

**CLARK STATE COMMUNITY COLLEGE**  
Springfield, Ohio

**FINANCIAL STATEMENTS**  
June 30, 2008 and 2007





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Clark State Community College  
570 East Leffel Lane  
P.O. Box 570  
Springfield, Ohio 45501

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Crowe Horwath LLP, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 12, 2008

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CLARK STATE COMMUNITY COLLEGE  
FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Clark State Community College  
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these 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 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 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 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 discretely presented component unit of Clark State Community College as of June 30, 2008 and 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2008, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 14, 2008

CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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This section of the Clark State Community College annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2008.

This discussion has been prepared by management and should be read in conjunction with, and is qualified in its entirety by, the accompanying financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and current known facts. The financial statements, footnotes and this discussion are the responsibility of management.

**FINANCIAL AND OTHER COLLEGE HIGHLIGHTS**

*Assets*

- Cash, cash equivalents, and investments decreased by \$843,000 (10%) primarily due to an increase in operating expenses, an increase in prepaid expenses, and closing the escrow accounts for contractors for the Sara T. Landess Technology & Learning Center (TLC) construction project.
- Prepaid expenses increased by \$250,000 (88.4%) due to payments to Datatel, Wimba, and Summer Quarter marketing expenses in June.

*Liabilities and Net Assets*

- Accounts payable decreased by \$1.2 million (61.6%). This is primarily due to work related to the TLC construction project performed in June 2007 but not invoiced and paid until July 2007.
- The first principal payment (\$275,000) on bonds issued to finance construction of the TLC is due December 1, 2008.
- Wages payable increased by \$119,000 (15.6%). This increase was primarily due to an increase in the number of faculty and one additional day accrued for staff.
- Accrued payroll liabilities decreased by \$166,000 (131%). This was due to the timing of the payment of health, vision, and life insurance premiums and school district taxes.
- Deferred income increased by \$359,000 (34.4%). Summer enrollment increase resulted in more revenue collected in June for the succeeding fiscal year along with higher Fall enrollments registered by June 30, 2008.
- Current portion of note payable of \$8.175 million, due to the issuance of bonds to finance the TLC construction project, is \$275,000.
- Deposits held in trust for others increased by \$315,000 (58.5%) due to increases in the amount held for the Early Childhood Education Center and the Ohio Association of Community Colleges and the addition of ASPIRE P16.
- Accrued absences increased by \$20,000 (7.4%) due to a change in policy allowing personal day accrual.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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- Restricted expendable net assets increased \$690,000 (50.4%) due to unspent proceeds from the new AccelerateOhio Program, continuation of the Major Gifts fundraising campaign, increase in the OCAN grant, and increases in Performing Arts Center program sponsorships. These increases were partially offset by expenditures for furnishings, equipment, and technology for the TLC.
- Unrestricted net assets decreased \$1.1 million (18.5%) due to the payment of the Tenant Improvements building and Ground Lease payments at the Greene Center.

*Operating Revenues*

- Student tuition and fees revenue increased by \$789,000 (12.5%). Enrollment increased 8.1% primarily due to dual enrollment programs and Greene Center enrollments. Non-credit continuing education revenue increased with the new programs transferred from the JVS contributing about two-thirds of this increase. Revenues generated by customized training activities also increased.
- Federal grants and contracts were relatively flat after reclassification of Pell grants to non-operating revenue pursuant to a recent GASB implementation update.
- State and local grants and contracts increased \$295,000 (43.7%) due to a new Ohio Board of Nursing grant and increased funding for Career Plus, Rise Above, Targeted Industries, OCAN, and Project Jericho.
- Auxiliary enterprises revenue increased by \$427,000 (23.5%) due to an increase in Bookstore sales and Truck Driver Training Institute revenues.
- Total operating revenues increased by \$1.4 million (12.9%) as a result of increases in enrollment, state and local grants and contracts, and revenues from Auxiliary Enterprises.

*Operating Expenses*

- Instructional expenses increased by \$373,000 (5.4%) due to adjunct faculty salary expenses for the Greene Center and expenses related to the Academic VP's office.
- Student services expenses decreased by \$114,000 (6.2%) primarily due to the increase in expenses for the Financial Aid office and interpreters.
- Institutional support expenses increased by \$283,000 (6.9%) due to expenditures related to the Greene Center and dual enrollment fee waivers.
- Operation and maintenance of plant expenditures increased by \$1.5 million (74.1%) due to small furnishings, equipment, and technology for the TLC and the Greene Center, renovations for the Business Incubator, increase in utilities (due to the TLC and Greene Center), and the Greene Center Building/Ground Leases.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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- Student aid increased \$258,000 (27.3%) due to Pell grants.
- Public service expenses increased by \$790,000 (28.8%) due to an increase in non-credit continuing education and customized training and increases in grant programs (GearUp, Career Plus, Rise Above, AccelerateOhio).
- Depreciation expense increased \$447,000 (36.1%) as a result of large equipment purchases (TLC and Greene Center), TLC building, and leasehold improvements at the Greene Center.
- Auxiliary enterprises expenses increased by \$335,000 (11.6%) due to an increase in expenses for the Bookstore due to increased sales and the expenditure of the DP fund balance for technology.
- Total operating expenses increased by \$4.2 million (17.7%) as a result of increases in expenses in all functional areas especially as related to the TLC and Greene Center.

*Non-Operating Revenues*

- State appropriations increased by \$800,000 (9.3%) due to an increase in funding from the Ohio Board of Regents and the new AccelerateOhio funding.
- Federal grants increased \$498,000 (13.8%) due to increased Pell grants (note that 2007 Pell grants were reclassified from operating revenues pursuant to recent GASB guidance).
- Investment income decreased by \$125,000 (33.3%) due to lower average balances and interest rates.
- Other non-operating revenues decreased by \$198,000 primarily as a result of the City of Springfield's purchase of the Leffel Lane water/sewer infrastructure in FY 2007.
- Interest expense represents the first non-capitalized interest on the bond issuance for construction of the TLC.
- Total non-operating revenues increased by \$463,000 (3.6%) due to the increase in state appropriations and federal grants.
- Capital appropriations decreased by \$1.4 million (82.8%) as a result of biennial capital appropriations for the TLC construction project being drawn down in FY 2007.
- Capital grants and gifts increased by \$1.2 million as a result of transferring Major Gifts campaign funds from the Foundation.
- Net assets decreased by \$119,000 (0.4%) during the year due to the increase in operating expenses, non-operating interest expense, and capital appropriations.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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- The Campus Master Plan was adopted by the Board of Trustees in June 2003. This plan addresses facilities, land, technology, infrastructure, and space planning. It is an aggressive plan that, if implemented in its entirety, would have a price tag of \$40 million that would be invested in new and renovated facilities, land acquisition, and technology upgrades over a 10-15 year period. Initially, the focus is on three projects totaling approximately \$20 million:
  - Addition to the Applied Science Center
  - Construction of a Technology/Learning Center
  - Addition to the Performing Arts Center

Phase I of this plan is the TLC construction project which encompasses both an addition to the Applied Science Center as well as construction of a technology/learning center. This project was completed during FY 2008 with classes beginning Fall 2007.

The scope of the Performing Arts Center expansion project is contingent upon securing funding from federal, state, and local sources including the Major Gifts Campaign "Building for our Future." The project has progressed to the Schematic Design phase.

