Southern State Community College

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

Board of Trustees
Southern State Community College
100 Hobart Drive
Hillsboro, Ohio 45133

We have reviewed the *Report of Independent Accountants* of the Southern State Community College, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2007

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Southern State Community College
Table of Contents
For the Fiscal Year Ended June 30, 2007

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Southern State Community College
Highland County
100 Hobart Drive
Hillsboro, Ohio 45133

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Southern State Community College (the College), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 September 14, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures 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 financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
September 14, 2007

Accounting Standards

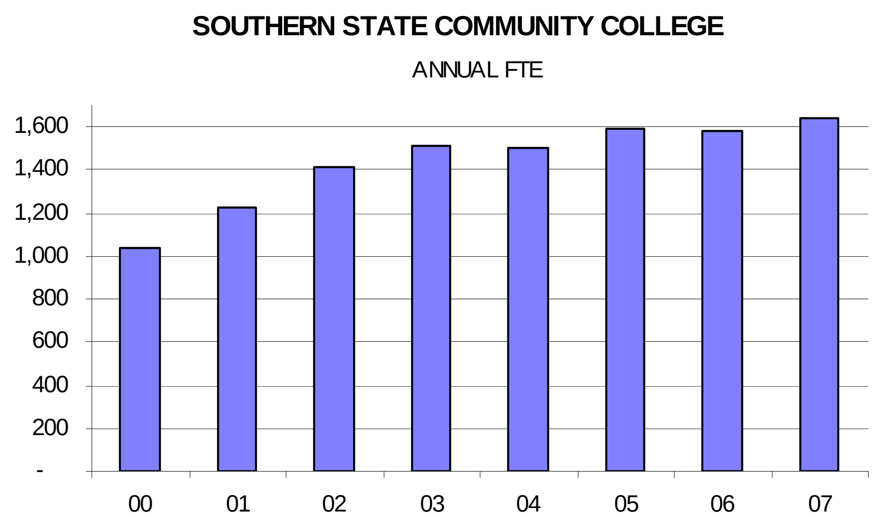
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999 GASB released Statement 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 sixth 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 experienced moderate increase in enrollment of 4.2 %.
- The moderate enrollment increase along with a 5.5% tuition increase resulted in an increase in gross student fee revenue of 9.1%.



- State Subsidy increased by 4.8%.
- Health care premiums increased 6.0% in FY 07 and could increase 15% or more in FY 08.

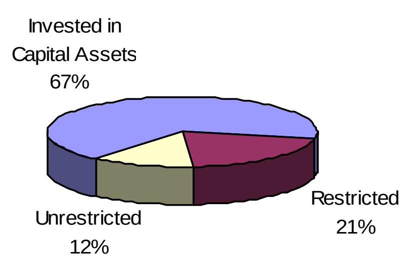
Statement of Net Assets

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 – are one way of measuring the financial health of the College.

	FY 07	FY 06	FY 05
Assets			
Current Assets	7,216,390	6,841,345	6,447,466
Non-Current Assets	1,534,921	929,742	804,600
Capital Assets	17,147,202	17,701,139	18,254,093
Total Assets	25,898,513	25,472,226	25,506,159
Liabilities			
Current Liabilities	1,359,433	1,060,831	1,139,391
Non-Current Liabilities	3,006,107	3,050,990	3,155,589
Total Liabilities	4,365,540	4,111,821	4,294,980
Net assets:			
Invested in plant	14,427,093	14,852,490	15,222,000
Restricted	4,450,949	3,448,002	2,908,195
Unrestricted	2,654,931	3,059,913	3,080,984
Total Net Assets	21,532,973	21,360,405	21,211,179

Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. This increase is also the result of a modest increased in tuition. Accounts Payable increased primarily due to the annual budget increase. Vendor accounts are paid well within 30 days. Deferred Revenue is largely represented by tuition and fees generated from registrations for the next fiscal year, FY 08. 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 .8% from FY 06 to FY 07.

