$15,775,701</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 108,009	\$ 266,444
Accrued wages	157,710	54,346
Bond interest payable	84,865	55,515
Deferred revenue	325,257	283,968
Deposit	29,531	29,729
Long term liabilities and current portion	<u>183,409</u>	<u>212,759</u>
Total Current Liabilities	<u>\$ 888,781</u>	<u>\$ 902,761</u>
Non-Current Liabilities		
Bond payable	1,570,299	1,355,450
Compensated absences	<u>541,658</u>	<u>540,663</u>
Total Non-Current Liabilities	<u>\$ 2,111,957</u>	<u>\$ 1,896,113</u>
Total Liabilities	<u>\$ 3,000,738</u>	<u>\$ 2,798,874</u>

	<u>6-30-06</u>	<u>6-30-07</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$10,516,030	\$10,053,362
Bond fund	(1,838,573)	(1,568,209)
Restricted for expendable		
Scholarships	269,422	296,360
Capital	312,076	608,293
Educational and general	441,770	643,483
Unrestricted (general auxiliary)	<u>3,095,161</u>	<u>2,943,538</u>
Total Net Assets	<u>12,795,886</u>	<u>12,976,827</u>
Total Liabilities and Net Assets	<u>\$15,796,624</u>	<u>\$15,775,701</u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Jefferson Community College is closely tied to that of the state. The State of Ohio has begun a new commitment to higher education and has developed a two-year plan that will significantly increase the subsidy support to the college. In return for this support, colleges must not increase tuition in the next two (2) years and also will be required to limit expenditures in order to offer a more competitive tuition rate to those attending college in Ohio.

In October 2004, the college acquired a 26,000 square foot, two-story building including approximately five (5) acres of land (former AEP building) across the street from the main campus of Jefferson Community College. The building is referred to as the Pugliese Training Center. Financing for the acquisition, renovation of the first floor and related equipment purchases came from a combination of a state grant of \$725,000, Jefferson Community College capital funds, and the issuance of bonds. The college will retire the bond by utilizing its State of Ohio provided capital component allocation over a ten (10) year period to pay the principle portion of the loan. The renovation of the first floor is designed to permit the college to expand the customized training offered to local business and industry. Currently the college is in the third year of a rental agreement with Xentel Corporation for the second floor of the building. The rental income will be used to offset the operating cost of the facility. The college intends to renovate and occupy the second floor and has already received a \$500,000 contribution to assist with this project.

The college is currently planning renovations of its parking lots, the biology and chemistry labs and the second floor of the Pugliese Training Center. The second floor will be a student fitness center.

The college agreed to a four (4) year collective bargaining agreement with both bargaining units that ends in 2010.

Jefferson Community College
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Institution	Component Unit
	Jefferson Community College	Jefferson Community College Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,596,451	\$ 15,331
Short-term investments	599,046	-
Property tax receivable	869,346	-
Other receivables	1,076,808	-
Inventory	235,219	-
Other assets	291,170	-
Total current assets	<u>\$ 5,668,040</u>	<u>\$ 15,331</u>
Non-current Assets		
Restricted cash and cash equivalents	\$ 3,082	\$ 150,000
Endowment investments	51,217	-
Capital assets, gross	18,272,796	-
Accumulated depreciation	(8,219,434)	-
Total assets	<u>\$15,775,701</u>	<u>\$ 165,331</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 266,444	\$ -
Accrued wages	54,346	-
Bond interest payable	55,515	-
Deferred revenue	283,968	-
Deposits	29,729	-
Long term liabilities, current portion	212,759	-
Total current liabilities	<u>\$ 902,761</u>	<u>\$ -</u>
Non current Liabilities		
Bond payable	\$ 1,355,450	\$ -
Compensated absences	540,663	-
Total Liabilities	<u>\$ 2,798,874</u>	<u>\$ -</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 8,485,153	\$ -
Restricted For: Expendable		
Scholarships	296,360	-
Capital	608,293	-
Educational and general	643,483	150,000
Unrestricted	2,943,538	15,331
Total Net Assets	<u>12,976,827</u>	<u>165,331</u>
Total liabilities and net assets	<u>\$15,775,701</u>	<u>\$ 165,331</u>

