

SOUTHERN STATE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF OHIO

Financial Statements and Additional Information
For The Years Ended June 30, 1999 and 1998 and
Independent Auditors' Report

Reports On Internal Control and Compliance



PARMS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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Board of Trustees
Southern State Community College
Hillsboro, Ohio

We have reviewed the independent auditor's report of the Southern State Community College, Highland County, prepared by Parms & Company, Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. 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.



JIM PETRO
Auditor of State

January 13, 2000



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 of and for the years ended June 30, 1999 and 1998. These basic financial statements are the responsibility of Southern State Community 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 generally accepted auditing standards, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 1999 and 1998, and the results of its operations and the changes in its fund balances for the years then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Year 2000 supplemental information on page 23 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the Year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that Southern State Community College's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the College does business are or will become year 2000 compliant.

The additional information, as listed in the table of contents, is presented for purposes of additional analysis 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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.

In accordance with *Government Auditing Standards* we have also issued a report dated December 2, 1999, on our consideration of Southern State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Parms & Company, Inc.

Columbus, Ohio
December 2, 1999

SOUTHERN STATE COMMUNITY COLLEGE
BALANCE SHEET

As of June 30, 1999 and 1998

	Current Funds		Restricted		Endowment Fund		Loan Funds		Plant Funds		Agency Funds		Foundation	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Assets														
Cash and equivalents (Note B)	\$ -	\$ 28,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,982
Investments	1,292,996	963,276	1,022,760	318,606	4,357	6,007	6,139	25,073	-	2,920	12,875	10,435	162,837	9,107
Accounts receivable, net (Note A)	82,164	21,998	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	341,847	282,931	200,714	159,198	-	-	-	-	106,377	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	93,618	74,684	-	-	-	-	-	-
Inventories (Note A)	121,112	99,833	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses/ other assets	48,827	51,424	-	-	7,961	6,311	-	-	-	-	-	-	-	-
Investment in plant (Note J)	-	-	-	-	-	-	-	-	20,350,601	17,112,606	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$1,886,946	\$1,448,088	\$1,223,474	\$477,804	\$12,318	\$12,318	\$99,757	\$99,757	\$20,456,978	\$17,115,526	\$12,875	\$10,435	\$162,837	\$118,089

Liabilities and Fund Balance

Accounts payable	\$ 183,018	\$ 2,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,022	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued wages and benefits	197,463	193,940	-	-	-	-	-	-	-	-	-	-	-	-
Accrued vacation	154,049	164,540	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income (Note A)	53,979	82,301	-	-	-	-	-	-	-	-	-	-	-	-
Deposits held in custody for others	-	-	-	-	-	-	-	-	129,131	160,181	12,875	10,435	-	-
Capital lease obligation (Note D)	-	-	-	-	-	-	-	-	129,879	211,048	-	-	-	-
Notes payable (Note E)	-	-	-	-	-	-	-	-	340,032	371,229	12,875	10,435	-	-
Total Liabilities	588,509	443,219	-	-	-	-	-	-	\$20,116,946	\$16,744,287	\$12,875	\$10,435	\$162,837	\$118,089
Fund balance (Note A)	1,298,437	1,004,869	1,223,474	477,804	12,318	12,318	99,757	99,757	\$20,456,978	\$17,115,526	\$12,875	\$10,435	\$162,837	\$118,089
Total liabilities and fund balance	\$1,886,946	\$1,448,088	\$1,223,474	\$477,804	\$12,318	\$12,318	\$99,757	\$99,757	\$20,456,978	\$17,115,526	\$12,875	\$10,435	\$162,837	\$118,089

