CLARK STATE COMMUNITY COLLEGE
Springfield, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006

Mary Taylor, CPA
Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Lane
Springfield, Ohio 45501

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 6, 2007

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CLARK STATE COMMUNITY COLLEGE
FINANCIAL STATEMENTS
June 30, 2007 and 2006

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Crowe Chizek and Company LLC
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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2007 and 2006, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Clark State Community College Foundation as of June 30, 2007 and 2006, and the respective changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 15, 2007

This section of the Clark State Community College annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2007.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

Assets

- Cash, cash equivalents, and investments decreased by $7.3 million primarily due to the expenditure of the $8.1 million in bond proceeds for the Sara T. Landess Technology & Learning Center (TLC) construction project.

- Accounts receivable, net increased by $174,000 (5.5%) due to an increase in Pell grant receivables of $340,0000 and new receivables including a federal grant receivable for TLC technology equipment of $297,000, a TEAP receivable of $80,000, and an Area 7 receivable of $30,000. These increases were offset by a decrease in OIG receivables of $128,000 and the receipt of an HRSA receivable of $541,000.

- Capital assets, net increased by $9.7 million (40.0%) due to capitalizing the construction in progress this year of $10.9 million versus $3.5 million last year for the TLC construction project. Also, there was a land purchase of $163,000.

Liabilities and Net Assets

- Accounts payable increased by $393,000 (24.8%). This is primarily due to work related to the TLC construction project performed in June but not invoiced and paid until July.

- The note payable for financing a truck purchase in the Truck Driver Training program was retired.

- Wages payable increased by $182,000 (31.4%). This increase was primarily due to the change in pay cycles to implement a one-week delay.

- Accrued payroll liabilities decreased by $112,000 (47.0%). This was due to the timing of the payment of health insurance premium ($107,000).

- Deferred income decreased by $181,000 (14.8%). Summer/fall quarter student tuition payments received prior to July 1 decreased by $37,000. There was a decrease in the federal GearUp grant deferred revenue of $115,000 and the Performing Arts Center fall season revenue received prior to July 1 was down $43,000.

- Note payable of $8.175 million, which was due to the issuance of bonds to finance the TLC construction project, was unchanged due to the fact that the first principal payment is scheduled for December 1, 2008.

- Deposits held in trust for others decreased by $119,000 (18.1%) due to a decrease of $71,000 in the amount held for the Early Childhood Education Center.

Operating Revenues

- Student tuition and fees revenue increased by $394,000 (6.7%). This increase was due to a 5.4% increase in tuition/fees (enrollment decreased by 1.3%) and a 3.4% reduction of scholarship allowances.

- Federal grants and contracts increased by $121,000 (2.7%) due to an increase in GearUp ($337,000), a decrease in Pell and SEOG ($173,000), and the OIA grant ending ($48,000).

- State and local grants and contracts decreased by $51,000 (7.0%) due to reductions in Tech Prep ($42,000), Workforce Development ($48,000), and OCAN coming to an end ($25,000). These reductions were somewhat offset by an increase in Project Jericho funding of $70,000.

- The decrease of $9,000 (2.8%) in the Non-Governmental grants and contracts is primarily due to the OCCN (Community Computing Center) funding ending ($12,000).

- Auxiliary enterprises revenue decreased by $79,000 (4.1%) due to a decrease in Bookstore sales ($55,000) and Truck Driving Training Institute revenues ($27,000).

- Other operating revenue increased by $79,000 (8.4%) as a result of increases in PAC ticket sales ($41,000), administrative allowances (GearUp) ($15,000), lease income ($18,000), and a rebate from BWC ($5,000).

- Total operating revenues increased by $455,000 (3.1%) as a result of increases in student tuition and fees and other operating revenues.

Operating Expenses

- Instructional expenses increased by $321,000 (5.1%) due to an increase in adjunct faculty salary expenses for Greene Center ($18,000), Arts & Sciences ($101,000), Criminal Justice ($28,000), and Business Division ($69,000, which also includes some full-time faculty).

- Academic support expenses increased by $193,000 (21.5%) due to an increase in distance learning expenses ($86,000) for the acquisition of Angel plus training expenses, an increase in academic computing expenses ($49,000) for computers for Greene Center, and an increase in media services expenses ($29,000) for data projectors for smart classrooms.

- Student services expenses increased by $157,000 (8.1%) due to an increase in salary/benefit costs for admissions ($37,000), dean of student affairs ($42,000), career management ($25,000), records & registration ($12,000), and the stipend for the financial aid assessment project ($12,000).

- Institutional support expenses increased by $150,000 (3.8%) due to expenditures related to the Greene Center ($167,000).

- Operation and maintenance of plant, student aid, and depreciation expenditures decreased by $3,000, $64,000, and $111,000, respectively.

- Public service expenses increased by $350,000 (14.6%) due to an increase in GearUp expenses ($318,000) and an increase in PAC grant expenses ($110,000).

- Auxiliary enterprises expenses decreased by $149,000 (4.9%) due to a decrease in expenses for the Bookstore ($56,000), Truck Driver Training Institute ($49,000), and Food Service ($39,000).

- Total operating expenses increased by $843,000 (3.6%) as a result of increases in expenses related to instruction, public service, academic support, and student services.

Non-Operating Revenues

- State appropriations increased by $376,000 (4.6%) primarily due to an increase in Ohio Board of Regents funding ($303,000).

- Investment income increased by $128,000 (51.6%) due to an increase in interest earned on Star Ohio investments ($112,000) as a result of higher average balances and interest rates.

- Other non-operating revenues increased by $181,000 primarily as a result of the City of Springfield's purchase of the Leffel Lane water/sewer infrastructure ($200,000).

- Total non-operating revenues increased by $680,000 (8.1%) due to the increase in state appropriations, investment income, and other non-operating revenues.

- Capital appropriations increased by $1,049,000 (155.4%) as a result of appropriations for the TLC construction project.