- During fiscal year 2005, the Clark State Foundation kicked off its Major Gifts fundraising campaign to help fund the above projects in the campus master plan as well as establish an endowment to fund the Champion City Scholars Program. The campaign officially ended in FY 2007 at just under \$12 million in donations/pledges. However, fundraising for the Performing Arts Center Expansion Project is ongoing.
- The College issued debt for the first time in its history during the 2006 fiscal year. As a part of this process, the College requested and received a Moody's Rating. Moody's Investors Service assigned an underlying rating of A3 with a stable outlook to the College's Series 2006A General Receipts Bonds. Bonds totaling \$8,175,000 were sold in May 2006 with the closing held in mid June 2006. The debt repayment schedule began with semi-annual interest only payments December 1, 2006. The first payment to include principal will occur December 1, 2008. The true interest cost is 4.24% and the all-inclusive borrowing costs equate to 4.43%. The final payment on these bonds is scheduled in the year 2032.
- In March 2007, the College began holding classes in a temporary facility shared with Wright State University in Greene County. Greene County is one of the four counties that make up the College's legally constituted service district. The College entered into an operating lease at the new facility in Greene County and began holding classes beginning September 2007.

#### **USING THE ANNUAL FINANCIAL REPORT**

This annual financial report includes three financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and subsequent statements.

Significant changes to the financial statements as a result of GASB Statement No. 35 and subsequent statements are as follows:

- Revenues and expenses are classified as either operating or non-operating. Several routine, recurring sources of revenue such as state appropriations, gifts, certain grants and investment income are classified as non-operating. As a public college, Clark State has a high dependency on these non-operating revenues particularly state appropriations. As a result of GASB 35 reporting classifications, the College will always generate an operating deficit.
- Capital assets are depreciated over their expected useful lives. Prior to fiscal year 2002, capital assets were recorded entirely as a current period expense in the year of acquisition. Depreciation expense was \$1.7 million and \$1.2 million for the years ended June 30, 2008, and June 30, 2007, respectively.
- Scholarships applied to student accounts are shown as a reduction of student tuition and fees while scholarships that are paid directly to students continue to be presented as scholarship expenses. Prior to fiscal year 2002, all scholarships were reflected as expenses. Scholarship allowances totaled \$2.3 million and \$2.1 million for the years ended June 30, 2008, and June 30, 2007, respectively.

One of the most important questions asked about College finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The three financial statements should assist readers of the annual report in answering this question. These statements present financial information in a form similar to that used by the private sector.

The College's net assets are one indicator of its financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A recent interpretation by GASB directed that Federal Pell grants be shown as non-operating revenue. Previously these were shown as operating revenue. These figures have been reclassified for FY 2007. The College's (as well as all other public colleges) dependency on State aid, grants and gifts will result in operating deficits because the financial reporting model classifies State appropriations, Pell grants and gifts as non-operating revenues. The utilization of long-lived assets referred to as Capital Assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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**STATEMENT OF NET ASSETS**

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the College's assets, liabilities, and net assets as of June 30, 2008, 2007, and 2006, is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(all dollar amounts in thousands)		
Current assets	\$ 11,824	\$ 12,310	\$ 19,520
Noncurrent assets	34,409	34,275	24,527
Total assets	46,233	46,585	44,047
Current liabilities	3,730	4,024	3,752
Noncurrent liabilities	9,043	8,982	9,091
Total liabilities	12,773	13,006	12,843
Net assets			
Invested in capital assets, net of related debt	26,237	25,929	23,446
Restricted			
Nonexpendable	250	250	250
Expendable	2,059	1,369	2,216
Unrestricted	4,914	6,031	5,292
Total net assets	\$ 33,460	\$ 33,579	\$ 31,204

A review of the summary indicates a relatively strong financial position as of June 30, 2008. Total net assets decreased \$119,000 primarily due to a decrease in unrestricted net assets due to the Greene Center Lease and Tenant Improvement expenses.

Current assets are comprised primarily of cash and student and trade receivables. The decrease in total current assets of \$352,000 is primarily due to the decrease in investments caused by the closing of construction escrow accounts (TLC) and the decrease in cash due to higher operating expenses.

Current liabilities are comprised primarily of trade payables, wages payable, and deferred income (from both student fees and advance payments for grants). These liabilities decreased by \$294,000 primarily due to a decrease in trade payables caused by amounts owed to contractors for the TLC construction project.

Net assets represent the remaining amount of the College's assets after deducting liabilities.

Invested in capital assets net of related debt represents the College's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction, or improvement of those assets.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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Restricted nonexpendable net assets represent the College's permanent endowments.

Restricted expendable net assets represent funds that are externally restricted to specific purposes such as student financial aid and grants, donations for the operation and maintenance of the Performing Arts Center, and capital component funds.

Unrestricted net assets are funds that the College has at its disposal to use for whatever purposes the Board determines appropriate. While not subject to external restrictions, the College has designated these funds internally for various academic, student aid, and capital purposes.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2008, 2007, and 2006, is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees - net	\$ 7,091	\$ 6,302	\$ 5,908
Grants and contracts	2,297	2,028	1,967
Auxiliary enterprises	2,244	1,817	1,896
Other	982	1,028	948
Total	<u>12,614</u>	<u>11,175</u>	<u>10,719</u>
Operating expenses	<u>27,973</u>	<u>23,756</u>	<u>22,913</u>
Operating loss	(15,359)	(12,581)	(12,194)
Nonoperating revenues (expenses):			
State appropriations	9,365	8,564	8,188
Federal grants	4,108	3,610	3,610
Investment income	250	375	248
Other	1	199	17
Interest expense	(519)	(7)	(1)
Capital appropriations	296	1,724	675
Capital grants	1,739	490	654
Total	<u>15,240</u>	<u>14,955</u>	<u>13,391</u>
Increase (Decrease) in net assets	(119)	2,374	1,197
Net assets - beginning of year	<u>33,579</u>	<u>31,205</u>	<u>30,008</u>
Net assets - end of year	<u>\$ 33,460</u>	<u>\$ 33,579</u>	<u>\$ 31,205</u>

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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The College relies primarily on state appropriations and student tuition and fees to fund its ongoing programs and operations. Although classified by GASB 35 as a non-operating revenue source, state appropriations over the years have been the largest single source of revenue for the College up until fiscal year 2004. The amount received each year is, in general, a function of student enrollment for the previous year(s). Although enrollment decreased slightly in fiscal year 2007, the resulting effect on the State Share of Instruction (the majority of state appropriations) was not realized in fiscal year 2008 because the state biennial budget bill which was effective July 1, 2007, changed the funding formula for higher education. In exchange for holding tuition and fees constant in FY 2008 and in FY 2009, higher education funding was increased dramatically in the State budget. As the table below demonstrates, the State of Ohio has dramatically shifted the burden for funding the cost of higher education to students and their families over the past two decades.

**State Operating Appropriations per Dollar of Gross Tuition**

<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Operating Appropriations</u>	<u>Net State Appropriations per Dollar of Gross Tuition</u>
1980	\$ 1,144,925	\$ 2,160,717	\$ 1.89
1990	2,781,764	4,491,168	1.61
2002	5,323,375	6,584,459	1.24
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92

In 1980, the State contributed \$1.89 to Clark State for every dollar of gross tuition. In 2008, that figure dropped to \$0.92. In 2002, state appropriations exceeded gross tuition by \$1.2 million. In 2008, gross tuition exceeds state appropriations by \$733,000.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in only modest tuition increases in recent years and no increase in 2008. As recently as 1999, our tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2007, Clark State's tuition is higher than the tuition at only eight other two-year institutions, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract quality faculty, maintain state-of-the art facilities, and provide the latest technology and equipment to be able to provide our students with a quality learning experience at an affordable cost.

Total state appropriations increased 9.3% from \$8.6 million in 2007 to \$9.4 million in 2008 as a result of an increase in State Share of Instruction. Net student tuition and fees increased 12.5% from \$6.3 million in 2007 to \$7.1 million in 2008. This increase is a result of an 8.1% increase in enrollment in 2008.

