

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

**Financial Statements and Additional Information
For The Years Ended June 30, 2001 and 2000 and
Independent Auditors' Report**

Reports On Internal Control and Compliance

PARMS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Southern State Community College
200 Hobart Dr.
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We have reviewed the independent auditor's report of the Southern State Community College, Highland County, prepared by Parms & Company, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 14, 2002

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SOUTHERN STATE COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Southern State Community College
Hillsboro, Ohio

We have audited the accompanying balance sheets of Southern State Community College (the College), a component unit of the State of Ohio, as of June 30, 2001 and 2000, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of Southern State Community College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern State Community College as of June 30, 2001 and 2000, and the changes in its fund balances and the current funds revenues, expenditures, and other changes for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards* we have also issued a report dated December 14, 2001, on our consideration of Southern State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Parms & Company, I nc.

Columbus, Ohio
December 14, 2001

SOUTHERN STATE COMMUNITY COLLEGE
BALANCE SHEETS
As of June 30, 2001 and 2000

	Current Funds				Endowment Funds		Loan Funds		Plant Funds		Agency Funds		Foundation	
	Unrestricted		Restricted											
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
ASSETS														
Cash and equivalents (Note B)	\$ 16,878	\$ 4,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,176,300	792,735	188,591	305,863	258	2,940	-	-	-	-	13,538	12,801	223,728	193,749
Accounts receivable, net (Note A)	284,942	144,503	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	355,277	290,354	244,751	310,976	-	-	-	-	118,363	486,046	-	-	24,150	16,027
Notes receivable	-	-	-	-	-	-	10,006	19,932	-	-	-	-	-	-
Inventories (Note A)	102,228	97,492	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses/ other assets	6,531	27,194	-	-	12,060	9,378	-	-	-	-	-	-	-	-
Investment in plant (Note H)	-	-	-	-	-	-	-	-	26,566,350	25,757,856	-	-	-	-
Interfund receivable	96,542	469,102	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 2,038,698	\$ 1,825,549	\$ 433,342	\$ 616,839	\$ 12,318	\$ 12,318	\$ 10,006	\$ 19,932	\$ 26,684,713	\$ 26,243,902	\$ 13,538	\$ 12,801	\$ 247,878	\$ 209,776
LIABILITIES AND FUND BALANCE														
Accounts payable	\$ 60,423	\$ 46,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	-	-	3,437	8,347	93,105	460,755	-	-	-	-
Accrued wages & benefits	463,242	236,483	-	-	-	-	-	-	-	-	-	-	-	-
Accrued vacation	139,640	125,318	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income (Note A)	104,061	81,904	-	-	-	-	-	-	-	-	-	-	-	-
Deposits held in custody for others	-	-	-	-	-	-	-	-	-	-	13,538	12,801	-	-
Capital lease obligation (Note D)	-	-	-	-	-	-	-	-	155,855	94,683	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-	-	44,285	-	-	-	-
Total Liabilities	767,366	489,773	-	-	-	-	3,437	8,347	248,960	599,723	13,538	12,801	-	-
Fund balance (Note A)	1,271,332	1,335,776	433,342	616,839	12,318	12,318	6,569	11,585	26,435,753	25,644,179	-	-	247,878	209,776
Total liabilities & fund balance	\$ 2,038,698	\$ 1,825,549	\$ 433,342	\$ 616,839	\$ 12,318	\$ 12,318	\$ 10,006	\$ 19,932	\$ 26,684,713	\$ 26,243,902	\$ 13,538	\$ 12,801	\$ 247,878	\$ 209,776

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

SOUTHERN STATE COMMUNITY COLLEGE
STATEMENTS OF CHANGES IN FUND BALANCES
For The Years Ended June 30, 2001 and 2000

