CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2011 and 2010

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Lane
P.O. Box 570
Springfield, Ohio 45505

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2010 through June 30, 2011. 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.

Dave Yost
Auditor of State

November 30, 2011

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CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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 year ended June 30, 2011, 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 an opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2010 were audited by other auditors whose report dated October 15, 2010 expressed an unqualified opinion on those statements.

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 the College as of June 30, 2011, 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 16 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.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 12, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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. The listings of the Board of Trustees and Administrative Personnel are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2011

This section of the Clark State Community College ("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, 2011.

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

- Equity in pooled cash and cash equivalents increased by $900,000 (7.4%) primarily due to cash generated from student tuition and fees as a result of the enrollment increase and an increase in capital component funds.

- Investments now include funds on deposit with Huntington Bank as trustee for the 2010 bond issuance. Funds are remitted monthly but paid out by Huntington semi-annually.

- Net accounts receivable increased by $650,000 (16.4%) due to increased enrollment where students either were not eligible for financial aid or students were eligible for less financial aid. Other large receivables are from Ohio Skills Bank, Foundation Major Gifts Campaign, summer student Pell grants, and GearUp and cyber security grants. These increases were partially offset by decreases in receivables for Business & Industry and from third party payors including employers for students' tuition. Allowance for doubtful accounts was increased by $155,000.

- Net capital assets increased by $11.7 million (36.4%) as a result of the purchase of the Greene Center, construction of the Disaster Recovery Learning Lab, and capitalized construction in progress for the Hollenbeck Bayley Creative Arts & Conference Center.

Liabilities and Net Assets

- Note payable (current portion) and interest payable increased due to 2010 bond issuance to purchase the Greene Center.

- Wages payable increased by $151,500 (15.2%) due to an increase in faculty wages payable and accruing one additional day for all other employees.

- Accrued payroll and tax liabilities increased by $159,500 (91.1%) due to the timing of the health insurance premium payment.

- Deferred income decreased by $680,000 (28.6%) due to the timing of Pell grant funds drawn down in summer 2010 versus summer 2011.

- Current deposits held in trust for others is now zero due to the Ohio Association of Community Colleges fiscal agent responsibilities transferring to another institution.

- Notes payable (including current portion) increased from $7.6 million to $16.8 million due to the 2010 issuance of bonds to finance the purchase of the Greene Center.

- Noncurrent deposits held in trust for others decreased $64,000 (20.2%) as a result of the loss from operations experienced by the Early Childhood Education Center for which Clark State acts as fiscal agent.

- Invested in capital assets net of related debt increased by $2.4 million (9.7%) due to construction activities, equipment purchases, infrastructure improvements, and depreciation expense. Unrestricted net assets increased $3.2 million (42.4%) as a result of operations generating a net surplus for the fiscal year.

- Total net assets increased $5.9 million (16.9%).

Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) increased by $625,000 (8.4%). Gross tuition revenue increased 16% due to increased enrollment, but this increase was partially offset by unrestricted scholarship aid increasing 5% and restricted scholarship aid (primarily Pell grants) increasing 28%.

- Federal grants and contracts increased by $475,500 (34.1%) due to new Connect Ohio grant funding and increases in funding for GearUp, Title III and the National Science Foundation.

- State and local grants and contracts increased $319,000 (67.1%) due to new grant funding from Ohio Skills Bank, which was partially offset by grants that ended (Targeted Industries, Rise Above, Stackable Certificates, and Summer Stem Academy) and the Project Jericho Open Doors grant that decreased.

- Non-governmental grants and contracts increased $61,000 (19.2%) due to an increase in Performing Arts Center sponsorships/collaborations which was partially offset by the winding down of the Avetec GearUp grant.

- Auxiliary enterprises revenue, in total, decreased by $117,000 (5.8%). Bookstore revenues (net of scholarship allowances) decreased $48,000 (3.6%). Parking revenues increased $500 (1.0%). Commercial Transportation Training Center revenues decreased $69,500 (10.7%) due to declining enrollment.

- Other operating revenues increased $165,000 (19.6%) due to revenue generated by leasing the Greene Center to the Dayton Regional Stem School, an increase in self-funded dental benefit reserves, and an increase in administrative overhead revenue.

- In total, operating revenues increased $1.5 million (12.2%).

Operating Expenses

- Instructional expenses increased by $1.2 million (13.5%) due to hiring additional full-time faculty and increasing adjunct faculty to handle the enrollment increase, converting the State Tested Nurses Aide program to a credit program, and increases in the cost of retirement and insurance benefits.

- Academic support expenses decreased by $82,000 (6.9%) primarily due to a reduction in technology equipment purchases for student computer labs.

- Student services expenses increased by $260,000 (10.5%) due to expenses related to the Title III grant as well as hiring two additional staff in academic support in preparation for semester conversion.

- Institutional support increased $532,000 (11.4%) due to an increase in technology equipment and software purchases and expenses for maintenance related to the Greene Center, bond issuance, marketing, space planning, and semester conversion.

- Student aid increased $658,000 (34.4%) due to an increase in Pell grants awarded to students.

- Public service expenditures increased by $472,000 (14.2%) due to an increase in expenditures for the GearUp program and the addition of two new Ohio Skills Bank grant. The increases were somewhat offset by reduced expenditures for grant programs that ended (Targeted Industries, Rise Above) and moving the State Tested Nurses Aid courses to credit program classification.

- Depreciation expense increased $171,000 (10.5%) since this reflects the first year's depreciation for the Greene Center and the Disaster Recovery Learning Lab.

- Total operating expenses increased $3.2 million (10.6%).

- Total operating loss increased by $1.7 million (9.5%) to $19.6 million.

Non-Operating Revenues (Expenses)

- State appropriations increased $491,000 (5.6%) and State Fiscal Stabilization Funds increased $107,000 (8.0%) due to increased enrollment.

- Federal grants revenue increased $2.4 million (27.7%) as a result of increased Pell grants due to higher student enrollment.