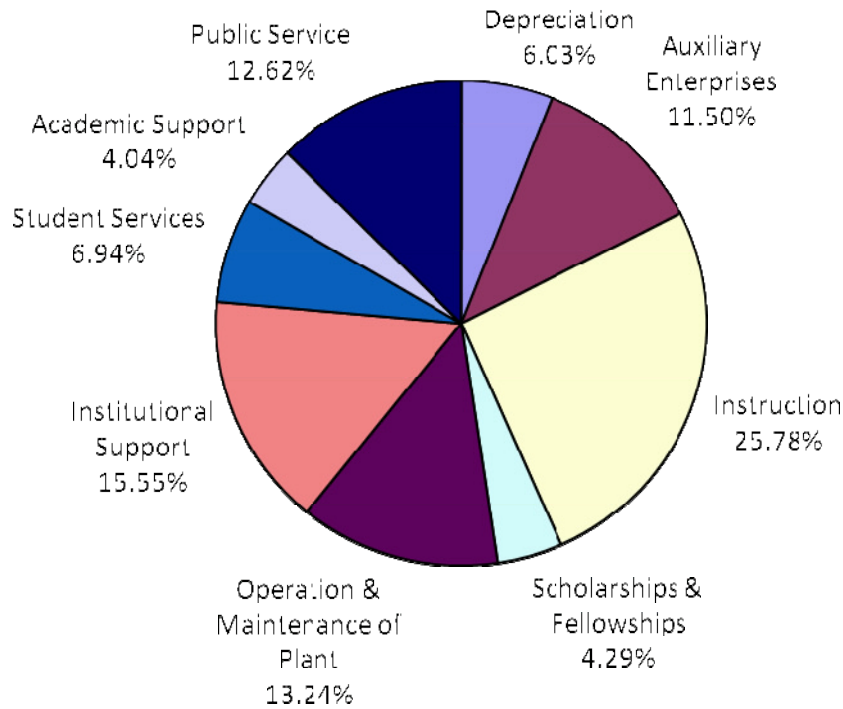
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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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Grants and Contracts increased from \$2.0 million to \$2.3 million due to an increase in State and Local Grants.

The following is a graphic illustration of expenses by function for the year ended June 30, 2008:



Net increase in expenses in 2008 was the net effect of:

- Increases in functional categories of instruction 5.4%, academic support 3.9%, institutional support 6.9%, operation and maintenance of plant 74.1%, student aid 27.3%, public service 28.8%, depreciation 36.0%, and auxiliary enterprises 11.6%.
- The increase in operation and maintenance of plant is the direct result of expenses to furnish and equip two new facilities, capital renovations (Incubator), Building Lease at the Greene Center, and increased utilities for the additional 80,000 square feet of facilities.
- The increase in the functional category of student services of 6.2% was due to the increase in expenses for the Financial aid office and interpreters.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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The following table shows a comparison of total operating expenses per FTE for 2008 and 2007. Total operating expenses per FTE student increased by \$925 during 2008.

**TOTAL OPERATING EXPENSES PER FTE**

	<u>2008</u>	<u>2007</u>	<u>Difference</u>	<u>Percent Change</u>
Total operating expenses	\$ 27,973,144	\$ 23,756,399	\$ 4,216,745	17.75%
FTE enrollment	2,450	2,264	186	8.21%
Net operating expenses per FTE	11,418	10,493	925	8.82%

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2008. Following is a summary of the Statement of Cash Flows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	\$ (14,256)	\$ (11,342)	\$ (8,986)
Noncapital financing activities	13,473	12,373	11,815
Capital and related financing activities	(310)	(8,798)	6,225
Investing activities	423	8,255	(7,825)
Net increase (decrease) in cash and cash equivalents	(670)	488	1,229
Cash and cash equivalents-beginning of year	8,257	7,769	6,540
Cash and cash equivalents-end of year	<u>\$ 7,587</u>	<u>\$ 8,257</u>	<u>\$ 7,769</u>

Cash and cash equivalents decreased by \$670,000 primarily as a result of an increase in payments for operating expenses. Cash flows from non-capital financing activities increased by \$1.1 million as a result of increase in state appropriations as well as an increase in federal grants. The increase in the net cash generated by capital and related financing activities is due to a decrease in the purchase of capital assets (in FY 2007 the bulk of construction expenses for the TLC capital asset were made) and an increase in state grants and gifts proceeds.

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CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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**CAPITAL ASSETS AND DEBT**

*Capital Assets*

The College had \$34.3 million invested in capital assets net of accumulated depreciation of \$23.4 million at June 30, 2008. Depreciation expense for the year ended June 30, 2008, was \$1.7 million compared to \$1.2 million in 2007 and \$1.3 million in 2006. A summary of net capital assets for the years ended June 30, 2008, 2007, and 2006, is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 3,040	\$ 2,497	\$ 2,458
Buildings	29,099	16,164	16,923
Machinery and equipment	1,926	1,711	1,871
Library books and publications	99	106	112
Vehicles	86	100	111
Construction in progress	--	13,532	2,881
Total capital assets - net	\$ 34,250	\$ 34,110	\$ 24,356

The major projects the College undertook during 2008 were technology equipment replacements and furnishing/equipping the Greene Center and the TLC, leasehold improvements at the Greene Center, and construction costs for the TLC.

During FY 2008, the College began leasing a facility in Greene County, which is a part of its assigned service district. The business plan projects enrollment growth at this location at a higher rate than the Springfield location. For FY 2008, actual enrollment (4,583 credit hours) exceeded the business plan (4,274 credit hours) by 13.5%. Financial resources have been set aside over the years to help meet the future needs of the citizens of the College's service district. FY 2008 represents just the beginning of a more conscious outreach into the entire service district of the College in an effort to meet the educational and workforce development needs of those citizens.

*Debt*

On May 31, 2006, the College sold \$8,175,000 of General Receipts Bonds. The sale closed on June 13, 2006. The true interest cost on the transaction was 4.24%. The College applied for an underlying rating on the Bonds and received an "A3" rating from Moody's. Subsequently, bond insurance was purchased from Ambac which elevated the rating to "Aaa." Neither the rating agency nor the insurer imposed a debt service reserve requirement on the borrowing. This Bond issuance generated \$8 million toward the TLC construction project. The remaining amount of bond proceeds were used to fund the costs of the Bond issuance including underwriter's discount, miscellaneous costs of issuance, and bond insurance. Debt service interest payments began to be paid December 1, 2006, and will be paid semi-annually thereafter on December 1 and June 1. Debt service principal payments will begin to be paid on December 1, 2008. The final maturity date for the Bonds is 2032. During the first 15 years (through 2021) of debt service payments, a donation generated by the Major Gifts Campaign will be used to fund approximately 40% of the annual payments.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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A critical consideration when contemplating the issuance of long term debt financing was that this action would not adversely impact the College's Senate Bill 6 financial ratios. The College's FY 2005 ratio analysis resulted in a composite score of 4.1. The FY 2006 ratio analysis, which was the year bonds were issued, resulted in a composite score of 3.7. The FY 2007 ratio analysis resulted in a composite score of 3.9. The FY 2008 ratio analysis results in a composite score of 2.6.

**ECONOMIC FACTORS AFFECTING THE FUTURE**

Management believes that the College has a solid financial foundation to be able to accomplish its mission to foster individual and community prosperity through access to the highest quality, learning centered education. In addition to challenges that the College has historically faced such as attracting and retaining students from underserved populations, the College continues to face the challenge of less than adequate state support for higher education from the State of Ohio. These challenges are the result of the State of Ohio addressing its economic downturn.