The accompanying notes are an integral part of this statement

Jefferson Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2007

	Primary Institution	Component Unit
	Jefferson Community College	Jefferson Community College Foundation
REVENUES		
Operating Revenues		
Tuition and student fees (Net of scholarship allowances of \$2,613,473)	\$ 2,056,147	\$ -
Auxiliary enterprises revenue	1,058,002	-
Federal grants and contracts	2,791,676	-
State grants and contracts	919,310	-
Local grants and contracts	16,947	-
Other operating revenue	<u>130,377</u>	<u>32,016</u>
Total operating revenues	<u>\$ 6,972,459</u>	<u>\$ 32,016</u>
EXPENSES		
Operating expenses:		
Education and General	\$ 4,592,846	\$ 15,681
Public Service	1,262,102	-
Academic Support	674,155	-
Student services	1,222,401	-
Institutional support	1,979,522	-
Operation and maintenance of plant	928,035	-
Scholarships and fellowships	532,719	3,088
Auxiliary enterprises	1,051,752	-
Depreciation	<u>565,380</u>	<u>-</u>
Total operating expenses	<u>\$12,808,912</u>	<u>18,769</u>
Operating (loss) income	<u>\$ (5,836,453)</u>	<u>\$ 13,247</u>
NONOPERATING REVENUES		
Capital Funds (bond retirement)	\$ 185,499	\$ -
State grants and contracts	4,543,303	-
Local grants and contracts	169,910	-
Capital grants and contracts	69,524	-
Investment income	173,925	5,981
Property taxes	<u>852,449</u>	<u>-</u>
Total non operating revenues	<u>\$ 5,994,610</u>	<u>\$ 5,981</u>
Increase in net assets	158,157	19,228
Net assets - beginning of year, restated	<u>12,818,670</u>	<u>146,103</u>
Net assets - end of year	<u>\$12,976,827</u>	<u>\$ 165,331</u>

The accompanying notes are an integral part of this statement

**Jefferson Community College
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Primary Institution</u>
	<u>Jefferson Community College</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 4,494,252
Grants and contracts	3,810,200
Payments to suppliers	(8,234,290)
Payroll and fringe benefits	(6,784,835)
Auxiliary enterprise charges	1,174,123
Other Income	<u>130,377</u>
Net cash used by operating activities	<u>\$(5,410,173)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	\$ 835,227
State appropriations	3,839,255
Grants and contracts	<u>633,850</u>
Net cash provided by noncapital financing activities	<u>\$ 5,308,332</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (96,512)
Capital financing	<u>125,039</u>
Net cash provided by capital and related financing activities	<u>\$ 28,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 151,461
Purchase of long term CD's and investments	<u>(600,000)</u>
Net cash used in investing activities	<u>\$ (448,539)</u>
Net decrease in cash	<u>(521,853)</u>
Cash, Beginning of Year	<u>3,121,386</u>
Cash, End of Year	<u>\$ 2,599,533</u>

The accompanying notes are an integral part of this statement.

Jefferson Community College
STATEMENT OF CASH FLOWS – continued
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Primary Institution</u>
	<u>Jefferson Community College</u>
Operating loss	\$(5,836,453)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	565,380
Net changes in:	
Receivables	(173,045)
Inventories	108,571
Other assets	(87,612)
Accounts payable and other liabilities	158,436
Accrued wages	(103,364)
Deferred revenue	(41,289)
Deposits held	198
Compensated absences	<u>(995)</u>
Net cash used by operating activities	<u><u>\$(5,410,173)</u></u>

The accompanying notes are an integral part of this statement.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. DESCRIPTION OF THE REPORTING ENTITY

Jefferson Community College is a political subdivision established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. The College operates under an appointed Board of Trustees. Management believes the financial statements included in this report represent all of the Funds of the College over which the college has the ability to exercise direct operating control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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.

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.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

Basis of Accounting (Continued)

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.

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 uncollectible amounts. Property taxes receivable include estimated amounts due at June 30, 2007.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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

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

The College follows the provisions of *Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences*.

Employee vacation and sick 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. The college is applying the termination method to calculate compensated absences.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2. 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 external scholarship discounts and allowances, and (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.