- Interest expense increased by $204,000 (61.6%) because it now also reflects interest paid on the 2010 bond issuance.

- Total net nonoperating revenues increased $2.8 million (14.9%).

- The gain before other revenues, expenses, gains or losses increased by $1.1 million (166%) from $636,000 to $1.7 million.

- Capital appropriations reflect funds from the state capital bill used for construction of the Hollenbeck Bayley Creative Arts & Conference Center.

- Capital grants and gifts increased by $1.8 million (192%) due to the transfer of Major Gifts Campaign funds from the Clark State Foundation, funding from the Ohio Cultural Facilities Commission and the U.S. Army Corps of Engineers all for construction of the Hollenbeck Bayley Creative Arts & Conference Center. These were somewhat offset by the spending of the Greene Center earmark and instructional technical equipment funds.

- The change in net assets for FY 2011 was a positive $5.9 million compared to FY 2010 of $1.6 million.

- Total net assets at the end of FY 2011 equaled $40.8 million.

Senate Bill 6 requires state colleges to calculate ratio analyses from audited financial reports. Three ratios are used to generate a composite score to assess the financial health of the institution:

- Viability Ratio = expendable net assets divided by plant debt

- Primary Reserve Ratio = expendable net assets divided by total operating and non-operating expenses

- Net Income Ratio = change in total net assets divided by total operating and non-operating revenues

For FY 2011, the College scored a 3 on Viability Ratio, 4 on Primary Reserve Ratio, and 5 on net Income Ratio, resulting in a composite score of 3.9. This compares to the FY 2010 composite score of 4.0. The Net Income Ratio improved due to the increase in net assets while the Viability Ratio declined due to issuing an additional $9 million of debt.

The Campus Master Plan was adopted by the Board of Trustees in June 2003. This plan addresses facilities, land acquisition, technology, infrastructure, and space planning. It is an aggressive plan that, if implemented in its entirety, would have a cost of $40 million that would be invested over a 10-15 year period.

The first phase of the plan to construct an addition to the Applied Science Center and a new Technology & Learning Center has been completed. Other elements of the plan that have been completed include a pedestrian walkway to John Street; reconfiguration of the student parking lot at Leffel Lane; installation of a student pride orchard; renovation of existing space in the Applied Science Center; a new entry drive, plaza, drop-off, walkway and campus entry sign at Leffel Lane; and installation of a pond at Leffel Lane.

The initial concept in the master plan was to build an addition to the Performing Arts Center. This project evolved into constructing a separate stand-alone Hollenbeck Bayley Creative Arts and Conference Center (HBC) adjacent to the Performing Arts Center. The total project budget of $5.6 million for this 27,000 square foot facility is being funded by state capital funds, private grants, local grants, and the Major Gifts fundraising campaign. Construction began in July 2010 and was substantially completed in August 2011.

In response to workforce/economic development needs by the local community, a Disaster Recovery Learning Lab was constructed at the Leffel Lane campus and completed in October 2010. This 3,000 square foot facility, which was funded by a state capital appropriation, a federal Army Corps of Engineers appropriation, and institutional funds, consists of a classroom and a mock residence which is periodically flooded in order to conduct training on remediating flood damage. This training facility, along with the development of training curriculum, has enabled a company to locate in downtown Springfield and create over 100 jobs with the anticipation of eventually creating 300 new jobs.

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.

Moody's Investors Service conducted their evaluation process of the College's operations in April 2010 where they reviewed financial operations, strategic planning, leadership team make-up, capital projects, and plans for future debt issuance. A Moody's team affirmed the previous A3 with Stable Outlook Rating.

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. In August 2007, the College entered into an operating lease for a new facility in Greene County and began holding classes in September 2007. Enrollment at the Greene Center for FY 2011 increased by 26.4% from FY 2010.

The College exercised the purchase option for the Greene Center facility. The purchase took place November 2010 and was financed by the issuance of a combination of tax-exempt and taxable (Build America Bonds) financing. In October 2010, $9,525,000 worth of bonds were issued.

The College utilized the Ohio Building Authority ("OBA") to issue the bonds under a new program that became available to community colleges in the previous biennial state budget legislation. The benefit of utilizing the OBA is that the debt to be issued will have an enhanced Aa2 rating. As a part of this process, the College requested Moody's to assign an underlying rating to this debt issuance. After reviewing the College's financial operations, etc., a new rating of A2 with Stable Outlook was assigned to this issuance.

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

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. The Clark State Community College Foundation (the Foundation) has been determined to be a component unit of the College. Accordingly, the Foundation is discretely presented in the College's financial statements. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can obtained from the Controller at the College.

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 Community College 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 $1.8 million and $1.6 million for the years ended June 30, 2011, and June 30, 2010, 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 $7.2 million and $5.7 million for the years ended June 30, 2011, and June 30, 2010, respectively.

One of the most important questions asked about the College's 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. 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.

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, 2011, 2010, and 2009, is as follows:

	2011	2010	2009
	(all dollar amounts in thousands)		
Current assets	$ 18,989	$ 16,901	$ 13,710
Noncurrent assets	43,926	32,207	33,292
Total Assets	62,915	49,108	47,002
Current liabilities	$ 5,196	$ 6,216	$ 3,890
Noncurrent liabilities	16,893	7,979	9,758
Total liabilities	22,089	14,195	13,648
Net assets			
Invested in capital assets, net of related debt	$ 26,989	$ 24,592	$ 25,397
Restricted			
Nonexpendable	250	250	250
Expendable	2,644	2,386	2,324
Unrestricted	10,943	7,685	5,383
Total Net Assets	40,826	34,913	33,354

A review of the summary indicates a relatively strong financial position as of June 30, 2011. Total net assets increased $5,913,000 primarily due to increases in operating revenues, non-operating revenues and capital appropriations, grants and gifts.