	Current Funds											
	Unrestricted		Restricted		Endowment Funds		Loan Funds		Plant Funds		Foundation	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>REVENUES AND ADDITIONS</u>												
Unrestricted current fund revenues	\$ 9,676,232	\$ 8,383,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	-	-	3,396,675	2,757,977	-	-	-	-	-	-	-	-
State grants and contracts	-	-	1,838,909	1,448,122	-	-	-	-	-	-	-	-
Local grants and contracts	-	-	283,781	246,339	-	-	-	-	-	-	-	-
Private gifts, grants, and contracts	-	-	124,564	108,687	-	-	-	-	-	-	88,472	68,673
Expended for plant facilities	-	-	-	-	-	-	-	-	791,574	5,527,233	-	-
Other additions to fund balances	-	-	-	-	-	-	-	-	-	-	-	10,094
Total revenues and additions	9,676,232	8,383,210	5,643,929	4,561,125	-	-	-	-	791,574	5,527,233	88,472	78,767
<u>EXPENDITURES AND DEDUCTIONS</u>												
Education and general expenditures	7,940,802	7,203,779	5,643,929	4,561,125	-	-	-	-	-	-	50,370	47,483
Auxiliary enterprises	1,624,498	1,024,870	-	-	-	-	-	-	-	-	-	-
Loan cancellations and writeoffs	-	-	-	-	-	-	5,016	88,172	-	-	-	-
Administration and collection cost	-	-	-	-	-	-	-	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures and deductions	9,565,300	8,228,649	5,643,929	4,561,125	-	-	5,016	88,172	-	-	50,370	47,483
Transfers among funds - additions/(deductions)												
Mandatory:	(176,656)	(117,222)	176,656	117,222	-	-	-	-	-	-	-	-
Nonmandatory:	1,280	-	(1,280)	-	-	-	-	-	-	-	-	-
Excess of restricted receipts	-	-	(358,873)	(723,857)	-	-	-	-	-	-	-	-
Net transfers in (out)	(175,376)	(117,222)	(183,497)	(606,635)	-	-	-	-	-	-	-	-
Net increase (decrease) for the year	(64,444)	37,339	(183,497)	(606,635)	-	-	(5,016)	(88,172)	791,574	5,527,233	38,102	31,284
Fund balances, beginning of year	<u>1,335,776</u>	<u>1,298,437</u>	<u>616,839</u>	<u>1,223,474</u>	<u>12,318</u>	<u>12,318</u>	<u>11,585</u>	<u>99,757</u>	<u>25,644,179</u>	<u>20,116,946</u>	<u>209,776</u>	<u>178,492</u>
Fund balances, end of year	<u>\$ 1,271,332</u>	<u>\$ 1,335,776</u>	<u>\$ 433,342</u>	<u>\$ 616,839</u>	<u>\$ 12,318</u>	<u>\$ 12,318</u>	<u>\$ 6,569</u>	<u>\$ 11,585</u>	<u>\$ 26,435,753</u>	<u>\$ 25,644,179</u>	<u>\$ 247,878</u>	<u>\$ 209,776</u>

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

SOUTHERN STATE COMMUNITY COLLEGE
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For The Years Ended June 30, 2001 and 2000

