

**SOUTHERN STATE COMMUNITY COLLEGE**

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**Financial Report With Additional Information  
For The Years Ended June 30, 2004 and 2003**

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Southern State Community College  
100 Hobart Dr.  
Hillsboro, OH 45133

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 1, 2004

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# SOUTHERN STATE COMMUNITY COLLEGE

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# SOUTHERN STATE COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2004

### Accounting Standards

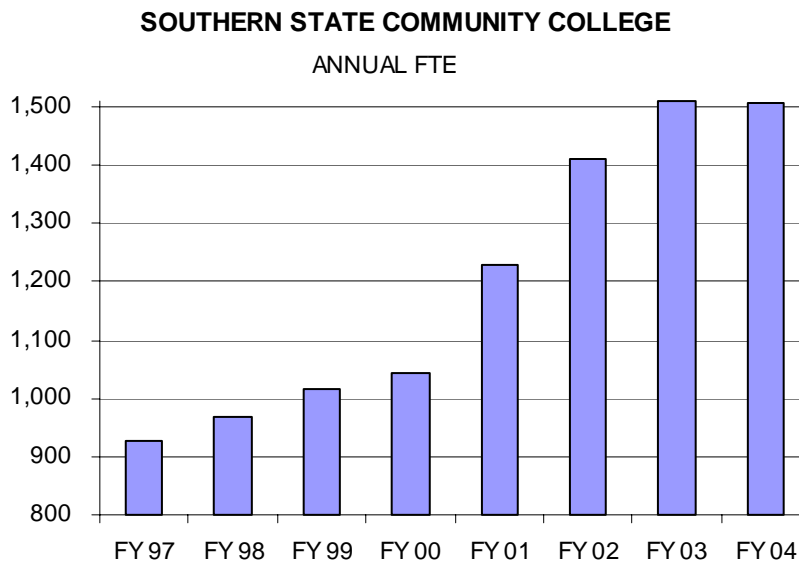
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999 GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. Southern State Community College was required to adopt these new standards for this fiscal year ending June 30, 2002, and has done so.

The following discussion and analysis provides an overview of the College's financial activities. This is the third year using the new format.

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the College: the Statement of Net Assets; The Statement of Revenue, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

### Financial and Enrollment Highlights

- The College's enrollment was essentially stable.
- The stable enrollment and a modest 3% tuition increase resulted in an increase in gross student fee revenue of 2.5%.



- State Subsidy increased by 11.2%.
- Health care premiums increased 11% in FY 04 and should increase 4% in FY 05.
- The College received a \$1 million capital appropriation in FY 03 to assist in the construction of a new multi-purpose facility. The total budget for this project is \$4 million. The College has issued bonds in the amount of \$2.8 million and committed renovations and local funds to provide the balance of the funding needed for the project. Bids were opened in February of 2004 and the majority of foundation work was completed by June 2004. The College's Board of Trustees has restricted \$3 per credit hour student activity fee for the bond debt service and facilities operating costs.

# SOUTHERN STATE COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2004

### Statement of Net Assets

The Statement of Net Assets includes assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – is one way of measuring the financial health of the College.

	FY 04	FY 03	FY 02
Current assets:			
Cash and short-term investments	2,948,782	2,241,361	2,238,435
Receivables	1,434,508	1,191,977	1,019,808
Inventory, prepaids and other	174,543	227,869	146,457
	-----	-----	-----
Total current assets	4,557,833	3,661,207	3,404,700
Non-current assets:			
Investments	3,171,817	277,423	117,826
Other Assets	12,318	74,595	12,060
Capital assets, net of depreciation	15,275,461	13,873,882	14,142,323
	-----	-----	-----
Total non-current assets	18,459,596	14,225,900	14,272,209
	-----	-----	-----
Total assets	23,017,429	17,887,107	17,676,909
Current liabilities			
Accounts payable, accrued liabilities & other	997,361	464,752	460,901
Deferred Revenue	409,860	439,230	531,584
Long-term liabilities - current portion	222,277	80,449	67,645
	-----	-----	-----
Total current liabilities	1,629,498	984,431	1,060,130
Non-current liabilities:			
Long-term liabilities	3,265,119	294,543	233,186
	-----	-----	-----
Total liabilities	4,894,617	1,278,974	1,293,316
Net assets:			
Invested in plant	14,802,596	13,705,376	14,019,373
Restricted	970,137	953,395	793,040
Unrestricted	2,350,079	1,949,362	1,571,180
	-----	-----	-----
Total net assets	18,122,812	16,608,133	16,383,593
	=====	=====	=====

Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. Also, the increase is the result of modest increase in tuition.

Accounts Payable increased primarily due to the annual budget increase. Vendor accounts are paid well within 30 days. Accounts Payable also includes payments due on a construction project in process at year-end.

