Southern State Community College

Highland County, Ohio

Single Audit

July 1, 2007 through June 30, 2008

Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Southern State Community College, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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

November 24, 2008

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Southern State Community College
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For the Fiscal Year Ended June 30, 2008

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Independent Accountants' Report

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

We have audited the accompanying basic financial statements of the business-type activities of Southern State Community College, Highland County, Ohio (the College), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the year ended June 30, 2008 and 2007, 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southern State Community College, and of the business-type activities and the discretely presented component unit, as of June 30, 2008 and 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," and GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27."

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 8, 2008

Accounting Standards

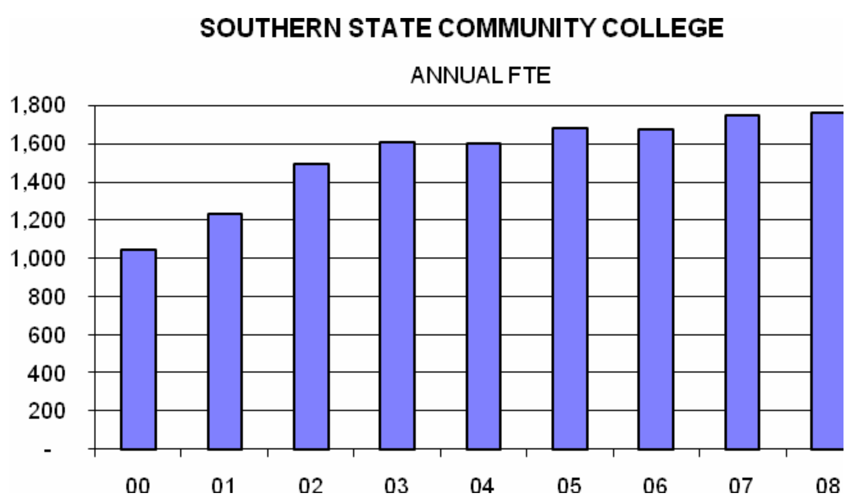
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999 GASB released Statement No. 35, "Basic Financial Statements 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 the 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 seventh year using the new format.

As required by these 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 Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

Financial and Enrollment Highlights

- The College experienced a modest increase in enrollment of 1.1 %.
- The modest enrollment increase along with a state mandated freeze in tuition, resulted in an increase in gross student fee revenue of 1.4%.



- State Subsidy increased by 8.8%.
- Health care premiums increased 20.0% in FY 08 and will increase 6.0% in FY 09.

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 08	FY 07	FY 06
Assets			
Current Assets	$10,464,195	$7,216,390	$6,841,345
Non-Current Assets	2,347,961	1,534,921	929,742
Capital Assets	16,515,989	17,147,202	17,701,139
Total Assets	29,328,145	25,898,513	25,472,226
Liabilities			
Current Liabilities	199,477	1,359,433	1,060,831
Non-Current Liabilities	5,956,615	3,006,107	3,050,990
Total Liabilities	6,156,092	4,365,540	4,111,821
Net assets:			
Invested in plant	13,484,902	14,427,093	14,852,490
Restricted	4,665,502	4,450,949	3,448,002
Unrestricted	3,232,649	2,654,931	3,059,913
Total Net Assets	$21,383,053	$21,532,973	$21,360,405

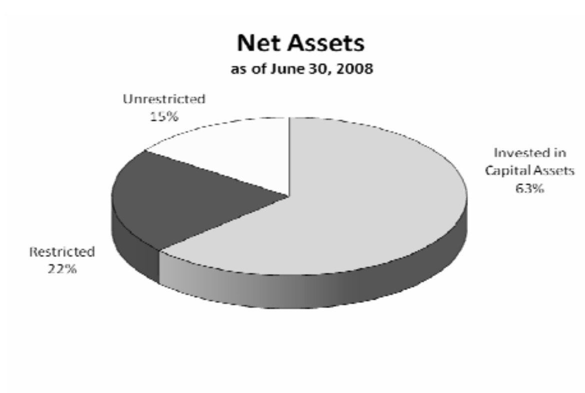
Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. Receivables increased largely as a result of modest increases in tuition receipts and enrollment.

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 09. 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 capital leases and the bond issue payments.