Net Assets
as of June 30, 2007



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 07	FY 06	FY 05
Operating revenue:			
Net tuition and fees	5,568,829	5,032,548	4,361,492
Auxiliary	3,618,608	3,344,352	3,138,670
Grants and contracts	6,526,679	5,676,477	6,878,342
Other	99,644	65,225	38,318
Total	15,813,760	14,118,602	14,416,822
Operating Expenses			
Instructional	6,236,519	5,841,563	5,367,250
Research	220	379	43
Community Service	1,944,136	1,567,275	1,124,551
Academic Support	1,666,573	1,608,597	1,501,651
Student Services	1,378,682	1,578,249	1,399,941
Institutional Support	1,652,094	1,370,923	1,386,555
Plant Operations	1,476,528	1,345,055	878,906
Depreciation	879,608	880,443	765,396
Scholarships	3,548,410	3,310,282	2,747,540
Auxiliary	3,252,498	2,978,566	2,870,299
Total	22,035,268	20,481,332	18,042,132
Net operating expenses	(6,221,508)	(6,362,730)	(3,625,310)
Non-operating revenues:			
State subsidy	5,994,839	5,720,416	5,634,852
Investment Income	241,432	107,928	81,940
Capital Appropriations	75,825	198,020	1,031,440
Other	81,980	485,592	(34,555)
Total	6,394,076	6,511,956	6,713,677
Increase in net assets	172,568	149,226	3,088,367
Net assets - Beginning of year	21,360,405	21,211,179	18,122,812
Net assets - End of year	21,532,973	21,360,405	21,211,179

Net tuition and fees represents gross student fee revenue of $6,787,058 in FY 07 and $6,219,125 in FY 06 net of scholarship allowances of $1,218,229 and $1,186,577 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 Expenses increased primarily reflect increases in salaries and benefits. State Subsidy as a percent of total revenue has declined in recent years. In FY 97 State Subsidy represented 53% of Total General Fund Revenue. In FY 07 State Subsidy represented less than 36% of Total General Fund Revenue.

Statement of Cash Flows

The Statement of Cash Flows 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 07	FY 06	FY 05
Cash Provided By (Used In):			
Operating activities	(4,957,310)	(4,062,685)	(4,777,774)
Non-capital financing activities	6,076,819	6,215,051	5,720,854
Capital and related financing activit	(514,542)	(429,977)	(3,059,625)
Investing Activities	(248,278)	75,598	(34,990)
Net Increase (decrease) in cash	356,689	1,797,987	(2,151,535)
Cash - Beginning of year	5,097,383	3,299,396	5,450,931
Cash - End of year	5,454,072	5,097,383	3,299,396

The primary cash receipts from operating activity are student fees. State subsidy represents the primary non-operating source of funds. Payments to employee are the primary use of funds.

Capital Assets

Capital assets, net of accumulated depreciation totaled $ 17,147,202 at June 30, 2007, a net decrease of $553,937 from the prior year-end. Additions to capital assets during the year totaled $ 325,671 and there were no disposals. Depreciation expense for the year ended June 30, 2007 totaled $ 879,608.

For more information on the College's capital assets, see Note 4 to the financial statements.

Debt

As of June 30, 2007, the College had outstanding debt of $ 2,710,583 of which $ 212,295 was short-term (or due within one year) and $ 2,498,288 was long-term debt (would come due beyond after one year). Of the outstanding debt, $ 210,583 related to capital leases, and $ 2,500,000 related a 20 year bond issue that was used to provide a portion of the funding of the Patriot Center located on the Central Campus. This facility was completed in March of 2005 and the debt service is fully funded by a $3 per credit hour activity fee.

For more information on the College's debt, see Note 10 to the financial statements.

Economic Factors that will effect the Future

Challenges

- The College has been committed to maintaining tuition at an affordable level for our service area. In the Fall of 2007 only one of the thirty-three non-levy supported state colleges or universities will have lower annual tuition. In FY 2008 in an attempt to constraint tuition levels state-wide, a mandatory tuition freeze was included in the State Operating Bill. Although the freeze serves to limit the significant increases seen at other institution, it comes at a time where Southern State has already maintained its tuition well below peer institutions, with no allowances for past efforts to maintain affordability.
- The Chancellor of the Board of Regents has recently been made a member of the Governor's cabinet. The Chancellor has announced plans for a new University System for Ohio. The details of the plan are currently being developed. There exists some uncertainty as to how the plans may impact the College.