	Unrestricted						Restricted		Total Current Funds	
	Educational and General		Auxiliary		Total Unrestricted		Educational and General			
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>		
<u>REVENUES</u>										
Tuition, fees, & other student charges	\$ 3,638,218	\$ 3,192,703	\$ -	\$ -	\$ 3,638,218	\$ 3,192,703	\$ -	\$ -	\$ 3,638,218	\$ 3,192,703
State appropriations	3,597,998	3,540,550	-	-	3,597,998	3,540,550	-	-	3,597,998	3,540,550
Federal grants and contracts	-	-	-	-	-	-	3,396,675	2,757,977	3,396,675	2,757,977
State grants and contracts	720,407	432,478	-	-	720,407	432,478	1,838,909	1,448,122	2,559,316	1,880,600
Local grants and contracts	-	-	-	-	-	-	283,781	246,339	283,781	246,339
Private gifts, grants, and contracts	-	-	-	-	-	-	124,564	108,687	124,564	108,687
Sales and services	-	-	1,587,405	1,075,038	1,587,405	1,075,038	-	-	1,587,405	1,075,038
Other sources	132,204	142,441	-	-	132,204	142,441	-	-	132,204	142,441
Total revenues	8,088,827	7,308,172	1,587,405	1,075,038	9,676,232	8,383,210	5,643,929	4,561,125	15,320,161	12,944,335
<u>EXPENDITURES AND TRANSFERS</u>										
Educational and general:										
Instructional & departmental research	3,800,053	3,357,509	-	-	3,800,053	3,357,509	102,885	15,694	3,902,938	3,373,203
Separately budgeted research	132	3,183	-	-	132	3,183	-	-	132	3,183
Public service	173,957	178,059	-	-	173,957	178,059	1,269,660	978,124	1,443,617	1,156,183
Academic support	987,232	898,272	-	-	987,232	898,272	-	8,966	987,232	907,238
Student services	734,560	787,856	-	-	734,560	787,856	183,698	138,345	918,258	926,201
Institutional support	961,447	853,512	-	-	961,447	853,512	8,445	124,072	969,892	977,584
Operation and maintenance of plant	985,272	835,194	-	-	985,272	835,194	-	-	985,272	835,194
Scholarships and fellowships	298,149	290,194	-	-	298,149	290,194	4,079,241	3,295,924	4,377,390	3,586,118
Total educational and general expenditures	7,940,802	7,203,779	-	-	7,940,802	7,203,779	5,643,929	4,561,125	13,584,731	11,764,904
Mandatory transfers	176,656	117,222	-	-	176,656	117,222	(176,656)	(117,222)	-	-
Auxiliary enterprises expenses	-	-	1,624,498	1,024,870	1,624,498	1,024,870	-	-	1,624,498	1,024,870
Excess restricted receipts over transfers to revenues	-	-	-	-	-	-	360,153	723,857	360,153	723,857
Non-mandatory transfers	-	-	(1,280)	-	(1,280)	-	-	-	(1,280)	-
Total expenditures and transfers	8,117,458	7,321,001	1,623,218	1,024,870	9,740,676	8,345,871	5,827,426	5,167,760	15,568,102	13,513,631
Net increase in fund balances	<u>\$ (28,631)</u>	<u>\$ (12,829)</u>	<u>\$ (35,813)</u>	<u>\$ 50,168</u>	<u>\$ (64,444)</u>	<u>\$ 37,339</u>	<u>\$ (183,497)</u>	<u>\$ (606,635)</u>	<u>\$ (247,941)</u>	<u>\$ (569,296)</u>

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Description of the College

Southern State Community College (the College) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The financial statements present only the financial position and results of operations of the College. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the College's financial statements are included as a discrete entity in the State of Ohio's Consolidated Annual Financial Report.

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

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

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

Accrual Basis

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

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Current Funds

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

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

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

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

Loan Fund

This group accounts for funds available for lending to students. The fund operates on a revolving basis. Loans granted are receivables of the fund until repaid, at which time, the money becomes available for new loans. As of June 30, 2001, management estimated an allowance for doubtful accounts of \$82,061.

Endowment Fund

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

Plant Fund

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

Agency Fund

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Southern State Community College Foundation Fund

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

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

Generally, all unrestricted revenues are accounted for in the current unrestricted funds. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Current restricted funds are reported as revenues and expenditures when expended for current operating purposes. At June 30, 2001 and 2000 all current fund balances were unallocated.

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.

Inventory

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

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the investment in plant is reduced accordingly. Routine maintenance and repairs are charged to expenses as incurred. Depreciation on plant and equipment is not recorded. Certain assets purchased through capital leases have been capitalized and included as part of equipment in the accompanying financial statements.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables

At June 30, 2001 and 2000, accounts receivable consist primarily of student tuition and fees, and intergovernmental grants and contracts in the Educational and General Fund, and intergovernmental grants and contracts in the Restricted Fund. Student accounts receivable are reported net of an allowance for doubtful accounts of \$264,463 and \$232,695 at June 30, 2001 and 2000, respectively, whereas other receivables are reported at net, based on separate allowances for doubtful accounts estimated by management.