- Capital grants and gifts decreased by $164,000 (25.1%) as a result of new grants awarded for technology equipment for the TLC construction project ($297,000) and renovation funds for the business incubator project ($21,000) and the utilization of a grant for construction for the TLC project ($541,000).

- Net assets increased by $2.4 million (7.6%) during the year due to the increase in operating revenues, non-operating revenues, and capital appropriations.

- The Campus Master Plan was adopted by the Board of Trustees in June 2003. This plan addresses facilities, land, technology, infrastructure, and space planning. It is an aggressive plan that, if implemented in its entirety, would have a price tag of $40 million that would be invested in new and renovated facilities, land acquisition and technology upgrades over the next 10-15 years. Initially, the focus is on three projects totaling approximately $20 million:

  - Addition to the Applied Science Center
  - Construction of a Technology/Learning Center
  - Addition to the Performing Arts Center

  Phase I of this plan is the TLC construction project which encompasses both an addition to the Applied Science Center as well as construction of a technology/learning center. This project was 90% complete at June 30, 2007.

  The success of the Performing Arts Center expansion project is contingent upon securing funding from federal, state, and local sources including the Major Gifts Campaign "Building for our Future."

- During fiscal year 2005, the Clark State Foundation kicked off its major gifts fund raising campaign to help fund the above projects in the campus master plan as well as establish an endowment to fund the Champion City Scholars Program. At June 30, 2007, the campaign stood at just under $12 million in donations and pledges.

- 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 has assigned an underlying rating of A3 with a stable outlook to the College's Series 2006A General Receipts Bonds. Bonds totaling $8,175,000 were sold in May 2006 with the closing held in mid June 2006. The debt repayment schedule began with semi-annual interest only payments December 1, 2006. The first payment to include principal will occur December 1, 2008. The true interest cost is 4.24% and the all-inclusive borrowing costs equate to 4.43%. The final payment on these bonds is scheduled in the year 2032.

In March 2007, the College began holding classes in a temporary facility shared with Wright State University in Greene County. Greene County is one of the four counties that make up the College's legally constituted service district. At June 30, 2007, the College was working with a developer who was constructing a new facility in Greene County that the College will be leasing and plan to hold classes beginning September 2007.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

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

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

- Revenues and expenses are classified as either operating or non-operating. Several routine, recurring sources of revenue such as state appropriations, gifts, and investment income are classified as non-operating. As a public college, Clark State has a high dependency on these non-operating revenues, particularly state appropriations. As a result of GASB 35 reporting classifications, the College will 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 $1.2 and $1.3 million for the years ended June 30, 2007 and 2006, respectively.

- Scholarships applied to student accounts are shown as a reduction of student tuition and fees while scholarships that are paid directly to students continue to be presented as scholarship expenses. Prior to fiscal year 2002, all scholarships were reflected as expenses. Scholarship allowances totaled $2.1 and $2.2 million for the years ended June 30, 2007 and 2006, respectively.

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The College's (as well as all other public colleges) dependency on State aid and gifts will 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

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, 2007, 2006, and 2005, is as follows:

	2007	2006	2005
	(all dollar amounts in thousands)		
Current assets	$ 12,310	$ 19,520	$ 10,569
Noncurrent assets	34,275	24,527	22,565
Total assets	46,585	44,047	33,134
Current liabilities	4,024	3,752	2,318
Noncurrent liabilities	8,982	9,091	809
Total liabilities	13,006	12,843	3,127
Net assets			
Invested in capital assets, net of related debt	25,929	23,446	22,519
Restricted			
Nonexpendable	250	250	250
Expendable	1,369	2,216	2,275
Unrestricted	6,031	5,292	4,964
Total net assets	$ 33,579	$ 31,204	$ 30,008

A review of the summary indicates a relatively strong financial position as of June 30, 2007. Total net assets increased $2.4 million primarily due to increases in capital appropriations and other non operating revenue.

Current assets are comprised primarily of cash and student and trade receivables. The decrease in total current assets of $7.2 million is primarily due to the decrease in investments ($7.8 million) caused by the expenditure of the bond proceeds.

Current liabilities are comprised primarily of trade payables, wages payable, and deferred income (from both student fees and advance payments for grants). These liabilities increased by $272,000 primarily due to an increase in trade payables ($393,000) caused by amounts owed to contractors for the TLC construction project.

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

Invested in capital assets net of related debt represents the College's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction, or improvement of those assets. The primary activity in capital assets was construction costs for the TLC construction project. It also included land acquisition costs.

Restricted nonexpendable net assets represent the College's permanent endowments. Most permanent endowments are held by the Clark State Community College Foundation.

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2007, 2006, and 2005, is as follows:

	2007	2006	2005
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees – net	$ 6,302	$ 5,908	$ 6,020
Grants and contracts	5,638	5,578	6,341
Auxiliary enterprises	1,817	1,896	2,134
Other	1,028	948	903
Total	14,785	14,330	15,398
Operating expenses	23,756	22,914	23,026
Operating loss	(8,971)	(8,584)	(7,628)
Nonoperating revenues (expenses):			
State appropriations	8,564	8,188	7,702
Gifts	--	--	26
Investment income	376	247	135
Other	199	17	--
Interest expense	(7)	(1)	(2)
Capital appropriations	1,724	675	--
Capital grants	490	654	321
Total	11,346	9,780	8,182
Increase in net assets	2,375	1,196	554
Net assets – beginning of year	31,204	30,008	29,454
Net assets – end of year	$ 33,579	$ 31,204	$ 30,008

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

State Operating Appropriations per Dollar of Gross Tuition

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

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2005, that figure dropped to $0.92. However, in 2007 it actually increased to $0.95. In 2002, state appropriations exceeded gross tuition by $1.2 million. In 2007, gross tuition exceeds state appropriations by $439,000.

