CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2012 and 2011

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

November 29, 2012

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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, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type and discretely presented component unit of the College, as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United Statements of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United Statements of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of the Board of Trustees and the Administrative Personnel are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2012

This section of the Clark State Community College ("College") annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2012.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

Assets

- Equity in pooled cash and cash equivalents increased by $189,000 (1.4%) primarily due to cash generated from state appropriations and federal grants revenue.

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

- Net accounts receivable decreased by $857,000 (18.5%) even though student receivables net of allowance of bad debt increased $342,000. This was because the FY 2011 receivables included amounts due from Ohio Skills Bank, GearUp, and Ohio Cultural Facilities Commission which were collected during FY 2012. In addition, receivables related to summer term Pell grants, Clark State Foundation Major Gifts Campaign, sponsorships and post-secondary enrollment options students were all down compared to FY 2011.

- Inventory levels increased by $52,000 (14.3%) due to summer 2012 enrollment declining and higher textbook prices.

- Net capital assets increased by $1.8 million (4.2%) as a result of construction of the Hollenbeck Bayley Creative Arts & Conference Center (HBC) and the Tactical Training Tower (TTT) as well as capitalizing construction in progress for the interior renovation of the Performing Arts Center (PAC) and the Leffel Lane water/sewer infrastructure projects. Also, capital equipment was purchased for the HBC and the second floor of the Greene Center.

Liabilities and Net Assets

- Accounts payable decreased by $443,000 (37.7%) largely due to the timing of the final accounts payable/payroll check processing for the fiscal year. In FY 2012, this was processed June 29th while in FY 2011 this was processed June 17th.

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

- Wages payable decreased by $383,000 (33.4%) as a result of a decrease in faculty wages payable because there was one fewer payroll accrued for summer 2012.

- Accrued payroll and tax liabilities increased by $27,000 (8.0%) due to the fact that there were three payrolls in June 2012 (versus two payrolls in June 2011) and tax liability payments are submitted in July.

- Deferred income decreased by $235,000 (13.8%) due to the decline in summer and fall enrollment (somewhat offset by higher tuition).

- Notes payable (less current portion) decreased by $590,000 (3.6%) which reflects debt service payments on both the 2006 and 2010 bond issuances.

- Noncurrent deposits held in trust for others increased by $75,000 (29.8%) as a result of the surplus from operations experienced by the Early Childhood Education Center for which Clark State acts as fiscal agent.

- Invested in capital assets net of related debt increased by $2.4 million (9.0%) due to construction activities, equipment purchases, infrastructure improvements, and depreciation expense.

- Unrestricted net assets increased by $31,000 (0.3%) as a result of operations generating a net surplus for the fiscal year.

- Total net assets increased by $2.7 million (6.6%).

Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) decreased by $931,000 (11.5%). Gross tuition revenue increased by 3.6% due to increased enrollment, but this increase was partially offset by unrestricted scholarship aid increasing 29.6% and restricted scholarship aid (primarily Pell grants) increasing 16%. The gross tuition revenue increase was also offset by increasing bad debt expense by $250,000.

- Federal grants and contracts decreased by $476,000 (25.5%) due to the GearUp and Tech Prep programs ending.

- State and local grants and contracts decreased by $457,000 (57.4%) due to the fact that the Ohio Skills Bank and Tech Prep grants ended.

- Nongovernmental grants and contracts decreased by $59,000 (15.4%) due to a decline in PAC sponsorships, Circle of Friends campaign, and in the number of collaborations for performances.

- Auxiliary enterprises revenue, in total, decreased by $161,000 (8.4%). Bookstore revenues (net of scholarship allowances) decreased $130,000 (10.1%) even though gross revenue was only down 1%. This is because restricted scholarship aid for books was up 4%. Parking revenues increased $5,000 (9.9%). Commercial Transportation Training Center revenues decreased $36,000 (6.2%) due to declining enrollment.

- In total, operating revenues decreased $2.1 million (14.8%).

Operating Expenses

- Instructional expenses increased by $619,000 (6.2%) due to hiring additional full-time faculty and increasing adjunct faculty to handle the enrollment increase. The largest increases were in nursing, emergency services and arts & sciences.

- Academic support expenses decreased by $35,000 (3.1%) primarily due to a reduction in technology equipment purchases.

- Student services expenses decreased by $172,000 (5.4%) primarily due to the reassignment of personnel to the semester conversion initiative which is accounted for in institutional support. Also, expenses related to career services, Title III, and an Ohio Board of Regents grant all decreased.