Net assets include the net investment in capital assets and both restricted and unrestricted funds. Total net assets decreased .7% from FY 07 to FY 08.



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of 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 08	FY 07*	FY 06*
Operating revenue:			
Net tuition and fees	$5,889,286	$5,568,829	$5,032,548
Auxiliary	3,755,320	3,618,608	3,344,352
Grants and contracts	3,396,709	3,290,504	2,508,561
Other	148,630	99,644	65,225
Total	13,189,945	12,577,585	10,950,686
Operating expenses:			
Instructional	6,418,805	6,236,519	5,841,563
Research	39,168	220	379
Community service	2,467,672	1,944,136	1,567,275
Academic support	1,720,663	1,666,573	1,608,597
Student services	1,455,434	1,378,682	1,578,249
Institutional support	1,814,453	1,652,094	1,370,923
Plant operations	1,545,299	1,476,528	1,345,055
Depreciation	879,721	879,608	880,443
Scholarships	4,028,072	3,548,410	3,310,282
Auxiliary	3,355,550	3,252,498	2,978,566
Total	23,724,837	22,035,268	20,481,332
Net operating loss	(10,534,892)	(9,457,683)	(9,530,646)
Non-operating revenues:			
Federal grants and contracts	3,496,861	3,236,175	3,167,916
State subsidy	6,523,164	5,994,839	5,720,416
Investment income (expense)	98,630	241,432	107,928
Capital appropriations	223,208	75,825	198,020
Additions to endowments	77,978	81,980	485,592
Total	10,419,841	9,630,251	9,679,872
Increase (decrease) in net assets	(115,051)	172,568	149,226
Net assets - beginning of year	21,532,973	21,360,405	21,211,179
	$21,417,922	$21,532,973	$21,360,405

*Certain reclassifications have been made to be consistent between years.

Net tuition and fees represents gross student fee revenue of $6,884,962 in FY 08 and $6,787,058 in FY 07 net of scholarship allowances of $995,676 and $1,218,229 for those years, respectively.

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

Operating expense increases primarily reflect increases in salaries and benefits.

Although State Subsidy, as a percent of total revenue, has declined in recent years, there was an increase in FY 08 aimed at offsetting the impact of the statewide tuition freeze. In FY 97 State Subsidy represented 53% of Total General Fund Revenue. In FY 08 State Subsidy represented 39% 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 08	FY 07	FY 06
Cash Provided By (Used In):			
Operating activities	($9,227,013)	($8,193,485)	($7,230,601)
Non-capital financing activities	10,098,003	9,312,994	9,382,967
Capital and related financing activities	2,729,378	(514,542)	(429,977)
Investing Activities	(714,410)	(248,278)	75,598
Net Increase in cash	2,885,958	356,689	1,797,987
Cash - Beginning of year	5,454,072	5,097,383	3,299,396
Cash - End of year	$8,340,030	$5,454,072	$5,097,383

The primary cash receipts from operating activity are student fees and grant funds. State subsidy represents the primary non-operating source of funds. Payments to employee and for benefits are the largest uses of funds.

Capital Assets

Capital assets, net of accumulated depreciation totaled $16,515,989 at June 30, 2008, a net decrease of $631,213 from the prior year-end. Additions to capital assets during the year totaled $248,508 and there were no disposals. Depreciation expense for the year ended June 30, 2008 totaled $879,721.

For more information on the College's capital assets, see note 5 to the financial statements.

Debt

As of June 30, 2008, the College had outstanding debt and lease obligations of $5,577,394 of which $208,359 was short-term (or due within one year) and $5,369,035 was long-term (would come due after one year). Of the outstanding debt, $377,394 related to capital leases, and 5,200,000 related to two 20 year bond issues that were used to provide a portion of the funding of the Patriot Center located on the Central Campus, and a portion of the funding for a renovation and expansion project of the Fayette Campus. The Patriot Center was completed in March of 2005 and the debt service is fully funded by a $3 per credit hour activity fee. The Fayette Expansion Project is scheduled to be completed in June of 2009 and the debt service should be fully funded by state capital funds.