Deferred Income

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

Pensions

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

Investments

The College makes investments in accordance with the Board of Trustees' policy, which conforms with the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Treasurer within these policy guidelines. As of June 30, 2001 and 2000, investments held by the College were valued at \$1,602,415 and \$1,308,088, respectively.

Non-Exchange Transactions

Effective on July 1, 2000, the College implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Non-Exchange Revenues* (an amendment of GASB No. 33). In general, these statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives or receives an economic benefit of value not to be equal, nor intended to be equal, in return. In addition, GASB No. 33 requires the recognition of pledges and gifts when all eligibility requirements are met.

In implementing GASB No. 33, the College recognized an additional \$8,123 in private gift revenues in 2001 and reported a \$24,150 receivable for non-endowment pledges as of June 30, 2001. Financial statements for the year ended June 30, 2000 have been retroactively restated for nonexchange transactions, including gifts and pledges. The effect of implementing GASB No. 33 on the College's financial statements as of and for the year ended June 30, 2000 was to increase accounts receivable by \$16,027, increase beginning fund balance by \$15,655, and increase income from private gifts by \$372.

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the prior-year statement of financial position have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

B. CASH AND EQUIVALENTS AND INVESTMENTS

At June 30, 2001 and 2000, the carrying amount of the College's cash deposits was \$16,878 and \$4,169, respectively; and the bank balances were \$135,226 and \$360,073, respectively. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2001 and 2000, \$100,000 of the bank balances were insured by the FDIC (Category 1); the remaining bank balances were Category 3.

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

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

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

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

The following summarizes the carrying value and market value of investments:

<u>Description</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Market Value</u>
<i>June 30, 2001:</i>			
Star Ohio	\$1,451,056	1,451,056	\$1,451,056
Common and preferred stocks and bonds	<u>157,647</u>	<u>151,359</u>	<u>151,359</u>
Total Investments	<u>\$1,608,703</u>	<u>1,602,415</u>	<u>\$1,602,415</u>
<i>June 30, 2000:</i>			
Star Ohio	\$ 449,711	449,711	\$ 449,711
CD's maturing beyond 90 days	750,000	750,000	750,000
Common and preferred stocks and bonds	<u>104,130</u>	<u>108,377</u>	<u>108,377</u>
Total Investments	<u>\$1,303,841</u>	<u>1,308,088</u>	<u>\$1,308,088</u>

The Star Ohio investment account is an external investment pool. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 1.

SOUTHERN STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For The Years Ended June 30, 2001 and 2000

C. STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's financial balance sheet.

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

D. CAPITAL LEASES

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately \$272,806. 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, 2001.

<u>Years Ended June 30.</u>	<u>Amount</u>
2002	\$ 66,712
2003	61,921
2004	32,144
2005	13,464
2006	<u>749</u>
Total minimum lease payments	174,990
Less: Amount representing interest	<u>(19,135)</u>
Present value of minimum lease payments	<u>\$155,855</u>

SOUTHERN STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For The Years Ended June 30, 2001 and 2000

E. RETIREMENT PLANS

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

<u>STRS</u>	<u>PERS</u>
State Teacher's Retirement System of Ohio 275 East Broad Street Columbus, OH 43215-3371 (614) 227-4090 or (888) 227-7877	Public Employees Retirement System of Ohio 277 East Town Street Columbus, OH 43215-4642 (614) 466-2085 or (800) 222-7377

Funding Policy

The Revised Code of Ohio (ORC) provides PERS and STRS statutory authority for employee and employer contributions. The PERS Retirement Board instituted a temporary rate rollback for calendar year 2000. The required contribution rates for PERS plan members and employers for calendar year 2000 were 6.00% and 10.65% of covered payroll, respectively. For STRS, the required, actuarially determined, rates for plan members are 9.30% and 14.00% of covered payroll, respectively.