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

SOUTHERN STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES

For The Years Ended June 30, 1999 and 1998

	Current Funds		Endowment Fund		Loan Funds		Plant Funds		Foundation	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Revenues and Other Additions										
Unrestricted current fund revenues	\$ 7,948,085	\$ 7,733,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts-restricted	-	-	2,616,624	2,479,158	-	-	-	-	-	-
State grants and contracts-restricted	-	-	1,432,340	1,312,097	-	-	-	-	-	-
Local grants and contracts-restricted	-	-	139,543	137,643	-	-	-	-	-	-
Private gifts, grants contracts-restricted	-	-	108,950	60,823	-	-	-	-	78,576	101,280
Expended for plant facilities	-	-	-	-	-	-	3,372,649	1,098,520	-	-
Other additions to fund balances	-	-	-	-	-	-	-	-	6,334	963
Total Revenues and Other Additions	7,948,085	7,733,274	4,297,457	3,989,725	-	-	3,372,649	1,098,520	84,910	102,248
Expenditures and Other Deductions										
Education and general expenditures	6,663,672	6,436,479	4,297,457	3,989,725	-	-	-	-	40,162	500
Auxiliary enterprises	853,305	839,020	-	-	-	-	-	-	-	-
Loan cancellations and writeoffs	-	-	-	-	-	-	-	-	-	-
Administration and collection cost	-	-	-	-	-	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Deductions	7,516,977	7,275,499	4,297,457	3,989,725	-	-	-	-	-	500
Transfers among funds - additions/(deductions)	(137,540)	(152,932)	137,540	152,932	-	-	-	-	-	-
Mandatory:										
Excess of restricted receipts	-	-	608,130	(20,678)	-	-	-	-	-	-
Net Transfers In (Out)	(137,540)	(152,932)	745,670	132,254	-	-	-	-	-	-
Net Increase (Decrease) for Year	293,568	304,843	745,670	132,254	-	-	3,372,649	1,098,520	44,748	101,748
Fund Balances, Beginning of Year	1,004,869	709,026	477,894	345,550	12,318	12,318	99,757	99,757	15,645,777	118,089
Fund Balances, End of Year	\$ 1,298,437	\$ 1,004,869	\$ 1,223,564	\$ 477,804	\$ 12,318	\$ 12,318	\$ 29,757	\$ 99,757	\$ 16,744,297	\$ 118,089

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

SOUTHERN STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For The Years Ended June 30, 1999 and 1998

	Educational and General		Unrestricted		Total		Restricted Educational and General		Total Current Funds	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Revenue										
Tuition, fees and other student charges	\$3,092,720	\$2,977,312	\$ -	\$ -	\$3,092,720	\$2,977,312	\$ -	\$ -	\$3,092,720	\$ 2,977,312
State appropriations	3,509,009	3,479,887	-	-	3,509,009	3,479,887	-	-	3,509,009	3,479,887
Federal grants and contracts	-	-	-	-	-	-	2,616,624	2,479,158	2,616,624	2,479,158
State grants and contracts	278,378	273,457	-	-	278,378	273,457	1,432,340	1,312,097	1,710,718	1,585,554
Local grants and contracts	-	-	-	-	-	-	139,543	137,647	139,543	137,647
Private gifts, grants, and contracts	-	-	-	-	-	-	108,950	60,823	108,950	60,823
Sales and services	-	-	952,750	874,743	952,750	874,743	-	-	952,750	874,743
Other sources	115,228	127,875	-	-	115,228	127,875	-	-	115,228	127,875
Total Revenues	6,995,335	6,858,531	952,750	874,743	7,948,085	7,733,274	4,297,457	3,989,725	12,245,542	11,722,999
Expenditures and Mandatory Transfers										
Educational and General:										
Instructional & Departmental Research	3,164,391	3,033,065	-	-	3,164,391	3,033,065	-	-	3,164,391	3,033,065
Separately budgeted research	6,264	822	-	-	6,264	822	-	-	6,264	822
Public Service	213,036	154,485	-	-	213,036	154,485	958,278	990,745	1,171,314	1,145,230
Academic Support	862,286	750,682	-	-	862,286	750,682	3,995	3,995	862,286	754,677
Student Services	682,102	638,172	-	-	682,102	638,172	125,867	117,552	807,969	745,724
Institutional Support	732,597	848,572	-	-	732,597	848,572	-	-	732,597	848,572
Operation and maintenance of plant	701,653	750,716	-	-	701,653	750,716	-	-	701,653	750,716
Scholarships and fellowships	301,343	269,965	-	-	301,343	269,965	3,213,312	2,877,433	3,514,655	3,147,398
Total Educational and General Expenditures	6,663,672	6,436,479	-	-	6,663,672	6,436,479	4,297,457	3,989,725	10,961,129	10,426,204
Mandatory Transfers For:										
Auxiliary Enterprises	-	-	853,305	839,020	853,305	839,020	-	-	853,305	839,020
Non-Mandatory Transfers For:										
Non-Mandatory	147,540	152,932	(10,000)	-	137,540	152,932	(745,670)	(132,254)	(608,130)	20,678
Total Expenditures and Transfers	6,811,212	6,589,411	843,305	839,020	7,654,517	7,428,431	3,551,787	3,857,471	11,206,304	11,285,902
Net increase in fund balances	\$ 184,123	\$ 269,120	\$ 109,445	\$ 35,723	\$ 293,568	\$ 304,843	\$ 745,670	\$ 132,254	\$ 1,039,238	\$ 437,097

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Description of the College

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. The financial statements present only the financial position and results of operations of the College, which is a component unit of the State of Ohio.