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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* 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 external scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. External 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.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4. 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 College adopted GASB 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3). Generally this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest relate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; foreign exchange exposures that would indicate the foreign investment's denomination.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2007, the College had the following deposits and investments:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
National City Bank Checking and Savings Accounts	\$1,893,847	\$2,094,817
JP Morgan Chase Checking Accounts	482	482
Sky Bank CD	700,000	700,000
National City CD	600,000	600,000
Wesbanco Checking and Savings Accounts	4,250	4,250
Various Corporate Stock	<u>51,217</u>	<u>51,217</u>
Total Deposits and Investments	<u>\$3,249,796</u>	<u>\$3,450,766</u>

Credit Risk: The College does not have any exposure to credit risk.

Concentration of Credit Risk: The College had approximately 77% of its deposits and investments with National City.

Foreign Currency Risk: The College does not have any exposure to foreign currency risk.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balance of \$3,399,549, the Federal Depository Insurance Corporation insured \$304,732 and the balance of \$3,094,817 was exposed to custodial credit risk because it was collateralized by U.S. Government Securities not in the College's name.

The application of GASB 40 does not have a material impact on the foundation's financial position or results of operations.

5. ACCOUNTS RECEIVABLE

Receivables at June 30, 2007 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 awards.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

6. CAPITAL ASSETS

Changes in capital assets at June 30, 2007 is composed of the following:

<u>Description</u>	<u>Balance at July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2007</u>
Capital Assets, Non-Depreciable:				
Land	\$ 629,200	\$ -	\$ -	\$ 629,200
Total Non-Depreciable	629,200	-	-	629,200
Capital Assets, Depreciable:				
Buildings and Building Improvements	\$16,054,366	\$ -	\$ -	\$16,054,366
Equipment and Furniture	<u>1,609,598</u>	<u>96,512</u>	<u>116,880</u>	<u>1,589,230</u>
Total Depreciable	17,663,964	96,512	116,880	17,643,596
Less Accumulated Depreciation:				
Buildings and Building Improvements	\$ (6,532,840)	\$(401,325)	\$ -	\$ (6,934,165)
Equipment and Furniture	<u>(1,238,094)</u>	<u>(164,055)</u>	<u>116,880</u>	<u>\$ (1,285,269)</u>
Total Accumulated Depreciation	(7,770,934)	(565,380)	116,880	(8,219,434)
 Total Capital Assets, Depreciable, net	 <u>9,893,030</u>	 <u>(468,868)</u>	 <u>-</u>	 <u>9,424,162</u>
 Capital Assets, net	 <u>\$10,522,230</u>	 <u>\$(468,868)</u>	 <u>\$ -</u>	 <u>\$10,053,362</u>

7. STATE SUPPORT

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

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

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

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

8. 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, 2007.

The SERS and STRS payable represents withholdings made from employees in fiscal 2007 to be paid to the School Employees Retirement System and the State Teachers Retirement System in fiscal 2008. 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 2007 but not paid until fiscal year 2008. It is mostly faculty contracts that are earned but not yet paid at year- end.

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

2007	\$ 194,255
2008	203,423
2009	213,025
2010	223,080
2011	233,609
2012	244,635
2013	<u>256,182</u>
	<u>\$1,568,209</u>

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

9. TAX LEVY

The College has levied a 1-mill property tax for general operating expenses which generated \$1,159,039. Listed below is the amount of the dollars that the college will no longer receive due to the phase out of state reimbursement for utility deregulation.

<u>Calendar Year</u>	<u>Annual Dollar Reduction In Levy Money Resulting From Utility Deregulation</u>
2007-2011	45,037
2012	81,066
2013	117,095
2014	153,124
2015	189,154
2016	225,183

The State of Ohio has also recently reduced personal property taxes for businesses in the State. Currently, the State is reimbursing the College for any levy reduction resulting from the change in taxation. The State has discussed different plans to phase out the reimbursement of this loss to entities that have levies. If the reimbursement from the State becomes totally phased out, this would reduce the College's levy by approximately \$100,000.

10. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and Jefferson Community College is required to contribute an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The College's contributions to SERS for the years ended June 30, 2007, 2006, 2005 were \$307,411, \$286,818 and \$277,803, respectively, equal to the required contributions for each year.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

State Teachers Retirement System

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

Plan members are required to contribute 10% percent of their annual covered salary and Jefferson Community College is required to contribute 14 percent, 13 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, 2007, 2006, 2005 were \$470,026, \$481,435, and \$449,792, respectively.

11. POST EMPLOYMENT 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, 2007 the Board allocated employer contributions equal to 1 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 \$3.5 billion at June 30, 2006 (the latest information available). For the year ended June 30, 2006, \$490 million was paid to health care providers. Overall, the Fund balance increased \$3.3 billion.

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.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

After the allocation for basic benefits, the remainder of the employer's 14 percent is allocated to providing health care benefits. At June 30, 2007 the allocation rate was 3.42 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount. For the current year, the minimum pay has been established at \$35,800. 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. Net expenses for health care at June 30, 2006 (the latest information available), were \$228,571,000. As of June 30, 2006 (the latest information available), the value of the health care fund is about 221 percent of next year's projected net health care costs of \$133,738,000. On the basis of actuarial projections, the allocated contributions will be insufficient in the long-term to provide for a health care reserve equal to at least 150 percent of estimated net claim costs.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11. 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 2007, the College contracted with insurance companies for coverage of buildings and contents.

The following is a list of insurance coverage's of the College and the deductibles associated with each:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Commercial Property		
Commercial Property and Building (Blanket)	\$28,000,000	\$5,000
Earthquake	6,000,000	100,000
Business Income (Main Building Only)	1,000,000	-
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	10,000
General Aggregate	2,000,000	-
Commercial Crime		
Employee Dishonesty	150,000	-
Forgery	65,000	-
Premises (Theft, Disappearance, Destruction)	75,000	-
Commercial Inland Marine		
Accounts Receivable	100,000	500
Valuable Papers	100,000	500
EDP	1,000,000	5,000
Commercial Umbrella	5,000,000	10,000 (Retained Limits)

**Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

11. RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the College has not significantly reduced coverage's 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 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, in a flexible spending plan, to use for reimbursement of expenses for non-covered medical payments, co-payments, etc. If a full time employee waives medical coverage, the College will pay \$2,400 per year in a flexible spending plan or a \$1,400 per year taxable cash award. The College self-insured a prescription drug plan for employees through May 31, 2007, effective June 1, 2007, the employee's prescription costs are rolled into the health care premiums and as such are fully insured. Self-insured prescription expenses for fiscal year 2007 totaled \$240,343.

Beginning June 1, 2005 employees could elect the HMO option and not pay any premium. If they elected to stay with the PPO product they must pay the difference in premium between the HMO rate and the PPO rate. The College switched insurance carriers on June 1, 2007 and the HMO option is no longer available.

**Rates
June 1, 2007 to June 1, 2008**

	PPO
Single Coverage	\$ 385.39
Employee/Spouse	\$ 847.08
Employee/Child	\$ 650.53
Family Coverage	\$1,189.69

**Rates
June 1, 2006 to June 1, 2007**

	HMO	PPO
Single Coverage	\$ 352.60	\$ 390.00
Double Coverage	\$ 775.67	\$ 857.98
Family Coverage	\$1,009.16	\$1,110.71

12. LITIGATION

At June 30, 2007, 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.

13. COMPONENT UNIT DISCLOSURES – JEFFERSON COMMUNITY COLLEGE FOUNDATION

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jefferson Community College Foundation (the Foundation) is a legally separate, tax-exempt organization supporting Jefferson Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities for the College. Because the majority of the distribution of the resources held by the Foundation are received by the College, the Foundation is considered a component unit of the College and is presented in the College's financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the Audit and Accounting Guide for Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's report.

Jefferson Community College
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

13. COMPONENT UNIT DISCLOSURES – JEFFERSON COMMUNITY COLLEGE FOUNDATION (CONTINUED)

Cash and Cash Equivalents

The Foundation classifies its checking and certificates of deposit as cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

NOTE B – TAXES

The Foundation is exempt from income taxes under Section 501(c)(3) as a Non-Governmental, Non Profit entity of the Internal Revenue Code.

