

CLARK STATE COMMUNITY COLLEGE

**Financial Statements and
Supplemental Information**

June 30, 2002

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

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Board of Trustees
Clark State Community College

We have reviewed the Independent Auditor's Report of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2001 through June 30, 2002. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 24, 2003

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CLARK STATE COMMUNITY COLLEGE

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Trustees
Clark State Community College

We have audited the accompanying financial statements of the business-type activities of Clark State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark State Community College, as of June 30, 2002, and the changes in net assets and revenues, expenses, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. This results in a change to the College's method of accounting for certain nonexchange revenues and a change in the format and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2002 on our consideration of Clark State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the supplemental information on pages 24-25 respectively, are not a required part of the financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schlafer, Hackett & Co.
Springfield, Ohio
September 12, 2002

Clark State Community College **Management's Discussion and Analysis**

This section of the Clark State Community College ("College") annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2002.

This discussion has been prepared along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and current known facts. Since this is a transition year for this format, only one year of financial data is presented. In future years, a comparative analysis will be presented. The financial statements, footnotes and this discussion are the responsibility of the College's management.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups while these statements focus on the financial condition of the College, the results of operations and cash flows of the College as a whole. The major reconciling items were state appropriations and depreciation.

One of the most important questions asked about College finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The key to answering this question is the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. 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 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.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public colleges' dependency on State aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations 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

Assets

Current Assets

Pooled cash and investments

Pooled cash and investments consist of cash in the College's bank accounts and investments in cash equivalents of operating funds held by investment managers. The investments are reported at fair value.

Accounts Receivable

Accounts receivable relate to several transactions including State appropriations, student tuition and fee billings and auxiliary enterprise sales such as bookstore, parking and truck driver training. In addition, receivables arise from grant awards and financial aid. The receivables are shown net of allowance for doubtful accounts in the amount of \$301,026.

Inventories

The College maintains inventories of resale merchandise as well as items for internal consumption. Inventories for resale include books, student supplies and institutional memorabilia, which make up the majority of the total inventory of \$169,483. Inventories maintained for internal departmental use would be primarily office supplies.

Other Assets

Prepaid expenses are costs that relate to activities applicable to future periods. Examples are insurance, membership dues, travel expenses and other expenses relating to summer term.

Non-Current Assets

Loans Receivable

Loans receivable relates primarily to the employee computer purchase program. As payments are collected, the funds become available to be loaned to other faculty and staff.

Capital Assets, Net

Capital Assets, Net consists of land, infrastructure, buildings, furniture and equipment, collections, library holdings and construction-in-progress, which totals \$24.2 million. The amount reported is net of accumulated depreciation including fiscal year 2002 depreciation of \$1.1 million. The current year deprecation combined with prior year adjustment results in accumulated depreciation of \$16.8 million.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities represents amount due for goods and services received prior to the end of the fiscal year.

Deferred Income

Deferred Income represents payments received for goods and services, and tuition and fees relating to a future periods. Examples include summer and fall tuition and fees and grants where funding has been received but not expended.

Deposits

Deposits represents assets belonging to an individual or organization for which the College acts as custodian. Examples include student athletics and the various student clubs and organizations.

Note Payable

Note Payable represents the portion of the College's long-term debt which is payable within the next fiscal year. In this case, it also represents the entire amount due on the College's long-term debt.

Non-Current Liabilities

Accrued Compensated Absences

Compensated Absences represent the amount payable to employees for earned but unpaid absences such as vacation and sick leave. The College has no other long-term debt or other obligations such as bonds and notes for which the principal is due more than one year from the balance sheet date.

Net Assets

Net assets represent the difference between College assets and liabilities. Total net assets are \$29.9 million. Net investment in capital assets represents \$24.2 million of total net assets.

Analysis of Net Assets

Restricted non-expendable net assets consist of endowment gifts with specific restrictions on spending the principal. Restricted expendable net assets consist of income from endowment funds, gifts and pledges with specific restrictions and grants from third-party agencies with expenditure restrictions.

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College such as donors or grant agencies. This includes funds that have been designated by the Board of Trustees for specific purposes as well as amounts that have been contractually committed for goods and services which have not yet been received.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating revenues were \$12 million. Tuition and fees, net of scholarship allowance of \$1.1 million, total \$4.6 million. Operating expenses including depreciation of \$1.1 million total \$19.5 million. Of this total, \$5.1 million, or 26.1%, was for instruction.

Operating Revenues

Tuition and Fees

This category includes all tuition and fees assessed for educational purposes.