On March 12, 1974, the County Commissioners of Adams, Brown, Clinton, Highland, and Fayette Counties unanimously approved, by resolution, a joint proposal for the creation of a state general and technical college within the territory of these counties, pursuant to Ohio Revised Code (ORC) Section 3358.02(B). Pursuant to these actions, the Ohio Board of Regents created Southern State General and Technical College on April 19, 1974. A nine member Board of Trustees was appointed by the Governor of Ohio on May 21, 1974, pursuant to ORC Section 3358.04. The Community College was chartered on February 21, 1975. Later, on October 21, 1977, the name of the College was officially changed from Southern State General and Technical College 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.

Accrual Basis

The financial statements of the College have been prepared on the accrual basis except for depreciation accounting. The statement of current fund revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual Basis (Continued)

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

In order to insure observance of limitations and restrictions placed on the use of resources available to the College, the accounts are maintained in accordance with the principles of "fund" accounting. This is the procedure by which resources for various reporting purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, accounts that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The restrictions associated with each fund group are as follows:

Current Funds: This group accounts for funds which are available for current operating purposes. The Current Funds Group is further subdivided into three types:

Educational and General: Funds which are unrestricted and available for general operating purposes.

Auxiliary Enterprises: Funds which are available for the operations of the various enterprises operated primarily for students and staff.

Restricted: Funds which are available for current operating purposes, but only in compliance with restrictions specified by the donor or grantors.

Loan Fund: This group accounts for funds available for lending to students. The fund operates on a revolving basis. Loans granted are receivables of the fund until repaid, at which time, the money becomes available for new loans.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Endowment Fund: This group accounts for funds that the donors or other outside agencies have stipulated, as a condition of the gift instrument, that in perpetuity that the principal be invested and the income only be utilized.

Plant Fund: This group accounts for the following funds: (1) funds to be used for the acquisition of physical properties for institutional purposes but unexpended at the date of reporting; (2) funds set aside for the renewal and replacement of institutional properties; (3) funds expended for and thus invested in institutional properties.

Agency Fund: This group accounts for funds held by the College as custodian or fiscal agent for others such as individual students, organizations, or faculty members.

Southern State Community College Foundation Fund: The Southern State Community College Foundation (the Foundation) is a not-for-profit Ohio Corporation which was formed April 4, 1997, and began operations in 1997. The Foundation operates under a separate board exclusively to generate, receive, hold, invest, manage, and allocate funds and property for the advancement, achievement, and support of the educational programs and services of the College and its beneficiaries (students and the community). Because the Foundation provides a financial benefit to the College and the College exercises managerial control over the Foundation's day-to-day operations, it is reported as a component unit of the College. The Foundation does not issue separate financial statements.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Generally, all unrestricted revenues are accounted for in the current unrestricted funds. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Current restricted funds are reported as revenues and expenditures when expended for current operating purposes. At June 30, 1999 and 1998 all current fund balances were unallocated.

Encumbrances

The College uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable budget. Encumbrances for goods and services received but not paid for at fiscal year-end are reported as liabilities on the Balance Sheet statement.

Inventory

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

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the investment in plant is reduced accordingly. Routine maintenance and repairs are charged to expenses as incurred.

Depreciation on plant and equipment is not recorded. Certain assets purchased thorough capital leases have been capitalized and included as part of equipment in the accompanying financial statements.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables

Receivables at June 30, 1999, consist primarily of student tuition and fees, and intergovernmental grants and contracts in the Educational and General Fund, and intergovernmental grants and contracts in the Restricted Fund. Student accounts receivable are reported net of an allowance for doubtful accounts of \$226,713 and \$286,833 at June 30, 1999 and 1998, respectively, whereas other receivables are reported at net using the direct write-off method.