The November 2006 elections resulted in a sweeping change in leadership for the State of Ohio. The platform of the newly-elected Governor included a particular focus on education. One of his first actions was to create a cabinet position for the Chancellor of the Ohio Board of Regents. The Executive Budget included what is referred to as Turnaround Ohio Initiatives:

- Create a Higher Education Compact by which the State and the higher education community will restrain tuition, increase efficiency, and adequately fund public colleges and universities.
- Dramatically increase the number of students in Ohio's colleges and universities by broadening access and ensuring that those who attend succeed and graduate with a degree that counts.
- Provide all Ohioans the opportunities to attain skills for high quality jobs.
- Establish AccelerateOhio to provide low cost flexible entry points to higher education for workers.
- Create "Truth in Tuition" to enhance transparency in the tuition and fees in higher education.
- Provide Ohio's colleges and universities with a reliable, adequate and targeted base of state support to meet growing enrollment; science, technology, engineering, mathematics, and medicine (STEMM); research; and workforce challenges.
- Improve college affordability for Ohioans by increasing state need-based aid.
- Maximize the effectiveness and efficiency of state investments through efforts to increase collaboration among campuses including sharing of best practices.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2008

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The current state biennial budget (July 1, 2007 – June 30, 2009) was historic in that it passed through the House and Senate with only a single dissenting vote. This budget makes a commitment to education from pre-schools to colleges and universities. Highlights of the biennial budget for higher education include:

- State Share of Instruction funding increases of 2% in FY 2008 and 10% in FY 2009.
- A tuition freeze for both years of the biennium.
- Implement management efficiencies of 1% in FY 2008 and 3% in FY 2009.

The biennial budget also included a legislative charge for the creation of a strategic plan for higher education. This ten year strategic plan was submitted to the Governor and the General Assembly in March 2008. The report builds upon the principles of creating the University System of Ohio, which represents a new cooperative framework for public higher education in the state. For too long, Ohio has been beset by competition between institutions for students and resources rather than the collaboration that would benefit all Ohioans. The goal of the plan is to raise the educational attainment each year and to close the gap between Ohio and competitor states and nations. To accomplish this goal, three things must be achieved:

- Graduate more students
- Keep more of our graduates in Ohio
- Attract more degree holders from out of state

In order to accomplish these goals, benchmarks have been established including increasing enrollment by 230,000 by 2017 and increasing the rate of graduation by 20%. Key strategies are included in the report related to adequate preparation; affordability; financial condition and productivity; workforce development, research and technology transfer; and capitalizing on the capabilities and strengths of each individual institution of higher education.

CLARK STATE COMMUNITY COLLEGE  
STATEMENTS OF NET ASSETS  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current assets		
Equity in pooled cash and cash equivalents	\$ 7,587,126	\$ 8,257,351
Investments	19,815	192,517
Accounts receivable, net	3,416,780	3,312,101
Prepaid expenses	533,835	283,380
Inventory	244,914	232,464
Employee loans receivable	<u>21,698</u>	<u>32,098</u>
Total current assets	11,824,168	12,309,911
Noncurrent assets		
Capital assets, net	34,250,427	34,110,256
Deferred charges	<u>157,979</u>	<u>164,562</u>
Total noncurrent assets	<u>34,408,406</u>	<u>34,274,818</u>
Total assets	46,232,574	46,584,729
<b>Liabilities</b>		
Current liabilities		
Accounts payable	759,926	1,979,410
Note payable, current portion	275,000	--
Interest payable	28,471	28,470
Wages payable	880,802	761,759
Accrued payroll and tax liabilities	292,031	126,352
Deferred income	1,404,318	1,045,072
Unclaimed funds	<u>89,631</u>	<u>82,446</u>
Total current liabilities	3,730,179	4,023,509
Noncurrent liabilities		
Note payable, less current portion	7,900,000	8,175,000
Deposits held in trust for others	853,592	538,415
Accrued compensated absences	<u>288,952</u>	<u>269,056</u>
Total noncurrent liabilities	<u>9,042,544</u>	<u>8,982,471</u>
Total liabilities	12,772,723	13,005,980
<b>Net assets</b>		
Invested in capital assets, net of related debt	26,237,230	25,928,990
Restricted		
Nonexpendable	250,000	250,000
Expendable	2,058,889	1,368,941
Unrestricted	<u>4,913,732</u>	<u>6,030,818</u>
Total net assets	<u>\$ 33,459,851</u>	<u>\$ 33,578,749</u>

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash	\$ 100,758	\$ 87,469
Investments	10,662,201	11,506,695
Accounts receivable, Clark State Community College	43,249	181,502
Pledges receivable	3,054,935	3,522,811
Student loans receivable, net of allowance for doubtful loans of \$80,266 in 2008 and \$54,902 in 2007	240,305	97,472
Prepaid expenses	<u>1,304</u>	<u>--</u>
	<u>\$ 14,102,752</u>	<u>\$ 15,395,949</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Wages payable	\$ 1,961	\$ 1,731
Accounts payable	<u>--</u>	<u>1,872</u>
	<u>1,961</u>	<u>3,603</u>
Net assets		
Unrestricted	768,601	802,075
Temporarily restricted	6,141,250	7,491,660
Permanently restricted	<u>7,190,940</u>	<u>7,098,611</u>
	<u>14,100,791</u>	<u>15,392,346</u>
	<u>\$ 14,102,752</u>	<u>\$ 15,395,949</u>

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Operating revenues</b>		
Student tuition and fees, net of scholarship allowances of \$2,313,766 in 2008 and \$2,088,942 in 2007	\$ 7,090,725	\$ 6,302,122
Federal grants and contracts	1,008,958	1,027,444
State and local grants and contracts	971,062	675,591
Nongovernmental grants and contracts	317,505	325,213
Auxiliary enterprises		
Bookstore, net of scholarship allowances of \$1,102,160 in 2008 and \$923,559 in 2007	1,273,829	1,140,590
Parking	36,514	38,536
Truck driving	933,276	637,810
Other operating revenues	<u>981,897</u>	<u>1,027,984</u>
Total operating revenues	12,613,766	11,175,290
<b>Operating expenses</b>		
Educational and general		
Instructional	7,211,801	6,839,169
Academic support	1,129,945	1,088,011
Student services	1,940,032	1,826,360
Institutional support	4,351,040	4,068,522
Operation and maintenance of plant	3,704,395	2,127,823
Student aid	1,201,327	943,774
Public service	3,529,309	2,739,471
Depreciation expense	1,687,069	1,239,635
Auxiliary enterprises	<u>3,218,226</u>	<u>2,883,634</u>
Total operating expenses	<u>27,973,144</u>	<u>23,756,399</u>
Operating loss	(15,359,378)	(12,581,109)
<b>Nonoperating revenues (expenses)</b>		
State appropriations	9,364,466	8,564,503
Federal grants revenue	4,108,139	3,609,909
Investment income	249,992	375,025
Other nonoperating revenues	700	198,677
Interest expense	<u>(519,056)</u>	<u>(6,582)</u>
Net nonoperating revenues	<u>13,204,241</u>	<u>12,741,532</u>
Income (loss) before other revenues, expenses gains, or losses	(2,155,137)	160,423
Capital appropriations	296,312	1,724,245
Capital grants and gifts	<u>1,739,927</u>	<u>489,598</u>
<b>Change in net assets</b>	(118,898)	2,374,266
Net assets- beginning of year	<u>33,578,749</u>	<u>31,204,483</u>
<b>Net assets- end of year</b>	<u>\$ 33,459,851</u>	<u>\$ 33,578,749</u>