Grants and Contracts

This includes all restricted revenues made available by governmental agencies as well as private agencies. Grants revenues are recorded only to the extent the funds have been expended for exchanged transactions. Non-exchange revenues are recorded when received or when eligibility criteria have been met.

Auxiliary Enterprises

Auxiliary Enterprises consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting.

Auxiliary Enterprises include the College bookstore, parking services and the truck driver training institute.

Operating Expenses

Operating expenses totaling \$19.5 million include salary and benefits of \$11.0 million, scholarships and fellowships of \$1.1 million, utilities of \$725,000 and depreciation of \$1.1 million.

Non-Operating Revenues (Expenses)

State Appropriations

Biennially, the State of Ohio appropriates funding for higher education. The College received \$7.1 million including \$5.8 million for operations (state share of instruction).

Gifts and Pledges

This includes amounts given to the College from non-governmental organizations and individuals. The amount shown reflects the transfer of Performing Arts Center Endowments funds to the Clark State Community College Foundation.

Investment Income

Included in Investment Income are the earnings from cash investments and the unrealized gains and losses on those investments.

Other Revenues

Capital Appropriations

Capital Appropriations consist primarily of payments from the State Controlling Board for capital projects.

State Grants and Gifts

This consists of gifts and pledges made to the College from non-governmental organizations and individuals for capital projects.

Additions to Endowment

This consists of gifts received by the College where the donor has specified that only the investment earnings can be expended for the purpose designated by the donor. The principal cannot be expended. These gifts do not include pledges.

STATEMENT OF CASH FLOWS

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The Statement of Cash Flows also helps users assess:

- the ability to generate future net cash flows
- the ability to meet obligations as they come due
- a need for external financing

Major sources of funds included in operating activities include student tuition and fees (\$4.8 million), grants and contracts (\$4.7 million) and auxiliary enterprises (\$2.0 million). Major uses of funds were payments made to employees (\$11.0 million), payments made to suppliers (\$6.3 million) and payments for scholarships and fellowships (\$1.1 million). The largest inflow of cash in the non-capital financing activities group is from State appropriations in the amount of \$7.1 million.

FACTORS IMPACTING FUTURE PERIODS

The ability of the College to expand programs, undertake new initiatives and meet its core mission is directly influenced by enrollment, State support, student tuition and fee increases, the cost of health care and utilities, compensation increases and unfunded State and Federal mandates. State appropriations contribute approximately 50% of general operations revenue. The level of State support is therefore one of the key factors influencing the College's financial condition.

Paramount to the College's continuing success is the 1998 accreditation by the North Central Association and continued progress on assessment as outlined in the focus visit narrative.

Additional challenges facing the College in the years to come include addressing major capital needs (repairs and new construction projects) that will result from the campus master planning project, the continued investment in facility renewal and new technology.

The College persists in its efforts toward program assessment, continuous improvement, expansion of corporate and continuing education and distance learning opportunities. These efforts are geared toward assessing our performance related to the strategic directions. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new planning activities to enhance revenues and control expenses over the short and long term.

Various committees and individuals are assessing the College's performance toward identified goals, use of energy resources and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

Clark State Community College is well positioned to increase enrollment, strategically add, and when appropriate, eliminate programs, partner with the State and local entities in economic development, and meet public expectations, while remaining financially sound.

CLARK STATE COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2002

ASSETS

Current assets:

Equity in pooled cash and investments	\$ 5,698,902
Accounts receivable, net	1,617,756
Inventory	169,483
Prepaid expenses	513,490
Loans receivable	31,760
Total current assets	<u>8,031,391</u>

Non-current assets:

Capital assets, net	<u>24,212,200</u>
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Total assets	<u>\$ 32,243,591</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 452,342
Note payable	22,011
Deferred income	700,630
Wages payable	376,225
Unclaimed funds	29,996
Accrued payroll liabilities	170,923
Total current liabilities	<u>1,752,127</u>

Non-current liabilities:

Deposits held in trust for others	432,233
Accrued compensated absences	163,964
	<u>596,197</u>

Total liabilities	<u>\$ 2,348,324</u>
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NET ASSETS

Invested in capital assets, net of related debt	24,190,189
Restricted:	
Nonexpendable:	767,484
Expendable	1,252,035
Unrestricted	<u>3,685,559</u>
	<u>\$ 29,895,267</u>

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2002

OPERATING REVENUES:

Student tuition and fees (net of scholarship allowances of \$1,137,431)	\$ 4,581,241
Federal grants and contracts	3,374,461
State and local grants and contracts	912,952
Nongovernmental grants and contracts	402,504
Auxiliary enterprises:	
Bookstore (net of scholarship allowance of \$546,920)	1,014,154
Parking	38,352
Truck driving (net of allowance of \$109,615)	943,986
Other operating revenues	774,319
Total operating revenues	<u>12,041,969</u>

OPERATING EXPENSES:

Instruction	5,084,784
Academic support	815,619
Student services	1,696,365
Institutional support	3,108,227
Operation and maintenance of plant	1,862,234
Student aid	951,295
Public service	2,271,844
Depreciation	1,148,780
Auxiliary expenditures	2,540,968
Loss on disposal of assets	10,067
Total operating revenues	<u>19,490,183</u>
Operating loss	<u>(7,448,214)</u>

NONOPERATING REVENUES (EXPENSES):

State appropriations	7,145,912
State and local gifts	16,550
Gifts	(796,000)
Investment income:	
Unrestricted, net of investment expense	162,166
Temporarily restricted	1,981
Permanently restricted	53,895
Interest expense	(1,840)
Net nonoperating revenues (expenses)	<u>6,582,664</u>

Income before other revenues, expenses, gains, or losses (865,550)

Capital appropriations	446,623
Capital grants and gifts	33,340
Additions to endowment	<u>43,048</u>

Decrease in net assets (342,539)

NET ASSETS, beginning of year, restated	<u>30,237,806</u>
NET ASSETS, end of year	<u>\$ 29,895,267</u>

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and Fees	\$ 4,785,013
Grants and Contracts	4,689,917
Payments for Goods and Services	(5,586,738)
Payments for Utilities	(724,998)
Payments to Employees	(8,506,275)
Payments for Benefits	(2,465,766)
Payments for Scholarships and Fellowships	(1,077,790)
Loans Issued to Students and Employees	(35,492)
Collection of Loans to Students and Employees	35,634
Auxiliary Enterprise Charges:	
Bookstore	1,014,154
Parking	38,352
Truck Driving	943,986
Sales and Service of Educational	
Other Receipts	<u>774,319</u>
Net Cash (Used) by Operating Activities	<u>(6,115,684)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State Appropriations	7,145,912
Gifts and Grants for other than Capital Purposes:	
Private Gifts for Endowment Purposes	(796,000)
State and Local Gifts	<u>16,550</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,366,462</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Capital Appropriations	446,623
Purchases of Capital Assets	(796,668)
Principal Paid on Capital Debt and Leases	(25,223)
Interest Paid on Capital Debt and Leases	(1,841)
State Grants and Gifts	33,340
Deposit with Trustee	<u>43,048</u>
Net Cash (Used) by Capital Financing Activities	<u>(300,721)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	<u>218,042</u>
Net Cash Provided by Investing Activities	<u>218,042</u>

Net Increase in Cash and Cash Equivalents	168,099
Equity in pooled cash and investments, Beginning of Year	<u>5,530,803</u>
Equity in pooled cash and investments, End of Year	<u>\$ 5,698,902</u>

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2002

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating (Loss)	\$ (7,448,214)
Adjustment to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	1,148,780
Prior Period Adjustment	(84,378)
Loss on disposal of assets	10,067
Changes in Assets and Liabilities:	
Accounts Receivable	76,735
Prepaid Expenses	169,294
Inventory	9,155
Loans to Employees	142
Accounts Payable	(122,447)
Wages Payable	35,173
Accrued Payroll Liabilities	(119,619)
Compensated Absences	81,927
Unclaimed Funds	6,586
Deposits Held in Trust for Others	(5,922)
Deferred Income	<u>127,037</u>
 Net Cash (Used) by Operating Activities	 <u>\$ (6,115,684)</u>

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

1. Summary of Significant Accounting Principles:

- A. 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 Regents 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.

- B. Basis of Accounting — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”). The College adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and early adopted Statements No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*, No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. As a result of these adoptions, changes to the presentation of amounts in the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows have been made. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the College as a whole, with resources classified for accounting and reporting purposes into four net asset categories according to externally imposed restrictions. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole.

The four required net asset categories are as follows:

- 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. (These assets are recorded in the Clark State Community College Foundation financial statements.)
- 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.
- 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 Regents or may otherwise be limited by contractual agreements with outside parties. (Substantially all unrestricted net assets are designated for academic and research programs, capital projects and other initiatives.)

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

- C. 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.

