

Southern State Community College
Highland County
Single Audit
For the Fiscal Years Ended June 30, 2014 and 2013



Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.milhuffstangcpa.com ■ Email: natalie@milhuffstangcpa.com



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Southern State Community College, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 3, 2014

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Southern State Community College
Highland County
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For the Fiscal Years Ended June 30, 2014 and 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southern State Community College, Highland County, (the College), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 15, 2014

**Southern State Community College
Highland County**
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013
(Unaudited)

Accounting Standards

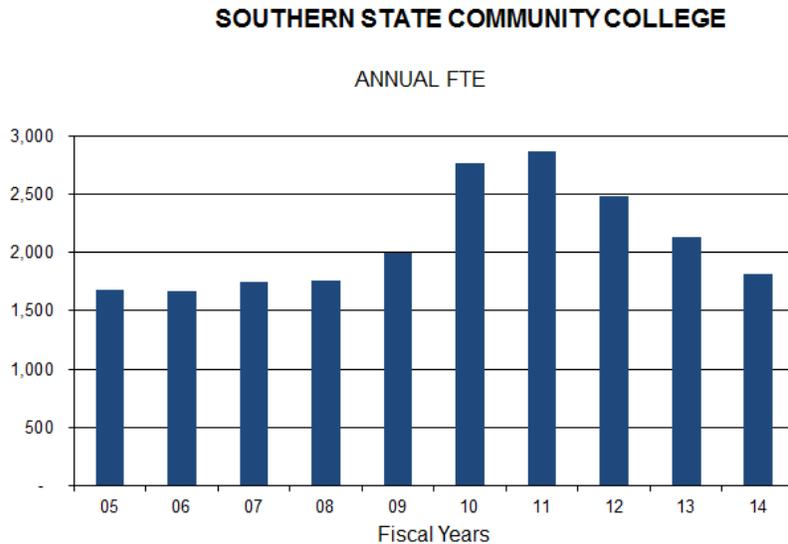
In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999 GASB released Statement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

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the College: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. Each one of these statements will be discussed.

Financial and Enrollment Highlights

- In FY 14 the College experienced an enrollment decrease of 14.6%.
- Gross student fee revenue decreased 10.4%.



- State Subsidy increased by .9%.
- Health care costs decreased 9.9% in FY 14 and will increase 1.7% in FY 15.

**Southern State Community College
Highland County**
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013
(Unaudited)

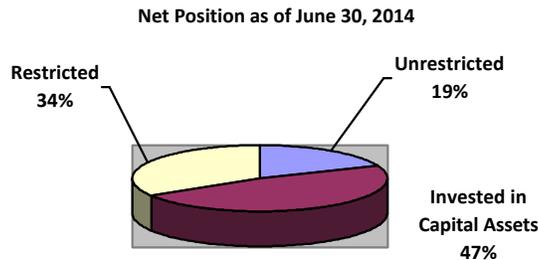
Statement of Net Position

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

	FY 14	FY 13*	FY 12*
Assets			
Current assets	\$9,587,421	\$11,002,537	\$12,000,070
Noncurrent assets	5,554,312	12,775,243	13,155,873
Capital assets, net	29,929,361	22,923,443	22,660,228
Total assets	<u>45,071,094</u>	<u>46,701,223</u>	<u>47,816,171</u>
Liabilities			
Current liabilities	1,762,959	1,234,215	1,347,271
Noncurrent liabilities	18,072,381	19,309,009	20,059,616
Total liabilities	<u>19,835,340</u>	<u>20,543,224</u>	<u>21,406,887</u>
Deferred inflows of resources	661,644	344,913	402,747
Net position			
Net investment in capital assets	11,516,531	13,120,889	14,020,509
Restricted	8,298,140	8,304,078	5,513,331
Unrestricted	4,759,439	4,388,119	6,472,697
Total net position	<u>\$24,574,110</u>	<u>\$25,813,086</u>	<u>\$26,006,537</u>

*As restated. See the notes to the financial statements.