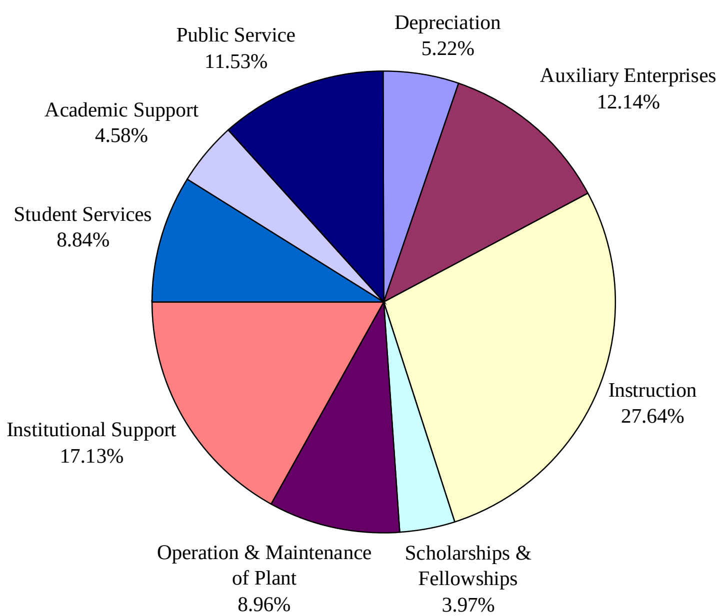
This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in only modest tuition increases in recent years. As recently as 1999, our tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2006, Clark State's tuition is higher than the tuition at only eight other two-year institutions, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract quality faculty, maintain state-of-the art facilities, and provide the latest technology and equipment to be able to provide our students with a quality learning experience at an affordable cost.

Total state appropriations increased 4.6% from $8.2 million in 2006 to $8.6 million in 2007 as a result of an increase in State Share of Instruction. Net student tuition and fees increased 6.6% from $5.9 million in 2006 to $6.3 million in 2007. This increase is a combination of the 5.4% increase in tuition coupled with a 3.4% decrease in scholarship allowances.

Grants and Contracts remained essentially the same at $5.6 million even though there was a slight increase in federal grants and contracts and a slight decrease in state/local and non-governmental grants and contracts.

Investment income increased from $247,000 in 2006 to $375,000 in 2007 due to increases in average balances as well as interest rates.

The following is a graphic illustration of expenses by function for the year ended June 30, 2007:



Net increase in expenses in 2007 was the net effect of:

- Increases in functional categories of instruction 5%, academic support 21%, student services 8%, institutional support 4%, and public service 14%.

- Decreases in functional categories of operation and maintenance of plant 1%, student aid 6%, depreciation expense 8%, and auxiliary enterprises 5%.

The following table shows a comparison of total operating expenses per FTE for 2007 and 2006. Total operating expenses per FTE student increased by $496 during 2007.

TOTAL OPERATING EXPENSES PER FTE

	2007	2006	Difference	Percent Change
Total operating expenses	$ 23,756,399	$22,913,798	$ 842,601	3.68%
FTE enrollment	2,264	2,292	(28)	(1.22)%
Net operating expenses per FTE	10,493	9,997	496	4.96%

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, 2006. Following is a summary of the Statement of Cash Flows:

	2007	2006	2005
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (7,732)	$ (5,376)	$ (6,379)
Noncapital financing activities	8,763	8,205	7,702
Capital and related financing activities	(8,798)	6,225	(804)
Investing activities	8,255	(7,825)	135
Net increase in cash and cash equivalents	488	1,229	654
Cash and cash equivalents-beginning of year	7,769	6,540	5,886
Cash and cash equivalents-end of year	$ 8,257	$ 7,769	$ 6,540

Cash and cash equivalents increased by $488,000 primarily as a result of state appropriations exceeding cash required in operating activities. Cash flows from non-capital financing activities increased by $558,000 as a result of increase in state appropriations as well as the City of Springfield's purchase of the Leffel Lane water/sewer infrastructure. The decrease in the net cash generated by capital and related financing activities is due to the fact that bond proceeds totaling $8.175 million were reflected in FY 2006 while in FY 2007 these proceeds plus other capital funds were used to purchase capital assets totaling $11.2 million (TLC construction project).

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $34.3 million invested in capital assets net of accumulated depreciation of $21.8 million at June 30, 2007. Depreciation expense for the year ended June 30, 2007, was $1.2 million compared to $1.3 million in 2006 and $1.3 million in 2005. A summary of net capital assets for the years ended June 30, 2007, 2006, and 2005, is as follows:

	2007	2006	2005
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 2,497	$ 2,458	$ 2,534
Buildings	16,164	16,923	17,682
Machinery and equipment	1,711	1,871	2,119
Library books and publications	106	112	115
Vehicles	100	111	115
Construction in progress	13,532	2,881	--
Total capital assets – net	$ 34,110	$ 24,356	$ 22,565

The major projects the College undertook during 2007 were technology equipment replacements ($427,000), technology upgrades ($114,000), safety equipment ($4,000), office furnishings ($29,000), parking lot improvements ($8,000), land acquisition ($164,000), and the TLC construction project.

Debt

The College secured a loan in the amount of $75,000 during 2004. The loan was for the purchase of semi tractor trucks for the Truck Driver Training Institute auxiliary enterprise. The loan was paid off during FY 2007.

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

ECONOMIC FACTORS AFFECTING THE FUTURE

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

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

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

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

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

The biennial budget also included a legislative charge for the creation of a strategic plan for higher education. This plan shall include:

- A plan to achieve the access goal of increasing the number of Ohioans enrolled in college by 230,000 by 2017.

- A plan to achieve affordability through tuition restraint and additional state support for higher education with the goal that tuition matches or is lower than the national average and state support matches or exceeds the national average.