D. Pooled Cash and Investments:

Clark State Community College uses the “pooled cash” method of accounting.

Investment procedures are restricted by the provision of the Revised Code. Purchased investments are valued at cost, which approximates market, and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

Legal requirements - Statutes require the classification of monies held by Clark State Community College into three categories. Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near cash” status for immediate use by the College. Such monies must be maintained either as cash in the College treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposits maturing not later than the end of the current period of designation of depositories. Category 3 consists of “interim” monies, those monies which are not needed for immediate use, but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, debentures, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes debentures, or other obligations or securities issued by any federal government agency, or by the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer’s investment pool (STAR Ohio).

Notwithstanding the foregoing requirements, Clark State Community College may invest any monies not required to be used for a period of six months in the following classes of investments:

1. Bonds or other obligations of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Discount notes of the federal national mortgage association;
3. Bonds issued by the home owner’s loan corporation;
4. Bonds of the State of Ohio; and
5. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest, or coupons.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

E. Property, Plant and Equipment:

Property, plant and equipment 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.

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

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

F. Inventories:

Inventories are primarily stated at actual cost, using the first in, first out method

G. Revenue Recognition:

Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

H. Deposits Held in Trust for Others:

Deposits held in trust for others in the amount of \$432,233 represents balance in the College's Agency fund that are available for expenditures.

2. 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 the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost.

Neither the obligation for the revenue bonds issued by the 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.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

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

3. Equity in Pooled Cash and Investments:

Deposits – At year-end, the carrying amount of Clark State Community College’s cash and deposits was \$2,322,413 and the bank balance was \$2,848,118. Of the bank balance:

1. \$949,326 was covered by federal depository insurance, or by collateral held by a qualified third party trustee in the name of the College.
2. \$1,898,792 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The College’s investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the College.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker’s or dealer’s trust department or agent in the College’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the College’s name.

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Certificates of Deposit	-	-	-	-	-
Equity Securities	-	-	-	-	-
Investment in State Treasurer’s Investment Pool	-	-	-	<u>3,376,489</u>	<u>3,376,489</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,376,489</u>	<u>3,376,489</u>

A reconciliation between the classifications of cash and investments on the combined financial statements and classifications per GASB #3 is as follows:

Pooled cash and investments

	<u>Deposits</u>
Amounts per financial statements	\$ 5,698,902
Investments: STAR Ohio	<u>(3,376,489)</u>
GASB Statement #3 deposits	\$ <u>2,322,413</u>

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

4. Net Asset Restatements:

In 2002, the College adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public College's and Universities"

Statement 35 established new financial reporting standards for all public colleges and universities and includes the following elements:

- Management's discussion and analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and Statement of cash Flows for the College as a whole.
- Notes to the basic financial statements
- Required supplementary information, including budgetary comparison schedules.

Also, the College changed its capitalization threshold for all capital assets from \$500 to \$2,500. The College has elected to retroactively apply the effects of these changes on its basic financial statements.

Beginning balance restatements for the entity are as follows:

Net assets at the beginning of the year	\$ 49,213,506
Restatement for Statement 35	(18,363,072)
Restatement for change in capitalization policy	(528,250)
Prior period adjustment, STRS/SERS	(1,603)
Prior period adjustment, ARP refund	4,289
Prior period adjustment, insurance	(1,594)
Prior period adjustment, receivables	(8,739)
Prior period adjustment, accrued vacation and sick leave	(76,879)
Prior period adjustment, Auxiliary	(6,279)
Prior period adjustment, restricted receivables	<u>6,427</u>
Net assets at the beginning of the year, as restated	<u>\$ 30,237,806</u>

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

5. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description: Clark State Community College contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer defined 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Funding Policy: Plan members are required to contribute 9% of their annual covered salary and Clark State Community College is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$617,959, \$472,866, and \$529,798, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. Any member 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 may retire. The maximum 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 years' salaries. The annual allowance is calculated by using a base percentage of 2.1% 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 earned Ohio 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.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

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 date to select a retirement plan.

A retiree of STRS or other 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 the 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.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers access to health care benefits to retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

A member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

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, 2001, were 9.3% of covered payroll for members and 14% for employers. Employer contributions actually paid for the years ended June 30, 2002, 2001 and 2000 were \$500,258, \$488,087 and \$486,523, which represents 100% of required employer contributions for each of the years ending June 30, 2002, 2001 and 2000, respectively.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2001 *Comprehensive Annual Financial Report* will be available after January 1, 2002, and can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 277-4090.