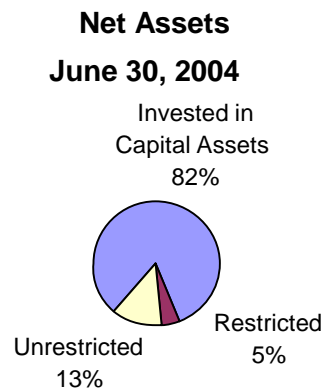
Deferred Revenue is largely represented by tuition and fees generated from registrations for the next fiscal year, FY 04. These dollars will be recognized in the following year's financial statements.

Long-term Liabilities include deferred compensation (accrued vacation and sick days) and the net present value of the future capital lease and the bond issue payments.

Net Assets include the net investment in capital assets and both restricted and unrestricted funds. Total Net Assets increased 9% from FY 03 to FY 04.

# SOUTHERN STATE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2004



## Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the College operations, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for, are considered non-operating revenues according to generally accepted accounting principles.

	FY 04	FY 03	FY 02
Operating revenue:			
Net tuition and fees	3,962,692	3,767,373	3,214,954
Auxiliary	2,925,370	2,604,286	2,335,738
Grants and contracts	5,087,239	5,180,274	4,044,020
Other	84,979	144,407	67,155
Total	12,060,280	11,696,340	9,661,867
Operating Expenses	16,687,335	16,084,982	13,902,804
Net operating expenses	(4,627,055)	(4,388,642)	(4,240,937)
Non-operating revenues:			
State subsidy	5,062,250	4,553,202	4,314,214
Investment income and other	18,873	59,980	37,475
Capital Appropriations	1,060,611	-	-
Total	6,141,734	4,613,182	4,351,689
Increase in net assets	1,514,679	224,540	110,752
Net assets - Beginning of year	16,608,133	16,383,593	16,272,841
Net assets - End of year	18,122,812	16,608,133	16,383,593

Net tuition and fees represents gross student fee revenue of \$5,561,853 in FY 04 and \$5,425,337 in FY 03 net of scholarship allowances of \$1,599,161 and \$1,657,964 for those years respectively.

Auxiliary Revenue consists of Bookstore, Daycare, and non-grant portion of Corporate and Community Services. This increase was due to the growth in both enrollment and noncredit job training.

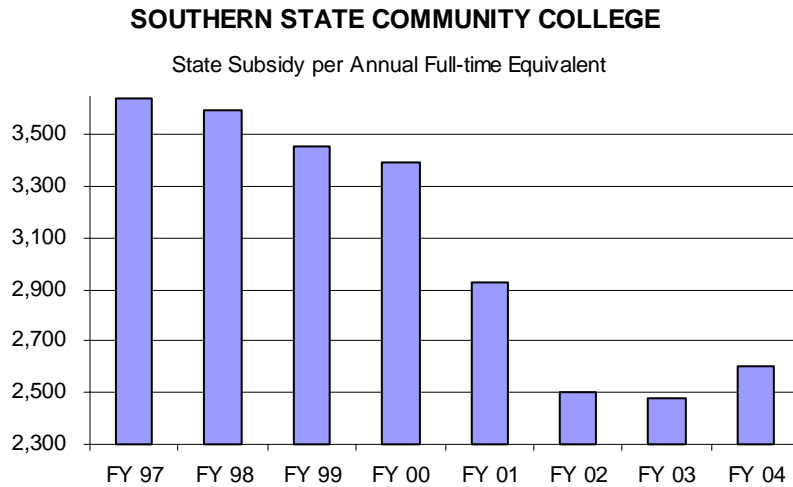
Operating Expense increases primarily reflect increases in salaries and benefits.



# SOUTHERN STATE COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2004

State Subsidy per full-time student has declined significantly in recent years. FY 04 saw a minor improvement in this area. The trend of declining funding per annual full-time equivalent began in 1998. In FY 97 State Subsidy represented 53% of Total General Fund Revenue. In FY 04 State Subsidy represented less than 38% of Total General Fund Revenue.



### Operating Expenses by Functional Classification

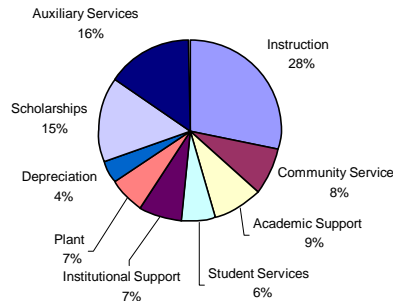
Historically public colleges and universities have presented expenditures based upon their functional classification. A recap of operating expenses based upon function is as follow:

	FY 04	FY 03	FY 02
Operating Expenses			
Instructional	4,878,336	4,810,538	4,109,791
Research	368	567	643
Community Service	1,078,954	1,256,909	879,450
Academic Support	1,481,015	1,309,452	1,224,115
Student Services	1,070,884	1,019,904	979,983
Institutional Support	1,286,652	1,147,410	1,066,020
Plant Operations	692,514	1,207,689	750,529
Depreciation	618,247	556,521	539,377
Scholarships	2,645,383	2,486,722	2,131,588
Auxiliary	2,934,982	2,289,270	2,221,308
<b>Total Operating Expenses</b>	<b>16,687,335</b>	<b>16,084,982</b>	<b>13,902,804</b>