Receivables include student accounts for tuition, daycare charges, company accounts for training, and grant receivables. The decrease is the result of reduced enrollment. Deferred inflows of resources is largely represented by tuition and fees generated from registrations for the next fiscal year, FY 15. These dollars will be recognized in the following year's financial statements. Long-term liabilities include deferred compensation (accrued vacation and sick days) and the net present value of the future capital lease and the bond issue payments. Net position includes the net investment in capital assets and both restricted and unrestricted funds. Total net position decreased 5% from FY 13 to FY 14.



Southern State Community College
Highland County
Management's Discussion and Analysis
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(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the operating results of the College operations, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for, are considered non-operating revenues according to generally accepted accounting principles.

	FY 14	FY 13*	FY 12*
Operating revenue:			
Net tuition and fees	\$7,336,176	\$11,344,509	\$8,307,233
Auxiliary	3,625,382	3,924,640	4,050,470
Grants and contracts	980,093	732,270	941,964
Other	134,527	252,765	132,521
Total	<u>12,076,178</u>	<u>16,254,184</u>	<u>13,432,188</u>
Operating expenses			
Instructional	8,056,850	9,155,627	9,018,534
Research	14	15	20
Community service	940,831	832,227	844,821
Academic support	2,386,350	2,638,946	2,862,580
Student services	2,012,987	2,189,381	2,360,301
Institutional support	2,073,835	2,345,460	3,028,655
Plant operations	1,569,614	2,001,241	1,668,419
Depreciation	991,864	960,408	943,813
Scholarships	5,951,404	9,078,530	7,675,478
Auxiliary	3,389,302	3,335,070	3,872,080
Total	<u>27,373,051</u>	<u>32,536,905</u>	<u>32,274,701</u>
Operating loss	(15,296,873)	(16,282,721)	(18,842,513)
Nonoperating revenues (expenses):			
Federal grants	6,329,292	7,832,508	9,548,675
State subsidy	8,108,228	8,037,891	7,895,937
Investment income	258,781	196,661	43,628
Interest on capital asset-related debt	(623,315)	(599,492)	(345,835)
Capital appropriations	0	345,786	0
Addition to endowments	0	6,311	15,989
Return of endowments	(25,910)	0	0
Other nonoperating revenue	10,821	269,605	28,647
Total	<u>14,057,897</u>	<u>16,089,270</u>	<u>17,187,041</u>
Change in net position	(1,238,976)	(193,451)	(1,655,472)
Net position - beginning of year	25,813,086	26,006,537	27,662,009
Net position - end of year	<u>\$24,574,110</u>	<u>\$25,813,086</u>	<u>\$26,006,537</u>

*As restated. See the notes to the financial statements.

Southern State Community College
Highland County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013
(Unaudited)

Net tuition and fees represents gross student fee revenue of \$8,024,703 in FY 14 and \$12,337,961 in FY 13 net of scholarship allowances of \$688,527 and \$993,452 for those years respectively. Auxiliary revenue consists of bookstore, daycare, and non-grant portion of corporate and community services. This decrease was due to enrollment decline. Operating expense decreases primarily reflect decreases in scholarship expenses, as well as decreases in enrollment driven costs.

State subsidy as a percent of total revenue has declined from past years. However, in FY 14 and FY 13, it represented 55% and 48%, respectively of non-operating revenues.

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 14	FY 13	FY 12
Cash provided by (used In):			
Operating activities	(\$14,291,623)	(\$16,571,193)	(\$16,937,698)
Non-capital financing activities	14,448,341	16,146,316	17,489,248
Capital and related financing activities	(9,078,119)	(1,807,570)	10,519,289
Investing activities	(21,035)	593,419	(631,549)
Net increase (decrease) in cash	(8,942,436)	(1,639,028)	10,439,290
Cash - beginning of year	17,884,105	19,523,133	9,083,843
Cash - end of year	<u>\$8,941,669</u>	<u>\$17,884,105</u>	<u>\$19,523,133</u>

The primary cash receipts from operating activities are student fees. State subsidies and federal grants represent the primary non-operating sources of funds. Payments to employees are the primary use of funds.

Capital Assets

Capital assets, net of accumulated depreciation totaled \$29,929,361 at June 30, 2014, a net increase of \$7,005,918 from the prior year-end. Additions to capital assets during the year totaled \$7,997,782 and there were no disposals. Depreciation expense for the year ended June 30, 2014 totaled \$991,864. For more information on capital assets, see Note 4 to the basic financial statements.