The College's contributions, which represent 100% of the required contributions, for the year ended June 30, 2001 and for each of the two preceding years were as follows:

Years Ended <u>June 30,</u>	STRS Annual Required <u>Contributions</u>	PERS Annual Required <u>Contributions</u>
2001	\$527,637	\$230,995
2000	445,263	\$202,553
1999	430,243	185,083

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

F. OTHER POST-RETIREMENT BENEFITS

Public Employees Retirement System (PERS)

PERS provides post-retirement 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 Post-Employment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2000 employer contribution rate for state employers was rolled back for year 2000 to 10.65% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. In calendar year 2000, the Retirement Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing.

OPEB are advanced-funded on an actuarially determined basis. The portion of the employer contributions that was made to fund postemployment benefits can be determined by multiplying actual employer contributions times .4038.

As of December 31, 1999, \$10,805.5 million was the actuarial value of the Retirement System's net assets available for OPEB. The actuarial liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively. The number of active participants was 401,339.

State Teachers Retirement System (STRS)

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums.

Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Under Ohio law, medical costs paid from the funds of STRS are included in the employer contribution rate. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

G. RISK MANAGEMENT

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

SOUTHERN STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
For The Years Ended June 30, 2001 and 2000

H INVESTMENT IN PLANT

Investment in plant as of June 30, 2001 and 2000 was composed of the following:

	<u>2001</u>	<u>2000</u>
Land	\$ 767,441	\$ 1,027,441
Building and improvements	18,520,354	18,341,696
Equipment	6,883,984	6,000,103
Library books	335,593	335,593
Art collection	<u>58,978</u>	<u>53,023</u>
Total	<u>\$26,566,350</u>	<u>\$25,757,856</u>

As of June 30, 2001, the College reported, in the plant fund, a \$118,363 receivable for capital additions paid for by the College and funded through the State of Ohio, in which the additions were not recorded as investment in plant at June 30, 2001. The College will recognize these capital additions as investment in plant, as funding is received from the State of Ohio over the next fiscal year.

I. OPERATING LEASES

The College is the lessor under a two-year operating lease with the Highland County Department of Health, which expires in June 2003. Future minimum rentals to be received under this lease as of June 30, 2001 for each of the subsequent fiscal years and in the aggregate are:

<u>Years ended</u> <u>June 30,</u>	<u>Amount</u>
2002	25,200
2003	<u>25,200</u>
Total minimum future rentals	<u>\$50,400</u>

J. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of July 1, 2001, the College is required to adopt GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. As a result, much of the reporting that the College has provided in the past will be restructured and will now include the College's management's discussion and analysis of the College's operations. The provisions of these Statements will be reflected in the College's financial report for the year ended June 30, 2002. Management of the College has determined that the most significant impact of the implementation of these statements on its reported financial position will be the recording of depreciation on its Investment in Plant. Depreciation calculations have not been finalized at this time.