Deferred Income

Deferred revenue in the current unrestricted fund is primarily comprised of receipts relating to tuition and student fees in advance of the service to be provided. The College will recognize unrestricted revenue to the extent these services are provided over the next fiscal year.

Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

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, 1999 and 1998, investments held by the College were valued at \$2,501,964 and \$1,335,424, respectively.

Pledges

The College recognizes revenue from pledges in the year in which the pledge is collected.

Reclassifications

Certain reclassifications were made to properly classify items previously reported as cash equivalents to investments.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

B. CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 1999 and 1998, the carrying amount of the College's cash deposits was \$0 and \$137,598, respectively; and the bank balances were \$130,290 and \$407,364, respectively. The difference represents normal reconciling items associated with timing differences. At June 30, 1999, \$100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

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

Category 1 - Deposits and investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.

Category 2 - Deposits and investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.

Category 3 - Investments and deposits that are uninsured and unregistered with the securities held by the broker or dealer, or by its trust department or agent but not in the College's name.

The following summarizes the carrying value and market value of investments at June 30, 1999 and 1998:

<u>Description</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Market Value</u>
June 30, 1999:			
Star Ohio	\$2,479,727	2,479,727	\$2,479,727
Common and preferred stock	<u>21,298</u>	<u>22,237</u>	<u>22,237</u>
Total Investments	<u>\$2,501,025</u>	<u>2,501,964</u>	<u>\$2,501,964</u>
June 30, 1998:			
Star Ohio	\$1,226,317	1,226,317	\$1,226,317
CD's maturing beyond 90 days	100,000	100,000	100,000
Common and preferred stock	<u>8,308</u>	<u>9,107</u>	<u>9,107</u>
Total Investments	<u>\$1,334,625</u>	<u>1,335,424</u>	<u>\$1,335,424</u>

The Star Ohio investment account is an external investment pool. 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.

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SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

C. STATE SUPPORT

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is 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.

In addition, appropriations by the General Assembly to the Ohio Board of Regents for payment of debt service charges are not reflected in the appropriations received by the College, and the related debt service payments are not recorded in the College's accounts.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

D. CAPITAL LEASES

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately \$169,000. 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, 1999.

<u>Years Ended</u> <u>June 30,</u>	<u>Amount</u>
2000	\$40,358
2001	36,964
2002	34,568
2003	29,777
2004	<u>-</u>
Total minimum lease payments	141,667
Less: Amount representing interest	<u>(12,536)</u>
Present value of minimum lease payments	<u>\$129,131</u>

E. NOTES PAYABLE

During fiscal year 1998, the College entered into a note payable agreement with the National Bank and Trust Company, dated June 24, 1998, bearing interest at 5.32% and requiring 30 monthly payments of \$7,536 each, (including principal and interest). The note is secured by equipment listed in a separate security agreement, date June 24, 1998. As of June 30, 1999, the principal balance owed on the note was \$129,879.

Future debt maturities are as follows:

<u>Years ended</u> <u>June 30,</u>	<u>Amount</u>
2000	90,436
2001	<u>45,219</u>
Total minimum payments	135,655
Less: Amount representing interest	<u>(5,776)</u>
Present value of minimum payments	<u>\$129,879</u>

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

F. PENDING LITIGATION

The College is a co-defendant in a lawsuit filed by one of its former employees for alleged discrimination. The suit asks for reinstatement, plus damages totaling \$249,000. Counsel for the College has advised that at this stage in the proceedings, an opinion cannot be offered as to the probable outcome. The College believes the suit is without merit and is vigorously defending its position.

In addition, there were several other lawsuits and claims pending against the College as of June 30, 1999. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

G. RETIREMENT PLANS

The College's faculty is covered by State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (PERS). These retirement programs are statewide cost-sharing multiple employer defined benefit pension plans. They provide 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. STRS and PERS issue separate, publicly-available financial reports that include financial statements and required supplementary information. The STRS or PERS financial reports may be obtained by writing or calling:

<u>STRS</u>	<u>PERS</u>
State Teachers Retirement System of Ohio 275 East Broad Street Columbus, OH 43215-3371 (614) 227-4090	Public Employees Retirement System of Ohio 277 East Town Street Columbus, OH 43215-4642 (614) 466-2085, or (800) 222-7377