Current assets are comprised primarily of cash and student and trade receivables. The increase in total current assets of $2.1 million is primarily due to an increase in cash, investments and accounts receivable.

Current liabilities are comprised primarily of trade payables, wages payable, and deferred income (from both student fees and advance payments for grants). Current liabilities decreased by $1.0 million primarily due to a decrease in deferred income and in deposits held in trust for others.

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.

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 services, 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, 2011, 2010, and 2009, is as follows:

	2011	2010	2009
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 8,086	$ 7,460	$ 7,941
Grants and contracts	3,046	2,190	2,254
Auxiliary enterprises	1,922	2,040	2,144
Other	1,010	844	1,104
Total	14,064	12,534	13,443
Operating expenses	33,724	30,484	29,134
Operating loss	(19,660)	(17,950)	(15,691)
Nonoperating revenues (expenses)			
State appropriations	$ 9,233	$ 8,742	$ 10,089
State Fiscal Stabilization Funds	1,449	1,342	-
Federal grants	11,149	8,733	5,064
Investment income	60	100	149
Other	(2)	1	(27)
Interest expense	(536)	(332)	(343)
Capital appropriations	1,522	-	-
Capital grants	2,698	923	653
Total	25,573	19,509	15,585
Increase (decrease) in net assets	5,913	1,559	(106)
Net assets beginning of year	34,913	33,354	33,460
Net assets end of year	$ 40,826	$ 34,913	$ 33,354

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 increased significantly (9.1%) in fiscal year 2011, the resulting effect on the State Share of Instruction (the majority of state appropriations) will not be realized until fiscal year 2012. State appropriations included funds from the State Fiscal Stabilization Fund (federal stimulus funds) in the amount of $1.4 million. The College will no longer receive federal stimulus funds as a portion of its state appropriations beginning FY 2012. Student fees were increased 3.0% effective fall quarter 2011. 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 three decades.

State Operating Appropriations per Dollar of Gross Tuition

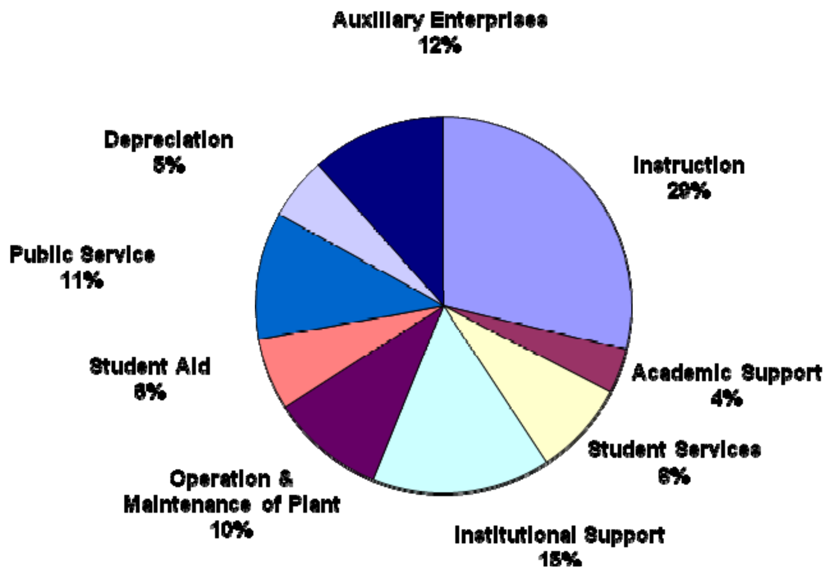
Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2002	5,323,375	6,584,459	1.24
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92
2009	9,914,898	8,822,705	0.89
2010	12,626,366	9,367,573	0.74
2011	14,417,217	9,938,577	0.69

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2011, that figure dropped to $0.69. In 2002, state appropriations exceeded gross tuition by $1.2 million. In 2011, gross tuition exceeds state appropriations by $4.5 million.

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 modest tuition increases in recent years including no increases in FY 2008 or FY 2009. As recently as 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2011, Clark State's tuition is higher than the tuition at only nine other two-year institutions, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract qualified staff and faculty, maintain state-of-the art facilities, accommodate growing enrollments, implement student retention support services, and provide the latest technology and equipment to be able to furnish our students with a quality learning experience at an affordable cost. It is imperative to adequately fund these initiatives in the interest of student success.

Total state appropriations increased 6% in FY 2011. Net student tuition and fees increased 8.4% from $7.5 million in FY 2010 to $8.1 million in FY 2011. This increase is a result of the 9.1% enrollment increase.

The following is a graphic illustration of expenses by function for the year ended June 30, 2011:



The net increase in expenses in FY 2011 was the effect of:

- Increases in functional categories of student aid 34.4%, public service 14.2%, instruction 13.5%, institutional support 11.4%, student services 10.5%, depreciation 10.5%, and auxiliary enterprises 2.0%.
- Decreases in academic support 6.9% and operation and maintenance of plant 0.1%.
- For the most part, the largest expenditure increases were in functional categories that provided instruction and direct services to students. Expenses for overhead (institutional support) also increased while expenses for the operation and maintenance of plant remained flat.

The following table shows a comparison of total operating expenses per FTE for 2011 and 2010. Total operating expenses per FTE student increased by $102 during 2011.