- Each institution shall commit to increasing inter-institution collaborations and partnerships and enhancing efficiencies with the goal of achieving measurable increases in savings.

In order to accomplish the above goals, the Chancellor is embarking on a 10-year master plan to create the University System of Ohio. No longer can the State afford to fund a system in which colleges think they can offer everything to everybody.

A critical consideration when contemplating the issuance of long term debt financing was that this action would not adversely impact the College's Senate Bill 6 financial ratios. The College's FY 2005 ratio analysis resulted in a composite score of 4.1. The FY 2006 ratio analysis, which was the year bonds were issued, resulted in a composite score of 3.7. The FY 2007 composite score is projected to be 3.9. The increased operational costs associated with bringing the new TLC building on line have been incorporated into the FY 2008 budget.

Subsequent to the end of FY 2007, the College began leasing a facility in Greene County, which is a part of its assigned service district. The business plan projects enrollment growth at this location at a higher rate than the Springfield location. Financial resources have been set aside over the years to help meet the future needs of the citizens of the College's service district. FY 2008 represents just the beginning of a more conscious outreach into the entire service district of the College in an effort to meet the educational and workforce development needs of those citizens.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

	2007	2006
Assets		
Current assets		
Equity in pooled cash and cash equivalents	$ 8,257,351	$ 7,769,109
Investments	192,517	8,072,323
Accounts receivable, net	3,312,101	3,137,912
Prepaid expenses	283,380	315,766
Inventory	232,464	198,399
Employee loans receivable	32,098	26,716
Total current assets	12,309,911	19,520,225
Noncurrent assets		
Capital assets, net	34,110,256	24,356,243
Deferred charges	164,562	171,144
Total noncurrent assets	34,274,818	24,527,387
Total assets	46,584,729	44,047,612
Liabilities		
Current liabilities		
Accounts payable	1,979,410	1,586,103
Note payable, current portion	-	20,000
Interest payable	28,470	26,495
Wages payable	761,759	579,669
Accrued payroll and tax liabilities	126,352	238,333
Deferred income	1,045,072	1,226,565
Unclaimed funds	82,446	74,478
Total current liabilities	4,023,509	3,751,643
Noncurrent liabilities		
Note payable, less current portion	8,175,000	8,175,000
Deposits held in trust for others	538,415	658,041
Accrued compensated absences	269,056	258,445
Total noncurrent liabilities	8,982,471	9,091,486
Total liabilities	13,005,980	12,843,129
Net assets		
Invested in capital assets, net of related debt	25,928,990	23,446,444
Restricted		
Nonexpendable	250,000	250,000
Expendable	1,368,941	2,215,604
Unrestricted	6,030,818	5,292,435
Total net assets	$ 33,578,749	$ 31,204,483

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash	$ 87,469	$ 28,074
Investments	11,506,695	8,325,699
Accounts receivable, Clark State Community College	181,502	14,226
Pledges receivable	3,522,811	3,780,386
Student loans receivable, net allowance of $54,902 in 2007 and $57,001 in 2006	97,472	75,924
	$ 15,395,949	$ 12,224,309
LIABILITIES AND NET ASSETS		
Liabilities		
Wages payable	$ 1,731	$ -
Accounts payable	1,872	1,944
	3,603	1,944
Net assets		
Unrestricted	802,075	710,814
Temporarily restricted	7,491,660	6,261,200
Permanently restricted	7,098,611	5,250,351
	15,392,346	12,222,365
	$ 15,395,949	$ 12,224,309

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2007 and 2006

	2007	2006
Operating revenues		
Student tuition and fees, net of scholarship allowances of $2,088,942 in 2007 and $2,163,426 in 2006	$ 6,302,122	$ 5,908,318
Federal grants and contracts	4,637,353	4,516,263
State and local grants and contracts	675,591	726,622
Nongovernmental grants and contracts	325,213	334,886
Auxiliary enterprises		
Bookstore, net scholarship of scholarship allowances of $923,559 in 2007 and $930,894 in 2006	1,140,590	1,195,048
Parking	38,536	35,666
Truck driving, net of scholarship allowance of $85,667 in 2007 and $92,803 in 2006	637,810	665,493
Other operating revenues	1,027,984	948,142
Total operating revenues	14,785,199	14,330,438
Operating expenses		
Educational and general		
Instructional	6,565,783	6,244,942
Academic support	1,088,011	894,967
Student services	2,099,746	1,942,121
Institutional support	4,068,522	3,918,276
Operation and maintenance of plant	2,127,823	2,131,420
Student aid	943,774	1,008,547
Public service	2,739,471	2,389,425
Depreciation expense	1,239,635	1,350,882
Auxiliary enterprises	2,883,634	3,033,218
Total operating expenses	23,756,399	22,913,798
Operating loss	(8,971,200)	(8,583,360)
Nonoperating revenues (expenses)		
State appropriations	8,564,503	8,187,742
Investment income	375,025	247,368
Other nonoperating revenues	198,677	17,170
Interest expense	(6,582)	(1,115)
Net nonoperating revenues	9,131,623	8,451,165
Income (loss) before other revenues, expenses gains, or losses	160,423	(132,195)
Capital appropriations	1,724,245	674,955
Capital grants and gifts	489,598	654,166
Change in net assets	2,374,266	1,196,926
Net assets- beginning of year	31,204,483	30,007,557
Net assets- end of year	$ 33,578,749	$ 31,204,483