Funding Policy. The Ohio Revised Code provides STRS and PERS statutory authority for employee and employer contributions. The required, actuarially determined, contribution rates for plan members and the College for fiscal year 1999 were 9.3% and 14% of covered payroll for STRS, respectively, and 8.5% and 13.31% of covered payroll for PERS, respectively.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

G. RETIREMENT PLANS (continued)

The College's contributions, which represent 100% of the required contributions, for the year ended June 30, 1999 and for each of the two preceding years are as follows:

<u>Year Ended June 30</u>	<u>STRS Annual Required Contributions</u>	<u>PERS Annual Required Contributions</u>
1999	\$430,243	\$185,083
1998	391,773	166,101
1997	362,802	150,760

Trend information showing the progress of STRS and PERS in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from STRS and PERS.

H. OTHER POST-RETIREMENT BENEFITS

Public Employees Retirement System (PERS)

In addition to the retirement benefits described above, PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for funding of post retirement health care.

The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate for state employers was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

H. OTHER POST-RETIREMENT BENEFITS (continued)

Public Employees Retirement System (PERS) (continued)

PERS expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the audited estimated net assets available for future PERS OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for PERS OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

State Teachers Retirement System (STRS)

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS.

Under Ohio law, medical costs paid from the funds of STRS are included in the employer contribution rate. Prior to 1998, STRS allocated 2.00% of covered payroll to the health care reserve fund from which payments for health care benefits are paid. Beginning in 1998, 3.5% of covered payroll is allocated to the health care reserve fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 8% of covered payroll.

STRS expenditures for OPEB during 1998 were \$219,224,000. The number of benefit recipients eligible for STRS OPEB at June 30, 1998 was 91,999.

I. 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.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 1999 and 1998

J. INVESTMENT IN PLANT

Investment in plant as of June 30, 1999 and 1998 was composed of the following:

	<u>1999</u>	<u>1998</u>
Land	\$ 1,027,441	\$ 1,027,441
Building and Improvements	12,119,870	10,141,113
Equipment	5,703,522	5,334,279
Library Books	335,593	329,793
Art Collection	5,523	5,523
Construction in Progress	<u>1,158,652</u>	<u>274,457</u>
Total	<u>\$20,350,601</u>	<u>\$17,112,606</u>

K. CAPITAL PROJECT COMMITMENTS

At June 30, 1999, the College was committed to future capital expenditures as follows:

<u>Project</u>	<u>Amount</u>
Wilmington Campus Project	\$4,384,227
South Campus Appalachian Project	<u>349,486</u>
Total commitments	<u>\$4,733,713</u>

The College has also committed \$1,000,000 toward the proposed construction of a YMCA facility on the College's central campus. Under the proposed agreement, the College's students will have access to the facility based upon a specific schedule.

L. OPERATING LEASES

The College is the lessor under a three-year operating lease with the Highland County Department of Health, which expires in December 2001. Future minimum rentals to be received under this lease as of June 30, 1999 for each of the next five fiscal years and in the aggregate are:

<u>Years ended</u> <u>June 30,</u>	<u>Amount</u>
2000	\$24,000
2001	<u>12,000</u>
Total minimum future rentals	<u>\$36,000</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 1999