Debt

As of June 30, 2014, the College had outstanding debt of \$18,432,744 of which \$973,658 was short-term (or due within one year) and \$17,459,086 was long-term debt (would come due beyond after one year). Of the outstanding debt, \$112,744 related to capital leases, and \$18,320,000 related to four 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 on the Fayette Campus, and the construction of a new Brown County campus, which will replace the existing facility. The Patriot Center was completed in March of 2005. The Fayette expansion was completed in 2009. The construction of the new Brown County Campus began March 2013, and completed in July 2014. For more information on capital leases and debt, see Notes 6 and 10 to the basic financial statements.

Southern State Community College
Highland County
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013
(Unaudited)

Economic Factors that will effect the Future

Challenges

- The College has one of the lowest tuition rates in the state among non-levy state colleges. Maintaining the appropriate balance between affordability and quality is a continuing challenge.
- Understanding enrollment trends is critical. Sorting through contributing factors such as the economy, demand for varied course offerings, and competing options for both traditional and nontraditional students is a significant challenge.

Opportunities

- The new campus in Brown County provides access to an increased number of students. It presents a fresh opportunity to develop new programming as needs and preferences present themselves.

Southern State Community College
Highland County
Statements of Net Position
As of June 30, 2014 and 2013

	2014		2013	
	College	Foundation	College	Foundation
Assets:				
Current assets:				
Cash	\$3,774,371	\$0	\$4,117,778	\$0
Cash equivalents	2,184,842	158,688	3,269,815	197,907
Accounts receivable, net	3,015,300	0	2,910,029	0
Pledges receivable	0	3,987	0	30,768
Inventories	335,035	0	353,565	0
Other assets	113,343	1,855	120,820	1,855
Total current assets	9,422,891	164,530	10,772,007	230,530
Noncurrent assets:				
Restricted cash equivalents	2,823,768	0	10,298,605	0
Restricted investments	694,355	2,036,189	694,355	1,782,283
Capital assets, net	29,929,361	0	22,923,443	0
Total noncurrent assets	33,447,484	2,036,189	33,916,403	1,782,283
Total assets	42,870,375	2,200,719	44,688,410	2,012,813
Liabilities:				
Current liabilities:				
Accounts payable	298,921	0	316,730	0
Accrued liabilities	326,973	0	307,187	0
Held in custody for others	163,407	0	153,283	0
Bonds payable, current portion	905,000	0	390,000	0
Capital lease obligation, current portion	68,658	0	67,015	0
Total current liabilities	1,762,959	0	1,234,215	0
Noncurrent liabilities:				
Bonds payable, long-term portion	17,415,000	0	18,320,000	0
Capital lease obligation, long-term portion	44,086	0	112,751	0
Compensated absences	613,295	0	876,258	0
Total noncurrent liabilities	18,072,381	0	19,309,009	0
Total liabilities	19,835,340	0	20,543,224	0
Deferred inflows of resources	661,644	0	344,913	0
Net position:				
Net investment in capital assets	11,516,531	0	13,120,889	0
Restricted for:				
Nonexpendable:				
Endowments	12,318	2,122,249	12,318	1,935,671
Expendable:				
Loans	17,696	0	17,696	0
Scholarships and fellowships	0	44,242	0	50,690
Capital Improvements	2,136,518	0	1,776,178	0
Other	3,965,117	0	4,511,525	0
Unrestricted	4,725,211	34,228	4,361,667	26,452
Total net position	\$22,373,391	\$2,200,719	\$23,800,273	\$2,012,813

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

Southern State Community College
Highland County
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