Alternative Retirement Programs

The College's contributions to alternative retirement plans for the year ended June 30, 2002, was \$27,830, which is equal to the required contribution for the year.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

6. Postemployment Benefits:

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available), the healthcare allocation rate was 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits of \$315.7 million.

The number of benefit recipients currently receiving health care benefits is approximately 50,000.

The portion of the College's contributions that were used to fund post employment benefits, including the surcharge, was \$432,571 for fiscal year 2002.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums.

The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, 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 Reserve Fund from which health care benefits are paid. For fiscal year ended June 30, 2001 (the latest information available), the board allocated employer contributions equal to 4.5% of covered payroll to the

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS Ohio were \$300,772,000. There were 102,132 eligible benefit recipients.

7. 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, and natural disasters. For fiscal year 2002, the College contracted with Wallace and Turner Insurance Company for these various risks. Coverage's provided by Wallace and Turner insurance Company are as follows:

Building and contents – replacement cost (\$1,000 deductible)	\$39,312,116
Crime Insurance	500,000
Automotive Liability (\$250 deductible)	1,000,000
General Liability (per occurrence)	2,000,000
Computer equipment	2,257,325

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.

8. Guaranteed Student Loan Program:

The college receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2002, and 2001 was \$ 2,869,712 and \$2,051,020, respectively.

9. 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 College policy, however, allows a maximum of 160 vacation hours to be carried over to the subsequent year. Upon termination of employment, an employee is entitled to payment for all unused, accrued vacation hours. Vacation leave accrual rates will not be reduced for all employees hired prior to this date.

All 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.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

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, 2002 is as follows:

Vacation	\$130,826
Sick leave	<u>33,138</u>
 Total compensated absence accrued liability	 <u>\$163,964</u>

10. Capital Assets:

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

Capital assets consists of the following, as of June 30, 2002:

	07/01/2001 Beginning Balance (as restated)	Additions/ Transfers	Net Reductions	06/30/2002 Ending Balance
Costs:				
Land	\$ 1,195,735	23,739	-	1,219,474
Infrastructure	2,696,593	-	-	2,696,593
Buildings	31,476,925	265,562	-	31,742,487
Furniture and equipment	3,538,732	458,925	(83,574)	3,914,083
Library books	704,757	11,262	(5,178)	710,841
Vehicles	447,234	28,510	(5,995)	469,749
Construction in progress	<u>297,053</u>	<u>274,382</u>	<u>(265,562)</u>	<u>305,873</u>
	<u>40,357,029</u>	<u>1,062,380</u>	<u>(360,309)</u>	<u>41,059,100</u>
Less accumulated depreciation:				
Infrastructure	1,046,619	121,433	-	1,168,052
Buildings	11,540,504	699,487	-	12,239,991
Furniture and equipment	2,320,507	255,869	(73,508)	2,502,868
Library books	572,803	25,579	(5,178)	593,204
Vehicles	<u>302,368</u>	<u>46,412</u>	<u>(5,995)</u>	<u>342,785</u>
	<u>15,782,801</u>	<u>1,148,780</u>	<u>(84,681)</u>	<u>16,846,900</u>
Capital assets, net	\$ <u>24,574,228</u>	<u>(86,398)</u>	<u>(275,630)</u>	<u>24,212,200</u>

The College has committed \$305,873 to various construction projects in progress as of June 30, 2002.

11. Receivables:

Receivables at June 30, 2002 consisted of employee loans, billings for student fees, rentals, sponsored billings and intergovernmental receivables arising from grants. All receivables are not

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

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, 2002:

Student charges	\$ 654,965
Room rental	42,909
Post secondary	216,244
Customized training services	100,943
Sponsored billings	108,120
Intergovernmental	687,639
Clark State Foundation	1,260
Miscellaneous	<u>106,702</u>
	1,918,782
Less allowance for possible collection losses	<u>(301,026)</u>
Accounts receivable, net	\$ <u>1,617,756</u>
Loans receivable (employee loans)	\$ <u>31,760</u>

12. Note Payable:

Note payable consist of the following as of June 30, 2002:

<u>Source</u>	<u>Interest Rate</u>	<u>Beginning Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2002</u>
Security National Bank	5.07%	\$ <u>47,233</u>	=	<u>(25,222)</u>	\$ <u>22,011</u>

Monthly principal and interest payment on the above note payable equal \$2,255.21. The final payment on the note is due on March 5, 2003.

13. Contingent Liability:

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.