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
Year ended June 30, 2008 with comparative 2007 totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total <u>2008</u>	Total <u>2007</u>
<b>Revenues and other support</b>					
Campaign contributions	\$ 64,563	\$ 116,834	\$ 15,593	\$ 196,990	\$ 356,649
Foundation contributions	2,490	237,836	49,189	289,515	1,880,083
Interest	24,612	367,514	--	392,126	374,109
Net realized and unrealized gains (losses) on investments	(24,124)	(558,121)	--	(582,245)	908,752
Miscellaneous	167,543	16,552	27,547	211,642	140,071
Net assets released from restrictions	<u>1,531,025</u>	<u>(1,531,025)</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total revenues and other support	 1,766,109	 (1,350,410)	 92,329	 508,028	 3,659,664
<b>Expenses</b>					
Programs	1,689,160	--	--	1,689,160	390,277
Management and general	<u>110,423</u>	<u>--</u>	<u>--</u>	<u>110,423</u>	<u>99,406</u>
 Total expenses	 <u>1,799,583</u>	 <u>--</u>	 <u>--</u>	 <u>1,799,583</u>	 <u>489,683</u>
 Change in net assets	 (33,474)	 (1,350,410)	 92,329	 (1,291,555)	 3,169,981
Net assets at beginning of year	<u>802,075</u>	<u>7,491,660</u>	<u>7,098,611</u>	<u>15,392,346</u>	<u>12,222,365</u>
<b>Net assets at end of year</b>	<b><u>\$ 768,601</u></b>	<b><u>\$ 6,141,250</u></b>	<b><u>\$ 7,190,940</u></b>	<b><u>\$ 14,100,791</u></b>	<b><u>\$ 15,392,346</u></b>

See accompanying notes to financial statements.



CLARK STATE COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2007

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	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total 2007</u>
<b>Revenues and other support</b>				
Campaign contributions	\$ 59,517	\$ 265,659	\$ 31,473	\$ 356,649
Foundation contributions	7,171	56,125	1,816,787	1,880,083
Interest	19,077	355,032	--	374,109
Net realized and unrealized gains (losses) on investments	54,846	853,906	--	908,752
Miscellaneous	95,851	44,220	--	140,071
Net assets released from restrictions	<u>344,482</u>	<u>(344,482)</u>	<u>--</u>	<u>--</u>
 Total revenues and other support	 580,944	 1,230,460	 1,848,260	 3,659,664
<b>Expenses</b>				
Programs	390,277	--	--	390,277
Management and general	<u>99,406</u>	<u>--</u>	<u>--</u>	<u>99,406</u>
 Total expenses	 <u>489,683</u>	 <u>--</u>	 <u>--</u>	 <u>489,683</u>
 Change in net assets	 91,261	 1,230,460	 1,848,260	 3,169,981
Net assets at beginning of year	<u>710,814</u>	<u>6,261,200</u>	<u>5,250,351</u>	<u>12,222,365</u>
 <b>Net assets at end of year</b>	 <u>\$ 802,075</u>	 <u>\$7,491,660</u>	 <u>\$ 7,098,611</u>	 <u>\$ 15,392,346</u>

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See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 6,988,046	\$ 6,127,933
Grants, gift and contracts	2,971,948	1,727,129
Payments for goods and services	(9,941,981)	(6,776,409)
Payment for utilities	(897,933)	(702,619)
Payments to employees	(11,979,409)	(10,791,813)
Payments for benefits	(3,431,428)	(2,821,833)
Payments for scholarships and fellowships	(1,201,327)	(943,774)
Loans issued to students and employees	(19,947)	(30,989)
Collection of loans to students and employees	30,347	25,607
Auxiliary enterprise charges		
Bookstore	1,273,829	1,140,590
Parking	36,514	38,536
Truck driving	933,276	637,810
Other receipts	<u>981,897</u>	<u>1,027,984</u>
Net cash from operating activities	<u>(14,256,168)</u>	<u>(11,341,848)</u>
<b>Cash flows from noncapital financing activities</b>		
State appropriations	9,364,466	8,564,503
Federal grants revenue	4,108,139	3,609,909
Other nonoperating revenues	<u>700</u>	<u>198,678</u>
Net cash from noncapital financing activities	<u>13,473,305</u>	<u>12,373,090</u>
<b>Cash flows from capital financing activities</b>		
Capital appropriations	296,312	1,724,245
Purchase of capital assets	(1,827,240)	(10,993,649)
Principal paid on capital debt and leases	--	(20,000)
Interest paid on capital debt and leases	(519,056)	1,975
State grants and gifts proceeds	<u>1,739,927</u>	<u>489,598</u>
Net cash from financing activities	<u>(310,057)</u>	<u>(8,797,831)</u>
<b>Cash flows from investing activities</b>		
Net change in investments	172,702	7,879,806
Income on investments	<u>249,993</u>	<u>375,025</u>
Net cash from investing activities	<u>422,695</u>	<u>8,254,831</u>
<b>Net increase in cash and cash equivalents</b>	(670,225)	488,242
<b>Cash and cash equivalents, beginning of year</b>	<u>8,257,351</u>	<u>7,769,109</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,587,126</u>	<u>\$ 8,257,351</u>

(Continued)

CLARK STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS (Continued)  
Years ended June 30, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
<b>Reconciliation of net operating loss to net cash from operating activities</b>		
Operating loss	\$ (15,359,378)	\$ (12,581,109)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,687,069	1,239,634
Changes in assets and liabilities		
Accounts receivable	(104,679)	(174,189)
Inventory	(12,450)	(34,065)
Prepaid expenses	(250,455)	32,386
Loans receivable	10,400	(5,382)
Other assets	6,583	--
Accounts payable	(1,219,484)	393,307
Wages payable	119,043	182,090
Accrued payroll liabilities	165,679	(111,981)
Deferred income	359,246	(181,493)
Unclaimed funds	7,185	7,968
Deposits held in trust for others	315,177	(119,626)
Compensated absences	<u>19,896</u>	<u>10,612</u>
Net cash from operating activities	<u>\$ (14,256,168)</u>	<u>\$ (11,341,848)</u>

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See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: Clark State Community College ("College") is an institution of higher education and is considered to be a component unit of the State of Ohio ("State") because its Board of Trustees is appointed by the Governor of the State. Accordingly, the College is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations, grants from various state agencies and payments to the State retirement program for certain College employees.

The College is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the College may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Clark State Community College Foundation (Foundation) is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services, and facilities of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Therefore, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Financial Statement Presentation: The accompanying financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* (GASB No. 35) and subsequent statements issued by GASB, established standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets net of related debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted, nonexpendable** - Net assets subject to externally-imposed stipulations that they be maintained permanently by the College.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Restricted, expendable** - Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These net assets represent amounts for scholarships and capital construction projects.
- **Unrestricted** - Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented 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 an obligation has been incurred.

The College has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its business-type activities provided that they do not conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

Equity in Pooled Cash and Cash Equivalents: Equity in pooled cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventories: Inventories are comprised of text books, and educational materials sold by the book store and are stated at actual cost using the first-in, first-out method.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at fair market value at the date of the gift. In the absence of historical cost records, equipment is recorded at the current cost of replacement as of that date, based on an inventory and appraisal of the equipment by an independent appraisal firm.

Capital assets additions and improvements with a cost in excess of \$2,500 are capitalized and depreciated on a straight-line basis over the estimated useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Buildings	45 years
Infrastructure	20 years
Furniture and equipment	5-20 years
Library books	10 years
Vehicles	3-6 years

Compensated Absences: The liability and expense incurred for employee vacation and sick pay are recorded as accrued compensated absences in the statement of net assets and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets.

Deferred Revenue: Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held in Trust for Others: Deposits held in trust for others in the amount of \$538,415 represents the balance in the College's Agency fund that is available for expenditures.