	2014		2013	
	College	Foundation	College	Foundation
Revenues:				
Operating revenues:				
Student tuition and fees (net of scholarship allowance)	\$7,336,176	\$0	\$11,344,509	\$0
State grants and contracts	464,434	0	217,497	0
Local grants and contracts	256,818	0	279,826	0
Private grants and contracts	237,452	21,389	197,921	37,026
Auxiliary services	3,625,382	0	3,924,640	0
Other operating revenue	134,527	0	252,765	0
Total operating revenue	12,054,789	21,389	16,217,158	37,026
Expenses:				
Operating expenses:				
Instructional	8,056,850	0	9,155,627	0
Research	14	0	15	0
Community service	940,831	0	832,227	0
Academic support	2,386,350	0	2,638,946	0
Student services	1,995,253	17,734	2,136,707	52,674
Institutional support	2,073,835	0	2,345,460	0
Plant operations	1,569,614	0	2,001,241	0
Depreciation	991,864	0	960,408	0
Scholarships	5,951,404	0	9,078,530	0
Auxiliary activities	3,389,302	0	3,335,070	0
Total operating expenses	27,355,317	17,734	32,484,231	52,674
Operating gain (loss)	(15,300,528)	3,655	(16,267,073)	(15,648)
Nonoperating revenues (expenses)				
Federal grants and contracts	6,329,292	0	7,832,508	0
State appropriations	8,108,228	0	8,037,891	0
Investment income (net of investment expense)	48,620	210,161	44,889	151,772
Interest on capital asset-related debt	(623,315)	0	(599,492)	0
Other nonoperating revenues (expenses)	10,821	0	269,605	0
Total nonoperating revenues (expenses)	13,873,646	210,161	15,585,401	151,772
Income (loss) before other revenues, expenses, gains, losses	(1,426,882)	213,816	(681,672)	136,124
Capital appropriations	0	0	345,786	0
Additions to (return of) permanent endowments	0	(25,910)	0	6,311
Change in net position	(1,426,882)	187,906	(335,886)	142,435
Net position - beginning of year - as restated	23,800,273	2,012,813	24,136,159	1,870,378
Net position - end of year	\$22,373,391	\$2,200,719	\$23,800,273	\$2,012,813

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

Southern State Community College
Highland County
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2014 and 2013

	2014		2013	
	College	Foundation	College	Foundation
Cash flows from operating activities:				
Tuition and fees	\$7,547,636	\$0	\$10,615,702	\$0
Grants and contracts	958,704	0	695,244	0
Private gifts	0	48,170	0	37,026
Payments to suppliers	(5,842,697)	0	(6,325,618)	0
Payments for utilities	(482,795)	0	(486,299)	0
Payments to employees	(11,017,575)	0	(12,411,742)	0
Payments for benefits	(3,303,961)	0	(3,757,250)	0
Scholarships	(5,951,404)	(17,734)	(9,078,530)	(52,674)
Auxiliary enterprise charges:				
Bookstores	3,625,382	0	3,924,640	0
Other receipts	144,651	0	268,308	0
Net cash provided (used) by operating activities	(14,322,059)	30,436	(16,555,545)	(15,648)
Cash flows from noncapital financing activities:				
Federal grants and contracts	6,329,292	0	7,832,509	0
State appropriations	8,108,228	0	8,037,891	0
Gifts and grants received for other than capital purposes	0	0	269,605	6,311
Other nonoperating revenues (expenses)	10,821	0	0	0
Net cash provided by noncapital financing activities	14,448,341	0	16,140,005	6,311
Cash flows from capital and related financing activities:				
Capital appropriations	0	0	345,786	0
Proceeds from capital debt	0	0	0	0
Proceeds from capital leases	0	0	0	0
Purchase of capital assets	(7,997,782)	0	(1,223,623)	0
Principal paid on capital debt and lease	(457,022)	0	(330,241)	0
Interest paid on capital debt and lease	(623,315)	0	(599,492)	0
Net cash used by capital and related financing activities	(9,078,119)	0	(1,807,570)	0
Cash flows from investing activities:				
Interest on investments	48,620	210,161	44,889	151,772
(Purchase) sale of investments	0	(279,816)	485,781	(89,023)
Net cash provided (used) by investing activities	48,620	(69,655)	530,670	62,749
Net increase (decrease) in cash	(8,903,217)	(39,219)	(1,692,440)	53,412
Cash and cash equivalents - beginning of year	17,686,198	197,907	19,378,638	144,495
Cash and cash equivalents - end of year	\$8,782,981	\$158,688	\$17,686,198	\$197,907
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:				
Operating gain (loss)	(\$15,300,528)	\$3,655	(\$16,267,073)	(\$15,648)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation expense	991,864	0	960,408	0
Changes in assets and liabilities:				
Receivables, net	(105,271)	26,781	(1,713,313)	0
Inventories	18,530	0	(37,140)	0
Other assets	7,477	0	50,489	0
Accounts payable	(17,809)	0	(294,660)	0
Accrued liabilities	19,786	0	39,287	0
Deferred inflows of resources	316,731	0	984,506	0
Deposits held for others	10,124	0	15,543	0
Compensated absences	(262,963)	0	(293,592)	0
Net cash provided (used) by operating activities	(\$14,322,059)	\$30,436	(\$16,555,545)	(\$15,648)

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

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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.