Opportunities

- Along with the mandated tuition freeze, Higher Education in Ohio is in line for state-wide increases of 2% and 10% for FY 08 and FY 09, respectively, Southern State should receive slightly higher increases due to the partial implementation of a new funding formula
- Although there are uncertainties regarding the new state system for Higher Education in Ohio, there appears to a significant increase in the awareness and appreciation at both State and Federal levels of the role of community college.

SOUTHERN STATE COMMUNITY COLLEGE

STATEMENT OF NET ASSETS

JUNE 30, 2007 AND 2006

	2007		2006	
	College	Foundation	College	Foundation
ASSETS				
CURRENT ASSETS:				
CASH	$4,164,880	$0	$3,057,420	$0
CASH EQUIVALENTS	100,568	1,188,624	377,765	1,662,198
ACCOUNTS RECEIVABLE, NET	1,433,241	0	1,485,081	0
PLEDGES RECEIVABLE, NET	0	33,618	0	35,300
INVENTORIES	237,384	0	190,330	0
OTHER ASSETS	56,220	1,855	33,251	0
TOTAL CURRENT ASSETS	5,992,293	1,224,097	5,143,847	1,697,498
NONCURRENT ASSETS:				
RESTRICTED INVESTMENTS				
OTHER	249,113	1,285,808	237,942	691,800
CAPITAL ASSETS, NET	17,147,202	0	17,701,139	0
TOTAL NONCURRENT ASSETS	17,396,315	1,285,808	17,939,081	691,800
TOTAL ASSETS	$23,388,608	$2,509,905	$23,082,928	$2,389,298
LIABILITIES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	$50	$0	$7,237	$0
ACCRUED LIABILITIES	434,590	0	396,127	0
HELD IN CUSTODY FOR OTHERS	59,356	0	35,141	0
BONDS PAYABLE, CURRENT PORTION	105,000	0	100,000	0
CAPITAL LEASE OBLIGATION, CURRENT PORTION	107,295	0	101,476	0
DEFERRED REVENUE	653,142	0	420,850	0
TOTAL CURRENT LIABILITIES	1,359,433	0	1,060,831	0
NONCURRENT LIABILITIES:				
BONDS PAYABLE, LONG-TERM PORTION	2,395,000	0	2,500,000	0
CAPITAL LEASE, LONG-TERM PORTION	103,288	0	137,607	0
COMPENSATED ABSENCES	507,819	0	413,383	0
TOTAL NONCURRENT LIABILITIES	3,006,107	0	3,050,990	0
TOTAL LIABILITIES	4,365,540	0	4,111,821	0
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	14,427,093	0	14,852,490	0
RESTRICTED FOR:				
NONEXPENDABLE:				
ENDOWMENTS	12,318	2,410,987	12,318	2,261,536
EXPENDABLE:				
LOANS	17,696	0	17,696	0
SCHOLARSHIPS AND FELLOWSHIPS	0	87,748	0	98,438
OTHER	1,922,200	0	1,058,014	0
UNRESTRICTED	2,643,761	11,170	3,030,589	29,324
TOTAL NET ASSETS	$19,023,068	$2,509,905	$18,971,107	$2,389,298

See accompanying notes to the financial statements.