14. Legal Compliance:

Pursuant to Section 117.11 (A) of the Revised Code, tests were performed with respect to compliance with various provisions of local, state and/or federal laws, as appropriate.

CLARK STATE COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2002

15. Joint Venture:

During 1996, in conjunction with Clark County Joint Vocational School, 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. 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.

16. Related Party Transactions:

Clark State Community College Foundation (Foundation) is a separate nonprofit corporation formed under IRC § 501(c)(3). The assets of the Foundation have been given by donors/grantors independent from the College and is governed by a Board of Trustees separate from the College although certain related parties serve on that Board. The use of the funds of the Foundation in past history has been used mainly for the benefits of the College, its students and joint ventures under current accounting literature. The Foundation is not considered a component unit of the College and is therefore not reflected in the accompanying financial statements. A separate audit of the Foundation has been performed and can be obtained from the finance office of Clark State Community College.

The Statement of Revenues, Expenses and Changes in the Net Assets includes a non-operating expense entitled gifts in the amount of \$796,000, which represents contributions from outside sources transferred to the Foundation for support of the College.

SUPPLEMENTAL INFORMATION

CLARK STATE COMMUNITY COLLEGE

Schedule of Net Assets by Fund

June 30, 2002

	Unrestricted		Restricted		Endowment and Similar Funds	Plant Fund	Agency Fund	Adjustments	Consolidated Total
	Educational and General	Auxiliary Expenses	Educational and General	Loan Fund					
ASSETS:									
Equity in pooled cash and investments	\$ 3,112,882	862,208	422,588	23,240	767,484	165,198	345,302	-	\$ 5,698,902
Accounts receivable, net	856,034	-	704,391	-	-	-	57,331	-	1,617,756
Due from other funds	127,609	-	-	-	15,688	-	-	(143,297)	-
Inventory	-	169,483	-	-	-	-	-	-	169,483
Prepaid expenses	303,398	19,652	145,252	-	-	-	45,188	-	513,490
Loans receivable	-	-	-	31,760	-	-	-	-	31,760
Capital assets, net	-	-	-	-	-	43,465,551	-	(19,253,351)	24,212,200
Total assets	\$ 4,399,923	1,051,343	1,272,231	55,000	783,172	43,630,749	447,821	(19,396,648)	32,243,591
LIABILITIES:									
Accounts payable	\$ 441,803	-	9,993	-	-	-	546	-	452,342
Note payable	-	-	-	-	-	22,011	-	-	22,011
Deferred income	700,630	-	-	-	-	-	-	-	700,630
Wages payable	346,526	5,751	10,203	-	-	-	13,745	-	376,225
Unclaimed funds	29,996	-	-	-	-	-	-	-	29,996
Accrued payroll liabilities	162,616	7,010	-	-	-	-	1,297	-	170,923
Accrued compensated absences	156,008	7,956	-	-	-	-	-	-	163,964
Deposits held in trust for others	-	-	-	-	-	-	432,233	-	432,233
Due to other funds	-	127,609	15,688	-	-	-	-	(143,297)	-
Total liabilities	1,837,579	148,326	35,884	-	-	22,011	447,821	(143,297)	2,348,324
FUND BALANCES:									
Invested in capital assets, net of related debt	-	-	-	-	-	43,443,540	-	(19,253,351)	24,190,189
Restricted:									
Nonexpendable	-	-	-	-	767,484	-	-	-	767,484
Expendable	-	-	1,236,347	-	15,688	-	-	-	1,252,035
Unrestricted	2,562,344	903,017	-	55,000	-	165,198	-	-	3,685,559
Total fund balances	2,562,344	903,017	1,236,347	55,000	783,172	43,608,738	-	(19,253,351)	29,895,267
Total liabilities and fund balances	\$ 4,399,923	1,051,343	1,272,231	55,000	783,172	43,630,749	447,821	(19,396,648)	32,243,591

See independent auditors' report.