For more information on the College's debt, see note 11 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 2008 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 constrain tuition levels state-wide, a mandatory tuition freeze was included in the biennial State Operating Bill. The degree to which enrollment growth and state funding increases present themselves will have a significant impact on future operating budgets and tuition rates.
- The Chancellor has announced plans for a new University System for Ohio. The plan has been released. Although there appears to be a significant role for community colleges, there exists some uncertainty as to how the specifics of the plan 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
Statements of Net Assets
June 30, 2008 and 2007

	2008		2007	
	College	Foundation	College	Foundation
ASSETS				
CURRENT ASSETS:				
CASH	$377,585	$0	$4,164,880	$0
CASH EQUIVALENTS	7,423,497	538,948	100,568	1,188,624
ACCOUNTS RECEIVABLE	1,758,500	0	1,433,241	0
PLEDGES RECEIVABLE, NET	0	30,368	0	33,618
INVENTORIES	241,387	0	237,384	0
OTHER ASSETS	92,055	1,855	56,220	1,855
TOTAL CURRENT ASSETS	9,893,024	571,171	5,992,293	1,224,097
NONCURRENT ASSETS:				
RESTRICTED INVESTMENTS	451,019	1,896,942	249,113	1,285,808
CAPITAL ASSETS, NET	16,515,989	0	17,147,202	0
TOTAL NONCURRENT ASSETS	16,967,008	1,896,942	17,396,315	1,285,808
TOTAL ASSETS	26,860,032	2,468,113	23,388,608	2,509,905
LIABILITIES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	8,032	0	50	0
ACCRUED LIABILITIES	540,288	0	434,590	0
HELD IN CUSTODY FOR OTHERS	63,510	0	59,356	0
BONDS PAYABLE, CURRENT PORTION	105,000	0	105,000	0
CAPITAL LEASE OBLIGATION, CURRENT PORTION	103,359	0	107,295	0
DEFERRED REVENUE	1,168,288	0	653,142	0
TOTAL CURRENT LIABILITIES	1,988,477	0	1,359,433	0
NONCURRENT LIABILITIES:				
BONDS PAYABLE, LONG-TERM PORTION	5,095,000	0	2,395,000	0
CAPITAL LEASE, LONG-TERM PORTION	274,035	0	103,288	0
COMPENSATED ABSENCES	587,580	0	507,819	0
TOTAL NONCURRENT LIABILITIES	5,956,615	0	3,006,107	0
TOTAL LIABILITIES	7,945,092	0	4,365,540	0
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	13,484,902	0	14,427,093	0
RESTRICTED FOR:				
NONEXPENDABLE:				
ENDOWMENTS	12,318	2,374,904	12,318	2,410,987
EXPENDABLE:				
LOANS	17,696	0	17,696	0
SCHOLARSHIPS AND FELLOWSHIPS	0	95,572	0	87,748
OTHER	2,165,012	0	1,922,200	0
UNRESTRICTED	3,235,012	(2,363)	2,643,761	11,170
TOTAL NET ASSETS	$18,914,940	$2,468,113	$19,023,068	$2,509,905

The notes to the financial statements are an integral part of this statement.