SOUTHERN STATE COMMUNITY COLLEGE

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	College	Foundation	College	Foundation
REVENUES				
OPERATING REVENUES:				
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCES)	$5,568,829	$0	$5,032,548	$0
FEDERAL GRANTS AND CONTRACTS	3,304,114	0	3,329,155	0
STATE GRANTS AND CONTRACTS	1,832,432	0	1,523,848	0
LOCAL GRANT AND CONTRACTS	706,893	0	306,863	0
PRIVATE GRANTS AND CONTRACTS	613,753	69,487	388,249	128,362
AUXILIARY SERVICES	3,618,608	0	3,344,352	0
OTHER OPERATING REVENUE	99,644	0	65,225	0
TOTAL OPERATING REVENUES	15,744,273	69,487	13,990,240	128,362
EXPENSES				
OPERATING EXPENSES:				
INSTRUCTIONAL	6,236,519	0	5,841,563	0
RESEARCH	220	0	379	0
COMMUNITY SERVICE	1,944,136	0	1,567,275	0
ACADEMIC SUPPORT	1,666,573	0	1,608,597	0
STUDENT SERVICES	1,190,047	188,635	1,204,463	373,786
INSTITUTIONAL SUPPORT	1,652,094	0	1,370,923	0
PLANT OPERATIONS	1,476,528	0	1,345,055	0
DEPRECIATION	879,608	0	880,443	0
SCHOLARSHIPS	3,548,410	0	3,310,282	0
AUXILIARY ACTIVITIES	3,252,498	0	2,978,566	0
TOTAL OPERATING EXPENSES	21,846,633	188,635	20,107,546	373,786
OPERATING LOSS	(6,102,360)	(119,148)	(6,117,306)	(245,424)
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	5,994,839	0	5,720,416	0
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE)	83,657	157,775	29,920	78,008
OTHER NONOPERATING REVENUES	0	0	184,582	0
NONOPERTING REVENUES	6,078,496	157,775	5,934,918	78,008
INCOME BEFORE OTHER REVENUES, EXPENSE, GAINS,LOSSES	(23,864)	38,627	(182,388)	(167,416)
CAPITAL APPROPRIATIONS	75,825	0	198,020	0
ADDITIONS TO PERMANENT ENDOWMENTS	0	81,980	(1,565,431)	1,866,441
INCREASE (DECREASE) IN NET ASSETS	51,961	120,607	(1,549,799)	1,699,025
NET ASSETS				
NET ASSETS-BEGINNING OF YEAR	18,971,107	2,389,298	20,520,906	690,273
NET ASSETS-END OF YEAR	$19,023,068	$2,509,905	$18,971,107	$2,389,298

See accompanying notes to the financial statements.

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SOUTHERN STATE COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	College	Foundation	College	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
TUITION AND FEES	$5,882,238	$0	$4,852,037	$0
GRANTS AND CONTRACTS	6,445,965	0	5,507,212	0
PRIVATE GIFTS	0	69,314	0	128,362
PAYMENTS TO SUPPLIERS	(5,436,740)	0	(4,964,404)	0
PAYMENTS FOR UTILITIES	(505,592)	0	(484,500)	0
PAYMENTS TO EMPLOYEES	(8,610,450)	0	(7,777,841)	0
PAYMENTS FOR BENEFITS	(2,810,144)	0	(2,631,347)	0
PAYMENTS FOR SCHOLARSHIPS	(3,546,627)	(188,635)	(3,306,152)	(373,786)
AUXILIARY ENTERPRISE CHARGES:				
BOOKSTORES	3,619,502	0	3,365,383	0
OTHER RECEIPTS	123,859	0	1,622,351	0
NET CASH USED FOR OPERATING ACTIVIITIES	(4,837,989)	(119,321)	(3,817,261)	(245,424)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
STATE APPROPRIATIONS	5,994,839	0	5,720,416	0
PRIVATE GIFTS FOR ENDOWMENT PURPOSES	0	81,980	0	1,875,484
GIFTS AND GRANTS RECEIVED FOR OTHER THAN CAPITAL PURPOSES	0	0	(1,372,544)	0
DEPOSITS TO AGENCY ACCOUNTS	0	0	(8,305)	0
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,994,839	81,980	4,339,567	1,875,484
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
CAPITAL APPROPRIATIONS	55,098	0	198,020	0
PURCHASE OF CAPITAL ASSETS	(325,671)	0	(327,489)	0
PRINCIPAL PAID ON CAPITAL DEBT AND LEASE	(128,500)	0	(183,121)	0
INTEREST PAID ON CAPITAL DEBT AND LEASE	(115,469)	0	(117,387)	0
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(514,542)	0	(429,977)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
PROCEEDS FROM SALES AND MATURITIES OF INVESTMENTS	(11,171)	0	(7,306)	0
INTEREST ON INVESTMENTS	199,126	157,775	147,307	78,008
PURCHASE OF INVESTMENTS	0	(594,008)	0	(142,411)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	187,955	(436,233)	140,001	(64,403)
NET INCREASE (DECREASE) IN CASH	830,263	(473,574)	232,330	1,565,657
CASH-BEGINNING OF YEAR	3,435,185	1,662,198	3,202,855	96,541
CASH-END OF YEAR	$4,265,448	$1,188,624	$3,435,185	$1,662,198
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED FOR OPERATING ACTIVITIES:				
OPERATING LOSS	($6,102,360)	($119,148)	($6,117,306)	($245,424)
ADJUSTMENTS TO RECONCILE NE INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION EXPENSE	879,608	0	880,443	0
CHANGES IN ASSETS AND LIABILITIES:				
RECEIVABLES, NET	72,567	1,682	1,388,272	0
INVENTORIES	(47,054)	0	(13,581)	0
OTHER ASSETS	(22,969)	(1,855)	44,949	0
ACCOUNTS PAYABLE	(7,187)	0	934	0
ACCRUED LIABILITIES	38,463	0	(33,165)	0
DEFERRED REVENUE	232,292	0	(33,300)	0
DEPOSITS HELD FOR OTHERS	24,215	0	(8,305)	0
COMPENSATED ABSENCES	94,436	0	73,798	0
NET CASH USED FOR OPERATING ACTIVITIES	($4,837,989)	($119,321)	($3,817,261)	($245,424)