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 and STAR Plus funds and money market funds, which amounted to \$5,167,298 and \$13,766,327 at June 30, 2014 and 2013, respectively.

Investments

The College does not have a formal investment policy but consults the Ohio Revised Code for guidance with respect to allowable investments. The Foundation does have a formal policy, and the purchase of specific investment instruments is at the discretion of the Treasurer within these policy guidelines. As of June 30, 2014 and 2013, investments held by the College and Foundation were valued at \$2,730,544 and \$2,476,638, 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.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts and Pledges Receivables

At June 30, 2014 and 2013, accounts receivable consist primarily of student tuition and fees, third party, and intergovernmental grants and contracts. Student and third party accounts receivable are reported net of an allowance for doubtful accounts of \$1,371,972 and \$1,568,360 at June 30, 2014 and 2013, 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 the 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 Inflows of Resources

Deferred inflows of resources 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 of June 30, 2014 and 2013.

Operating Revenues

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are certain federal grants and contracts, 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 College 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.

**Southern State Community College
Highland County**
*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

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 2014 and 2013, the College distributed \$6,461,210 and \$9,238,797, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. 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 position represents gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes. Unrestricted net position includes resources which can be used at the College's discretion.

Of the College's \$8,298,140, and \$8,304,078 in restricted net position at June 30, 2014 and 2013, respectively, none is restricted by enabling legislation.

Note 2 - Cash, Cash Equivalents and Investments

Statement No. 3 of the Governmental 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 the 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.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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

Primary Government - College

At June 30, 2014, the carrying amount of the College's cash deposits was \$3,774,371 and the bank balance was \$3,641,295. At June 30, 2014, \$505,612 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$5,008,610 in STAR Ohio/STAR Plus investments, which are external investment pools and are considered cash equivalents under GASB Statement No. 9. Oversight of the pools is through the Treasurer of State. The fair values of the College's position in the pool are the same as the value of its 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 One Year
June 30, 2014		
STAR Ohio	\$2,184,842	\$2,184,842
STAR Plus	2,823,768	2,823,768
US Treasury Obligations	694,355	694,355
Total Investments	\$5,702,965	\$5,702,965

At June 30, 2013, the carrying amount of the College's cash deposits was \$4,117,778 and the bank balance was \$4,268,316. At June 30, 2013, \$504,826 of the bank balance was insured by the FDIC (Category 1); the remaining bank balances were Category 3.

The College held \$13,568,420 in STAR Ohio/STAR Plus investments, which are external investment pools and are considered cash equivalents under GASB Statement No. 9. Oversight of the pools is through the Treasurer of State. The fair values of the College's position in the pool are the same as the value of its 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 One Year
June 30, 2013		
STAR Ohio	\$6,056,281	\$6,056,281
STAR Plus	7,512,139	7,512,139
US Treasury Obligations	694,355	694,355
Total Investments	\$14,262,775	\$14,262,775

Component Unit – Foundation

At June 30, 2014, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0.

At June 30, 2013, the carrying amount of the Foundation's cash deposits was \$0 and the bank balance was \$0.