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2001

	Current Funds					Endowment Funds	Loan Funds	Plant Funds	Agency Funds	Foundation
	Unrestricted		Total Unrestricted	Restricted				Investment in Plant		
	Educational and General	Auxiliary		Educational and General	Total Current Funds					
<u>ASSETS</u>										
Cash and equivalents	\$ 16,878	\$ -	\$ 16,878	\$ -	\$ 16,878	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,072,866	103,434	1,176,300	188,591	1,364,891	258	-	-	13,538	223,728
Accounts receivable, net	284,942	-	284,942	-	284,942	-	-	-	-	-
Other receivables	283,782	71,495	355,277	244,751	600,028	-	-	118,363	-	24,150
Notes receivable	-	-	-	-	-	-	10,006	-	-	-
Inventories	4,620	97,608	102,228	-	102,228	-	-	-	-	-
Prepaid expenses and other assets	6,531	-	6,531	-	6,531	12,060	-	-	-	-
Investment in plant	-	-	-	-	-	-	-	26,566,350	-	-
Interfund receivable	<u>96,542</u>	<u>-</u>	<u>96,542</u>	<u>-</u>	<u>96,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,766,161</u>	<u>\$ 272,537</u>	<u>\$ 2,038,698</u>	<u>\$ 433,342</u>	<u>\$ 2,472,040</u>	<u>\$ 12,318</u>	<u>\$ 10,006</u>	<u>\$ 26,684,713</u>	<u>\$ 13,538</u>	<u>\$ 247,878</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Accounts payable	\$ 56,983	\$ 3,440	\$ 60,423	\$ -	\$ 60,423	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	-	-	3,437	93,105	-	-
Accrued wages & benefits	463,242	-	463,242	-	463,242	-	-	-	-	-
Accrued vacation	139,640	-	139,640	-	139,640	-	-	-	-	-
Accrued expenses and interest	-	-	-	-	-	-	-	-	-	-
Deferred income	84,261	19,800	104,061	-	104,061	-	-	-	-	-
Deposits held in custody for others	-	-	-	-	-	-	-	-	13,538	-
Capital lease obligation	-	-	-	-	-	-	-	155,855	-	-
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	744,126	23,240	767,366	-	767,366	-	3,437	248,960	13,538	-
Fund balance	<u>1,022,035</u>	<u>249,297</u>	<u>1,271,332</u>	<u>433,342</u>	<u>1,704,674</u>	<u>12,318</u>	<u>6,569</u>	<u>26,435,753</u>	<u>-</u>	<u>247,878</u>
Total liabilities & fund balance	<u>\$ 1,766,161</u>	<u>\$ 272,537</u>	<u>\$ 2,038,698</u>	<u>\$ 433,342</u>	<u>\$ 2,472,040</u>	<u>\$ 12,318</u>	<u>\$ 10,006</u>	<u>\$ 26,684,713</u>	<u>\$ 13,538</u>	<u>\$ 247,878</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FUND BALANCE
For The Year Ended June 30, 2001

	Current Funds					Endowment Funds	Loan Funds	Plant Funds	
	Unrestricted			Restricted				Investment in Plant	Foundation
	Educational and General	Auxiliary	Total Unrestricted	Educational and General	Total Current Funds				
<u>REVENUES AND ADDITIONS</u>									
Unrestricted current fund revenues	\$ 8,088,827	\$ 1,587,405	\$ 9,676,232	\$ -	\$ 9,676,232	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	-	-	-	3,396,675	3,396,675	-	-	-	-
State appropriations, grants, and contracts	-	-	-	1,838,909	1,838,909	-	-	-	-
Local grants and contracts	-	-	-	283,781	283,781	-	-	-	-
Private gifts, grants, and contracts	-	-	-	124,564	124,564	-	-	-	88,472
Expended for plant facilities	-	-	-	-	-	-	-	791,574	-
Other sources	-	-	-	-	-	-	-	-	-
Total revenues and additions	8,088,827	1,587,405	9,676,232	5,643,929	15,320,161	-	-	791,574	88,472
<u>EXPENDITURES AND DEDUCTIONS</u>									
Education and general expenditures	7,940,802	-	7,940,802	5,643,929	13,584,731	-	-	-	50,370
Auxiliary enterprises	-	1,624,498	1,624,498	-	1,624,498	-	-	-	-
Loan cancellations and writeoffs	-	-	-	-	-	-	5,016	-	-
Administration and collection cost	-	-	-	-	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	-	-	-	-
Total expenditures and deductions	7,940,802	1,624,498	9,565,300	5,643,929	15,209,229	-	5,016	-	50,370
Transfers among funds	(176,656)	1,280	(175,376)	(183,497)	(358,873)	-	-	-	-
Net increase (decrease) for year	(28,631)	(35,813)	(64,444)	(183,497)	(247,941)	-	(5,016)	791,574	38,102
Fund balances, beginning of year	1,050,666	285,110	1,335,776	616,839	1,952,615	12,318	11,585	25,644,179	209,776
Fund balances, end of year	<u>\$ 1,022,035</u>	<u>\$ 249,297</u>	<u>\$ 1,271,332</u>	<u>\$ 433,342</u>	<u>\$ 1,704,674</u>	<u>\$ 12,318</u>	<u>\$ 6,569</u>	<u>\$ 26,435,753</u>	<u>\$ 247,878</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF CURRENT REVENUES - EDUCATIONAL AND GENERAL
For The Year Ended June 30, 2001