	Current Funds		Restricted		Total Current Funds	Plant Fund				Foundation	
	Unrestricted	Auxiliary	Unrestricted	Educational and General		Endowment Fund	Loan Fund	Investment In Plant	Agency Fund		
Assets											
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,214,092	78,904	1,292,996	1,022,760	2,315,756	4,357	6,139	-	12,875	-	162,837
Accounts receivable, net	82,164	-	82,164	-	82,164	-	-	-	-	-	-
Other receivables	296,979	44,868	341,847	200,714	542,561	-	-	106,377	-	-	-
Notes receivable	-	-	-	-	-	-	93,618	-	-	-	-
Inventories	7,147	113,965	121,112	-	121,112	-	-	-	-	-	-
Prepaid expenses and other assets	48,827	-	48,827	-	48,827	7,961	-	-	-	-	-
Investment in plant	-	-	-	-	-	-	-	20,350,601	-	-	-
Interfund receivable (payable)	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$1,649,209	\$237,737	\$1,886,946	\$1,223,474	\$3,110,420	\$12,318	\$99,757	\$20,456,978	\$12,875	-	\$162,837
Liabilities and Fund Balance											
Accounts payable	\$ 180,223	\$ 2,795	\$ 183,018	\$ -	\$ 183,018	\$ -	\$ -	\$ 81,022	\$ -	\$ -	\$ -
Accrued wages and benefits	197,463	-	197,463	-	197,463	-	-	-	-	-	-
Accrued vacation	154,049	-	154,049	-	154,049	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-	-	-
Deferred income	53,979	-	53,979	-	53,979	-	-	-	-	-	-
Deposits held in custody for others	-	-	-	-	-	-	-	-	12,875	-	-
Capital lease obligation	-	-	-	-	-	-	-	129,131	-	-	-
Note payable	-	-	-	-	-	-	-	129,875	-	-	-
Total liabilities	585,714	2,795	588,509	-	588,509	-	-	340,032	12,875	-	-
Fund balance	1,063,495	234,942	1,298,437	1,223,474	2,521,911	12,318	99,757	20,116,946	-	-	162,837
Total liabilities and fund balance	\$1,649,209	\$237,737	\$1,886,946	\$1,223,474	\$3,110,420	\$12,318	\$99,757	\$20,456,978	\$12,875	-	\$162,837

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
 SCHEDULE OF CHANGES IN FUND BALANCES
 For the Year Ended June 30, 1999

	Current Funds				Total Current Funds	Endowment Funds	Loan Funds	Plant Funds Investment in Plant
	Educational and General	Auxiliary	Unrestricted	Restricted Educational and General				
Revenues and Other Additions								
Unrestricted current fund revenue	\$6,995,335	\$952,750	\$7,948,085	\$ -	\$7,948,085	\$ -	\$ -	
State appropriations & grants - Restricted	-	-	-	2,616,624	2,616,624	-	-	
Federal grants & contracts - Restricted	-	-	-	1,432,340	1,432,340	-	-	
Local grants and contracts - Restricted	-	-	-	139,543	139,543	-	-	
Private gifts, grants & contracts - Restricted	-	-	-	108,950	108,950	-	-	
Expended for plant facilities (includes \$262,451 charged to current fund expenditures)	-	-	-	-	-	-	-	3,372,649
Other sources	-	-	-	-	-	-	-	-
Total revenues and other additions	<u>6,995,335</u>	<u>952,750</u>	<u>7,948,085</u>	<u>4,297,457</u>	<u>12,245,542</u>	<u>-</u>	<u>-</u>	<u>3,372,649</u>
Expenditures and Other Deductions								
Educational and general expenditures	6,663,672	-	6,663,672	4,297,457	10,961,129	-	-	
Auxiliary enterprises	-	853,305	853,305	-	853,305	-	-	
Loan cancellations & write-offs	-	-	-	-	-	-	-	
Expended for plant facilities	-	-	-	-	-	-	-	
Total expenditures & other deductions	<u>6,663,672</u>	<u>853,305</u>	<u>7,516,977</u>	<u>4,297,457</u>	<u>11,814,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers among funds	<u>(147,540)</u>	<u>10,000</u>	<u>(137,540)</u>	<u>745,670</u>	<u>608,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) for the year	184,123	109,445	293,568	745,670	1,039,238	-	-	3,372,649
Fund balances, beginning of year	<u>879,372</u>	<u>125,497</u>	<u>1,004,869</u>	<u>477,804</u>	<u>1,482,673</u>	<u>12,318</u>	<u>99,757</u>	<u>16,744,297</u>
Fund balance at end of year	<u>\$1,063,495</u>	<u>\$234,942</u>	<u>\$1,298,437</u>	<u>\$1,223,474</u>	<u>\$ 2,521,911</u>	<u>\$12,318</u>	<u>\$99,757</u>	<u>\$20,116,946</u>

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ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF CURRENT REVENUES - EDUCATIONAL AND GENERAL