Southern State Community College

Statements of Revenues, Expenses and Changes in Net Assets

For the Fiscal Years Ended June 30, 2008 and 2007

	2008		2007	
	College	Foundation	College	Foundation
REVENUES				
OPERATING REVENUES:				
STUDENT TUTITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE)	$5,889,286	$0	$5,568,829	$0
FEDERAL GRANTS AND CONTRACTS	96,682	0	67,939	0
STATE GRANTS AND CONTRACTS	1,884,273	0	1,832,432	0
LOCAL GRANT AND CONTRACTS	464,446	0	706,893	0
PRIVATE GRANTS AND CONTRACTS	951,308	77,264	613,753	69,487
AUXILIARY SERVICES	3,755,320	0	3,618,608	0
OTHER OPERATING REVENUE	148,630	0	99,644	0
TOTAL OPERATING REVENUES	13,189,945	77,264	12,508,098	69,487
EXPENSES				
OPERATING EXPENSES:				
INSTRUCTIONAL	6,418,805	0	6,236,519	0
RESEARCH	39,168	0	220	0
COMMUNITY SERVICE	2,467,672	0	1,944,136	0
ACADEMIC SUPPORT	1,720,663	0	1,666,573	0
STUDENT SERVICES	1,343,176	112,258	1,190,047	188,635
INSTITUTIONAL SUPPORT	1,814,453	0	1,652,094	0
PLANT OPERATIONS	1,545,299	0	1,476,528	0
DEPRECIATION	879,721	0	879,608	0
SCHOLARSHIPS	4,028,072	0	3,548,410	0
AUXILIARY ACTIVITIES	3,355,550	0	3,252,498	0
TOTAL OPERATING EXPENSES	23,612,579	112,258	21,846,633	188,635
OPERATING LOSS	(10,422,634)	(34,994)	(9,338,535)	(119,148)
NONOPERATING REVENUES (EXPENSES)				
FEDERAL GRANTS AND CONTRACTS	3,496,861	0	3,236,175	0
STATE APPROPRIATIONS	6,523,164	0	5,994,839	0
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE)	71,273	(84,776)	83,657	157,775
NONOPERTING REVENUES (EXPENSES)	10,091,298	(84,776)	9,314,671	157,775
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSE, GAINS,LOSSES	(331,336)	(119,770)	(23,864)	38,627
CAPITAL APPROPRIATIONS	223,208	0	75,825	0
ADDITIONS TO PERMANENT ENDOWMENTS	0	77,978	0	81,980
INCREASE (DECREASE) IN NET ASSETS	(108,128)	(41,792)	51,961	120,607
NET ASSETS				
NET ASSETS-BEGINNING OF YEAR	19,023,068	2,509,905	18,971,107	2,389,298
NET ASSETS-END OF YEAR	$18,914,940	$2,468,113	$19,023,068	$2,509,905

The notes to the financial statements are an integral part of this statement.

Southern State Community College
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	2008		2007	
	College	Foundation	College	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
TUITION AND FEES	$6,371,075	$0	$5,882,238	$0
RESEARCH GRANTS AND CONTRACTS	2,988,384	0	3,209,790	0
PRIVATE GIFTS	0	80,514	0	69,314
PAYMENTS TO SUPPLIERS	(5,821,715)	0	(5,436,740)	0
PAYMENTS FOR UTILITIES	(508,428)	0	(505,592)	0
PAYMENTS TO EMPLOYEES	(9,171,020)	0	(8,610,450)	0
PAYMENTS FOR BENEFITS	(3,051,305)	0	(2,810,144)	0
LOANS ISSUED TO STUDENTS AND EMPLOYEES	(4,022,633)	(112,258)	(3,546,627)	(188,635)
AUXILIARY ENTERPRISE CHARGES:				
BOOKSTORES	3,783,983	0	3,619,502	0
OTHER RECEIPTS	236,390	0	123,859	0
NET CASH USED BY OPERATING ACTIVIITIES	(9,195,269)	(31,744)	(8,074,164)	(119,321)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
FEDERAL GRANTS AND CONTRACTS	3,496,861	0	3,236,175	
STATE APPROPRIATIONS	6,523,164	0	5,994,839	0
GIFTS AND GRANTS RECEIVED FOR OTHER THAN CAPITAL PURPOSES	0	77,978	0	81,980
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	10,020,025	77,978	9,231,014	81,980
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
PROCEEDS FROM CAPITAL DEBT	2,805,000	0	0	0
CAPITAL APPROPRIATIONS	223,208	0	55,098	0
PROCEEDS FROM CAPITAL LEASES	230,879	0	0	0
PURCHASE OF CAPITAL ASSETS	(248,508)	0	(325,671)	0
PRINCIPAL PAID ON CAPITAL DEBT AND LEASE	(169,068)	0	(128,500)	0
INTEREST PAID ON CAPITAL DEBT AND LEASE	(112,133)	0	(115,469)	0
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,729,378	0	(514,542)	0
CASH FLOWS FROM INVESTING ACTIVITIES				
PROCEEDS FROM SALES AND MATURITIES OF INVESTMENTS	(201,906)	0	(11,171)	0
INTEREST ON INVESTMENTS	183,406	(84,776)	199,126	157,775
PURCHASE OF INVESTMENTS	0	(611,134)	0	(594,008)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(18,500)	(695,910)	187,955	(436,233)
NET INCREASE (DECREASE) IN CASH	3,535,634	(649,676)	830,263	(473,574)
CASH-BEGINNING OF YEAR	4,265,448	1,188,624	3,435,185	1,662,198
CASH-END OF YEAR	$7,801,082	$538,948	$4,265,448	$1,188,624
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:				
OPERATING LOSS	($10,422,634)	($34,994)	($9,338,535)	($119,148)
ADJUSTMENTS TO RECONCILE NE LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
DEPRECIATION EXPENSE	879,721	0	879,608	0
CHANGES IN ASSETS AND LIABILITIES:				
RECEIVABLES, NET	(325,259)	3,250	72,567	1,682
INVENTORIES	(4,003)	0	(47,054)	0
OTHER ASSETS	(35,835)	0	(22,969)	(1,855)
ACCOUNTS PAYABLE	7,982	0	(7,187)	0
ACCRUED LIABILITIES	105,698	0	38,463	0
DEFERRED REVENUE	515,146	0	232,292	0
DEPOSITS HELD FOR OTHERS	4,154	0	24,215	0
COMPENSATED ABSENCES	79,761	0	94,436	0
NET CASH USED BY OPERATING ACTIVITIES	($9,195,269)	($31,744)	($8,074,164)	($119,321)