Operating and Nonoperating Revenues: The College's policy for defining operation activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statements No. 34 and 35, including state appropriations and investment income. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and recent updates in *GASB's Implementation Guide*, Pell grants, are considered nonexchange transactions and are recorded as non-operating revenues in the accompanying financial statements.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Joint Venture: In conjunction with Springfield-Clark Career Technology Center (CTC), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CTC to determine each entity's share in funding operating losses, if any. During fiscal 2008 and 2007 no losses were incurred. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

Estimates: The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. This statement was implemented prospectively. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. Adopting these statements had no effect on the College's financial statements because of the types of benefit plans in which the College participates.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Pronouncements: In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The College will be required to implement this statement in fiscal year 2009. Management has not yet determined the impact that GASB Statement No. 49 will have on the College's financial statements and disclosures.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies. The College will be required to implement this statement in fiscal year 2010. Management has not yet determined the impact that GASB Statement No. 51 will have on the College's financial statements and disclosures.

In November, 2007, GASB issued Statement No, 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The College will be required to implement this statement in fiscal 2009. Management has not yet determined the impact that GASB Statement No. 52 will have on the College's financial statements and disclosures

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The College will be required to implement this statement in fiscal 2010. Management has not yet determined the impact that GASB Statement No. 49 will have on the College's financial statements and disclosures.

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(Continued)



CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS**

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least five percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. As of June 30, 2008, carrying amount of the Colleges' deposits was \$3,347,201 and the bank balance was \$3,236,374. Of the bank balance, \$710,486 was covered by federal depository insurance, \$397,669 was collateralized in both the College's name and the financial institution's name, \$290,604 was secured with letters of credit for the benefit of the College, and the remaining \$1,837,615 was exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

At June 30, 2008, the College had amounts on deposit with STAR Ohio, with a fair market value of \$4,239,925, which is included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

Interest rate risk - The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice the College manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to approximately two years.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

Credit Risk - It is College practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAA by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

Concentration of credit - The College places no limit on the amount the College may invest in any one issuer.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2008 and 2007 consisted of employee loans, billings for student fees, rentals, sponsored billings and intergovernmental receivables arising from grants. All receivables are not considered collectible in full and an allowance for doubtful accounts was established as reflected in the financial statements.

Accounts receivable consist of the following, as of June 30:

	<u>2008</u>	<u>2007</u>
Student charges	\$ 1,184,341	\$ 1,059,047
Room rental	33,103	50,513
Post secondary	323,812	351,257
Customized training services	115,815	27,129
Sponsored billings	146,897	38,084
Intergovernmental	1,858,430	1,682,143
Miscellaneous	<u>312,523</u>	<u>637,066</u>
	3,974,921	3,845,239
Less allowance for possible collection losses	<u>(558,141)</u>	<u>(533,138)</u>
Accounts receivable, net	<u>\$ 3,416,780</u>	<u>\$ 3,312,101</u>

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	July 1, 2007 <u>Balance</u>	Additions/ <u>Transfers</u>	Net <u>Reductions</u>	June 30, 2008 <u>Balance</u>
Cost				
Land	\$ 1,531,084	\$ --	\$ --	\$ 1,531,084
Infrastructure	2,747,657	739,088	--	3,486,745
Buildings	32,134,071	14,007,346	--	46,141,417
Furniture and equipment	4,941,198	588,295	(75,759)	5,453,734
Library books	518,397	14,329	(16,762)	515,964
Vehicles	531,607	11,000	(46,241)	496,366
Construction in progress	<u>13,532,818</u>	<u>(13,532,818)</u>	<u>--</u>	<u>--</u>
	<u>55,936,832</u>	<u>1,827,240</u>	<u>(138,762)</u>	<u>57,625,310</u>
	July 1, 2007 <u>Balance</u>	Additions/ <u>Transfers</u>	Net <u>Reductions</u>	June 30, 2008 <u>Balance</u>
Accumulated depreciation				
Infrastructure	\$ 1,782,000	\$ 195,945	\$ --	\$ 1,977,945
Buildings	15,970,413	1,071,651	--	17,042,064
Furniture and equipment	3,230,368	372,961	(75,759)	3,527,570
Library books	411,715	21,552	(16,762)	416,505
Vehicles	<u>432,080</u>	<u>24,960</u>	<u>(46,241)</u>	<u>410,799</u>
	<u>21,826,576</u>	<u>1,687,069</u>	<u>(138,762)</u>	<u>23,374,883</u>
Capital assets, net	<u>\$ 34,110,256</u>	<u>\$ 140,171</u>	<u>\$ --</u>	<u>\$ 34,250,427</u>

(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	July 1, 2006 <u>Balance</u>	Additions/ <u>Transfers</u>	Net <u>Reductions</u>	June 30, 2007 <u>Balance</u>
Cost				
Land	\$ 1,367,487	\$ 163,597	\$ --	\$ 1,531,084
Infrastructure	2,747,657	--	--	2,747,657
Buildings	32,134,071	--	--	32,134,071
Furniture and equipment	4,866,282	169,047	(94,131)	4,941,198
Library books	722,605	17,013	(221,221)	518,397
Vehicles	524,607	15,000	(8,000)	531,607
Construction in progress	<u>2,881,454</u>	<u>10,651,364</u>	<u>--</u>	<u>13,532,818</u>
	<u>45,244,163</u>	<u>11,016,021</u>	<u>(323,352)</u>	<u>55,936,832</u>
Accumulated depreciation				
Infrastructure	\$ 1,657,504	\$ 124,496	\$ --	\$ 1,782,000
Buildings	15,211,094	759,319	--	15,970,413
Furniture and equipment	2,995,328	306,796	(71,756)	3,230,368
Library books	610,383	22,554	(221,222)	411,715
Vehicles	<u>413,611</u>	<u>26,469</u>	<u>(8,000)</u>	<u>432,080</u>
	<u>20,887,920</u>	<u>1,239,634</u>	<u>(300,978)</u>	<u>21,826,576</u>
Capital assets, net	<u>\$ 24,356,243</u>	<u>\$ 9,776,387</u>	<u>\$ (22,374)</u>	<u>\$ 34,110,256</u>

**NOTE 5 - LONG TERM OBLIGATIONS**

Long Term Debt

The College's long term debt at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
General receipts bonds	\$ 7,900,000	\$ 8,175,000
Less: Unamortized discount on bonds payable	<u>(157,979)</u>	<u>(171,444)</u>
Bonds payable, net	<u>\$ 7,742,021</u>	<u>\$ 8,003,556</u>

(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 5 - LONG TERM OBLIGATIONS (Continued)**

In June 2006, the College issued \$8,175,000 of General Receipts Bonds, Series 2006, to pay a portion of the costs of the Sara T. Landess Technology and Learning Center. These bonds are special obligations of the College. Principal and interest on the bonds are payable solely from the general receipts of the College and bond proceeds. The bonds are not obligations of the State of Ohio, are not general obligations of the College, and the full faith and credit of the College is not pledged to their payment. Bondholders have no right to have excises or taxes levied by the Ohio General Assembly. The interest is payable semi-annually each June 1 and December 1, beginning December 1, 2006, and ending December 1, 2032. The principal is payable annually each December 1 beginning December 1, 2008, and ending December 1, 2032. The interest rates range from 4.0% to 4.4%. The bonds are payable as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 275,000	\$ 336,150	\$ 611,150
2010	285,000	324,950	609,950
2011	295,000	313,350	608,350
2012	310,000	301,250	611,250
2013	320,000	288,650	608,650
2014-2018	1,810,000	1,225,806	3,035,806
2019-2023	1,970,000	819,616	2,789,616
2024-2028	1,300,000	498,040	1,798,040
2029-2033	<u>1,610,000</u>	<u>183,040</u>	<u>1,793,040</u>
	<u>\$ 8,175,000</u>	<u>\$ 4,290,852</u>	<u>\$ 12,465,852</u>

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 5 - LONG TERM OBLIGATIONS (Continued)**

Compensated Absences

The College adopted a new compensated absences policy effective September 1, 2001. Under the new policy, employees in Grade Levels 7 through 14 earn vacation leave at a rate of 6.15 hours for each pay period, up to a maximum of 160 hours. Employees in Grade Levels 5 and 6 earn vacation at a rate of 4.62 hours per pay period, up to a maximum of 120 hours. Employees in Grade Levels 4 and below earn vacation leave at a rate of 3.08 hours for each pay period, up to a maximum of 80 hours. Upon completion of five years of service, eligible employees in these grade levels earn eight additional vacation hours for each year of service, up to a maximum of 160 hours. The policy allows a maximum of 160 vacation hours to be carried over to the subsequent year. Upon termination of employment, an employee is entitled to payment for all unused, accrued vacation hours. Vacation leave accrual rates will not be reduced for all employees hired prior to this date.