For The Year Ended June 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Tuition, Fees, and Other Student Charges			
Instructional	\$2,903,600	-	2,903,600
General	98,360	-	98,360
Non-credit	2,496	-	2,496
Application and matriculation	23,455	-	23,455
Fines and penalties	871	-	871
Other	<u>63,938</u>	<u>-</u>	<u>63,938</u>
Total Tuition, Fees, and Other Student Charges	3,092,720	-	3,092,720
State Appropriations Instruction Subsidy	3,509,009	-	3,509,009
Federal Grants and Contracts	-	2,616,624	2,616,624
State Grants and Contracts	278,378	1,432,340	1,710,718
Local Grants and Contracts	-	139,543	139,543
Private Grants and Contracts	-	108,950	108,950
Other Sources			
Temporary Investment Income	92,880	-	92,880
Rental Income	8,271	-	8,271
Other	<u>14,077</u>	<u>-</u>	<u>14,077</u>
Total Other Sources	<u>115,228</u>	<u>-</u>	<u>115,228</u>
Total Current Revenues			
Unrestricted and Restricted	<u>\$6,995,335</u>	<u>4,297,457</u>	<u>\$11,292,792</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF CURRENT EXPENDITURES - EDUCATIONAL AND GENERAL

For The Year Ended June 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Instruction and department research			
General education	\$1,601,473	-	\$ 1,601,473
Business technology	527,022	-	527,022
Engineering technology	186,624	-	186,624
Health technology	714,579	-	714,579
Other	<u>140,957</u>	<u>-</u>	<u>140,957</u>
Total instruction and departmental research	3,170,655	-	3,170,655
Public service	213,036	958,278	1,171,314
Academic support			
Learning resource centers	395,110	-	395,110
Other	<u>467,176</u>	<u>-</u>	<u>467,176</u>
Total academic support	862,286	-	862,286
Student services			
Student services	583,742	125,867	709,609
College-funded student activities	<u>98,360</u>	<u>-</u>	<u>98,360</u>
Total student services	682,102	125,867	807,969
Institutional support			
President's office	241,259	-	241,259
Business office	315,855	-	315,855
Administrative and personnel	16,568	-	16,568
Public information	130,789	-	130,789
Other	<u>28,126</u>	<u>-</u>	<u>28,126</u>
Total institutional support	732,597	-	732,597
Operation and Maintenance of Plant			
Custodial, Maintenance and Grounds	418,727	-	418,727
Utilities	244,587	-	244,587
Insurance	<u>38,339</u>	<u>-</u>	<u>38,339</u>
Total Operation and Maintenance of Plant	701,653	-	701,653
Scholarships	<u>301,343</u>	<u>3,213,312</u>	<u>3,514,655</u>
Total Current Expenditures - Educational and General	<u>\$6,663,672</u>	<u>\$4,297,457</u>	<u>\$10,961,129</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENSES, AND OTHER CHANGES
AUXILIARY ENTERPRISE

For The Year Ended June 30, 1999

	<u>BOOKSTORE</u>	<u>DAYCARE</u>	CENTER FOR BUSINESS AND <u>INDUSTRY</u>	<u>CONTINUING EDUCATION</u>	<u>TOTAL</u>
Revenues	\$668,073	170,175	97,453	17,049	\$952,750
Cost of sales	<u>499,772</u>	<u>19,610</u>	<u>33,120</u>	<u>9,179</u>	<u>561,681</u>
Gross margin	168,301	150,565	64,333	7,870	391,069
Administrative and general expenses:					
Administrative salaries	27,724	27,667	29,699	-	85,090
Support staff salaries	-	-	-	-	-
Part-time support staff salaries	5,455	113,307	-	-	118,762
Fringe benefits allocated	7,317	22,473	13,823	-	43,613
Office supplies	546	522	406	200	1,674
Printing supplies/photocopying	129	2,167	267	2	2,565
Travel-conference reimbursement	-	-	1,804	-	1,804
Travel-mileage reimbursement	949	119	4,151	119	5,338
Special events	-	-	-	24	24
Advertising	-	-	165	-	165
Telephone	3,572	6,600	3,019	-	13,191
Dues and subscriptions	-	-	328	1,889	2,217
Postage	14,643	110	106	-	14,859
Computer services	-	-	-	-	-
Staff development	-	-	5	-	5
Other professional fees	30	-	-	230	260
Equipment greater than \$50	<u>508</u>	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>2,057</u>
Total administrative and general expenses	<u>60,873</u>	<u>172,965</u>	<u>55,322</u>	<u>2,464</u>	<u>291,624</u>
Surplus/(deficit)	<u>\$107,428</u>	<u>\$(22,400)</u>	<u>\$ 9,011</u>	<u>\$ 5,406</u>	<u>\$ 99,445</u>

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ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION
AS OF JUNE 30, 1999

YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may effect the College's operations on January 1, 2000.