The notes to the financial statements are an integral part of this statement.

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 resources 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 Governmental 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 $7,962,445 and $1,289,192 at June 30, 2008 and 2007, 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, 2008 and 2007, investments held by the College were valued at $2,347,961 and $1,534,921, 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, 2008 and 2007, 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 $922,936 and $847,936 at June 30, 2008 and 2007 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 Revenue
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, 2008 and 2007.

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.

Scholarships 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 - Summary of Significant Accounting Policies (Continued)

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement. During fiscal years 2008 and 2007, the College distributed $4,479,344 and $4,096,048, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

Net Assets

GASB Statement No. 34 reports equity as “Net Assets” rather than “fund balance.” Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of accumulated depreciation, reduced by related debt represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. 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 $4,665,502 in restricted net assets, none is restricted by enabling legislation.

Reclassifications

Certain items have been reclassified for the year ended June 30, 2007 to conform to classifications used for the year ended June 30, 2008.

Note 2 - Cash, Cash Equivalents and Investments

Statement No. 3 of the Government Accounting Standards Board requires governmental 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, 2008, the carrying amount of the College's cash deposits was $377,585 and the bank balance was $957,565. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2008, $104,239 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College and Foundation held $7,423,497 and $219,837 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 values of the College's and Foundation's positions in the pool are the same as the value of their pool shares. 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 following summarizes the market value of the College's investments:

Description	Value	Less than 1 year
June 30, 2008:		
Star Ohio	$7,423,497	$7,423,497
US Treasury Obligations	451,019	451,019
Total Investments	$7,874,516	$7,874,516

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 following 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

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, 2008:				
Star Ohio	$ 219,837	$ 219,837	$ -	$ -
Money market funds	319,111	319,111	-	-
FHLB Bonds	243,989	-	-	243,989
Other Bonds	373,714	59,852	75,692	238,170
Pimco Bond Funds	45,957	45,957	-	-
Federated US Govt Securities	22,728	-	22,728	-
Common Stock	107,640	107,640	-	-
Preferred Stock	42,561	42,561	-	-
Equity Funds	1,060,353	1,060,353	-	-
Total Investments	$ 2,435,890	$ 1,855,311	$ 98,420	$ 482,159

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

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, 2008 and 2007 the College's investments in Star Ohio, money market funds, and US Treasury Obligations were 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, Federated US Govt Securities AAAf/S2, and the FHLB, 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 or money market funds. These investments were 94% and 6%, respectively, of the College's total investments as of June 30, 2008.

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%

For the fiscal year ended June 30, 2008, more than 5 percent of the Foundation's investments are in Star Ohio, money market funds, FHLB bonds, equity funds, and other bonds. These investments represent 9%, 13%, 10%, 44%, and 15% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2007, 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 represent 7%, 41%, 12%, 5%, and 28% of the Foundation's total investments, 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, 2008, $104,239 was insured by FDIC. The remaining balance of $853,326 was collateralized with securities held by the pledging institution 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 – Change in Accounting Principle

For the year ended June 30, 2008, the College implemented Governmental Accounting Standards Board (GASB) Statements No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions," No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," and No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and 27." Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. Statement No. 48 establishes criteria that entities use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The implementation of this principle had no effect on previously reported net asset balances.