	2011	2010	Difference	Change
Total operating expenses	$ 33,723,147	$ 30,483,904	$ 3,239,243	10.63%
FTE Enrollment	3,707	3,389	318	9.38%
Net operating expense per FTE	9,097	8,995	102	1.13%

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, 2011. Following is a summary of the Statement of Cash Flows:

	2011	2010	2009
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (20,083)	$ (16,256)	$ (12,882)
Noncapital financing activities	21,828	18,818	15,125
Capital and related financing activities	(452)	(223)	(275)
Investing activities	(397)	77	169
Net increase/(decrease) in cash and cash equivalents	896	2,416	2,137
Cash and cash equivalents			
Beginning of year	12,140	9,724	7,587
End of year	13,036	12,140	9,724

Cash and cash equivalents increased by $896,000 primarily as a result of an increase in cash flow from noncapital financing activities, which was due to an increase in federal grants revenue (primarily Pell grants) and an increase in state appropriations. The decline in cash flows from operating activities was the result of an increase in payments for goods and services, payments to employees, and payments for scholarships and fellowships.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $43.7 million invested in capital assets net of accumulated depreciation of $28.0 million at June 30, 2011. Depreciation expense for the year ended June 30, 2011, was $1.8 million compared to $1.6 million in FY 2010 and $1.4 million in FY 2009. A summary of net capital assets for the years ended June 30, 2011, 2010, and 2009, is as follows:

	2011	2010	2009
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 3,248	$ 2,664	$ 2,844
Building	34,801	26,956	28,028
Furniture and equipment	1,680	1,854	2,066
Library books and publications	102	97	97
Vehicles	55	91	106
Construction in progress	3,844	400	-
Total capital assets, net	$ 43,730	$ 32,062	$ 33,141

The major capital projects the College undertook during FY 2011 included the purchase of the Greene Center facility, construction of the Disaster Recovery Learning Lab, began construction of the Hollenbeck Bayley Creative Arts & Conference Center which was 90% complete at June 30, 2011, roof replacement at the Brinkman Educational Center, building demolition, and technology equipment replacements.

During FY 2008, the College embarked on a plan to help meet the needs of the citizens of the College's service district. This represented 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 of Greene and Logan counties. The College leased and then purchased a facility in Greene County while an outreach center was established in Logan County on the Ohio Hi-Point campus. The College leases two small buildings in Logan County from Ohio Hi-Point and collaborated with them to construct a fire tower in FY 2010.

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% and the all-inclusive borrowing costs equate to 4.43%. 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 December 1, 2006, and continue to be paid semi-annually on December 1 and June 1, of each year. Debt service principal payments began on December 1, 2008. The final maturity date for the Bonds is December 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.

In October 2010, the College issued $9,525,000 of 2010 Series A1 and A2 bonds secured by the general receipts of the College but subordinate to the Series 2006 A bonds which have a first lien on the general receipts. The pro-forma debt service coverage is strong and the Series 2010 bonds are secured by an additional pledge of State Share of Instruction. This brought the total amount of outstanding debt to $16.8 million at June 30, 2011. The proceeds were used to purchase the 51,560 square foot Greene Center facility including the 3.66 acres of land on which it sits. The bonds consist of tax-exempt and taxable (Build America) bonds and are supported by the Ohio Community and Technical College Credit Enhancement Program. Moody's assigned an A2 with Stable Outlook underlying rating to the College and an Aa2 enhanced rating with Negative Outlook for the enhancement program. Debt service interest payments began March 1, 2011, and continue to be paid monthly. Debt service principal payments will begin on September 1, 2011, for the tax-exempt issuance and September 1, 2018, for the taxable Build America Bonds issuance. The final maturity date for the tax-exempt bonds is December 2017 and for the taxable BABs is December 2035.

Strengths of the College, as noted in the October 2010 Moody's Rating Report, include:

- Additional security via the Credit Enhancement Program
- Robust enrollment growth in recent years across three campuses
- Balanced operations with improvement in operating margin
- Strong debt service coverage
- Notable philanthropic support

Challenges of the College, as noted in the October 2010 Moody's Rating Report, include:

- Relatively small operating revenue base making the College vulnerable to modest volatility in revenue sources
- Dependency on student fee revenue and government appropriations
- Demographic challenges in a highly competitive higher education market
- Ongoing economic and demographic challenges of the City of Springfield, Clark County, and the State of Ohio
- Relatively highly leveraged from an operating and balance sheet perspective with limited additional debt capacity at the current rating level

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 FY 2008/FY 2009 biennial budget included a legislative charge for the creation of a strategic plan for higher education. This ten year strategic plan was approved by 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

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.

The political party of the Governor changed in the general election of 2010. Subsequently, the Chancellor of the Ohio Board of Regents left his post in 2011. This has seemed to stall initiatives begun to achieve the objectives in the USO plan but the plan is still intact and momentum is once again being generated. The two-year college fiscal officers are working with their Ohio Association on several collaborative projects to share services in the interest of increased efficiencies and reduced costs.

FY 2012/FY 2013 State Biennial Budget

State Share of Instruction (SSI) funding for Clark State decreased 6% in FY 2012 and then is projected to increase 2.4% from FY 2012 to FY 2013. Tuition increases of 3.5% or $200 are permitted for each year of the biennium. A 3% in savings through efficiencies is required to be demonstrated in order to receive full SSI funding. SSI funding over the biennium is also tied to "success points" for community colleges. During FY 2012, 7.5% ($533,000) is tied to success points while in FY 2013 this increases to 10% ($718,000). Success points are earned for the following academic performance:

- Students earning their first 15 college-level semester hours
- Students earning their first 30 college-level semester hours
- Students earning at least one associate degree
- Students completing developmental courses (English and Math)
- Clark State students successfully transferring to an Ohio public university main campus

Other highlights of the state biennial budget:

- Commercialization
- Enterprise Universities
- Construction Reform
- Lease-Back Agreements
- Remediation Reduction
- Forever Buckeyes
- Ohio National Guard Scholarship

Major initiatives planned for FY 2012 include:

- Increased collaboration with Wright State University on the developmental education student initiative (Gateway Initiative)
- Transition to absorb the Springfield Regional School of Nursing Program
- Increased educational outreach into Logan County
- Continued upgrade and enhancement of the IT infrastructure
- Curriculum, academic calendar, policies, procedures, business services, student services revisions in anticipation of the conversion to semesters beginning fall 2012
- Planning, design and renovation of the administrative suite, classrooms, and cross aisle at the Performing Arts Center
- Planning and design of water/sewer infrastructure projects funded by the Army Corps of Engineers
- Circulation of a Request for Proposal for energy management projects
- A renewed focus on support programs to increase student retention
- A major initiative focused on student success
- Shull Hall roof replacement
- Lighting retrofit