# SOUTHERN STATE COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2004

## Total Operating Expenses by Function June 30, 2004

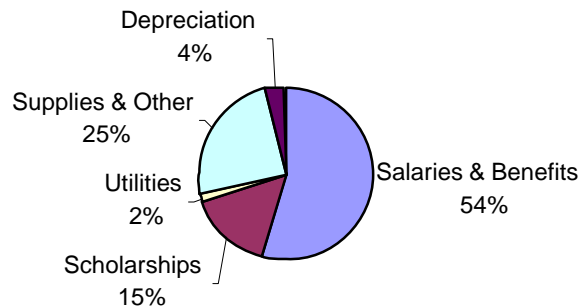


## Operating Expenses by Natural Classification

The presentation of operating expenses by natural classification, as used in most businesses is as follows:

Operating Expenses	FY 04	FY 03	FY 02
Salaries:			
Faculty	2,405,598	3,617,802	3,408,474
Exempt staff	1,783,331	1,685,774	1,623,260
Nonexempt wages	2,900,430	1,297,588	1,100,713
Benefits	2,230,685	1,964,906	1,715,875
Scholarships	2,645,383	2,486,722	2,131,588
Utilities	322,418	337,972	345,678
Supplies and other services	3,781,243	4,137,697	3,037,839
Depreciation	618,247	556,521	539,377
<b>Total Operating Expenses</b>	<b>16,687,335</b>	<b>16,084,982</b>	<b>13,902,804</b>

## Total Operating Expenses by Natural Classification June 30, 2004



# SOUTHERN STATE COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDING JUNE 30, 2004

### Statement of Cashflows

The Statement of Cashflows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

	FY 04	FY 03	FY 02
Cash Provided By (Used In):			
Operating activities	(3,457,972)	(4,231,610)	(2,579,468)
Non-capital financing activities	5,077,823	4,595,400	3,578,886
Capital and related financing activities	1,906,187	(242,524)	(284,673)
Investing Activities	(316,468)	(118,340)	55,756
	-----	-----	-----
Net Increase (decrease) in cash	3,209,570	2,926	770,501
Cash - Beginning of year	2,241,361	2,238,435	1,467,934
	-----	-----	-----
Cash - End of year	5,450,931	2,241,361	2,238,435
	=====	=====	=====

The primary cash receipts from operating activity are student fees.

State subsidy represents the primary non-operating source of funds.

Payments to employees are the primary use of funds.

### Economic Factors that will Effect the Future

#### Challenges

- The multi-campus structure of the College will continue to present challenges.
- A failure to fully recover from the decline in state funding per student will present challenges in meeting the College's commitment to maintain tuition at an affordable level for our service area.
- The national and state economies create an uncertainty regarding appropriations, as well as student aid programs such as the Pell Grant and the Ohio Instructional Grant.
- Healthcare increases have been substantial in recent years. The maintenance of an attractive, yet affordable benefit package will require significant effort and commitment.

#### Opportunities

- Both state universities and private colleges have substantially increased tuition. This expands the existing market advantage for the Community College.
- The relatively low average class sizes represent some existing capacity for growth.
- The current facilities can accommodate growth in the near term. Efficient planning and scheduling, along with feasible master planning for capital funding should provide for continued growth within existing funding streams.
- The addition of multi-purpose facility on the College's Central Campus will enhance the College's ability to service students and the community.

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southern State Community College  
Hillsboro, Ohio

We have audited the accompanying basic financial statements of Southern State Community College (the College), a component unit of the State of Ohio, as listed in the table of contents, as of June 30, 2004 and 2003, and for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

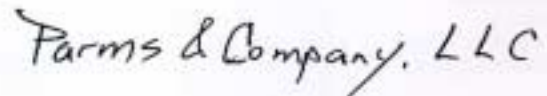
We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Southern State Community College as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 1, 2004, on our consideration of the College's internal control over financial reporting and on our tests of its 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.

The Management's Discussion and Analysis presented on pages 1 through 6 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2004, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Southern State Community College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Farms & Company, LLC". The signature is written in a cursive style and is positioned to the right of a faint, illegible stamp or mark.