Note 3 – Change in Accounting Principle (Continued)

Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements. The implementation of this principle had no effect on previously reported net asset balances.

Note 4 – Accounts Receivable

Accounts receivable at June 30, 2008 was comprised of the following:

	Gross Receivables	Allowance For Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$1,482,176	($922,936)	$559,240
Intergovernmental	395,563	-	395,563
Third Party	795,529	-	795,529
Other	90,229	(82,061)	8,168
Total Current Receivables	$2,763,497	($1,004,997)	$1,758,500

Note 5 - Capital Assets

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

June 30, 2008:	Beginning	Additions	Deductions	Ending
Land	$ 767,441	$ -	$ -	$ 767,441
Construction in Progress	-	161,882	-	161,882
Non-depreciable artwork	47,950	-	-	47,950
Total cost of nondepreciable capital assets	815,391	161,882	-	977,273
Building and Improvements	23,475,737	45,101	-	23,520,838
Equipment	1,763,771	17,984	-	1,781,755
Library books	434,857	11,541	-	446,398
Vehicles	267,554	12,000	-	279,554
Total cost of depreciable capital assets	25,941,919	86,626	-	26,028,545
Total cost of capital assets	26,757,310	248,508	-	27,005,818
Less accumulated depreciation				
Buildings and Improvements	(7,817,098)	(612,405)	-	(8,429,503)
Equipment	(1,185,510)	(232,485)	-	(1,417,995)
Library books	(388,268)	(12,096)	-	(400,364)
Vehicles	(219,232)	(22,735)	-	(241,967)
Total accumulated depreciation	(9,610,108)	(879,721)	-	(10,489,829)
Net capital assets	$17,147,202	$ (631,213)	$ -	$16,515,989

Note 5 - Capital Assets (Continued)

June 30, 2007:	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	23,386,606	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

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 6 - 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.

Note 6 - State Support (Continued)

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 statement of net assets.

Note 7 - Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately $610,510. 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, 2008:

Years Ended June 30,	Amount
2009	$134,810
2010	122,792
2011	116,362
2012	64,593
2013	9,355
Total minimum lease payments	447,912
Less: Amount representing interest	(70,518)
Present value of minimum lease payments	$377,394

Note 8 - Retirement Plans

Public Employees Retirement System (OPERS)
The College's faculty is covered by the State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the Ohio Public Employees Retirement System (OPERS). This retirement program is a statewide cost-sharing multiple employer defined benefit pension plan. 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, 2008 were 10% and 14% of covered payroll, respectively. Contributions made by the College, which represent 100% of the required contributions, for the years ended June 30, 2008, 2007, and 2006, were $470,984, $405,039, and $357,775, respectively.

State Teachers Retirement System (STRS)
The College's faculty is 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.

Note 8 - Retirement Plans (Continued)

State Teachers Retirement System (STRS) (continued)
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.

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, 2008, 2007, and 2006, were $706,230, $720,356, and $683,056, 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 (10% 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, 2008, 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, 2008 were $7,057.

Note 9 - <u>Other Postemployment Benefits</u>

<u>Public Employees Retirement System (OPERS)</u>
OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7277.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expensed as a percentage of the covered payroll of active members. In 2007, state employers contributed at a rate of 13.77% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The College's actual contributions for 2007 which were used to fund OPEB were $205,208.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

<u>State Teachers Retirement System (STRS)</u>
STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Note 9 - Other Postemployment Benefits (Continued)

State Teachers Retirement System (STRS) (continued)
Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2007, 2006, and 2005. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2008, 2007, and 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the College, these amounts equaled $50,445, $51,454, and $48,790, respectively.

Note 10 - 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.

The liability for the cost of vacation and sick leave benefits was approximately $587,580 and $507,819 as of June 30, 2008 and 2007, respectively.