CLARK STATE COMMUNITY COLLEGE
 Statements of Revenues, Expenditures, and Other Changes in Net Assets
 June 30, 2002

	Unrestricted		Restricted		Endowment and Similar Funds	Plant Fund	Adjustments	Consolidated Total
	Educational and General	Auxiliary Enterprises	Educational and General	Loan Fund				
REVENUES:								
Student tuition and fees	\$ 6,724,062	-	-	-	-	-	(1,005,390)	5,718,672
Scholarship allowances	-	-	-	-	-	-	(1,137,431)	(1,137,431)
Net student tuition and fees	<u>6,724,062</u>	-	-	-	-	-	<u>(2,142,821)</u>	<u>4,581,241</u>
State appropriations	6,584,459	-	561,453	-	-	-	-	7,145,912
Federal grants and contracts	-	-	3,374,461	-	-	-	-	3,374,461
State grants and contracts	-	-	912,952	-	-	-	-	912,952
State and local grants	16,550	-	-	-	-	-	-	16,550
Nongovernmental grants and contracts	-	-	402,504	-	-	-	-	402,504
State and local gifts	-	-	24,140	-	-	9,200	-	33,340
Investment income	162,166	-	-	-	55,876	-	-	218,042
Auxiliary enterprises:								
Bookstore	-	1,561,074	-	-	-	-	(546,920)	1,014,154
Parking	-	38,352	-	-	-	-	-	38,352
Truckdriving	-	1,053,601	-	-	-	-	(109,615)	943,986
Other sources	774,319	-	-	-	-	-	-	774,319
Total revenues	<u>14,261,550</u>	<u>2,653,027</u>	<u>5,275,510</u>	-	<u>55,876</u>	<u>9,200</u>	<u>(2,799,356)</u>	<u>19,455,813</u>
EXPENDITURES:								
Educational and General:								
Instruction	4,662,469	-	422,315	-	-	-	-	5,084,784
Public service	983,831	-	1,288,013	-	-	-	-	2,271,844
Academic support	758,254	-	57,365	-	-	-	-	815,619
Student services	1,507,168	-	189,196	-	-	-	-	1,696,364
Institutional support	3,081,290	-	26,937	-	-	-	-	3,108,227
Operation and maintenance of plant	1,862,248	-	(14)	-	-	-	-	1,862,234
Depreciation	-	-	-	-	-	-	1,148,780	1,148,780
Student aid	-	-	951,295	-	-	-	-	951,295
Auxiliary expenditures	-	2,540,968	-	-	-	-	-	2,540,968
Loss on disposal of capital asset	-	-	-	-	-	10,067	-	10,067
Capital additions, net	-	-	-	-	-	786,750	-	786,750
Interest expense	-	-	-	-	-	-	-	-
Scholarships and fellowships	-	1,841	-	-	-	-	-	1,841
Total expenditures	<u>12,855,260</u>	<u>2,542,809</u>	<u>1,661,925</u>	-	-	<u>796,817</u>	<u>(1,661,925)</u>	<u>19,492,023</u>
Revenues over (under) expenditures	<u>1,406,290</u>	<u>110,218</u>	<u>678,478</u>	-	<u>55,876</u>	<u>(787,617)</u>	<u>(1,499,461)</u>	<u>(362,210)</u>
TRANSFERS AND OTHER SUPPORT								
Mandatory:								
Debt service	-	(25,223)	-	-	-	25,223	-	-
Nonmandatory:								
Capital asset acquisition	(189,399)	-	(352,027)	-	(103,911)	645,337	-	-
Total transfers	<u>(189,399)</u>	<u>(25,223)</u>	<u>(352,027)</u>	-	<u>(103,911)</u>	<u>670,560</u>	-	<u>(796,000)</u>
Payment to Foundation	-	-	-	-	43,048	-	-	43,048
Additions to endowment	-	-	199,632	-	-	246,991	-	446,623
Capital appropriations	-	(25,223)	(152,395)	-	(856,863)	917,551	-	(306,322)
Total transfers and other support	<u>1,216,897</u>	<u>84,995</u>	<u>526,083</u>	-	<u>(800,987)</u>	<u>129,934</u>	<u>(1,499,461)</u>	<u>(342,539)</u>
Net increase (decrease) for year								
FUND BALANCES, beginning of year, as restated	2,482,879	818,022	710,264	55,000	1,584,159	43,478,804	(18,891,322)	30,237,806
FUND BALANCES, end of year	<u>3,699,176</u>	<u>903,017</u>	<u>1,236,347</u>	<u>55,000</u>	<u>783,172</u>	<u>43,608,738</u>	<u>(20,390,783)</u>	<u>29,895,267</u>

CLARK STATE COMMUNITY COLLEGE
Board of Trustees
June 30, 2002

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
O. Lester Smithers	Chairperson	12/1/98 - 11/30/2004
Alicia Hupp	Vice-Chairperson	12/1/00 - 11/30/2006
Dr. Richard A. Umbaugh	Member	12/1/96 - 11/30/2002
Donna B. Hart	Member	12/1/96 - 11/30/2002
Joseph Kuyoth, Jr.	Member	12/1/00 - 11/30/2006
Faye M. Flack	Member	12/1/98 - 11/30/2004
James N. Doyle	Member	12/1/98 - 11/30/2004
Than Johnson	Member	12/1/96 - 11/30/2002
Jennifer Baader	Member	12/1/00 - 11/30/2006