See accompanying notes to the financial statements.

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 (the 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, respectively. 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 obligations have been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by providers 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.

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 and money market funds, which amounted to $1,289,192 and $2,039,963 at June 30, 2007 and 2006, respectively.

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, 2007 and 2006, investments held by the College were valued at $1,534,921 and $929,742, 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts and Pledges Receivables
At June 30, 2007 and 2006, 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 $847,936 and $731,878 at June 30, 2007 and 2006, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management.

Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary.

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.

Restricted Assets
Restricted assets represent assets whose use is restricted by external parties or by law through constitutional or enabling legislation.

Capital Assets
Capital assets with a unit cost of over $5,000, and all library books, are recorded at cost at the 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, 2007 and 2006.

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.

Note 1 - <u>Summary of Significant Accounting Policies</u> (Continued)

<u>Federal Financial Assistance Programs</u>

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Academic Competitiveness Grant, 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 2007 and 2006, the College distributed $4,096,048 and $3,694,105, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

<u>Net Assets</u>

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. Invested in capital assets, net of related debt represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the College or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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. Unrestricted net assets include resources which can be used at the College’s discretion.

Of the College’s $1,952,214 in restricted net assets, none is restricted by enabling legislation.

Note 2 - <u>Cash, Cash Equivalents And Investments</u>

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:

	Cash	Investments
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.

Note 2 - Cash, Cash Equivalents And Investments (Continued)

Primary Government - College

At June 30, 2007, the carrying amount of the College's cash deposits was $4,164,880 and the bank balance was $4,714,817. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2007, $102,023 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College and Foundation held $100,568 and $165,375 in Star Ohio investments, respectively 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 and Foundation'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. The table below summarizes the market value of investments.

At June 30, 2006, the carrying amount of the College's cash deposits was $3,057,420 and the bank balance was $3,787,772. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2006, $106,936 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College and Foundation held $377,765 and $1,637,755 in Star Ohio investments, respectively 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 and Foundation'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. The table below summarizes the market value of investments.

Description	Market Value	Investment Maturities Less than 1 year
June 30, 2007:		
Star Ohio	$100,568	$100,568
US Treasury Obligations	249,113	249,113
Total Investments	$349,681	$349,681

Description	Market Value	Investment Maturities Less than 1 year
June 30, 2006:		
Star Ohio	$377,765	$377,765
US Treasury Obligations	237,942	237,942
Total Investments	$615,707	$615,707

Note 2 - Cash, Cash Equivalents And Investments (Continued)