October 1, 2004

**SOUTHERN STATE COMMUNITY COLLEGE**

**STATEMENTS OF NET ASSETS  
As of June 30, 2004 and 2003**

	<b>2004</b>		<b>2003</b>	
	Southern State	Component Unit	Southern State	Component Unit
	<u>Community College</u>	<u>SSCC Foundation</u>	<u>Community College</u>	<u>SSCC Foundation</u>
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 87,414	\$ 55,094	\$ 16,962	\$ 43,920
Investments				
Cash Equivalent - Star Ohio	2,806,274	-	2,180,479	-
Accounts Receivable	1,429,958	-	1,186,618	-
Pledges Receivable, Net	-	4,550	-	5,359
Other Receivables	7,199	-	21,677	-
Inventories	133,849	-	186,093	-
Other Assets	33,495	-	20,099	-
<b>Total Current Assets</b>	<b>4,498,189</b>	<b>59,644</b>	<b>3,611,928</b>	<b>49,279</b>
Noncurrent Assets				
Restricted Investments				
Cash Equivalent - Star Ohio	2,502,149	-	-	-
Other	226,840	442,828	-	277,423
Other Assets	12,318	-	74,595	-
Capital Assets, Net	15,275,461	-	13,873,882	-
<b>Total Noncurrent Assets</b>	<b>18,016,768</b>	<b>442,828</b>	<b>13,948,477</b>	<b>277,423</b>
<b>TOTAL ASSETS</b>	<b>22,514,957</b>	<b>502,472</b>	<b>17,560,405</b>	<b>326,702</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	554,131	-	68,417	-
Accrued Liabilities	400,782	-	356,318	-
Held in Custody for Others	42,448	-	40,017	-
Bonds, Payable, Current Portion	100,000	-	-	-
Capital Lease Obligation, Current Portion	83,090	-	42,472	-
Note Payable, Current Portion	39,187	-	37,977	-
Deferred Revenue	409,860	-	439,230	-
<b>Total Current Liabilities</b>	<b>1,629,498</b>	<b>-</b>	<b>984,431</b>	<b>-</b>
Noncurrent Liabilities:				
Bonds, Payable, Long-term Portion	2,700,000	-	-	-
Capital Lease Obligation, Long-term Portion	300,258	-	25,518	-
Note Payable, Long-term Portion	23,351	-	62,539	-
Compensated Absences	241,510	-	206,486	-
<b>Total Noncurrent Liabilities</b>	<b>3,265,119</b>	<b>-</b>	<b>294,543</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>4,894,617</b>	<b>-</b>	<b>1,278,974</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	14,802,596	-	13,705,376	-
Restricted For:				
Nonexpendable				
Endowments and Quasi-Endowments	12,318	116,084	12,318	102,942
Expendable				
Loans	17,696	-	17,696	-
Scholarships and Fellowships	-	32,576	-	26,472
Other	791,463	-	793,967	-
Unrestricted	1,996,267	353,812	1,752,074	197,288
<b>TOTAL NET ASSETS</b>	<b>\$ 17,620,340</b>	<b>\$ 502,472</b>	<b>\$ 16,281,431</b>	<b>\$ 326,702</b>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN STATE COMMUNITY COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2004 and 2003**

	<u>2004</u>		<u>2003</u>	
	Southern State	Component Unit	Southern State	Component Unit
	<u>Community College</u>	<u>SSCC Foundation</u>	<u>Community College</u>	<u>SSCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees - net of scholarship allowance of \$1,599,161 and \$1,657,964, respectively	\$ 3,962,692	\$ -	\$ 3,767,373	\$ -
Federal Grants and Contracts	3,097,650	-	2,885,029	-
State and Local Grants and Contracts	1,515,256	-	1,906,512	-
Private Grants and Contracts	274,685	199,648	313,453	75,280
Auxiliary Services	2,925,370	-	2,604,286	-
Other Operating Revenue	84,979	-	144,407	-
<b>Total Operating Revenues</b>	<b>11,860,632</b>	<b>199,648</b>	<b>11,621,060</b>	<b>75,280</b>
<b>EXPENSES</b>				
Operating Expenses:				
Instructional	4,878,336	-	4,810,538	-
Research	368	-	567	-
Community Service	1,078,954	-	1,254,209	2,700
Academic Support	1,481,015	-	1,309,452	-
Student Services	1,070,884	-	1,019,904	-
Institutional Support	1,286,652	-	1,147,410	-
Plant Operations	692,514	-	1,207,689	-
Depreciation	618,247	-	556,521	-
Scholarships	2,577,737	67,646	2,422,731	63,991
Auxiliary Activities	2,934,982	-	2,289,270	-
<b>Total Operating Expenses</b>	<b>16,619,689</b>	<b>67,646</b>	<b>16,018,291</b>	<b>66,691</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(4,759,057)</b>	<b>132,002</b>	<b>(4,397,231)</b>	<b>8,589</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Appropriations	5,062,250	-	4,553,202	-
Investment Income - Net of Investment Expense	45,151	30,626	29,669	5,738
Interest on Capital Asset Related Debt	(70,046)	-	-	-
<b>Net Nonoperating Revenues</b>	<b>5,037,355</b>	<b>30,626</b>	<b>4,582,871</b>	<b>5,738</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSE GAINS, OR LOSSES</b>	<b>278,298</b>	<b>162,628</b>	<b>185,640</b>	<b>14,327</b>
Capital Appropriations	1,060,611	-	-	-
Additions to Permanent Endowments	-	13,142	-	24,573
<b>INCREASE IN NET ASSETS</b>	<b>1,338,909</b>	<b>175,770</b>	<b>185,640</b>	<b>38,900</b>
<b>NET ASSETS</b>				
Beginning of Year	<u>16,281,431</u>	<u>326,702</u>	<u>16,095,791</u>	<u>287,802</u>
End of Year	<u>\$ 17,620,340</u>	<u>\$ 502,472</u>	<u>\$ 16,281,431</u>	<u>\$ 326,702</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN STATE COMMUNITY COLLEGE**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2004 and 2003**