- Institutional support increased $83,000 (1.7%) due to fully staffing the institutional planning & research department and expenses related to the semester conversion initiative.

- Operation and maintenance of plant increased by $400,000 (13.5%) due to refurbishing the HBC parking lot, furnishing and equipping the HBC, roof replacement at Shull Hall, and lighting retrofits in various buildings on campus.

- Student aid (represents amounts refunded to students) decreased by $128,000 (5.0%) in spite of the fact that both Pell grants and institutional scholarships were up. This is because student aid used for tuition and books increased.

- Public service expenditures decreased by $1.1 million (27.8%) due to several programs that ended including GearUp, Ohio Skills Bank, Tech Prep and Jobs Challenge.

- Depreciation expense increased by $72,000 (4.0%) because of the first year's depreciation for the HBC and the TTT.

- Total operating expenses decreased by $251,000 (0.7%).

- Total operating loss increased by $1.8 million (9.3%) to $21.5 million.

Non-Operating Revenues (Expenses)

- State appropriations increased by $867,000 (9.4%) as a result of the enrollment increase in FY 2011.

- State appropriations - State Fiscal Stabilization Fund decreased by $1.4 million (100%) due to the federal stimulus funding (ARRA) ending.

- Federal grants revenue increased by $997,000 (8.9%) due to increases in both dollar amounts and number of students eligible for Pell grants.

- Investment income increased by $19,000 (30.8%) due to declining interest rates.

- Interest expense decreased by $87,000 (16.3%) because it now reflects a full year's interest on the 2010 bond issuance.

- Total net nonoperating revenues increased by $313,000 (1.5%).

- The gain before other revenues, expenses, gains or losses decreased by $1.5 million (89.3%) from $1.7 million to $182,000.

- Capital appropriations reflects funds from the state capital bill used for the Shull Hall roof replacement.

- Capital grants and gifts decreased by $284,000 (10.5%) primarily due to a reduction in Major Gifts Campaign funds transferred from the Clark State Foundation for the HBC building project.

- The change in net assets for FY 2012 was $2.7 million compared to FY 2011 of $5.9 million.

- Total net assets at the end of FY 2012 equaled $43.5 million.

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

- Viability Ratio = expendable net assets divided by plant debt

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

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

For FY 2012, the College scored a 3 on Viability Ratio, 4 on Primary Reserve Ratio, and 5 on Net Income Ratio, resulting in a composite score of 3.9. The composite score for FY 2011 was also 3.9. The Primary Reserve Ratio and Viability Ratio scores were the same as FY 2011 but the ratios improved slightly. Primary Reserve Ratio improved due to an increase in expendable net assets and a decrease in total operating expenses. The Viability Ratio increased due to paying down outstanding debt. The Net Income Ratio score was the same as FY 2011 but the ratio declined slightly due to a decline in total revenue which reduced the increase in total net assets.

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

The first phase of the plan to construct an addition to the Applied Science Center and a new Technology & Learning Center was completed. Other elements of the plan that have been completed include a pedestrian walkway to John Street; reconfiguration of the student parking lot at Leffel Lane; installation of a student pride orchard; renovation of existing space in the Applied Science Center; a new entry drive, plaza, drop-off, walkway and campus entry sign at Leffel Lane; and installation of a pond at Leffel Lane. In FY 2012, construction was completed on the Hollenbeck Bayley Creative Arts and Conference Center adjacent to the Performing Arts Center.

In response to workforce/economic development needs by the local community, a Disaster Recovery Learning Lab was constructed at the Leffel Lane campus and completed in October 2010. The next phase of development was to construct a Tactical Training Tower which was completed in April 2012. This training facility is utilized in our safety training program to not only train Clark State students but also provide training for firefighters in our region.

The College issued debt for the first time in its history during the 2006 fiscal year. As a part of this process, the College requested and received a Moody's Rating. Moody's Investors Service assigned an underlying rating of A3 with a stable outlook to the College's Series 2006A General Receipts Bonds. Bonds totaling $8,175,000 were sold in May 2006 with the closing held in mid June 2006. The debt repayment schedule began with semi-annual interest only payments December 1, 2006.

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

The College issued bonds totaling $9,525,000 in October 2010 to finance the purchase of a leased facility in Greene County. A combination of tax-exempt and taxable (Build America Bonds) were issued. The purchase was completed in November 2010.

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

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and subsequent statements. The Clark State Community College Foundation (the Foundation) has been determined to be a component unit of the College. Accordingly, the Foundation is discretely presented in the College's financial statements. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Controller at the College.