Component Unit – Foundation

Description	Market Value	Investment Maturities (in years) Less than 1	1-5	6-10
June 30, 2007:				
Star Ohio	$ 165,375	$ 165,375	$ -	$ -
Money market funds	1,023,249	1,023,249	-	-
FHLB Bonds	298,375	-	-	298,375
Other Bonds	50,089	-	-	50,089
Pimco Bond Funds	40,926	40,926	-	-
Federated US Govt Securities	34,192	-	34,192	-
Common Stock	133,096	133,096	-	-
Preferred Stock	44,955	44,955	-	-
Equity Funds	684,175	684,175	-	-
Total Investments	$ 2,474,432	$ 2,091,776	$ 34,192	$ 348,464

Description	Market Value	Investment Maturities (in years) Less than 1	1-5	6-10
June 30, 2006:				
Star Ohio	$1,637,755	$1,637,755	$0	$0
Money market funds	24,443	24,443	0	0
FHLB Bonds	23,664	0	0	23,664
FNMA Bonds	9,972	9,972	0	0
Other Bonds	22,612	0	0	22,612
Pimco Bond Funds	29,888	29,888	0	0
Federated US Govt Securities	112,471	0	112,471	0
Common Stock	107,639	107,639	0	0
Preferred Stock	44,756	44,756	0	0
Equity Funds	340,798	340,798	0	0
Total Investments	$2,353,998	$2,195,251	$112,471	$46,276

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government - The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Component Unit - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy provides for management of the portfolio to minimize principal fluctuations with a long-term investment mix and with an initial target allocation of 40 percent of its assets to be invested in fixed income investments. Cash equivalents should represent maturities of one year or less at the time of purchase. Also, no bond issues may be purchased with more than 10 years to maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government - The College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2007 and 2006 the College's investments in Star Ohio and US Treasury Obligations both rated AAAm by Standard & Poor's.

Note 2 - Cash, Cash Equivalents And Investments (Continued)

Component Unit - The Foundation's investment policy limits investments to the following categories: Cash Equivalents, Fixed Income Assets, Equities assets, and Mutual Funds. Fixed income assets are subject to several limitations including only corporate debt issues that meet or exceed a credit rating of "A" from S&P or "A2" or higher from Moody's. Preferred stocks should be rated "A" or better by Moody's or S&P at the time of purchase. Equities holdings should represent companies meeting a minimum capitalization requirement of two hundred and fifty million with high market liquidity. Standard & Poor's rated Star Ohio AAAm, Preferred Stock A, Federated US Govt Securities AAAf/S2, and the FHLB, FNMA, Fannie Mae and Pimco bonds all AAA. The money market funds were unrated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Primary Government - The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments are in Star Ohio and U.S. Treasury Obligations. These investments were 29% and 71% of the College's total investments as of June 30, 2007.

Component Unit - The Foundation's investment policy calls for initial targets of asset categories along with acceptable ranges in order to balance the risks as follows:

Asset Category	Initial Target Allocation	Acceptable Range
Cash	10%	1-10%
Fixed Income	40%	30-70%
Stocks	50%	30-70%

More than 5 percent of the Foundation's investments are in Star Ohio, money market funds, FHLB bonds, common stock, and equity funds. These investments represented 7%, 41%, 12%, 5%, and 28% of the Foundation's total investments, respectively, for the fiscal year ended June 30, 2007. For the fiscal year ended June 30, 2006, the 70%, 5%, 5%, and 14% of the Foundation's investments were held in STAR Ohio, Federated US Govt Securities, common stock, and equity funds, respectively.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Primary Government - *Deposits*. The College does not have a policy for custodial credit risk. As of June 30, 2007, $102,023 was insured by FDIC. The remaining bank balance of $4,612,794 was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the College's name.

Component Unit - The Foundation's endowment investment policy provides that the investments will be made for the sole interest and exclusive purpose of providing benefits to the investment committee. All investments are held in the name of the Foundation.