	<b>2004</b>		<b>2003</b>	
	Southern State	Component Unit	Southern State	Component Unit
	Community College	SSCC Foundation	Community College	SSCC Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and Fees	\$ 3,921,463	\$ -	\$ 3,562,674	\$ -
Grants and Contracts	4,733,998	-	5,078,551	-
Private Gifts	-	200,457	-	80,579
Payments and Suppliers	(3,299,520)	-	(4,320,888)	(2,700)
Payments for Utilities	(313,965)	-	(337,972)	-
Payments to Employees	(6,851,288)	-	(6,572,994)	-
Payments for Benefits	(2,188,127)	-	(1,964,906)	-
Payments for Scholarships	(2,563,259)	(67,646)	(2,422,230)	(63,991)
Auxiliary Enterprise Charges	2,882,506	-	2,587,860	-
Other Receipts	87,409	-	144,407	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,590,783)</b>	<b>132,811</b>	<b>(4,245,498)</b>	<b>13,888</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State Appropriations	5,062,250	-	4,553,202	-
Agency and Loan Program Receipts, net	2,431	-	17,625	-
Private Gifts for Endowment Purposes	-	13,142	-	24,573
Gifts and Grants Received for Other than Capital Purposes	-	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>5,064,681</b>	<b>13,142</b>	<b>4,570,827</b>	<b>24,573</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital Appropriations	908,814	-	-	-
Principle Paid on Debt	(147,898)	-	(79,790)	-
Interest Paid on Debt	(60,180)	-	(11,999)	-
Proceeds from New Debt	3,225,278	-	125,346	-
Purchases of Capital Assets	(2,019,827)	-	(276,081)	-
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b>1,906,187</b>	<b>-</b>	<b>(242,524)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale and Maturing of Investments	-	-	-	-
Interest on Investments	45,151	30,626	29,669	8,378
Investment Purchases	(226,840)	(165,405)	-	(156,387)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(181,689)</b>	<b>(134,779)</b>	<b>29,669</b>	<b>(148,009)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,198,396</b>	<b>11,174</b>	<b>112,474</b>	<b>(109,548)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,197,441</b>	<b>43,920</b>	<b>2,084,967</b>	<b>153,468</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 5,395,837</b>	<b>\$ 55,094</b>	<b>\$ 2,197,441</b>	<b>\$ 43,920</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>				
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Gain (Loss)	(4,759,057)	132,002	(4,397,231)	8,589
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) By Operating Activities:				
Depreciation Expense	618,247	-	556,521	-
Changes in Assets and Liabilities:				
Receivables, net	(77,065)	809	(176,116)	5,299
Inventories	52,244	-	(74,466)	-
Other Assets	48,881	-	(76,683)	-
Accounts Payable & Accrued Liabilities	520,313	-	(13,774)	-
Deferred Revenue	(29,370)	-	(92,354)	-
Compensated Absences	35,024	-	28,605	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,590,783)</b>	<b>132,811</b>	<b>(4,245,498)</b>	<b>13,888</b>

The accompanying notes are an integral part of these financial statements.



**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

Southern State Community College (the College) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and is considered to be a component unit of the primary reporting unit of the State of Ohio. The financial statements present the financial position and results of operations of the College along with the Southern State Community College Foundation, as a component unit of the College.

The College was chartered on February 21, 1975 as the Southern State General and Technical College. On October 21, 1977, the name of the College was officially changed to Southern State Community College.

The College operates under the direction of a nine member Board of Trustees who are appointed by the Governor with the advice and consent of the Ohio Senate. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed treasurer is the custodian of funds and is responsible for the fiscal control of the resources of the College.

The College was organized principally to offer educational programs beyond high school, normally not exceeding two years in duration, and leading to the award of an associate degree. The College offers programs in the liberal arts and sciences, technical training, and adult and continuing education, as outlined in ORC Section 3358.01.

**Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999. The College reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34.

**Basis of Accounting**

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when they an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by provider have been met. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

# Southern State Community College

## Notes to the Financial Statements

June 30, 2004 and 2003

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### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Cash and Cash Equivalents**

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents include the College's investment in the Star Ohio fund.

#### **Investments**

The College makes investments in accordance with the Board of Trustees' policy, which conforms with the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Treasurer within these policy guidelines. As of June 30, 2004, and 2003, investments held by the College were valued at \$5,978,091 and \$2,457,902, respectively. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

#### **Accounts Receivables**

At June 30, 2004 and 2003, accounts receivable consist primarily of student tuition and fees, and intergovernmental grants and contracts. Student accounts receivable are reported net of an allowance for doubtful accounts of \$572,194 and \$439,659 at June 30, 2004, and 2003, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management.