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
Year ended June 30, 2007 with comparative 2006 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2007	Total 2006
Revenues and other support					
Campaign contributions	$ 59,517	$ 265,659	$ 31,473	$ 356,649	$ 1,530,388
Foundation contributions	7,171	56,125	1,816,787	1,880,083	201,756
Interest	19,077	355,032		374,109	208,629
Net realized and unrealized gains (losses) on investments	54,846	853,906		908,752	209,249
Miscellaneous	95,851	44,220		140,071	44,168
Net assets released from restrictions	344,482	(344,482)	-	-	-
Total revenues and other support	580,944	1,230,460	1,848,260	3,659,664	2,194,190
Expenses					
Programs	390,277			390,277	356,740
Management and general	99,406			99,406	32,772
Total expenses	489,683	-	-	489,683	389,512
Change in net assets	91,261	1,230,460	1,848,260	3,169,981	1,804,678
Net assets at beginning of year	710,814	6,261,200	5,250,351	12,222,365	10,417,687
Net assets at end of year	$ 802,075	$7,491,660	$7,098,611	$ 15,392,346	$ 12,222,365

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2006
Revenues and other support				
Campaign contributions	$ 156,957	$ 816,158	$ 557,273	$ 1,530,388
Foundation contributions	2,149	114,602	85,005	201,756
Interest	22,159	186,470	--	208,629
Net realized and unrealized gains (losses) on investments	35,377	173,872	--	209,249
Miscellaneous	--	44,168	--	44,168
Net assets released from restrictions	86,856	(86,856)	--	--
Total revenues and other support	303,498	1,248,414	642,278	2,194,190
Expenses				
Programs	356,740	--	--	356,740
Management and general	32,772	--	--	32,772
Total expenses	389,512	--	--	389,512
Change in net assets	(86,014)	1,248,414	642,278	1,804,678
Net assets at beginning of year	796,828	5,012,786	4,608,073	10,417,687
Net assets at end of year	$ 710,814	$ 6,261,200	$ 5,250,351	$ 12,222,365

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Tuition and fees	$ 6,127,933	$ 6,432,512
Grants, gift and contracts	5,337,038	6,102,360
Payments for goods and services	(6,776,409)	(4,611,340)
Payment for utilities	(702,619)	(785,197)
Payments to employees	(10,791,813)	(11,233,499)
Payments for benefits	(2,821,833)	(3,082,233)
Payments for scholarships and fellowships	(943,774)	(1,008,547)
Loans issued to students and employees	(30,989)	(29,253)
Collection of loans to students and employees	25,607	29,590
Auxiliary enterprise charges		
Bookstore	1,140,590	1,195,048
Parking	38,536	35,666
Truck driving	637,810	665,493
Other receipts	1,027,984	913,612
Net cash from operating activities	(7,731,939)	(5,375,788)
Cash flows from noncapital financing activities		
State appropriations	8,564,503	8,187,742
Other nonoperating revenues	198,678	17,170
Net cash from noncapital financing activities	8,763,181	8,204,912
Cash flows from capital financing activities		
Capital appropriations	1,724,245	674,955
Purchase of capital assets	(10,993,649)	(3,080,645)
Principal paid on capital debt and leases	(20,000)	(26,400)
Interest paid on capital debt and leases	1,975	(1,115)
Financing fees payments	-	(171,144)
Bond proceeds	-	8,175,000
State grants and gifts proceeds	489,598	654,166
Net cash from financing activities	(8,797,831)	6,224,817
Cash flows from investing activities		
Net change in investments	7,879,806	(8,072,323)
Income on investments	375,025	247,368
Net cash from investing activities	8,254,831	(7,824,955)
Net increase in cash and cash equivalents	488,242	1,228,986
Cash and cash equivalents, beginning of year	7,769,109	6,540,123
Cash and cash equivalents, end of year	$ 8,257,351	$ 7,769,109

(Continued)

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (Continued)
Years ended June 30, 2007 and 2006

	2007	2006
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (8,971,200)	$ (8,583,360)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,239,635	1,350,882
(Gain) on disposal of capital assets	-	(34,530)
Changes in assets and liabilities		
Accounts receivables	(174,189)	512,281
Inventory	(34,065)	(4,393)
Prepaid expenses	32,386	(158,192)
Loans receivables	(5,382)	337
Accounts payable	393,307	814,016
Wages payable	182,090	56,101
Accrued payroll liabilities	(111,981)	132,392
Deferred income	(181,493)	392,234
Unclaimed funds	7,968	19,244
Deposits held in trust for others	(119,626)	113,390
Compensated absences	10,611	13,810
Net cash from operating activities	$ (7,731,939)	$ (5,375,788)

(Continued)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted, expendable** – Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These net assets represent amounts for scholarships and capital construction projects.

- **Unrestricted** – Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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 $538,415 represents the balance in the College's Agency fund that is available for expenditures.

Operating and Nonoperating Revenues: The College's policy for defining operation activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statements No. 34 and 35, including state appropriations and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. 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 Clark County Joint Vocational School (CCJVS), 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 CCJVS to determine each entity's share in funding operating losses, if any. During fiscal 2006 and 2005 no losses were incurred. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

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

Recent Accounting Pronouncements: In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions." This statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. Because the College participates only in state sponsored postemployment benefit plans, the adoption of this statement requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." Governmental entities sometimes exchange an interest in their expected future cash flows from collecting specific receivables or specific revenues for immediate cash payments. This statement establishes criteria that the entity will used to ascertain whether the proceeds received should be reported as revenue or as a liability. The statement also includes guidance to be used for recognizing other assets and liabilities arising from the sale of specific receivables or future revenues, including residual interests and recourse provisions. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The College does not anticipate that this statement will have a material effect on its financial statements.

In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future remediation activities that are required upon retirement of an asset. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2007. The College has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In May 2007, the GASB issued Statement No. 50, "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27. " This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2007. Because the College participates in only State sponsored postemployment benefit plans, the adoption of this statement requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2009. The College has not yet evaluated the impact that the adoption of this statement will have on its 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, 2007, carrying amount of the Colleges' deposits was $2,725,203 and the bank balance was $2,904,175. Of the bank balance, $824,447 was covered by federal depository insurance, $635,978 was collateralized in both the College's name and the financial institution's name, $271,267 was secured with letters of credit for the benefit of the College, and the remaining $1,172,483 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.