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2007 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,402,482	$ (847,936)	$ 554,546
Intergovernmental	287,537	-	287,537
Third Party	495,230	-	495,230
Other	95,923	-	95,928
Total Current Receivables	$ 2,281,177	$ (847,936)	$1,433,241

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2007 and 2006 were as follows:

June 30, 2007:	Beginning	Additions	Deductions	Ending
Land	$ 767,441	$ -	$ -	$ 767,441
Non-depreciable artwork	47,950	-	-	47,950
Total cost of non-depreciable capital assets	815,391	-	-	815,391
Building and Improvements	23,386,606	89,131	-	23,475,737
Equipment	1,572,087	191,684	-	1,763,771
Library books	417,341	17,516	-	434,857
Vehicles	240,214	27,340	-	267,554
Total cost of depreciable capital assets	25,616,248	325,671	-	25,941,919
Total cost of capital assets	26,431,639	325,671	-	26,757,310
Less accumulated depreciation				
Buildings and Improvements	(7,205,330)	(611,768)	-	(7,817,098)
Equipment	(957,526)	(227,984)	-	(1,185,510)
Library books	(378,179)	(10,089)	-	(388,268)
Vehicles	(189,465)	(29,767)	-	(219,232)
Total accumulated depreciation	(8,730,500)	(879,608)	-	(9,610,108)
Net capital assets	$17,701,139	$ (553,937)	$ -	$17,147,202

Note 4 - Capital Assets (Continued)

June 30, 2006:	Beginning	Additions	Deductions	Ending
Land	$ 767,441	$ -	$ -	$ 767,441
Non-depreciable artwork	47,950	-	-	47,950
Total cost of nondepreciable capital assets	815,391	-	-	815,391
Building and Improvements	23,133,102	253,504	-	23,386,606
Equipment	1,513,882	58,205	-	1,572,087
Library books	401,561	15,780	-	417,341
Vehicles	240,214	-	-	240,214
Total cost of depreciable capital assets	25,288,759	327,489	-	25,616,248
Total cost of capital assets	26,104,150	327,489	-	26,431,639
Less accumulated depreciation				
Buildings and Improvements	(6,595,275)	(610,055)	-	(7,205,330)
Equipment	(722,642)	(234,884)	-	(957,526)
Library books	(369,708)	(8,471)	-	(378,179)
Vehicles	(162,432)	(27,033)	-	(189,465)
Total accumulated depreciation	(7,850,057)	(880,443)	-	(8,730,500)
Net capital assets	$18,254,093	$ (552,954)	$ -	$17,701,139

The following estimated useful lives are used to compute depreciation:

Buildings and Improvements	20 - 40 years
Library Books	7 years
Equipment and Vehicles	5 - 15 years

Note 5 - 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 6 - Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately $483,482. 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, 2007:

Years Ended June 30,	Amount
2008	$ 118,054
2009	50,310
2010	29,110
2011	22,680
2012	14,657
Total minimum lease payments	234,811
Less: Amount representing interest	(24,228)
Present value of minimum lease payments	$210,583

Note 7 - Retirement Plans

Public Employees Retirement System (OPERS)

The College's faculty is covered by the State Teachers Retirement System 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 at June 30, 2007 were 9.5% and 13.77% of covered payroll, respectively. Contributions made by the College, which represent 100% of the required contributions, for the years ended June 30, 2007, 2006, and 2005, were $405,039, $357,775, and $322,824, 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.

Note 7 - 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, 2007, 2006, and 2005, were $720,356, $683,056, and $632,153, respectively.

Alternative Retirement Plan (ARP)

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education, who are currently covered by the Ohio Public Employees Retirement System (OPERS) or State Teachers Retirement System. The College Board of Trustees adopted such plan effective March 31, 1999. This plan is a defined contribution plan under IRS Section 401(a).

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (9.5% OPERS, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute the first 3.5% of the 14% employer contribution to the State Teachers Retirement System (STRS) with the remaining balance being sent to the ARP vendor selected by the employee. The College's required contribution rate for OPERS is 13.77%. This entire balance is to be paid to the member's ARP account. Vesting of all contributions made by the College occurs after five (5) years of service. For the year ended June 30, 2007, the College had one employee participate in the ARP. This employee was eligible to participate in STRS. The total employer contributions to the alternative retirement plan for the year ended June 30, 2006 were $6,704.

Note 8 - 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 2006 employer contribution rate for state employers was 13.77% of covered payroll (the latest information available); 4.0% was the portion that was used to fund health care for the year.