#### **Inventory**

Inventories consist principally of books and supplies of the bookstore and central stores inventory. Inventories, which are stated at lower of cost or market, are determined on the first-in-first-out (FIFO) basis.

#### **Capital Assets**

Capital assets with a unit cost of over \$5,000, and all library books, are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on resources set aside for this purpose. Routine maintenance and repairs are charged to expenses as incurred. Certain assets purchased through capital leases have been capitalized and included as part of equipment in the accompanying financial statements.

#### **Deferred Income**

Deferred revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as June 30, 2004 and 2003.

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Operating Revenues**

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

**Scholarship and Allowances and Student Aid**

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of Colleges and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

**Pensions**

A pension cost provision is recorded when the related payroll is accrued and the obligation is incurred.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectibility of receivables and compensated absences. Actual results could differ from those estimates.

**Federal Financial Assistance Programs**

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement. During fiscal years 2004 and 2003, the College distributed \$2,631,956 and \$2,464,941, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

**Net Assets**

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 2 - Cash, Cash Equivalents And Investments**

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

	<u>Cash</u>	<u>Investments</u>
Category 1	Deposits that are either insured or collateralized with securities held by the College or by its agent in the College's name.	Investments that are insured or registered, or securities held by College or by its agent in the College's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.	Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the College's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the College's name).	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the College's name.
Not Categorized		Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 2004, the carrying amount of the College's cash deposits was \$142,508 and the bank balances was \$270,961. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2004, \$100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances were Category 3. The following summarizes the carrying value and market value of investments:

<u>Description</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Market Value</u>
<b>June 30, 2004:</b>			
Star Ohio	\$5,308,423	5,308,423	\$5,308,423
Money market funds	23,505	23,505	23,505
Common/Preferred stocks & bonds	<u>646,163</u>	<u>646,163</u>	<u>646,163</u>
Total Investments	<u>\$5,978,091</u>	<u>5,978,091</u>	<u>\$5,978,091</u>
<b>June 30, 2003:</b>			
Star Ohio	\$2,180,479	2,180,479	\$2,180,479
Common/Preferred stocks & bonds	<u>277,423</u>	<u>277,423</u>	<u>277,423</u>
Total Investments	<u>\$2,457,902</u>	<u>2,457,902</u>	<u>\$2,457,902</u>

The College held \$5,308,423 in Star Ohio investments, which is an external investment pool and is considered a cash equivalent under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1.

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 3 - Capital Assets**

Capital asset activity for the year ended June 30, 2004 and 2003, was as follows:

<b><u>June 30, 2004:</u></b>	<b><u>Beginning</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Ending</u></b>
Land	\$ 767,441	-	-	\$ 767,441
Construction in Progress	-	1,144,164	-	1,144,164
Non-depreciable artwork	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>47,500</u>
Total cost of nondepreciable capital assets	814,941	1,144,164	-	1,959,105
Building and Improvements	18,198,560	332,903	-	18,531,463
Equipment	727,347	542,760	-	1,270,107
Library books	384,733	-	-	384,733
Vehicles	<u>214,714</u>	<u>-</u>	<u>-</u>	<u>214,714</u>
Total cost of depreciable capital assets	<u>19,525,354</u>	<u>875,663</u>	<u>-</u>	<u>20,401,017</u>
Total cost of capital assets	20,340,295	2,019,827	-	22,360,122
Less accumulated depreciation				
Buildings	5,584,149	469,524	-	6,053,673
Equipment	434,071	108,033	-	542,104
Library books	357,377	6,158	-	363,535
Vehicles	<u>90,816</u>	<u>34,533</u>	<u>-</u>	<u>125,349</u>
Total accumulated depreciation	<u>6,466,413</u>	<u>618,248</u>	<u>-</u>	<u>7,084,661</u>
Net capital assets	\$ <u>13,873,882</u>			\$ <u>15,275,461</u>
<b><u>June 30, 2003:</u></b>				
Land	\$ 767,441	-	-	\$ 767,441
Non-depreciable artwork	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>47,500</u>
Total cost of nondepreciable capital assets	814,941	-	-	814,941
Buildings and Improvements	18,152,269	46,291	-	18,198,560
Equipment	595,222	132,125	-	727,347
Library books	384,733	-	-	384,733
Vehicles	<u>105,049</u>	<u>109,665</u>	<u>-</u>	<u>214,714</u>
Total cost of depreciable capital assets	<u>19,237,273</u>	<u>288,081</u>	<u>-</u>	<u>19,525,354</u>
Total cost of capital assets	20,052,214	288,081	-	20,340,295
Less accumulated depreciation				
Buildings	5,124,105	460,044	-	5,584,149
Equipment	367,318	66,753	-	434,071
Library books	351,219	6,158	-	357,377
Vehicles	<u>67,249</u>	<u>23,567</u>	<u>-</u>	<u>90,816</u>
Total accumulated depreciation	<u>5,909,891</u>	<u>556,522</u>	<u>-</u>	<u>6,466,413</u>
Net capital assets	\$ <u>14,142,323</u>			\$ <u>13,873,882</u>

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 3 - Capital Assets (Continued)**

The following estimated useful lives are used to compute depreciation:

Buildings	20 - 40 years
Library books	7 years
Equipment	5 - 15 years

**Note 4 - State Support**

The College is a state-assisted institution of higher education and receives a student-based subsidy from the State of Ohio, as determined annually based upon a formula devised by the Ohio Board of Regents.