College employees earn 10 hours of sick leave for each month of service up to a maximum of 120 hours per year. Annual unused sick leave has unlimited accrual. This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 240 hours. The College uses a five-year rolling average to estimate the liability for the next fiscal year.

The President is covered by the above stated Board policy on "sick leave severance upon retirement." The President is entitled to 30 days annual paid vacation. The President may elect to receive the cash equivalent of up to 10 days of unused vacation annually.

The total amount accrued for compensated absences at June 30:

	<u>2008</u>	<u>2007</u>
Vacation	\$ 273,562	\$ 244,717
Sick leave	<u>15,390</u>	<u>24,339</u>
Total	<u>\$ 288,952</u>	<u>\$ 269,056</u>

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 6 - STATE SUPPORT**

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

In addition to the student subsidies, the State of Ohio provides the funding for construction of major plant facilities on the College campus. The funding is obtained from 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.

Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Currently, these are being funded through appropriations to the Board of Regents by the Ohio 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.

**NOTE 7 - PENSION PLANS**

School Employees Retirement System

Plan Description - The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS 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 per Chapter 3309 of the Ohio Revised Code (ORC). SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (614) 222-5853, or by downloading from the website [www.ohsers.org](http://www.ohsers.org).

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 7 - PENSION PLANS** (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$920,398, \$798,940 and \$761,773, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system that is funded on a pay-as-you-go basis. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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(Continued)



CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 7 - PENSION PLANS** (Continued)

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member's accounts are vested after the first anniversary of the first day of paid service. 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 designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment start date to select a retirement plan.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 7 - PENSION PLANS** (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plan and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The College's required 14% contributions for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006, were \$717,192, \$644,242 and \$631,808, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2007 Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2008 and 2007 were \$56,749 and \$55,107, respectively, which is equal to the required contribution for the year.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 8 - POSTEMPLOYMENT BENEFITS**

School Employees Retirement System

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, (the latest information available), the healthcare allocation rate was 3.32%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service. For fiscal year 2007, the minimum payment was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provided for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2008 were \$219,438,662. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million, which is about 235% of next year's projected net health care costs. On the basis of the actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs.

The number of participants eligible to receive benefits was 63,529.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was \$117,535 and \$103,779 for fiscal years 2008 and 2007, respectively.

State Teachers Retirement System

STRS Ohio provides access to health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

The ORC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2007 (the latest information available), the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the year ended June 30, 2007, net health care costs paid by STRS Ohio were \$503,407,000. There were 122,934 eligible benefit recipients.

**NOTE 9 - LEASES**

The College leases a building in Greene County, Ohio for an extension of its main campus, and also leases other office equipment under operating leases that have varying expiration dates from November 2009 through August 2017. Future minimum lease payments under these lease agreements at June 30, 2008 are as follows:

2009	\$ 566,010
2010	542,870
2011	535,382
2012	517,866
2013	<u>528,224</u>
	<u>\$ 2,690,352</u>

**NOTE 10 - GRANTS, CONTRACTS AND OTHER ASSISTANCE**

Miscellaneous amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the management expects such amounts, if any, to be immaterial.

The College receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2008 and 2007 was \$6,660,369 and \$5,686,736, respectively.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 Years ended June 30, 2008 and 2007

**NOTE 11 - RISK MANAGEMENT**

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, injuries to employees other than workers' compensation obtained through the state of Ohio, TDTI vehicle coverage, and natural disasters.

Coverages are as follows:

Coverage	Amount	Deductible
Building and Contents	Replacement Cost	\$10,000
Crime - Employee Dishonesty	\$500,000	None
Crime - Forgery/Alteration	\$100,000	None
Crime - Theft, Disappearance and Destruction of Money and Securities (on premises or away)	\$50,000	None
Automobile Liability	\$1,000,000	None
Automobile - Physical Damage - Collision	Value of vehicle	\$500
Automobile - Physical Damage - Comprehension (other than collision)	Value of vehicle	\$250
Truck Driver Liability and Physical Damage	\$1,000,000	\$2,500
General Liability (per occurrence)	\$1,000,000	None
General Aggregate Liability (per policy year)	\$2,000,000	None
Umbrella Liability (per occurrence)	\$5,000,000	\$10,000
Umbrella - Excess (per occurrence)	\$10,000,000	None
Computer Equipment	\$3,297,466	\$500
Liquor Liability (per occurrence)	\$1,000,000	None
Directors & Officers (per occurrence)	\$1,000,000	\$5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the previous year.

(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 12 - CLARK STATE COMMUNITY COLLEGE FOUNDATION**

Clark State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Clark State Community College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. The 23-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 5.04-5.19% to the present value of future cash flows.

Unconditional promises are expected to be realized in the following periods:

	<u>2008</u>	<u>2007</u>
One year or less	\$ 450,241	\$ 580,861
Between one and five years	1,549,707	1,838,825
Longer than five years	<u>2,000,000</u>	<u>2,125,000</u>
	3,999,948	4,544,686
Discounts and allowance	<u>(945,013)</u>	<u>(1,021,875)</u>
Net pledges	<u>\$ 3,054,935</u>	<u>\$ 3,522,811</u>

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2008 and 2007

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**NOTE 12 - CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)**

Foundation investments are stated at fair value, with changes in market value being recognized as gains and losses during the period in which they occur.

Fair value of investments held by the Foundation is summarized as follows:

	<u>2008</u>	<u>2007</u>
Equity funds	\$ 4,623,601	\$ 4,984,248
Bond funds	3,734,470	3,516,853
Money market account and other	<u>2,304,130</u>	<u>3,005,594</u>
	<u>\$ 10,662,201</u>	<u>\$ 11,506,695</u>

During the year ended June 30, 2008 and 2007, the Foundation distributed \$1,417,528 and \$91,657, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

**SUPPLEMENTAL INFORMATION**



CLARK STATE COMMUNITY COLLEGE  
BOARD OF TRUSTEES  
June 30, 2008

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<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
James N. Doyle	Chairperson	12/01/1998 - 11/30/2010
Andy Bell	Vice-Chairperson	03/10/2006 - 11/30/2008
Sharon M. Evans	Member	01/08/2003 - 11/30/2008
Than Johnson	Member	04/04/1991 - 11/30/2008
Faye M. Flack	Member	12/01/1998 - 11/30/2010
O. Lester Smithers	Member	03/04/1996 - 11/30/2010
Gary E. Buroker	Member	06/25/2004 - 11/30/2012
C. William Mercurio	Member	12/08/2006 - 11/30/2012
Élise Spriggs	Member	12/08/2006 - 11/30/2012

Legal Counsel

Tammi Angle  
333 North Limestone Street  
Springfield, Ohio 45503

CLARK STATE COMMUNITY COLLEGE  
ADMINISTRATIVE PERSONNEL  
June 30, 2008

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Name

Title

Karen E. Rafinski, Ph.D.