Note 8 - Other Postemployment Benefits (Continued)

Public Employees Retirement System (OPERS) (Continued)
Benefits are advance funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of eight percent, an annual increase in active employee total payroll of four percent compounded annually, and an additional increase in total payroll of .50 percent to 6.3 percent based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent annually. OPEB are financed through employer contributions and investment earnings. At December 31, 2006, the total number of active contributing participants in the Traditional and Combined Plans was 369,214. As of December 31, 2005 (the latest information available), the actuarial value of net assets available for future OPEB payments were $11.1 billion. The actuarially accrued liability and the unfunded actuarial liability were $31.3 billion and $20.2 billion, respectively. The College's actual contributions for 2006 which were used to fund OPEB were $133,055.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

State Teachers Retirement System (STRS)
The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The system is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled $51,454 for fiscal year 2007.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest information available), the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were $282,743,000 and STRS had 119,184 eligible benefit recipients.

Note 9 - Compensated Absences

College faculty and support staff accrue vacation benefits; however, vacation carryover balances are 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.

Note 9 - Compensated Absences (Continued)

The liability for the cost of vacation and sick leave benefits is approximately $507,819 and $413,383 as of June 30, 2007 and 2006, respectively.

Note 10 - Bonds Payable

During the fiscal year ended June 30, 2004, the College issued General Receipts Bonds, Series 2003. The following summarizes bonds payable as of June 30, 2007:

	Balance June 30, 2006	Additions/ (Deletions)	Balance June 30, 2007	Current Portion	Non-current Portion
Series 2003 bonds with interest ranging from 1.65% - 5.00%, due serially through 2023	$2,600,000	($100,000)	$2,500,000	$105,000	$2,395,000

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2007, are as follows:

Years Ended June 30,	Principal	Interest
2008	$105,000	$112,866
2009	105,000	109,795
2010	110,000	106,325
2011	115,000	102,413
2012	120,000	98,003
2013 – 2017	675,000	402,931
2018 – 2022	860,000	214.232
2023 – 2024	410,000	20,750
Total	$2,500,000	$1,167,315

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

Year	Amount
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 11 - 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
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
United States Department of Education				
Direct from the Federal Agency				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grants	NA	84.007	$146,167	$0
Federal Direct Student Loans	NA	84.268	4,096,048	0
Federal Work-Study Program	NA	84.033	54,854	0
Federal Pell Grant Program	NA	84.063	2,992,830	0
Academic Competitiveness Grant	NA	84.375	42,324	0
Total Student Finincial Aid Cluster			7,332,223	0
Child Care Access Means Parents in School	NA	84.335	26,560	0
Passed through the Ohio Department of Education				
Adult Education - State Grant Program	067694-ABS1	84.002	199,995	0
Total United States Department of Education			7,558,778	0
United States Department of Agriculture				
Passed through the Ohio Department of Agriculture				
Child and Adult Care Food Program	135426-CCMN	10.558	0	18,165
Child and Adult Care Food Program	135426-LUCN	10.558	0	1,080
Total United States Department of Agriculture			0	19,245
Total Federal Financial Assistance			$7,558,778	$19,245

NA - received directly from federal government.

See accompanying notes to the schedule of federal awards expenditures.

NOTE 1 – BASIS OF PRESENTATION

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 – FEDERAL DIRECT STUDENT LOANS

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the Schedule of Federal Awards Expenditures represents new loans advanced during the fiscal year ended June 30, 2007. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

NOTE 3 – CHILD CARE FOOD SUBSIDY

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2007, the College had no significant fund commodities in inventory.

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

Board of Trustees
Southern State Community College
Highland County
100 Hobart Drive
Hillsboro, Ohio 45133

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Southern State Community College (the College) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
September 14, 2007

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

Board of Trustees
Southern State Community College
Highland County
100 Hobart Drive
Hillsboro, Ohio 45133

Compliance

We have audited the compliance of Southern State Community College (the 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 its major federal program for the year ended June 30, 2007. Southern State Community College's major federal program is 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 its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the 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 its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

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

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
September 14, 2007

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants, CFDA# 84.007; Federal Direct Student Loans, CFDA #84.268; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

Mary Taylor, CPA
Auditor of State

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
NOVEMBER 13, 2007

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