**Southern State Community College
Highland County**
*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

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

Description	Market Value	Investment Maturities (in years)	
		Less than 1	1-5
June 30, 2014:			
STAR Ohio	\$90,618	\$90,618	\$0
Money market funds	68,070	68,070	0
Other Bonds	744,978	608,016	136,962
Common Stock	107,640	107,640	0
Equity Funds	1,183,571	1,183,571	0
Total Cash Equivalents & Investments	<u>\$2,194,877</u>	<u>\$2,057,915</u>	<u>\$136,962</u>

Description	Market Value	Investment Maturities (in years)	
		Less than 1	1-5
June 30, 2013:			
STAR Ohio	\$83,122	\$83,122	\$0
Money market funds	114,785	114,785	0
Alternative Strategies	109,192	109,192	0
Other Bonds	640,170	365,774	274,396
Pimco Bond Funds	36,435	36,435	0
Common Stock	146,598	146,598	0
Equity Funds	849,888	849,888	0
Total Cash Equivalents & Investments	<u>\$1,980,190</u>	<u>\$1,705,794</u>	<u>\$274,396</u>

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, weighted average portfolio maturity may not exceed 10 years.

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, 2014 and 2013, the College's investments in STAR Ohio and US Treasury Obligations were rated AAAM by Standard & Poor's.

**Southern State Community College
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*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

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, Goldman Sachs Financial Square Prime Obligations money market funds AAAM, and Fifth Third Banksafe Trust money market funds A-2. All other investments are 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% of the College's investments are in STAR Ohio, STAR Plus, and US Treasury Obligations. These investments were 38%, 50%, and 12%, respectively, as of June 30, 2014 and 42%, 53%, and 5%, respectively, of the College's total investments as of June 30, 2013.

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:

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

For the fiscal year ended June 30, 2014, more than 5 percent of the Foundation's investments are common stock, equity funds, and other bonds. These investments represent 5%, 54%, and 34% of the Foundation's total investments, respectively. For the fiscal year ended June 30, 2013, more than 5 percent of the Foundation's investments are money market funds, common stock, equity funds, alternative strategies, and other bonds. These investments represent 6%, 7%, 43%, 5%, and 32% 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, 2014, \$505,612 was insured by FDIC. The remaining balance of \$3,135,683 was collateralized with securities held by the pledging institutions but not in the College's name. As of June 30, 2013, \$504,826 was insured by FDIC. The remaining balance of \$3,763,490 was collateralized with securities held by the pledging institutions 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.

**Southern State Community College
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*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

Note 3 – Accounts Receivable

Accounts receivable at June 30, 2014 was comprised of the following:

	<u>Gross Receivables</u>	<u>Allowance For Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$2,688,403	(\$1,115,342)	\$1,573,061
Intergovernmental	171,707	0	171,707
Third Party	1,526,485	(256,630)	1,269,855
Other	82,738	(82,061)	677
Total Current Receivables	<u>\$4,469,333</u>	<u>(\$1,454,033)</u>	<u>\$3,015,300</u>

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 were as follows:

<u>June 30, 2014</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Land	\$4,017,468	\$0	\$0	\$4,017,468
Non-depreciable artwork	51,900	0	0	51,900
Construction in progress	490,985	7,955,180	0	8,446,165
Total cost of nondepreciable capital assets	<u>4,560,353</u>	<u>7,955,180</u>	<u>0</u>	<u>12,515,533</u>
Building and Improvements	29,723,936	0	0	29,723,936
Equipment	2,590,810	21,099	0	2,611,909
Library books	527,259	16,103	0	543,362
Vehicles	352,571	5,400	0	357,971
Total cost of depreciable capital assets	<u>33,194,576</u>	<u>42,602</u>	<u>0</u>	<u>33,237,178</u>
Total cost of capital assets	<u>37,754,929</u>	<u>7,997,782</u>	<u>0</u>	<u>45,752,711</u>
Less accumulated depreciation				
Buildings and Improvements	(12,017,654)	(798,066)	0	(12,815,720)
Equipment	(2,045,597)	(154,675)	0	(2,200,272)
Library books	(473,196)	(15,571)	0	(488,767)
Vehicles	(295,039)	(23,552)	0	(318,591)
Total accumulated depreciation	<u>(14,831,486)</u>	<u>(991,864)</u>	<u>0</u>	<u>(15,823,350)</u>
Net capital assets	<u>\$22,923,443</u>	<u>\$7,005,918</u>	<u>\$0</u>	<u>\$29,929,361</u>

**Southern State Community College
Highland County**
*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

Note 4 - Capital Assets (Continued)