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<u>U.S. Department of Education</u>				
Student Financial Aid Cluster:				
Pell Grant – Financial Aid	Direct	84.063	\$1,882,454	\$1,882,454
Pell Grant – Administrative Allowance	Direct	84.063	<u>4,540</u>	<u>4,540</u>
Total Pell Grant			<u>1,886,994</u>	<u>1,886,994</u>
S.E.O.G. – Financial Aid	Direct	84.007	46,124	46,124
S.E.O.G. – Administrative Allowance	Direct	84.007	<u>-</u>	<u>-</u>
Total S.E.O.G. Grant			<u>46,124</u>	<u>46,124</u>
College Work Study – Financial Aid	Direct	84.033	67,939	67,939
College Work Study – Administrative Allowance	Direct	84.033	<u>-</u>	<u>-</u>
Total College Work Study Grant			<u>67,939</u>	<u>67,939</u>
ACG – Financial Aid	Direct	84.375	<u>33,504</u>	<u>33,504</u>
TRIO Grant	Direct	84.042	<u>247,419</u>	<u>247,419</u>
Total Department of Education			<u>2,281,980</u>	<u>2,281,980</u>
<u>U.S. Department of Education/ Passed Through Ohio Department Of Education</u>				
Tech Prep Programs	VETP0-2004 15 FB	84.243	163,659	163,659
A.B.L.E. Workplace Literacy	AB-S1-2004	84.002	192,537	192,537
Perkins Grant	VECP II 2004-521	84.048	<u>97,583</u>	<u>97,583</u>
Total Ohio Department Of Education			<u>453,779</u>	<u>453,779</u>
Total U.S. Department of Education			<u>2,735,759</u>	<u>2,735,759</u>
<u>U.S. Department of Labor/ Passed Through Ohio Department of Job and Family Services</u>				
Workforce Investment Act (Jefferson, Harrison, Belmont, Columbiana & Mahoning Counties)	4D7310000	17.258	<u>54,386</u>	<u>54,386</u>
Total U.S. Department of Labor			<u>54,386</u>	<u>54,386</u>

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts Recognized</u>	<u>Program Expenditures</u>
<u>U.S. Department of Justice</u>				
<u>Passed Through Ohio Criminal Justice System</u>				
Police Byrne Grant	2002-DG-B01-7345	16.579	<u>12,907</u>	<u>12,907</u>
Total U.S. Criminal Justice Services			<u>12,907</u>	<u>12,907</u>
Appalachian Regional Development		23.001	10,457	10,457
ATIP Grant (50% Federal, 50% State) (listed amount is the Federal Portion)		23.011	<u>15,344</u>	<u>15,344</u>
Total Federal Grants			<u>\$2,828,853</u>	<u>\$2,828,853</u>

See accompanying notes to the schedule of federal awards expenditures.

Jefferson Community College
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

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.



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

To the Board of Trustees
Jefferson Community College
Steubenville, Ohio

We have audited the financial statements of Jefferson Community College (a nonprofit organization) as of and for the year ended June 30, 2007 and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Smolgrass, A.C.

Steubenville, Ohio
November 9, 2007



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

To the Board of Trustees
Jefferson Community College
Steubenville, Ohio

Compliance

We have audited the compliance of Jefferson Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Jefferson Community 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 Jefferson Community College's management. Our responsibility is to express an opinion on Jefferson Community 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; and OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Community 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 of Jefferson Community College's compliance with those requirements.

In our opinion, Jefferson Community 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, 2007.

Internal Control Over Compliance

The management of Jefferson Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Community College's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson Community College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, and 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.
November 9, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMS CIRCULAR A-133 SECTION .505
JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY
June 30, 2007**

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material Weakness conditions reported at The financial statements level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable Control deficiency 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 Weakness conditions Reported for major federal Programs?	No
(d)(1)(iv)	Were there any other reportable Internal control deficiency 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 ACG CFDA #84.375
(d)(1)(vii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
OMS CIRCULAR A-133 SECTION .505
JEFFERSON COMMUNITY COLLEGE JEFFERSON COUNTY
June 30, 2007

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, 2006, included no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

JEFFERSON COMMUNITY COLLEGE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2007**