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

- Revenues and expenses are classified as either operating or non-operating. Several routine, recurring sources of revenue such as state appropriations, gifts, certain grants and investment income are classified as non-operating. As a public college, Clark State Community College has a high dependency on these non-operating revenues, particularly state appropriations. As a result of GASB 35 reporting classifications, the College will always generate an operating deficit.

- Capital assets are depreciated over their expected useful lives. Prior to fiscal year 2002, capital assets were recorded entirely as a current period expense in the year of acquisition. Depreciation expense was $1.9 million and $1.8 million for the years ended June 30, 2012, and June 30, 2011, 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 $8.4 million and $7.2 million for the years ended June 30, 2012, and June 30, 2011, respectively.

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The College's (as well as all other public colleges) dependency on State aid, grants and gifts will result in operating deficits because the financial reporting model classifies State appropriations, Pell grants and gifts as non-operating revenues. The utilization of long-lived assets referred to as Capital Assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the College's assets, liabilities, and net assets as of June 30, 2012, 2011, and 2010, is as follows:

	2012	2011	2010
	(all dollar amounts in thousands)		
Current assets	$ 18,343	$ 18,989	$ 16,901
Noncurrent assets	45,767	43,926	32,207
Total Assets	64,110	62,915	49,108
Current liabilities	$ 4,221	$ 5,196	$ 6,216
Noncurrent liabilities	16,385	16,893	7,979
Total Liabilities	20,606	22,089	14,195
Net assets			
Invested in capital assets, net of related debt	$ 29,406	$ 26,989	$ 24,592
Restricted			
Nonexpendable	250	250	250
Expendable	2,873	2,644	2,386
Unrestricted	10,975	10,943	7,685
Total Net Assets	43,504	40,826	34,913

A review of the summary indicates a relatively strong financial position as of June 30, 2012. Total net assets increased $2,678,000 primarily due to the receipt of capital grants and gifts.

Current assets decreased by $646,000 primarily due to a decrease in accounts receivable.

Current liabilities decreased by $975,000 primarily due to decreases in accounts payable, wages payable, and deferred income.

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

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

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

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2012, 2011, and 2010, is as follows:

	2012	2011	2010
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 7,154	$ 8,086	$ 7,460
Grants and contracts	2,054	3,046	2,190
Auxiliary enterprises	1,761	1,922	2,040
Other	1,019	1,010	844
Total	11,988	14,064	12,534
Operating expenses	33,472	33,724	30,484
Operating loss	(21,484)	(19,660)	(17,950)
Nonoperating revenues (expenses)			
State appropriations	$ 10,100	$ 9,233	$ 8,742
State Fiscal Stabilization Funds	-	1,449	1,342
Federal grants	12,146	11,149	8,733
Investment income	42	60	100
Other	1	(2)	1
Interest expense	(623)	(536)	(332)
Capital appropriations	82	1,522	-
Capital grants	2,414	2,698	923
Total	24,162	25,573	19,509
Increase (decrease) in net assets	2,678	5,913	1,559
Net assets beginning of year	40,826	34,913	33,354
Net assets end of year	$ 43,504	$ 40,826	$ 34,913

The College relies primarily on state appropriations and student tuition and fees to fund its ongoing programs and operations. Although classified by GASB 35 as a non-operating revenue source, state appropriations over the years have been the largest single source of revenue for the College up until fiscal year 2004. The amount received each year is, in general, a function of student enrollment for the previous year(s). Enrollment increased 4.3% in fiscal year 2012. The resulting effect on the State Share of Instruction (the majority of state appropriations) will be realized in fiscal year 2013. Student fees were increased 3.5% effective fall semester 2012. 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.