The College has completed an inventory of computer systems and other equipment necessary to conducting college operations and has identified the following systems requiring year 2000 remediation:

- Administrative System modules. Registration, Business Office, and Payroll systems have been validated and tested by the College's software provider.
- Telecommunication Systems. The College's hardware and software provider has validated and tested these systems.
- Energy Management Systems. The College's software suppliers have validated and tested their systems.

In accordance with Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, the College submitted its mission critical systems to the following stages of work to address Year 2000 issues:

1. Awareness State - Established a budget and project plan for dealing with the Year 2000 issue;
2. Assessment Stage - Identified the systems and components for which Year 2000 compliance work is needed;
3. Remediation Stage - Made changes to systems and equipment;
4. Validation/Testing Stage - Validated and tested the changes that were made during the remediation stage.

The College believes its mission critical systems were in a manageable or acceptable stage of readiness as of June 30, 1999, and believes that it will be able to operate and provide its mission critical services as of January 1, 2000 and thereafter.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the College is or will be Year 2000 ready, that remediation efforts will be successful in whole or in part, or that parties with whom the College does business will be year 2000 ready.

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 1999

FEDERAL GRANTOR:

Direct Recipient/Pass-Through Grantor:

Program Title	CFDA NUMBER	AWARD FISCAL YEAR	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
Direct Recipient:			
Federal Supplemental Education Opportunity Grant Program	84.007	1999	\$ 106,095
Federal Pell Grant Program	84.063	1999	1,145,484
Federal Pell Grant Program	84.063	1999	3,545
Federal Pell Grant Program	84.063	1998	<u>286</u>
Subtotal Pell Grant Program			1,149,315
Federal Work-Study Program	84.033	1999	36,051
Federal Work-Study Program	84.033	1998	<u>44,713</u>
Subtotal Federal Work-Study Program			80,764
Federal Direct Loan Program (Note 2)	84.268	1998	<u>1,334,309</u>
Subtotal Student Financial Assistance Cluster of Programs			2,670,483
Passed through the Ohio Department of Education:			
Adult Education State Grant Program	84.002	1999	7,151
Adult Education State Grant Program	84.002	1998	<u>107,462</u>
Subtotal Adult Education State Grant Program			114,613
Vocational Education Basic Grants to States	84.048	1999	101,155
Vocational Education Basic Grants to States	84.048	1998	<u>18,718</u>
Subtotal Vocational Education Basic Grants to States			<u>119,873</u>
Total U.S. Department of Education			2,904,969
<u>U.S. DEPARTMENT OF LABOR:</u>			
Passed Through the Ohio Department of Education:			
Employment Services and Job Training Pilot and Demonstration Program	17.249	1999	<u>15,250</u>
Total U.S. Department of Labor			15,250
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Passed Through the Ohio Department of Education:			
Jobs Reimbursement Program	93.561	1997	<u>4,597</u>
Total U.S. Department Health and Human Services			<u>4,597</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$2,924,816</u>

SOUTHERN STATE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999

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, 1999. 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) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 2, 1999. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the College in a separate letter dated December 2, 1999.

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 December 2, 1999.

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.

Farms & Company, Inc.

December 2, 1999
Columbus, Ohio

**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 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, 1999. 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 generally accepted auditing standards; 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, 1999.

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.

Farms & Company, etc.

December 2, 1999
Columbus, Ohio

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 1999

Section I. Summary of Auditor's Results

- A. *Financial Statements:*
1. Type of auditor's report issued: UNQUALIFIED
 2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes X No
 - b. Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X No
 3. Noncompliance material to financial statements noted? Yes X No
- B. *Federal Awards:*
1. Internal control over major programs:
 - a. Material weakness(es) identified? Yes X No
 - b. Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X No
 2. Type of auditor's report issued on compliance for major programs: UNQUALIFIED
 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X 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: \$ 300,000
 6. Auditee qualified as low-risk auditee? X Yes No

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 1999
(continued)

Section II. Financial Statement Findings

No findings.

Section III. Federal Award Findings and Questioned Costs

No findings.

SOUTHERN STATE COMMUNITY COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
AS REQUIRED UNDER OMB CIRCULAR A-133 § .315(b)

For the Year Ended June 30, 1999

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**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.

By: *Susan Babbitt*

Date: JAN 20 2000