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof. Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state assisted institutions of higher education throughout the state. As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's financial balance sheet.

**Note 5 - Capital Leases**

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately \$425,277. The related lease obligations are accounted for in the plant fund. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2004:

<u>Years Ended June 30,</u>	<u>Amount</u>
2005	97,597
2006	97,597
2007	97,597
2008	97,597
2009	<u>25,527</u>
Total minimum lease payments	415,915
Less: Amount representing interest	(32,567)
Present value of minimum lease payments	\$383,348

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 6 - Retirement Plans**

**Public Employees Retirement System (OPERS)**

The College's faculty is covered by State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a statewide cost-sharing multiple employer defined benefit pension plans. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. OPERS issues separate, publicly-available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-6705 or (800) 222-7377.

The Revised Code of Ohio (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers for calendar year 2003 were 8.5% and 13.31% of covered payroll, respectively. Contributions made by the College, which represent 100% of the required contribution, for the years ended June 30, 2004, 2003, and 2002, were \$295,557, \$267,864, and \$252,099, respectively.

**State Teachers Retirement System (STRS)**

The College faculty are covered under the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 6 - Retirement Plans (Continued)**

**State Teachers Retirement System (STRS) (continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's beneficiary is entitled to receive the member's account balance.

Effective July 1, 2003, the member contribution rate was increased to the statutory maximum of 10%. The College was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$623,998, \$607,441, and \$535,213, respectively.

**Note 7 - Other Postemployment Benefits**

**Public Employees Retirement System (OPERS)**

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12. "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers." A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll; 5.0% was the portion that was used to fund health care for the year. The ORC provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS

**State Teachers Retirement System (STRS)**

STRS Ohio provides access to health care benefits for retirees who participate in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.



**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 8 - Compensated Absence**

College faculty and support staff accrue vacation benefits; however, vacation carryover balances is limited to a maximum of 15 days. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the College. The amount of sick leave benefit payable at retirement is one fourth of the value of the accrued but unused sick leave up to a maximum of 260 hours.

The College accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “vesting method” which is set forth in Appendix C, Example 5 of GASB Statement No. 16, *Accounting for Compensated Absences*. Under the vesting method, the College calculates the probability factor that employees will meet retention and eligibility requirements.

The liability for the cost of vacation and sick leave benefits is approximately \$241,510 and \$206,486 as of June 30, 2004 and 2003, respectively.

**Note 9 - Bonds Payable**

During fiscal year ended June 30, 2004, the College issued General Receipts Bonds, Series 2003. The following summarizes bonds payable as of June 30, 2004:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
Series 2003 bonds with interest ranging from 1.65% - 5.00%, due serially through 2023	\$ <u>-</u>	<u>2,800,000</u>	<u>\$2,800,000</u>	<u>\$100,000</u>	<u>\$2,700,000</u>

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2004, are as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	100,000	120,360
2006	100,000	118,710
2007	100,000	116,710
2008	105,000	114,310
2009	105,000	111,422
2010 and thereafter	<u>2,290,000</u>	<u>998,755</u>
Total	<u>\$2,800,000</u>	<u>\$1,580,267</u>

**Southern State Community College**  
**Notes to the Financial Statements**  
**June 30, 2004 and 2003**

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**Note 9 - Bonds Payable** (Continued)

Mandatory Redemption. The Series 2003 bonds stated to mature on December 1, 2023 is subject to mandatory sinking fund redemption on December 1 of the following years:

<u>Year</u>	<u>Amount</u>
2014	\$135,000
2015	140,000
2016	145,000
2017	155,000
2018	165,000
2019	170,000
2020	180,000
2021	190,000
2022	200,000
2023	210,000

**Note 9 - Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which the College carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 10 - Reclassifications**

Certain reclassifications have been made to the 2003 financial statement presentations to conform with the 2004 financial statement presentations.