- Demolition of Leffel Lane structures
- Construction of a tactical training facility
- Implementation of realignments as a result of the space planning study

Clark State Community College
Statements of Net Assets
June 30, 2011 and 2010

Assets		2011	2010
Current assets			
Equity in pooled cash and cash equivalents		13,036,273	12,139,890
Investments		457,107	145
Accounts receivable, net		4,627,761	3,976,709
Prepaid expenses		484,161	468,935
Inventory		361,362	290,462
Employee loans receivable		22,091	25,055
Total current assets		18,988,755	16,901,196
Noncurrent assets			
Capital assets, net		43,730,358	32,061,708
Deferred charges		196,264	144,814
Total noncurrent assets		43,926,622	32,206,522
Total assets		62,915,377	49,107,718
Liabilities			
Current liabilities			
Accounts payable		1,174,524	1,139,853
Note payable, current portion		580,000	295,000
Deposits held in trust for others		-	1,093,481
Interest payable		130,913	26,604
Wages payable		1,148,954	997,441
Accrued payroll and tax liabilities		334,720	175,188
Deferred income		1,694,335	2,374,362
Unclaimed funds		133,021	114,290
Total current liabilities		5,196,467	6,216,219
Noncurrent liabilities			
Note payable, less current portion		16,265,000	7,320,000
Deposits held in trust for others		252,059	315,965
Accrued compensated absences		375,878	342,886
Total noncurrent liabilities		16,892,937	7,978,851
Total liabilities		22,089,404	14,195,070
Net assets			
Invested in capital assets, net of related debt		26,988,816	24,591,522
Restricted			
Nonexpendable		250,000	250,000
Expendable		2,643,703	2,386,235
Unrestricted		10,943,454	7,684,891
Total net assets	$	40,825,973	34,912,648

See accompanying notes to financial statements.

Clark State Community College Foundation
Statements of Financial Position
June 30, 2011 and 2010

Assets		2011	2010
Cash and cash equivalents	$	640,204	498,502
Investments		12,886,485	10,421,618
Accounts receivable, Clark State Community College		55,628	198,316
Pledges receivable		2,563,899	3,889,725
Student loans receivable, net of allowance for doubtful loans of $94,902 in 2011 and $101,048 in 2010		120,392	156,779
Prepaid expenses		279	-
	$	16,266,887	15,164,940
Liabilities and net assets			
Liabilities	$	4,618	3,481
Wages payable			
Net assets			
Unrestricted		844,929	667,699
Temporarily restricted		6,930,323	7,238,100
Permanently restricted		8,487,017	7,255,660
		16,262,269	15,161,459
	$	16,266,887	15,164,940

See accompanying notes to financial statements.

Clark State Community College
Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues		
Student tuition and fees, net of scholarship allowances of $7,187,609 in 2011 and $5,718,381 in 2010	$ 8,085,470	7,460,137
Federal grants and contracts	1,869,481	1,393,943
State and local grants and contracts	795,669	476,226
Nongovernmental grants and contracts	381,298	319,879
Auxiliary enterprises		
Bookstore, net of scholarship allowances of $2,292,745 in 2011 and $1,957,045 in 2010	1,290,980	1,339,314
Parking	52,106	51,600
Truck driving	579,075	648,609
Other operating revenues	1,009,568	844,398
Total operating revenues	14,063,647	12,534,106
Operating expenses		
Educational and general		
Instructional	9,930,945	8,748,609
Academic support	1,107,312	1,189,611
Student services	2,744,038	2,483,874
Institutional support	5,209,467	4,676,986
Operation and maintenance of plant	2,964,990	2,989,812
Student aid	2,569,580	1,911,942
Public service	3,786,207	3,314,581
Depreciation expense	1,802,152	1,631,186
Auxiliary enterprises	3,608,456	3,537,303
Total operating expenses	33,723,147	30,483,904
Operating loss	(19,659,500)	(17,949,798)
Nonoperating revenues (expenses		
State appropriations	9,233,005	8,741,898
State appropriations - State Fiscal Stabilization Fund	1,448,591	1,341,507
Federal grants revenue	11,148,813	8,733,302
Investment income	60,067	99,761
Other nonoperating items	(2,038)	939
Interest expense	(535,719)	(331,522)
Net nonoperating revenues	21,352,719	18,585,885
Gain (loss) before other revenues, expenses, gains, or losses	1,693,219	636,087
Capital appropriations	1,522,257	-
Capital grants and gifts	2,697,849	923,085
Total other revenues, expenses, gains, or losses	4,220,106	923,085
Change in net assets	5,913,325	1,559,172
Net assets - beginning of year	34,912,648	33,353,476
Net assets - end of year	$ 40,825,973	34,912,648

See accompanying notes to financial statements.

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Revenues and other support						
Campaign contributions	$	50,126	152,815	3,810	206,751	2,063,713
Foundation contributions		2,544	149,663	1,227,547	1,379,754	162,318
Interest		6,207	269,166	-	275,373	282,956
Net realized and unrealized gains (losses) on investment		263,692	1,199,848	-	1,463,540	955,813
Miscellaneous		10,988	22,546	-	33,534	37,407
Net assets released from restrictions		2,101,815	(2,101,815)	-	-	-
Total revenues and other support		2,435,372	(307,777)	1,231,357	3,358,952	3,502,207
Expenses						
Programs		2,141,998	-	-	2,141,998	902,751
Management and general		116,144	-	-	116,144	108,442
Total expenses		2,258,142	-	-	2,258,142	1,011,193
Change in net assets		177,230	(307,777)	1,231,357	1,100,810	2,491,014
Net assets at beginning of year		667,699	7,238,100	7,255,660	15,161,459	12,670,445
Net assets at end of year	$	844,929	6,930,323	8,487,017	16,262,269	15,161,459