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

At June 30, 2007, the College had amounts on deposit with STAR Ohio, with a fair market value of $5,258,106, which is included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

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

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, 2007 and 2006 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:

	2007	2006
Student charges	$ 1,059,047	$ 1,036,065
Room rental	50,513	20,158
Post secondary	351,257	370,213
Customized training services	27,129	61,342
Sponsored billings	38,084	73,076
Intergovernmental	1,682,143	1,616,385
Miscellaneous	637,066	443,821
	3,845,239	3,621,060
Less allowance for possible collection losses	(533,138)	(483,146)
Accounts receivable, net	$ 3,312,101	$ 3,137,914

(Continued)

NOTE 4 – CAPITAL ASSETS

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

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

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions/ Transfers	Net Reductions	June 30, 2006 Balance
Cost				
Land	$ 1,319,474	$ 48,013	$ -	$ 1,367,487
Infrastructure	2,747,657	-	-	2,747,657
Buildings	32,134,071	-	-	32,134,071
Furniture and equipment	4,808,249	155,496	(97,463)	4,866,282
Library books	734,997	19,064	(31,456)	722,605
Vehicles	596,606	37,644	(109,643)	524,607
Construction in progress	--	2,881,454	-	2,881,454
	42,341,054	3,141,671	(238,562)	45,244,163
Accumulated depreciation				
Infrastructure	1,533,007	124,497	-	1,657,504
Buildings	14,451,774	759,320	-	15,211,094
Furniture and equipment	2,689,580	403,211	(97,463)	2,995,328
Library books	620,041	21,798	(31,456)	610,383
Vehicles	481,197	42,056	(109,642)	413,611
	19,775,599	1,350,882	(238,561)	20,887,920
Capital assets, net	$ 22,565,455	$ 1,790,789	$ (1)	$ 24,356,243

NOTE 5 – LONG TERM OBLIGATIONS

Note Payable

Note payable consists of the following as of June 30, 2007 and 2006:

Source	Interest Rate	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Fifth Third Bank	3.25%	$ 20,000	$ -	$ 20,000	$ -

(Continued)

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

Long Term Debt

The College's long term debt at June 30, 2007 and 2006 consisted of the following:

	2007	2006
General receipts bonds	$ 8,175,000	$ 8,175,000
Less: Unamortized discount on bonds payable	(164,562)	(171,444)
Bonds payable, net	$ 8,010,438	$ 8,003,556

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
2008	$ -	$ 341,650	$ 341,650
2009	275,000	336,150	611,150
2010	285,000	324,950	609,950
2011	295,000	313,350	608,350
2012	310,000	301,250	611,250
2013-2017	1,735,000	1,300,244	3,035,244
2018-2022	2,135,000	902,765	3,037,765
2023-2027	1,250,000	552,244	1,802,244
2028-2032	1,890,000	259,899	2,149,899
	$ 8,175,000	$ 4,632,502	$ 12,807,502

(Continued)

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

Greene County Building Lease
In August 2007, the College will begin leasing a building in Greene County, Ohio under a long-term lease agreement. The lease expires August 2017 and provides for minimum annual rental payments starting at $400,000 for 2008 and with annual increases to $573,644 in 2017.

Compensated Absences

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

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

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

The total amount accrued for compensated absences at June 30:

	2007	2006
Vacation	$ 244,717	$ 238,805
Sick leave	24,339	19,640
Total	$ 269,056	$ 258,445

(Continued)

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 Educations 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 (R.C.). SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (614) 222-5853, or by downloading from the website www.ohsers.org.

(Continued)

NOTE 7 – PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $798,940, $761,773, and $738,206, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

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.

(Continued)

NOTE 7 – PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 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.

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, 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, 2007, 2006, and 2005, were $644,242, $631,808, and $603,330, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2006 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, 2007 and 2006 were $55,107 and $19,715, respectively, which is equal to the required contribution for the year.

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, (the latest information available), the healthcare allocation rate was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service. For fiscal year 2006, the minimum payment was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provided for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were $158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. On the basis of the actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs.

The number of participants eligible to receive benefits was 59,492.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $276,915 and $254,668 for fiscal years 2007 and 2006, respectively.

State Teachers Retirement System

STRS Ohio provides access to health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the R.C., 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.

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

The R.C. 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 2006 (the latest information available), the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000. There were 119,184 eligible benefit recipients.

NOTE 9 – GRANTS, CONTRACTS AND OTHER ASSISTANCE

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

The College receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2007 and 2006 was $5,686,736 and $5,418,172, respectively.

NOTE 10 – RISK MANAGEMENT

Risk Management:

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees other than workers' compensation obtained through the state of Ohio, TDTI vehicle coverage, and natural disasters.

(Continued)

NOTE 10 – RISK MANAGEMENT (Continued)

Coverages are as follows:

Coverage	Amount	Deductible
Building and Contents	Replacement Cost	$10,000
Crime – Employee Dishonesty	$500,000	None
Crime – Forgery/Alteration	$100,000	None
Crime – Theft, Disappearance and Destruction of Money and Securities (on premises or away)	$50,000	None
Automobile Liability	$1,000,000	None
Automobile – Physical Damage – Collision	Value of vehicle	$500
Automobile – Physical Damage – Comprehension (other than collision)	Value of vehicle	$250
Truck Driver Liability and Physical Damage	$1,000,000	$2,500
General Liability (per occurrence)	$1,000,000	None
General Aggregate Liability (per policy year)	$2,000,000	None
Umbrella Liability (per occurrence)	$5,000,000	$10,000
Umbrella – Excess (per occurrence)	$10,000,000	None
Computer Equipment	$3,147,463	$500
Liquor Liability (per occurrence)	$1,000,000	None
Directors & Officers (per occurrence)	$1,000,000	$5,000
Police Professional Liability (per occurrence)	$1,000,000	$5,000

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

NOTE 11 – 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.