Legal Counsel

Phyllis S. Nedelman
333 North Limestone Street
Springfield, Ohio 45503

CLARK STATE COMMUNITY COLLEGE
Administrative Personnel
As of June 30, 2002

<u>Name</u>	<u>Title</u>
Karen Nagle Rafinski	President
Joseph R. Jackson	Vice President for Business Affairs
Dixie Depew	Controller

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

CLARK STATE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

June 30, 2002

<u>Federal Grantor/Program Title</u>	<u>Federal Catalog Number</u>	<u>Project Number</u>	<u>Beginning Balance 7/1/2001</u>	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2002</u>
Department of Education						
Title IV Programs						
Student Financial Assistance Cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A993254	\$ -	137,104	137,104	-
College Work Study	84.033	P033A33254	-	92,563	92,563	-
Pell Grant	84.063	P063P992021	-	<u>2,383,553</u>	<u>2,383,553</u>	-
Total Student Financial Assistance Cluster			-	<u>2,613,220</u>	<u>2,613,220</u>	-
TRIO Student Support Services	84.042	P042A01078B	-	<u>126,821</u>	<u>126,821</u>	-
Total Title IV Programs			-	<u>2,740,041</u>	<u>2,740,041</u>	-
Title I Program						
Vocational Education	84.048	VECPH-P2000-506	-	62,375	62,375	-
Title II Program						
Tech-Prep Program	84.243	VETP-2000-19	-	<u>101,206</u>	<u>101,206</u>	-
Title III Programs						
Strengthening Institutions	84.031	P031A980166	-	<u>299,227</u>	<u>299,227</u>	-
Title V Programs						
Improvement of Education	84.215	R215K010104	-	<u>169,578</u>	<u>169,578</u>	-
Title VI Programs						
Improvement of postsecondary Education	84.116	P116Z020033	-	<u>2,034</u>	<u>2,034</u>	-
Total Department of Education			-	<u>3,374,461</u>	<u>3,374,461</u>	-
Department of Labor						
Passed through Clark County Department of Job and Family Services:						
Workforce Investment Act	17.255	N/A	-	<u>513,485</u>	<u>472,019</u>	<u>41,466</u>
Total Federal Assistance			\$ -	<u>3,887,946</u>	<u>3,846,480</u>	<u>41,466</u>

This schedule was prepared using the accrual basis of accounting.

During the fiscal year ending June 30, 2002, the College processed the following amount of new loans for the Guaranteed Student Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students.)

	<u>CDFA Number</u>	<u>Amount Authorized</u>
Guaranteed Student Loans	84.032	\$2,869,712

See accompanying notes to the financial statements.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

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

Board of Trustees
Clark State Community College

We have audited the financial statements of Clark State Community College as of and for the year ended June 30, 2002, and have issued our report thereon dated September 12, 2002. 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.

As described in Note 4 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. This results in a change to the College's method of accounting for certain nonexchange revenues and a change in the format and content of the financial statements.

Compliance

As part of obtaining reasonable assurance about whether Clark State Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving the internal control over compliance, which we reported to management of Clark State Community College in a separate letter, dated September 12, 2002.

Internal Control Over Financial Reporting

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

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance and Facilities (Audit) Committee, Board of Trustees, management 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
September 12, 2002

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Report On Compliance With Requirements Applicable To
Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Board of Trustees
Clark State Community College

Compliance

We have audited the compliance of Clark State Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Clark State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on Clark State Community College's compliance based on our audit.

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

In our opinion, Clark State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report is intended for the information of the Finance and Facilities (Audit) Committee, Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 12, 2002

CLARK STATE COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 June 30, 2002

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § 510?	No
(d)(1)(vii)	Major Programs	Supplemental Educational Opportunity Grant, Federal Family Education Loan Program, College Work Study, Pell Grant CFDA #: 84.007, 84.032, 84.033, 84.063; TRIO Student Support Services CFDA #: 84.042, Workforce Investment Act CFDA #: 17.255
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CLARK STATE COMMUNITY COLLEGE
Schedule of Prior Year Audit Findings and Questioned Costs
OMB Circular A-133 § 315(b)
June 30, 2002

NONE



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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
JANUARY 30, 2003**