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Tuition, fees, & other student charges			
Instructional	\$ 3,422,327	\$ -	\$ 3,422,327
General	117,771	-	117,771
Non-credit	-	-	-
Application and matriculation	9,105	-	9,105
Fines and penalties	2,091	-	2,091
Other	<u>86,924</u>	<u>-</u>	<u>86,924</u>
Total tuition, fees, and other student charges	3,638,218	-	3,638,218
State appropriations instruction subsidy	3,597,998	-	3,597,998
Federal grants & contracts	-	3,396,675	3,396,675
State grants & contracts	720,407	1,838,909	2,559,316
Local grants & contracts	-	283,781	283,781
Private gifts grants & contracts	-	124,564	124,564
Other sources			
Temporary investment income	76,791	-	76,791
Rental income	6,335	-	6,335
Other	<u>49,078</u>	<u>-</u>	<u>49,078</u>
Total other sources	<u>132,204</u>	<u>-</u>	<u>132,204</u>
Total current revenues - educational and general	<u>\$ 8,088,827</u>	<u>\$ 5,643,929</u>	<u>\$13,732,756</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF CURRENT EXPENDITURES - EDUCATIONAL AND GENERAL
For The Year Ended June 30, 2001

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Instruction and department research			
General education	\$ 2,181,157	\$ -	\$ 2,181,157
Business technology	588,853	-	588,853
Engineering technology	153,228	-	153,228
Health technology	797,957	-	797,957
Other	78,858	102,885	181,743
Separately budgeted research	<u>132</u>	<u>-</u>	<u>132</u>
Total instruction and department research	3,800,185	102,885	3,903,070
Public service	173,957	1,269,660	1,443,617
Academic support			
Learning resource center	369,887	-	369,887
Other	<u>617,345</u>	<u>-</u>	<u>617,345</u>
Total academic support	987,232	-	987,232
Student services			
Student services	734,560	183,698	918,258
College-funded student activities	<u>-</u>	<u>-</u>	<u>-</u>
Total student services	734,560	183,698	918,258
Institutional support			
President's office	250,632	-	250,632
Business office	324,940	-	324,940
Administrative and personnel	14,817	-	14,817
Public information	124,902	-	124,902
Other	<u>246,156</u>	<u>8,445</u>	<u>254,601</u>
Total institutional support	961,447	8,445	969,892
Operation and maintenance of plant			
Custodial, maintenance and grounds	610,149	-	610,149
Utilities	339,072	-	339,072
Insurance	<u>36,051</u>	<u>-</u>	<u>36,051</u>
Total operation and maintenance of plant	985,272	-	985,272
Scholarships	<u>298,149</u>	<u>4,079,241</u>	<u>4,377,390</u>
Total current expenditures - educational and general	<u>\$ 7,940,802</u>	<u>\$ 5,643,929</u>	<u>\$13,584,731</u>