(Continued)

NOTE 11 – CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)

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

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

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

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

	2007	2006
One year or less	$ 580,861	$ 527,025
Between one and five years	1,838,825	2,118,119
Longer than five years	2,125,000	2,250,000
	4,544,686	4,895,144
Discounts and allowance	(1,021,875)	(1,114,758)
Net pledges	$ 3,522,811	$ 3,780,386

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:

	2007	2006
Equity funds	$ 4,984,248	$ 4,038,701
Bond funds	3,516,853	3,265,095
Money market account and other	3,005,594	1,021,903
	$ 11,506,695	$ 8,325,699

(Continued)

NOTE 11 – CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)

During the year ended June 30, 2007 and 2006, the Foundation distributed $91,657 and $131,533, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

SUPPLEMENTAL INFORMATION

CLARK STATE COMMUNITY COLLEGE
BOARD OF TRUSTEES
June 30, 2007

Name	Title
Karen E. Rafinski, Ph.D.	President
Joseph R. Jackson	Vice President for Business Affairs
Dixie A. Depew	Controller

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

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2007

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2006	Total Revenue	Total Expenditures	Ending Balance 6/30/2007
Department of Education Title IV Programs						
Student Financial Assistance Cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A063254	$ -	$ 122,461	$ 122,461	$ -
Federal Work Study Program	84.033	P033A063254	-	125,000	125,000	-
Federal Pell Grant Program	84.063	P063P062557	-	3,609,909	3,609,909	-
Academic Competitiveness Grant Program	84.375	P375A062557	-	4,500	4,500	-
Total Student Financial Assistance Cluster			-	3,861,870	3,861,870	-
TRIO Student Support Services	84.042	P042A050017	-	195,916	195,916	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P4334S050016	-	380,071	380,071	-
Total Title IV Programs			-	4,437,857	4,437,857	-
Title I Program						
Vocational Education	84.048	063370-20C3-2007	-	93,566	93,566	-
Title II Program						
Tech-Prep Program	84.243	063370-3ETC-2007	-	97,149	97,149	-
Title VII Programs						
Equipping the Learning Success Center	84.116Z	P116Z050146	-	294,720	294,720	-
Total Department of Education			-	4,923,292	4,923,292	-
Department of Health and Human Services						
Pass-through Clark County Department Of Job and Family Services:						
Temporary Assistance for Needy Families (TANF)						
TANF – Rise Above	93.558	N/A	-	21,197	21,197	-
TANF – Workforce Develop.	93.558	N/A	-	291,709	291,709	-
TANF – Youth Activities	93.558	N/A	-	86,647	86,647	-
Pass-through Ohio Board of Regents						
TANF Educational Awards Program	93.558	N/A	-	80,225	80,225	-
Total TANF			-	479,778	479,778	-
Total Department of Health and Human Services			-	479,778	479,778	-
Department of Agriculture						
Agricultural Curriculum Improvement Project	10.226	2006-38414-16911	-	8,779	8,779	-
Total Department of Agriculture			-	8,779	8,779	-
Department of Housing and Urban Development						
HUD/Business Incubator Project	14.24X	5470780001	-	20,635	20,635	-
Total Department of Housing and Urban Development			-	20,635	20,635	-
Department of Labor						
Integrated Systems Technology Project	17.261	AF-13645-04-60	-	13,497	13,497	-
Total Department of Labor			-	13,497	13,497	-
Total Federal Assistance			$ -	$5,445,981	$5,445,981	$ -

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 reportng entity is defined in Note 1 to the Clark State Community College's financial statements.

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.

Loans and Loan Guarantees:

The College originates but does not provide funding for Federal Family Education Loans (FFELs). The amount presented represents the value of new FFELs awarded by outside lenders and the government, respectively, during the year. During the fiscal year ending June 30, 2007, the College processed the following amount of new loans for the FFEL (which includes Stafford Loans and Parents Loans for Undergraduate Students):

	CDFA Number	Amount Authorized
Federal Family Educational Loan Program	84.032	$5,686,736

Temporary Assistance for Needy Families Educational Awards Program:

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

Crowe

Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over financial reporting described in the financial statement findings section as item 07-04 to be a significant deficiency.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Clark State Community College in a separate letter dated October 15, 2007.

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 15, 2007

Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Clark State Community College
Springfield, Ohio

Compliance

We have audited the compliance of Clark State Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Clark State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on Clark State Community College's compliance based on our audit.

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

In our opinion, Clark State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-01, 07-02, and 07-03.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-02 and 07-03 to be deficiencies. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

We noted certain matters that we reported to management of Clark State Community College in a separate letter dated October 15, 2007.

Clark State Community College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Clark State Community College's response and, accordingly, we express no opinion on it.

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

Crowe Chizek and Company LLC

Columbus, Ohio
October 15, 2007

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements				
Type of auditors' report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		N/A
Noncompliance material to financial statements noted?		Yes	X	No
Federal Awards				
Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weakness(es)?	X	Yes		N/A
Type of auditors' report issued on compliance for major programs	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))	X	Yes		No

Name of Major Program Identified	CFDA Number(s)
Total Student Financial Aid cluster (consisting of):	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Educational Loan Program	84.032
Academic Competitiveness Grants Program	84.375
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334

Dollar threshold used to distinguish between Type A and Type B programs $ 300,000

Auditee qualified as low-risk auditee? ___X___ Yes _______ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

FINDING 07-04

Criteria:	The College should implement review of journal entries prepared by the Controller.
Condition:	During the audit, it was noted that the journal entries prepared by the Controller were not authorized or reviewed by upper management.
Cause:	Due to size of the accounting department, there are times where the Controller creates and posts journal entries to the general ledger without review of journal entries by upper management.
Effect:	When journal entries are made without a second person review, it allows for the risk of override of existing controls.
Recommendation:	We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring journal entries is established at the beginning of the year. Nonrecurring journal entries prepared by the Controller would require individual authorization by upper management.
Management's response:	The College concurs with this finding.
Corrective actions taken or to be taken:	Management will review its procedures to provide for appropriate review of journal entries.