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
Revenues and other support				
Campaign contributions	$ 54,380	2,004,402	4,931	2,063,713
Foundation contributions	6,763	44,270	111,285	162,318
Interest	15,816	267,140	-	282,956
Net realized and unrealized gains (losses) on investments	5,476	950,337	-	955,813
Miscellaneous	11,032	26,375	-	37,407
Change in donor restriction	300,000	-	(300,000)	-
Net assets released from restrictions	965,361	(965,361)	-	-
Total revenues and other support	1,358,828	2,327,163	(183,784)	3,502,207
Expenses				
Programs	902,751	-	-	902,751
Management and general	108,442	-	-	108,442
Total expenses	1,011,193	-	-	1,011,193
Change in net assets	347,635	2,327,163	(183,784)	2,491,014
Net assets at beginning of year	320,064	4,910,937	7,439,444	12,670,445
Net assets at end of year	$ 667,699	7,238,100	7,255,660	15,161,459

See accompanying notes to financial statements.

Clark State Community College
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Tuition and fees	$ 7,195,258	6,756,250
Grants, gift and contracts	2,605,581	2,644,144
Payments for goods and services	(11,402,661)	(8,538,110)
Payment for utilities	(805,307)	(810,437)
Payments to employees	(14,448,805)	(13,652,530)
Payments for benefits	(3,691,390)	(3,622,373)
Payments for scholarships and fellowships	(2,437,637)	(1,911,942)
Loans issued to students and employees	(23,799)	(27,248)
Collection of loans to students and employees	26,763	22,550
Auxiliary enterprise charges		
Bookstore	1,290,980	1,339,314
Parking	52,106	51,600
Truck driving	579,075	648,609
Other receipts	976,849	844,398
Net cash from operating activities	(20,082,987)	(16,255,775)
Cash flows from noncapital financing activities		
State appropriations	9,233,005	8,741,898
State appropriations - State Fiscal Stabilization Fund	1,448,591	1,341,507
Federal grants revenue	11,148,813	8,733,302
Other nonoperating items	(2,038)	939
Net cash from noncapital financing activities	21,828,371	18,817,646
Cash flows from capital financing activities		
Purchase of capital assets	(13,470,802)	(537,326)
Proceeds from notes payable	9,525,000	-
Principal paid on capital debt and leases	(295,000)	(285,000)
Interest paid on capital debt and leases	(431,410)	(324,000)
Capital appropriations	1,522,257	-
Capital grants and gifts proceeds	2,697,849	923,085
Net cash from capital financing activities	(452,106)	(223,241)
Cash flow from investing activities		
Net change in investments	(456,962)	(23,063)
Income on investments	60,067	99,761
Net cash from investing activities	(396,895)	76,698
Net change in cash and cash equivalents	896,383	2,415,328
Cash and cash equivalents, beginning of year	12,139,890	9,724,562
Cash and cash equivalents, end of year	$ 13,036,273	12,139,890

See accompanying notes to financial statements.

	2011	2010
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (19,659,500)	(17,949,798)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,802,152	1,631,186
Provision for bad debts	239,160	365,927
Changes in assets and liabilities		
Accounts receivable	(890,212)	(1,069,814)
Inventory	(70,900)	(43,440)
Prepaid expenses	(15,226)	(23,959)
Loans receivable	2,964	(4,698)
Other assets	(51,450)	6,582
Accounts payable	34,671	292,962
Wages payable	151,513	39,020
Accrued payroll liabilities	159,532	21,685
Deferred income	(680,027)	858,308
Unclaimed funds	18,731	11,938
Deposits held in trust for others	(1,157,387)	(404,212)
Compensated absenses	32,992	12,538
Net cash from operating activities	$ (20,082,987)	(16,255,775)

See accompanying notes to financial statements.

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.

- **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.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply the restricted resources first, then unrestricted resources as needed.

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. These reclassifications had no effect on total net assets or the change in net assets.

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.

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:

Classification	Life
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 $252,059 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.

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. Although operating losses were incurred in FY 2011 and FY 2010, the College did not incur any funding obligations, due to the Center having positive fund balances from prior year's profitable operations. 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 2011, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was adopted. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Adopting this statement had no effect on the College's financial statements.

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, 2011 and 2010, carrying amount of the Colleges' deposits was $3,210,687 and $3,061,301, respectively. The bank balance was $3,168,881 at June 30, 2011. Of the 2011 bank balance, $1,825,841 was covered by federal depository insurance, $321,200 was collateralized in both the College's name and the financial institution's name, $1,002,466 was secured with letters of credit for the benefit of the College, and the remaining $19,374 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.

Investments: At June 30, 2011 and 2010, the College had amounts on deposit with STAR Ohio, with fair market values of $9,825,586 and $9,078,589, respectively which are 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.

The College's investments include $457,107 invested in obligations of the U.S. Treasury and are therefore not subject to the credit risk disclosures of GASB Statement No. 40 which are stated at their fair value.

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.

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, 2011 and 2010 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:

	2011	2010
Student charges	$ 2,265,961	$ 1,925,234
Room rental	23,734	27,561
Post Secondary	395,678	357,300
Customized training services	27,125	144,396
Sponsored billings	397,819	795,198
Intergovernmental	2,152,750	1,572,180
Miscellaneous	426,944	61,580
	5,690,011	4,883,449
Less allowance for possible collection losses	(1,062,250)	(906,740)
Accounts receivable, net	$ 4,627,761	$ 3,976,709

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	July 1, 2010 Balance	Additions/ Transfers	Net Reductions	June 30, 2011 Balance
Cost				
Land	$ 1,531,084	$ 740,000	$ -	$ 2,271,084
Infrastructure	3,503,035	43,512	(16,290)	3,530,257
Buildings	46,141,417	9,136,252	-	55,277,669
Construction in Progress	399,930	3,456,896	(12,218)	3,844,608
Furniture and equipment	5,722,513	96,731	(15,953)	5,803,291
Library books	515,265	26,518	(10,354)	531,429
Vehicles	492,273	-	(29,962)	462,311
	58,305,517	13,499,909	(84,777)	71,720,649