Note 11 - Bonds Payable

During fiscal year ended June 30, 2004, the College issued General Receipts Bonds, Series 2003. During fiscal year ended June 30, 2008, the College issued General Receipts Bonds, Series 2008. The following summarizes bonds payable as of June 30, 2008:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Current Portion
Series 2003 bonds with interest ranging from 1.65% - 5.00% due serially through 2023	$2,500,000	$0	$105,000	$2,395,000	$105,000
Series 2008 bonds with interest ranging from 3.5% - 5.05% due serially through 2025	0	2,805,000	0	2,805,000	0
Total	$2,500,000	$2,805,000	$105,000	$5,200,000	$105,000

Note 11 - Bonds Payable (Continued)

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2008, are as follows:

Years Ended	Series 2003		Series 2008		Total Bonds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 105,000	$ 109,795	$ -	$ 55,035	$ 105,000	$ 164,830
2010	110,000	106,325	100,000	127,823	210,000	234,148
2011	115,000	102,413	100,000	124,323	215,000	226,736
2012	120,000	98,003	100,000	120,823	220,000	218,826
2013	125,000	93,006	100,000	117,073	225,000	210,079
2014-2018	705,000	369,550	565,000	519,225	1,270,000	888,775
2019-2023	905,000	170,125	720,000	378,400	1,625,000	548,525
2024-2028	210,000	5,250	910,000	191,963	1,120,000	197,213
2029	-	-	210,000	10,500	210,000	10,500
	$ 2,395,000	$ 1,054,467	$ 2,805,000	$ 1,645,165	$ 5,200,000	$ 2,699,632

Mandatory Redemption. The Series 2003 and the Series 2008 are subject to mandatory sinking fund redemption on December 1 of the following years:

	Series 2003	Series 2008	Total
2014	$ 135,000	$ -	$ 135,000
2015	140,000	-	140,000
2016	145,000	-	145,000
2017	155,000	-	155,000
2018	16,500	-	16,500
2019	17,000	140,000	157,000
2020	180,000	145,000	325,000
2021	190,000	150,000	340,000
2022	200,000	155,000	355,000
2023	210,000	165,000	375,000
2024	-	175,000	175,000
2025	-	180,000	180,000
2026	-	190,000	190,000
2027	-	200,000	200,000
2028	-	210,000	210,000
	$ 1,388,500	$ 1,710,000	$ 3,098,500

In connection with the General Receipts Bonds, the College has pledged future general revenues of the main campus, net of certain specified receipts such as state appropriations and taxes, to repay these bonds. The bonds are payable, through their final maturities, from net revenues applicable to the main campus. Total principal and interest remaining to be paid on these bonds is $4,450,165. The net pledged revenues and coverage ratio are not presented for fiscal year 2008 because the College was not required to make principal or interest payments during the year for these bonds.

Note 12 – 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, 2008

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	NA	84.007	$126,323
Federal Direct Student Loans	NA	84.268	4,479,344
Federal Work-Study Program	NA	84.033	68,785
Federal Pell Grant Program	NA	84.063	3,280,985
Academic Competitiveness Grants	NA	84.375	20,768
Total Student Financial Aid Cluster			7,976,205
Passed through the Ohio Department of Education			
Adult Education - State Grant Program	067694-ABS1	84.002	183,997
Career and Technical Education - Basic Grants to States	NA	84.048	15,039
Total Passed through the Ohio Department of Education			199,036
Total United States Department of Education			8,175,241
United States Department of Agriculture			
Passed through the Ohio Department of Agriculture			
Child and Adult Care Food Program	135426-CCMN	10.558	21,728
Child and Adult Care Food Program	135426-LUCN	10.558	450
Total United States Department of Agriculture			22,178
Total Federal Financial Assistance			$8,197,419

NA - pass through entity number not available.

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

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, 2008. 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 of Federal Awards Expenditures 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, 2008, the College had no significant commodities in inventory.

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, Ohio (the College) as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 8, 2008, wherein we noted that the College implemented GASB Statements No. 45, 48 and 50. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined 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 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 its applicable accounting basis, such that there is more than a remote likelihood that the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 8, 2008

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Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Southern State Community College
Board of Trustees
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 apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect 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 internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that the College's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 8, 2008

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 Grants, #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
DECEMBER 9, 2008

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