President

Joseph R. Jackson

Vice President for Business Affairs

Dixie A. Depew

Controller

Employees are bonded by the Cincinnati Insurance Company under blanket bond coverage of \$500,000.

CLARK STATE COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2008

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2007	Total Revenue	Total Expenditures	Ending Balance 6/30/2008
<b><u>Department of Education Title IV Programs</u></b>						
Student Financial Assistance cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A073254	\$ -	\$ 84,036	\$ 84,036	\$ -
College Work Study	84.033	P033A073254	-	122,564	122,564	-
Pell Grant	84.063	P063P072557	-	4,108,139	4,108,139	-
Academic Competitiveness Grant Program:						
Grant Program	84.375	P375A072557	-	4,800	4,800	-
Total Student Financial Assistance Cluster			-	4,319,539	4,319,539	-
TRIO Student Support Services	84.042	P042A050017	-	207,024	207,024	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P4334S050016	-	379,048	379,048	-
Total Title IV Programs			-	4,905,611	4,905,611	-
<b><u>Title I Program</u></b>						
Vocational Education	84.048	063370-20C3-2008	-	69,955	69,955	-
<b><u>Title II Program</u></b>						
Tech-Prep Program	84.243	063370-3ETC-2008	-	115,251	115,251	-
<b><u>Title VII Programs</u></b>						
Equipping the Learning Success Center	84.116Z	P116Z050146	-	2,880	2,880	-
Greene Center Earmark	84.116Z	P116Z080061	-	6,888	6,888	-
Total Department of Education			-	5,100,585	5,100,585	-
<b><u>Department of Health and Human Services</u></b>						
Passes through Clark County Department Of Job and Family Services:						
TANF (Temporary Assistance for Needy Families)						
TANF – Rise Above	93.558	N/A	-	106,482	106,482	-
TANF – Workforce Develop.	93.558	N/A	-	322,466	322,466	-
TANF – Youth Activities	93.558	N/A	-	94,983	94,983	-
Total TANF			-	523,931	523,931	-
Total Department of Health and Human Services			-	523,931	523,931	-
<b><u>Department of Agriculture</u></b>						
Agricultural Curriculum Improvement Project	10.226	2006-38414-16911	-	19,392	19,392	-
Total Department of Agriculture			-	19,392	19,392	-
<b><u>Department of Housing and Urban Development</u></b>						
HUD/Business Incubator Project	14.24X	5470780001	-	222,728	222,728	-
Total Department of Housing and Urban Development			-	222,728	222,728	-
Total Federal Assistance			\$ -	\$5,866,636	\$ 5,866,636	\$ -

CLARK STATE COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2008

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**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Clark State Community College. The Clark State Community College reporting entity is defined in Note 1 to the Clark State Community College's financial statements.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements.

**NOTE 3 - LOAN PROGRAMS**

The College originates but does not provide funding for Federal Family Education Loans (FFELs). The amount presented represents the value of new FFELs awarded by outside lenders and the government, respectively, during the year. During the fiscal year ending June 30, 2008, the College processed the following amount of new loans for the FFEL (which includes Stafford Loans and Parents Loans for Undergraduate Students):

	<u>C DFA Number</u>	<u>Amount Authorized</u>
Federal Family Educational Loan Program	84.032	\$6,660,369

**NOTE 4 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES**

A portion of Temporary Assistance to Needy Families, CFDA No. 93.558, represents TEAP (TANF Educational Awards Program) funds administered by the Ohio Board of Regents. The program includes commingled federal and state funds and the amount presented on the Schedule of Expenditures of Federal Awards includes both federal and state portions.

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

Board of Trustees  
Clark State Community College  
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Clark State Community College in a separate letter dated October 14, 2008.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and others within the entity, and the State of Ohio Office of the Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio  
October 14, 2008

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

Board of Trustees  
Clark State Community College  
Springfield, Ohio

### Compliance

We have audited the compliance of Clark 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, 2008. Clark 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 Clark State Community College's management. Our responsibility is to express an opinion on Clark 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 Clark 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 of Clark State Community College's compliance with those requirements.

In our opinion, Clark 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, 2008.

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(Continued)

## Internal Control Over Compliance

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

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

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

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

We noted certain matters that we reported to management of Clark State Community College in a separate letter dated October 14, 2008

This report is intended solely for the information and use of, management, the Board of Trustees, federal awarding agencies and pass-through entities and others within the entity, and the State of Ohio Office of the Auditor and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Horwath LLP

Columbus, Ohio  
October 14, 2008

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CLARK STATE COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2008

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**PART I: SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes	_____ X _____ No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____ X _____ N/A
Noncompliance material to financial statements noted?	_____	Yes	_____ X _____ No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____	Yes	_____ X _____ No
Significant deficiencies identified not considered to be material weakness(es)?	_____	Yes	_____ X _____ N/A
Type of auditors' report issued on compliance for major programs	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))	_____	Yes	_____ X _____ No

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

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<u>Name of Major Program Identified</u>	<u>CFDA Number(s)</u>
Total Student Financial Aid cluster (consisting of):	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Educational Loan Program	84.032
Academic Competitiveness Grant Program	84.375
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<u>    X    </u> Yes <u>        </u> No

**PART II: FINANCIAL STATEMENT FINDINGS SECTION**

There were no findings for the year ended June 30, 2008

**PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION**

There were no findings for the year ended June 30, 2008

**PART IV: SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**FINDING 07-01**

Federal program information:	Federal Family Education Loan Program, CFDA No. 84.032
Criteria:	34 CFR 668.22(j) – Timeframe for the return of Title IV funds: An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew.
Condition:	The return of Title IV funds occurred past the 30-day requirement for four students.
Status:	Corrected.

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(Continued)

CLARK STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

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**FINDING 07-02**

Federal program information:

Federal Family Education Loan Program, CFDA No. 84.032

Criteria:

34 CFR 682.204 (k) – Maximum loan amounts: In no case may a Stafford loan amount exceed the student’s estimated cost of attendance for the period of enrollment for which the loan is intended, less—(1) The student’s estimated financial assistance for that period; and (2) The borrower’s expected family contribution for that period, in the case of a Stafford loan that is eligible for interest benefits. FSA Handbook: Volume 5, Chapter 1 – Over-awards, Overpayments, & Withdrawal Calculations: If the College discovers there is going to be an over-award before Stafford (FFEL) funds are delivered to the student, the over-award must be eliminated. If the College has certified or originated the loan but has not received the funds, the College can have the lender cancel or reduce the loan.

Condition:

The College over-awarded and over-disbursed unsubsidized loans to one student based on an incorrect cost of attendance.

Status:

Corrected.

**FINDING 07-03**

Federal program information:

Federal Pell Grant Program, CFDA No. 84.063, Federal Supplemental Educational Opportunity Grant, CFDA No. 84.007, Academic Competitiveness Grant, CFDA No. 84.375, and Federal Family Educational Loan Program, CFDA No. 84.032

Criteria:

Student Handbook, Volume 4, Chapter 2

Condition:

The College did not submit enrollment information for three out of our sample of forty students to the Clearinghouse.

Status:

Corrected.

**FINDING 07-04**

Criteria:

The College should implement review of journal entries prepared by the Controller.

Condition:

During our audit, it was noted that the journal entries prepared by the Controller were not authorized or reviewed by upper management.

Status:

Corrected.





**Mary Taylor, CPA**  
Auditor of State

**CLARK STATE COMMUNITY COLLEGE**

**CLARK 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 25, 2008**