	July 1, 2010 Balance	Additions/ Transfers	Net Reductions	June 30, 2011 Balance
Accumulated depreciation				
Infrastructure	$ 2,369,556	$ 184,377	$ (815)	$ 2,553,118
Buildings	19,185,366	1,291,123	-	20,476,489
Furniture and equipment	3,868,909	269,975	(15,355)	4,123,529
Library books	418,735	21,145	(10,354)	429,526
Vehicles	401,243	36,344	(29,962)	407,625
	26,243,809	1,802,964	(56,486)	27,990,287
Capital assets, net	$ 32,061,708	$ 11,696,945	$ (28,291)	$ 43,730,362

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions/ Transfers	Net Reductions	June 30, 2010 Balance
Cost				
Land	$ 1,531,084	$ -	$ -	$ 1,531,084
Infrastructure	3,486,745	16,290	-	3,503,035
Buildings	46,141,417	-	-	46,141,417
Construction in Progress	-	399,930	-	399,930
Furniture and equipment	5,659,988	92,732	(30,207)	5,722,513
Library books	532,587	20,530	(37,852)	515,265
Vehicles	488,869	22,435	(19,031)	492,273
	57,840,690	551,917	(87,090)	58,305,517

	July 1, 2009 Balance	Additions/ Transfers	Net Reductions	June 30, 2010 Balance
Accumulated depreciation				
Infrastructure	$ 2,173,343	$ 196,213	$ -	$ 2,369,556
Buildings	18,113,715	1,071,651	-	19,185,366
Furniture and equipment	3,593,869	305,247	(30,207)	3,868,909
Library books	436,022	20,565	(37,852)	418,735
Vehicles	382,764	37,510	(19,031)	401,243
	24,699,713	1,631,186	(87,090)	26,243,809
Capital assets, net	$ 33,140,977	$ (1,079,269)	$ -	$ 32,061,708

NOTE 5 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2011 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 7,615,000	$ 9,525,000	$ 295,000	$ 16,845,000	$ 580,000
Deposits held in trust for others	1,409,446	-	1,157,387	252,059	-
Compensated absences	342,886	32,992	-	375,878	-
Total long-term liabilities	$ 9,367,332	$ 9,557,992	$ 1,452,387	$ 17,472,937	$ 580,000

The College's long-term obligations at June 30, 2010 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 7,900,000	$ -	$ 285,000	$ 7,615,000	$ 295,000
Deposits held in trust for others	1,813,658	-	404,212	1,409,446	1,093,481
Compensated absences	330,348	12,538	-	342,886	-
Total long-term liabilities	$ 10,044,006	$ 12,538	$ 689,212	$ 9,367,332	$ 1,388,481

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 June 30,	Principal	Interest	Total
2012	$ 310,000	$ 301,250	$ 611,250
2013	320,000	288,650	608,650
2014	335,000	275,131	610,131
2015	345,000	260,681	605,681
2016	360,000	245,700	605,700
2017-2021	2,050,000	987,609	3,037,609
2022-2026	1,440,000	608,796	2,048,796
2027-2031	1,475,000	318,115	1,793,115
2032-2033	685,000	30,470	715,470
	$ 7,320,000	$ 3,316,402	$ 10,636,402

In October 2010, $9,525,000 State of Ohio (Ohio Building Authority) Clark State Community College Facilities Bonds, 2010 Series A, were issued to finance the purchase of the Greene Center facility at 3775 Pentagon Park Boulevard, Beavercreek, Ohio. The bonds consist of $1,980,000 of 2010 Series A1 Tax-Exempt Bonds and $7,545,000 2010 Series A2 Federally Taxable-Build America Bonds-Direct Payment. These bonds are special obligations of the Ohio Building Authority, the proceeds from which financed the purchase of the facility which the College leases from the OBA. Rentals to be paid to the OBA will be paid by the College from available receipts. The interest is payable semi-annually each March 1 and September 1, beginning March 1, 2011 and ending September 1, 2035. The principal is payable annually each September 1, beginning September 1, 2011 and ending September 1, 2035. The interest rates range from 1.5% to 6.17%. The bonds are payable as follows:

Year Ending June 30,	Principal	Interest	Discount/ Subsidy	Total
2012	$ 270,000	$ 463,462	$ (149,612)	$ 583,850
2013	270,000	459,412	(149,612)	579,800
2014	275,000	454,637	(149,612)	580,025
2015	280,000	449,087	(149,612)	579,475
2016	290,000	443,387	(149,612)	583,775
2017-2021	1,545,000	2,089,188	(716,442)	2,917,746
2022-2026	1,800,000	1,702,374	(595,831)	2,906,543
2027-2031	2,160,000	1,147,911	(401,769)	2,906,142
2032-2036	2,635,000	419,714	(146,900)	2,907,814
	$ 9,525,000	$ 7,629,172	$ (2,609,002)	$ 14,545,170

The College's fiscal-agency relationship with the Ohio Association of Community Colleges (OACC) ended June 30, 2010. The deposit held in trust for OACC was transferred to Lakeland Community College on July 1, 2010.

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 200 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:

	2011	2010
Vacation	$ 359,662	$ 329,103
Sick leave	16,216	13,783
Total	$ 375,878	$ 342,886

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's 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of their 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $981,090, $957,953 and $941,547, respectively, which equaled the required contributions each year.

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.

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 31st 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.

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, 2011, 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, 2011, 2010, and 2009, were $960,790, $866,744 and $805,259, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2010 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.

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2011 and 2010 were $61,547 and $65,576, respectively, which is equal to the required contribution for the year.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was $96.40 for most participants, but could be as high as $369.10 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocations a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The College's contributions for the years ended June 30, 2011, 2010, and 2009 were $53,259, $52,003, and $50,440, respectively, which equaled the required contributions each year.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were $205,532, $136,796 and $381,252, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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.