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

See Findings 07-01 through 07-03

FINDING 07-01

Federal program information:	Federal Pell Grant Program, CFDA No. 84.063, Federal Supplemental Educational Opportunity Grant, CFDA No. 84.007, Academic Competitiveness Grant, CFDA No. 84.375, and Federal Family Education Loan Program, CFDA No. 84.032
Criteria:	34 CFR 668.22 – Treatment of Title IV funds when a student withdraws.
Condition:	For the fifteen students tested: a) The return of Title IV Funds occurred past the forty-five day requirement for five students. b) In one return of funds calculation, the incorrect amount disbursed, the incorrect institutional charge and the incorrect withdrawal date were used in the return of funds calculation.
Questioned Costs:	a) The total number of days that the College was overdue in paying Title IV funds related to the five students was 1,188 days. Using a 2.0% annual interest rate, the questioned costs was calculated to be $73.93. b) The use of incorrect data in results of the return of funds calculation being prepared incorrectly resulted in the College earning $371.06 of Pell.
Context:	a) Funds from five out of a sample of fifteen returns were not returned within the forty-five day required time-frame. In three instances, the calculations for the return of funds were not performed until after the College received the audit sample selection. b) The incorrect amount disbursed, the incorrect institutional charge and the incorrect withdrawal date were used in a return of funds calculation for one student in a sample of fifteen.
Recommendation:	Although the College has a limited number of withdrawals, we recommend the College develop a process to verify the accuracy and timeliness of Title IV return of funds calculations. This process should also include procedures governing the timely return of funds. Additionally, the College should have the necessary mechanisms in place to ensure all students whom have fully withdrawn from the College are reported in a timely manner to the Student Financial Aid Office.
Management's response:	The College concurs with the finding.
Corrective actions taken or to be taken:	The College completed refund calculations as soon as the Financial Aid Office became aware of the files that were past the forty-five day requirement and all adjustments and refunds have been completed. In addition, a complete file review for all withdrawn students has been completed. No significant errors were noted and the total additional liability was approximately $1,577. All appropriate adjustments and refunds have been made. Beginning in summer quarter 2007, reports generated by the Financial Aid Office are compared to weekly, monthly and quarterly reports from the IT department. In addition, policies and procedures regarding return of Title IV funds calculations have been clarified to aid in timely and accurate completion. A quality control policy is also in place to ensure that calculations are reviewed and verified by a staff person other than the person performing the calculation.

FINDING 07-02

Federal program information:	Federal Family Education Loan Program, CFDA No. 84.032
Criteria:	34 CFR 682.204 (k) - Maximum loan amounts. In no case may a Stafford loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, less-- (1) The student's estimated financial assistance for that period; and (2) The borrower's expected family contribution for that period, in the case of a Stafford loan that is eligible for interest benefits. FSA Handbook: Volume 5, Chapter 1 - Overawards, Overpayments, & Withdrawal Calculations: If the University discovers there is going to be an overaward before Stafford (FFEL) funds are delivered to the student, the overaward must be eliminated. If the College has certified or originated the loan but has not received the funds, the College can have the lender cancel or reduce the loan.
Condition:	The College over-awarded and over-disbursed unsubsidized loans to one student based on an incorrect cost of attendance.
Questioned Costs:	The use of an incorrect cost of attendance resulted in an over-award and over-disbursement of unsubsidized loans in the amount of $334.00.
Context:	In a sample of forty students receiving Title IV funds, one student was over-awarded and over-disbursed Title IV aid based on an incorrect cost of attendance.
Recommendation:	We recommend that the College implement procedures be put in place to verify that the correct cost of attendance is being used in packaging student aid.
Management's response:	The College concurs with the finding.
Corrective actions taken or to be taken:	While every effort is made to ensure that students are not over awarded, additional measures will be taken to address this specific situation. The College is evaluating additional procedures to verify that the correct cost of attendance (COA) is being used in performing awards for students during packaging. One such option is a potential for additional COA codes to be implemented.

FINDING 07-03

Federal program information:	Federal Pell Grant Program, CFDA No. 84.063, Federal Supplemental Educational Opportunity Grant, CFDA No. 84.007, Academic Competitiveness Grant, CFDA No. 84.375, and Federal Family Education Loan Program, CFDA No. 84.032
Criteria:	Student Handbook, Volume 4, Chapter 2
Condition:	The College did not submit enrollment information for three out of our sample of forty students to the Clearinghouse.
Questioned Costs:	None noted
Context:	In a sample of forty students, three students who were enrolled in the Truck Driving Institute were not reported to the Clearinghouse. It was noted that the Truck Driving Institute students, must be manually added to the Clearinghouse outside of the electronic upload.
Recommendation:	We recommend that the College develop policies to ensure the timely reporting of student's status changes to the Clearinghouse.
Management's response:	The College concurs with this finding.
Corrective actions taken or to be taken:	The class session dates for the Truck Driver Training Institute differed from the normal College quarters. The computerized notification process could not accommodate this so the Clearinghouse records had to be updated manually. Our new registrar was not aware of this. Effective July 1, 2007, the Truck Driver Training Institute no longer offers twenty-week sessions so truck driving students are no longer eligible for Title IV aid. We have discussed possible procedures to prevent this situation from reoccurring if the course would be reinstituted but the College currently has no plans to do this.

FINDING 06-01

Federal program information:	Federal Family Education Loan Program, CFDA No. 84.032
Criteria:	34 CFR 668.22(j) – Timeframe for the return of Title IV funds: An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew.
Condition:	The return of Title IV funds occurred past the 30-day requirement for four students.
Status:	Refer to Finding 07-01.

Mary Taylor, CPA
Auditor of State

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2007

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