June 30, 2013	Beginning	Additions	Deductions	Ending
Land	\$4,017,468	\$0	\$0	\$4,017,468
Non-depreciable artwork	51,900	0	0	51,900
Construction in progress	0	490,985	0	490,985
Total cost of nondepreciable capital assets	4,069,368	490,985	0	4,560,353
Building and Improvements	29,193,682	530,254	0	29,723,936
Equipment	2,401,296	189,514	0	2,590,810
Library books	514,389	12,870	0	527,259
Vehicles	352,571	0	0	352,571
Total cost of depreciable capital assets	32,461,938	732,638	0	33,194,576
Total cost of capital assets	36,531,306	1,223,623	0	37,754,929
Less accumulated depreciation				
Buildings and Improvements	(11,233,144)	(784,510)	0	(12,017,654)
Equipment	(1,909,823)	(135,774)	0	(2,045,597)
Library books	(457,285)	(15,911)	0	(473,196)
Vehicles	(270,826)	(24,213)	0	(295,039)
Total accumulated depreciation	(13,871,078)	(960,408)	0	(14,831,486)
Net capital assets	\$22,660,228	\$263,215	\$0	\$22,923,443

The following estimated useful lives are used to compute depreciation:

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

Note 5 - State Support

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

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

Southern State Community College
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Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

Note 5 - 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 position.

Note 6 - Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets have a carrying value of approximately \$259,087. 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, 2014:

<u>Years Ended June 30,</u>	<u>Amount</u>
2015	\$78,132
2016	41,615
2017	4,788
Total minimum lease payments	124,535
Less: Amount representing interest	<u>(11,791)</u>
Present value of minimum lease payments	<u>\$112,744</u>

Note 7 - 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) 222-5601 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, 2014 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, 2014, 2013, and 2012, were \$602,996, \$442,785, and \$641,175, 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 43215-3771 or calling (888) 227-7877.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

Note 7 - 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.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10% of their annual covered salaries. 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, 2014, 2013, and 2012, were \$836,108, \$865,143, and \$873,490, 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 (STRS). 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, 11% 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 14%. 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, 2014, the College had three employees participate in the ARP. These employees were eligible to participate in STRS. The total employer contributions to the alternative retirement plan for the year ended June 30, 2014 were \$31,921.

**Southern State Community College
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For the Fiscal Years Ended June 30, 2014 and 2013*

Note 8 - Other Postemployment Benefits

Public Employees Retirement System (OPERS)

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 800-222-7377.

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 expressed as a percentage of the covered payroll of active members. In 2013, state employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% 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. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1% for both plans as recommended by the OPERS Actuary. 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 2014, 2013, and 2012, which were used to fund OPEB were \$43,071, \$177,102, and \$228,991, respectively.

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.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
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Note 8 - Other Postemployment Benefits (Continued)

State Teachers Retirement System (STRS)

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.

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, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2014, 2013, and 2012, 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 \$59,722, \$66,549, and \$62,392, respectively.

Note 9 - Compensated Absences

College faculty and support staff accrue vacation benefits; however, vacation carryover balances are limited to a maximum of 60 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 43 days.

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 \$613,295 and \$876,258 as of June 30, 2014 and 2013, respectively.

Note 10 - 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. During fiscal year ended June 30, 2012, the College issued General Receipts Bonds, Series 2011 and Series 2012. The following summarizes bonds payable as of June 30, 2014:

**Southern State Community College
Highland County**
*Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013*

Note 10 - Bonds Payable (Continued)

Bonds	Interest Ranging From	Due Serially Through	Balance 6/30/13	Additions	Deletions	Balance 6/30/14	Current Portion
Series 2003	1.65-5.0%	2023	\$130,000	\$0	(\$130,000)	\$0	\$0
Series 2008	3.5-5.05%	2025	2,405,000	0	(100,000)	2,305,000	105,000
Series 2011	2.0-4.0%	2031	9,995,000	0	0	9,995,000	440,000
Series 2012	2.0-3.6%	2031	6,180,000	0	(160,000)	6,020,000	360,000
Total			\$18,710,000	\$0	(\$390,000)	\$18,320,000	\$905,000

Principal and interest amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2014, are as follows:

Year Ended June 30,	Series 2008		Series 2011		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$105,000	\$108,823	\$440,000	\$309,633	\$360,000	\$156,323
2016	115,000	104,360	450,000	300,833	370,000	149,023
2017	120,000	99,185	460,000	291,833	375,000	141,573
2018	125,000	93,785	470,000	282,633	380,000	134,023
2019	130,000	88,160	480,000	273,233	390,000	126,333
2020-2024	755,000	345,390	2,585,000	1,171,363	1,895,000	491,348
2025-2029	955,000	147,313	3,020,000	743,430	1,335,000	272,421
2030-2031	0	0	2,090,000	166,670	915,000	49,679
Total	\$2,305,000	\$987,016	\$9,995,000	\$3,539,628	\$6,020,000	\$1,520,723

In 2012, the College issued Series 2012 bonds, a portion of which was used to advance refund \$1,690,000 of the Series 2003 bonds, resulting in an economic gain of \$224,905. The refunded bonds portion of this bond issuance was placed in an escrow account to repay the bonds when callable on December 1, 2013. As a result, this portion of the Series 2003 bonds is considered defeased. As such, the assets and related liability for these bonds are not included in the College's financial statements. As of June 30, 2014, all of the refunded bonds were repaid.

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

	Series 2008
2019	\$140,000
2020	145,000
2021	150,000
2022	155,000
2023	165,000
2024	175,000
2025	180,000
2026	190,000
2027	200,000
2028	210,000
	\$1,710,000

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

Note 10 - Bonds Payable (Continued)

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. Annual principal and interest payments on the bonds are expected to require less than 1.4 percent of net revenues. Total principal and interest remaining to be paid on these bonds is \$24,367,366. Interest paid for the current year and total general revenues were \$623,315 and \$7,470,703, respectively.

Note 11 - Risk Management

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

Note 12 - Changes in Accounting Principles

For 2014, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities," Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," and Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

This Statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 65, 66, and 70 had no effect on the financial statements.

Southern State Community College
Highland County
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

Note 13 – Restatement of Beginning Net Position

During fiscal year 2014, the College discovered errors in reporting deferred inflows of resources that date back prior to 2012. Correction of these errors had the following effect on the beginning net position of fiscal year 2013.

Net Position, As Reported, June 30, 2012	\$22,720,321
Restatement of Deferred Inflows	<u>1,415,838</u>
Net Position, as Corrected, July 1, 2012	<u>\$24,136,159</u>

Southern State Community College
Highland County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>United States Department of Education</u>			
<i>Direct from the Federal Agency</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	N	84.007	\$125,300
Federal Direct Student Loans	N	84.268	6,461,210
Federal Work-Study Program	N	84.033	104,078
Federal Pell Grant Program	N	84.063	<u>5,889,151</u>
Total Student Financial Aid Cluster			12,579,739
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	N/A	84.048	<u>99,812</u>
Total United States Department of Education			<u>12,679,551</u>
<u>United States Department of Agriculture</u>			
<i>Passed through the Ohio Department of Agriculture</i>			
Child and Adult Care Food Program	135426-CCMN	10.558	15,676
Child and Adult Care Food Program	135426-LUCN	10.558	<u>1,307</u>
Total Child and Adult Care Food Program			<u>16,983</u>
<i>Direct from the Federal Agency</i>			
Rural Business Enterprise Grant	N	10.769	<u>67,324</u>
Total United States Department of Agriculture			<u>84,307</u>
Total Federal Financial Assistance			<u><u>\$12,763,858</u></u>

N/A - pass through entity number not available.

N - direct award.

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

Southern State Community College
Highland County
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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, 2014. 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 that federal monies are expended first. At June 30, 2014, the College had no significant commodities in inventory.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Southern State Community College, Highland County, (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 15, 2014, wherein we noted that the 2013 financial statements have been restated to correct a misstatement.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 15, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Southern State Community College's, Highland County, (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2014. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 15, 2014

**Southern State Community College
Highland County**
*Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014*

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Student Financial Aid Cluster: Federal Supplemental Educational Opportunity Grants (CFDA 84.007), Federal Work-Study Program (CFDA 84.033), Federal Pell Grant Program (CFDA 84.063), Federal Direct Student Loans (CFDA (84.268)
Dollar threshold used to distinguish between type A and type B programs:	\$382,915
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

SOUTHERN STATE COMMUNITY COLLEGE

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2014**