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 2010, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund (latest information available). The College's contributions allocated to health care benefits for the years ended June 30, 2011, 2010, and 2009 were $68,628, $61,910 and $57,519, respectively, which equaled the required contributions each year.

NOTE 9 – LEASES

The College leases office equipment under operating leases that have varying expiration dates from June 2011 through August 2019. Future minimum lease payments under these lease agreements at June 30, 2011 are as follows:

2012	$ 78,337
2013	47,775
2014	22,092
2015	22,092
2016	22,092
2017-2020	7,364
	$ 199,752

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.

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, CTTC vehicle coverage, and natural disasters.

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	Actual Cash Value of Vehicle	$ 500
Automobile – Physical Damage – Comprehension (other than collision)	Actual Cash Value of Vehicle	$ 250
Trailer/Truck Liability	$ 1,000,000	None
Truck/Trailer Physical Damage	106,500	$ 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 and Officers (per occurrence)	1,000,000	$ 7,500
Flood	5,000,000	10,000
Earthquake	Policy Limit	5% Deductible
Ordinance or Law	$ 500,000	None
Equipment Breakdown	Policy Limit	$ 10,000
Nurse Professional	$ 1,000,000	None
Employers Liability	1,000,000	None
Employee Benefit Liability	1,000,000	$ 1,000
Sexual Misconduct (per claim)	1,000,000	None

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.

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 4.38% to the present value of future cash flows.

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

	2011	2010
One year or less	$ 388,907	$ 1,278,924
Between one and five years	1,248,812	1,492,082
Longer than five years	1,375,000	1,627,500
	3,012,719	4,398,506
Discount and allowance	(448,820)	(508,781)
Net Pledges	$ 2,563,899	$ 3,889,725

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:

	2011	2010
Equity funds	$ 6,161,029	$ 4,447,425
Bond funds	4,563,631	4,087,154
Money market account and other	2,161,825	1,887,039
	$ 12,886,485	$ 10,421,618

During the year ended June 30, 2011 and 2010, the Foundation distributed $1,798,187 and $757,071, 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

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.

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Revenues	Expenditures
U.S. Department of Education				
Title IV Program				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant	P007A103254	84.007	$ 174,057	$ 174,057
College Work Study	P033A103254	84.033	131,943	131,943
Pell Grant	P063P102557	84.063	11,148,813	11,148,813
Academic Competitiveness	P375A102557	84.375	1,000	1,000
Federal Direct Student Loans	P268K112557	84.268	17,232,836	17,232,836
Total Student Financial Aid Cluster			28,688,649	28,688,649
TRIO Support Services				
TRIO Student Support Services	P042A050017	84.042	45,743	45,743
TRIO Student Support Services	P042A101486	84.042	172,923	172,923
Total TRIO Support Services			218,666	218,666
Gaining Early Awareness and Readiness for Undergraduate Programs	P4334S050016	84.334	499,062	499,062
Total Title IV Program			29,406,377	29,406,377
Title I Program				
Vocational Education	063370-20C3-2008	84.048	136,568	136,568
Title II Program				
Tech-Prep Program	063370-3ETC-2008	84.243	113,293	113,293
Title III Program				
Title III Program	P031A090165	84.031	390,678	390,678
Title VIII Program				
Training Real-time Writers	P116K100007	84.116K	34,233	34,233
State Fiscal Stabilization Fund Program (SFSF)				
ARRA - SFSF Education Services Fund	N/A	84.394	1,262,360	1,262,360
ARRA - SFSF Government Services Fund	N/A	84.397	186,231	186,231
Total State Fiscal Stabilization Fund Program (SFSF)			1,448,591	1,448,591
Total U.S. Department of Education			31,529,740	31,529,740
U.S. Department of Justice				
GEARUP/STARS Program	212007-JJ-DMC-0208	16.540	31,191	31,191
Total U.S. Department of Justice			31,191	31,191
U.S. Department of Commerce				
ARRA - Connect Ohio	21-43-B10546	11.557	40,631	40,631
Total U.S. Department of Commerce			40,631	40,631
U.S. Department of Health and Human Services				
Passed through the Clark County Department of Job and Family Services:				
Temporary Assistance for Needy Families	N/A	93.558	85,162	85,162
Total U.S. Department of Health and Human Services			85,162	85,162
U.S. Department of Defense				
Ohio Environmental Infrastructure Program	N/A	12.118	217,429	217,429
Total U.S. Department of Defense			217,429	217,429
National Science Foundation				
Mentorlinks	DUE-0903228	47.076	4,758	4,758
Cybersecurity	DUE-0703130	47.076	92,818	92,818
Total National Science Foundation			97,576	97,576
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 32,001,729	$ 32,001,729

See accompanying notes to the schedule of expenditures of federal awards.

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 under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year. During the fiscal year ending June 30, 2011, the College processed the following amount of new loans for the Direct Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students):

	CDFA Number	Amount Authorized
Federal Direct Loan Program	84.268	$17,232,836

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

Board of Trustees
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"), as of and for the year ended June 30, 2011, 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

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We noted certain matters that we reported to management of the College in a separate letter dated October 12, 2011.

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

Clark, Schaefer, Hackett ; Co.

Springfield, Ohio
October 12, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECTAND MATERIAL EFFECT ON 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 of Clark State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2011. The 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 the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major program:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.375 – Academic Competitiveness
CFDA# 84.268 – Federal Direct Student Loans

State Fiscal Stabilization Fund Program:
CFDA#84.394 – ARRA - SFSF Education Services Fund
CFDA#84.394 – ARRA - SFSF Government Services Fund

Dollar threshold to distinguish between Type A and Type B programs:	$960,052
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported in prior audit

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Dave Yost • 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
DECEMBER 13, 2011