**SOUTHERN STATE COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2004**

**FEDERAL GRANTOR:**

<u>Direct Recipient/Pass-Through Grantor:</u> <u>Program Title</u>	<u>CFDA Number</u>	State <u>Pass-through Grant Number</u>	<u>Award Fiscal Year</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>				
<i>Direct Recipient:</i>				
Federal Supplemental Education Opportunity Grant	84.007	N/A	2004	\$ 145,649
Federal Work-Study Program	84.033	N/A	2004	72,075
Federal Pell Grant Program	84.063	N/A	2003	(1,510)
Federal Pell Grant Program	84.063	N/A	2004	2,763,832
Federal Pell Grant Program Adm. Allowance	84.063	N/A	2003	6,785
Federal Pell Grant Program Adm. Allowance	84.063	N/A	2004	<u>7,105</u>
Subtotal Pell Grant Program				2,776,212
Federal Direct Loan Program	84.268	N/A	2003	(21,304)
Federal Direct Loan Program	84.268	N/A	2004	<u>2,653,260</u>
Subtotal Federal Direct Loan Program				2,631,956
Subtotal Student Financial Assistance Cluster of Programs				5,625,892
<i>Passed through the Ohio Department of Education:</i>				
Adult Education State Grant Program	84.002	067694-AB-S1	2003	138,459
Adult Education State Grant Program	84.002	067694 AB-S1	2004	<u>92,352</u>
Subtotal Adult Education Grant Program				230,811
Vocational Education Basic Grants to States	84.048	135426 CC-CN	2003	480
Vocational Education Basic Grants to States	84.048	135426 CC-CN	2004	696
Vocational Education Basic Grants to States	84.048	135426 CC-MN	2003	2,784
Vocational Education Basic Grants to States	84.048	135426 CC-MN	2004	<u>4,112</u>
Subtotal Vocational Education Grant Program				8,072
Total Passed through the Ohio Department of Education				<u>238,883</u>
Total U.S. Department of Education				<u>5,864,775</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$5,864,775</u></b>

**SOUTHERN STATE COMMUNITY COLLEGE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

Note 1     Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the College's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note 2     Direct Loan Program

The amount included on the schedule of expenditures of federal awards represents new loans advanced during the fiscal year ended June 30, 2004. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

**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  
Southern State Community College

We have audited the financial statements of Southern State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

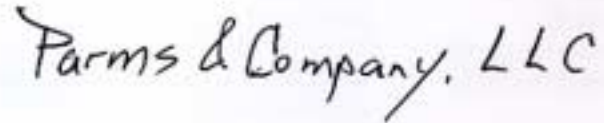
As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the 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 Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the College in a separate letter dated October 1, 2004.

This report is intended solely for the use of the audit committee, management, 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.

A handwritten signature in black ink on a light-colored background. The text reads "Farms & Company, LLC" in a cursive, slightly slanted font.

October 1, 2004

**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  
Southern State Community College

Compliance

We have audited the compliance of Southern State Community College, a component unit of the State of Ohio, 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, 2004. Southern State 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 Southern State Community College's management. Our responsibility is to express an opinion on Southern State 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*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern State 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 on Southern State Community College's compliance with those requirements.

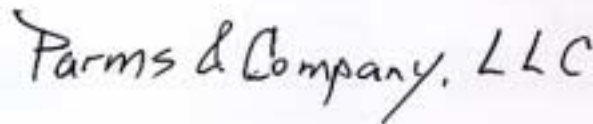
In our opinion, Southern State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of Southern State Community 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 Southern State Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the use of the audit committee, management, 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.

A handwritten signature in black ink on a light-colored background. The text reads "Farms & Company, LLC" in a cursive, slightly slanted script.

October 1, 2004



**SOUTHERN STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2004**

**Section I. Summary of Auditor's Results**

*A. Financial Statements:*

- |    |  |                     |
|----|--|---------------------|
| 1. | Type of auditor's report issued:   | <u>UNQUALIFIED</u>  |
| 2. | Internal control over financial reporting:   |                     |
|    | a. Material weakness(es) identified?   | ___ Yes <u>X</u> No |
|    | b. Reportable condition(s) identified that are not considered to be material weakness(es)? | ___ Yes <u>X</u> No |
| 3. | Noncompliance material to financial statements noted?                                      | ___ Yes <u>X</u> No |

*B. Federal Awards:*

- |    |  |                     |
|----|--|---------------------|
| 1. | Internal control over major programs:  |                     |
|    | a. Material weakness(es) identified?   | ___ Yes <u>X</u> No |
|    | b. Reportable condition(s) identified that are not considered to be material weakness(es)?                         | ___ Yes <u>X</u> No |
| 2. | Type of auditor's report issued on compliance for major programs:  | <u>UNQUALIFIED</u>  |
| 3. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | ___ Yes <u>X</u> No |
| 4. | Identification of major programs by program name (CFDA Number(s)):   |                     |
|    | • Student Financial Aid Cluster of Programs  |                     |
| 5. | Dollar threshold used to distinguish between Type A and Type B programs:   | \$ <u>300,000</u>   |
| 6. | Auditee qualified as low-risk auditee?   | <u>X</u> Yes ___ No |

**SOUTHERN STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)  
For the Year Ended June 30, 2004**

**Section II. Financial Statement Findings**

No findings.

**Section III. Federal Award Findings and Questioned Costs**

No findings.

**Section IV. Summary of Prior Audit Findings**

The prior audit report contained no audit findings and no questioned costs.



**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**SOUTHERN STATE COMMUNITY COLLEGE**

**HIGHLAND 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 28, 2004**