ADDITIONAL INFORMATION TO THE BASIC FINANCIAL STATEMENTS

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

For The Year Ended June 30, 2001

	<u>Bookstore</u>	<u>Day Care</u>	<u>Corporate Community Services</u>	<u>Continuing Education</u>	<u>Total</u>
Revenues	\$ 875,984	\$ 317,114	\$ 371,454	\$ 22,853	\$ 1,587,405
Cost of sales	<u>656,583</u>	<u>35,644</u>	<u>164,780</u>	<u>17,052</u>	<u>874,059</u>
Gross margin	219,401	281,470	206,674	5,801	713,346
Administrative and general expenses					
Administrative salaries	32,376	54,173	57,697	-	144,246
Support staff salaries	-	-	-	-	-
Part-time support staff salaries	26,172	197,672	12,865	-	236,709
Fringe benefits allocated	14,517	44,604	57,892	-	117,013
Office supplies	657	1,191	2,233	295	4,376
Printing supplies/photocopying	191	4,090	3,575	522	8,378
Travel-conference reimbursement	-	-	749	-	749
Travel-mileage reimbursement	423	366	7,727	198	8,714
Special events	-	-	658	-	658
Advertising	-	157	20,612	-	20,769
Telephone	10,570	11,938	13,873	-	36,381
Dues and subscriptions	-	-	246	1,148	1,394
Postage	13,985	177	59	280	14,501
Computer services	1,672	-	-	-	1,672
Staff development	-	-	299	-	299
Other professional fees	-	-	42,199	1,536	43,735
Equipment greater than \$50	<u>552</u>	<u>11,335</u>	<u>98,958</u>	<u>-</u>	<u>110,845</u>
Total administrative and general expense	<u>101,115</u>	<u>325,703</u>	<u>319,642</u>	<u>3,979</u>	<u>750,439</u>
Surplus / (deficit)	<u>\$ 118,286</u>	<u>\$ (44,233)</u>	<u>\$ (112,968)</u>	<u>\$ 1,822</u>	<u>\$ (37,093)</u>

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2001**

FEDERAL GRANTOR:

Direct Recipient/Pass-Through Grantor:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Award Fiscal Year</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<i>Direct Recipient:</i>			
Federal Supplemental Education Opportunity Grant Program	84.007	2001	\$ 94,778
Federal Supplemental Education Opportunity Grant Program	84.007	2000	13,902
Federal Supplemental Education Opportunity Grant Program	84.007	1998	4,303
Federal Supplemental Education Opportunity Grant Program	84.007	1997	<u>6,775</u>
Subtotal Federal Supplemental Education Opportunity Grant Program			119,758
Federal Pell Grant Program	84.063	2001	1,606,062
Federal Pell Grant Program	84.063	2000	8,083
Federal Pell Grant Program	84.063	1999	1,162
Federal Pell Grant Program	84.063	1998	<u>342</u>
Subtotal Pell Grant Program			1,615,649
Federal Work-Study Program	84.033	2001	44,576
Federal Work-Study Program	84.033	2000	7,260
Federal Work-Study Program	84.033	1999	5,688
Federal Work-Study Program	84.033	1998	<u>965</u>
Subtotal Federal Work-Study Program			58,489
Federal Direct Loan Program (Note 2)	84.268	2001	<u>1,513,116</u>
Subtotal Student Financial Assistance Cluster of Programs			3,307,012
<i>Passed through the Ohio Department of Education:</i>			
Adult Education State Grant Program	84.002	2001	159,781
Adult Education State Grant Program	84.002	2000	<u>7,151</u>
Subtotal Adult Education Grant Program			166,932
Vocational Education Basic Grants to States	84.048	2001	<u>22,977</u>
Total U.S. Department of Education			<u>3,496,921</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$3,496,921</u>

SOUTHERN STATE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

Note 1 Significant Accounting Policies

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

Note 2 Direct Loan Program

The amount included on the schedule of expenditures of federal awards represents new loans advanced during the fiscal year ended June 30, 2001. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

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

Board of Trustees
Southern State Community College

We have audited the financial statements of Southern State Community College (the College) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the College in a separate letter dated December 14, 2001.

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

Parms & Company, I nc.

December 14, 2001
Columbus, Ohio

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

Board of Trustees
Southern State Community College

Compliance

We have audited the compliance of Southern State Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Southern State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern State Community College's management. Our responsibility is to express an opinion on Southern State Community College's compliance based on our audit.

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

In our opinion, Southern State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Southern State Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southern State Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Parms & Company, I nc.

December 14, 2001
Columbus, Ohio

**SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2001**

Section I. Summary of Auditor's Results

A. *Financial Statements:*

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

B. *Federal Awards:*

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

SOUTHERN STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2001

Section II. Financial Statement Findings

No findings.

Section III. Federal Award Findings and Questioned Costs

No findings.

Section IV. Summary of Prior Audit Findings

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



STATE OF OHIO
OFFICE OF THE AUDITOR

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SOUTHERN STATE COMMUNITY COLLEGE

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2002**