State Operating Appropriations per Dollar of Gross Tuition

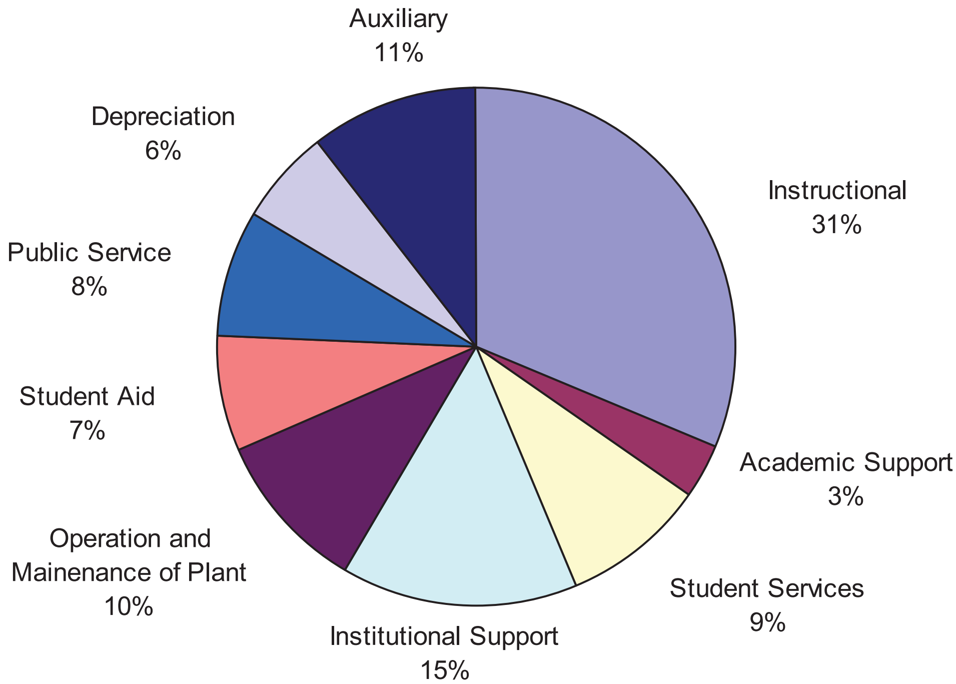
Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92
2009	9,914,898	8,822,705	0.89
2010	12,626,366	9,367,573	0.74
2011	14,417,217	9,938,577	0.69
2012	15,137,415	9,404,245	0.62

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2012, that figure dropped to $0.62. In 2003, state appropriations exceeded gross tuition by $0.3 million. In 2012, gross tuition exceeds state appropriations by $5.7 million.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in modest tuition increases in recent years including no increases in FY 2008 or FY 2010. As recently as 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2012, there are only seven other two-year institutions with lower tuition, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract qualified staff and faculty, maintain state-of-the art facilities, accommodate growing enrollments, implement student retention/academic support services, address deferred maintenance, develop new academic programs, and provide the latest technology and equipment to be able to furnish our students with a quality learning experience at an affordable cost. It is imperative to adequately fund these initiatives in the interest of student success.

Total state appropriations decreased 5.4% in FY 2012. Net student tuition and fees decreased 11.5% from $8.1 million in FY 2011 to $7.2 million in FY 2012. This decrease was experienced in spite of the 4.3% enrollment increase because of an increase of $1.2 million in scholarship allowances.

The following is a graphic illustration of expenses by function for the year ended June 30, 2012:



The decrease in expenses in FY 2012 was the result of:

- Increases in functional categories of operating and maintenance of plant 13.5%, instruction 6.2%, depreciation 4.0%, and institutional support 1.7%.

- Decreases in public service 27.8%, student services 5.4%, student aid 5.0%, academic support 3.1%, and auxiliary enterprises 1.0%.

The increases and decreases in these functional categories were described in more detail earlier in this discussion and analysis.

The following table shows a comparison of total operating expenses per FTE for 2012 and 2011. Total operating expenses per FTE student increased by $102 during 2012.

	2012	2011	Difference	Change
Total operating expenses	$ 33,472,128	$ 33,723,147	$ (251,019)	-0.74%
FTE Enrollment	3,866	3,707	159	4.29%
Net operating expense per FTE	8,658	9,097	(439)	-4.83%

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, 2012. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2012, 2011, and 2010:

	2012	2011	2010
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (19,717)	$ (20,083)	$ (16,256)
Noncapital financing activities	22,247	21,828	18,818
Capital and related financing activities	(2,383)	(452)	(223)
Investing activities	42	(397)	77
Net increase/(decrease) in cash and cash equivalents	189	896	2,416
Cash and cash equivalents			
Beginning of year	13,036	12,140	9,724
End of year	13,225	13,036	12,140

Cash and cash equivalents increased by $189,000 primarily as a result of an increase in cash flow from noncapital financing activities, which was due to an increase in federal grants revenue (primarily Pell grants). The changes in uses of cash and sources of cash from operating, noncapital financing, capital financing, and investment activities compare to FY 2011 clearly indicate that enrollment increased, staffing levels increased, student financial aid increased, and capital financing activities decreased during FY 2012.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $45.6 million invested in capital assets net of accumulated depreciation of $29.7 million at June 30, 2012. Depreciation expense for the year ended June 30, 2012, was $1.9 million compared to $1.8 million in FY 2011 and $1.6 million in FY 2010. A summary of net capital assets for the years ended June 30, 2012, 2011, and 2010, is as follows:

	2012	2011	2010
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 3,123	$ 3,248	$ 2,664
Building	39,031	34,801	26,956
Furniture and equipment	2,046	1,680	1,854
Library books and publications	109	102	97
Vehicles	96	55	91
Construction in progress	1,174	3,844	400
Total capital assets, net	$ 45,579	$ 43,730	$ 32,062

The major capital projects during FY 2012 included completed construction of the HBC building, roof replacement at Shull Hall, interior renovation at the PAC, parking lot refurbishing and maintenance, water/sewer infrastructure projects at Leffel Lane, construction of the Tactical Training Tower, and technology equipment renewals and replacements.

During FY 2008, the College embarked on a plan to help meet the needs of the citizens of the College's service district. This represented just the beginning of a more conscious outreach into the entire service district of the College in an effort to meet the educational and workforce development needs of those citizens of Greene and Logan counties. The Greene County campus was established and an outreach center was established in Logan County on the Ohio Hi-Point campus. The Ohio Hi-Point collaboration is being further developed beginning in FY 2013.

Historically, the legislature passed a biennial capital appropriations bill. However, there was no such appropriation for the FY 2011/FY 2012 biennium. The Governor of Ohio implemented a new process for distributing capital funds to higher education institutions for the FY 2013/FY 2014 biennium. As a result of this process, the College received an appropriation of $3.4 million for a Student Success Center. Additionally, the capital reappropriations bill was enacted and appropriates a little over $1 million for various renovation projects at the College.

Debt

On May 31, 2006, the College sold $8,175,000 of General Receipts Bonds. The sale closed on June 13, 2006. The true interest cost on the transaction was 4.24% and the all-inclusive borrowing costs equate to 4.43%. The College applied for an underlying rating on the Bonds and received an "A3" rating from Moody's. Subsequently, bond insurance was purchased from Ambac which elevated the rating to "Aaa." Neither the rating agency nor the insurer imposed a debt service reserve requirement on the borrowing. This Bond issuance generated $8 million toward the TLC construction project. The remaining amount of bond proceeds were used to fund the costs of the Bond issuance including underwriter's discount, miscellaneous costs of issuance, and bond insurance. Debt service interest payments began December 1, 2006, and continue to be paid semi-annually on December 1 and June 1, of each year. Debt service principal payments began on December 1, 2008. The final maturity date for the Bonds is December 2032. During the first 15 years (through 2021) of debt service payments, a donation generated by the Major Gifts Campaign will be used to fund approximately 40% of the annual payments.

In October 2010, the College issued $9,525,000 of 2010 Series A1 and A2 bonds secured by the general receipts of the College but subordinate to the Series 2006 A bonds which have a first lien on the general receipts. The pro-forma debt service coverage is strong and the Series 2010 bonds are secured by an additional pledge of State Share of Instruction. This brought the total amount of outstanding debt to $16.3 million at June 30, 2012. The proceeds were used to purchase the 51,560 square foot Greene Center facility including the 3.66 acres of land on which it sits. The bonds consist of tax-exempt and taxable (Build America) bonds and are supported by the Ohio Community and Technical College Credit Enhancement Program. Moody's assigned an A2 with Stable Outlook underlying rating to the College and an initially assigned an Aa2 enhanced rating with Negative Outlook for the enhancement program. In March 2012, Moody's affirmed the Aa2 enhanced rating but upgraded the Outlook to Stable from Negative. Debt service interest payments began March 1, 2011, and continue to be paid monthly. Debt service principal payments began on September 1, 2011, for the tax-exempt issuance and will begin on September 1, 2018, for the taxable Build America Bonds issuance. The final maturity date for the tax-exempt bonds is December 2017 and for the taxable BABs is December 2035.

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

- Additional security via the Credit Enhancement Program
- Robust enrollment growth in recent years across three campuses

- Balanced operations with improvement in operating margin
- Strong debt service coverage
- Notable philanthropic support

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

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

ECONOMIC FACTORS AFFECTING THE FUTURE

Management believes that the College has a solid financial foundation to be able to accomplish its mission which is to be a catalyst for individual, corporate and community prosperity by providing access to higher education for our diverse community and fostering student success through high quality, learning-centered education and services. In addition to challenges that the College has historically faced such as attracting and retaining students from underserved populations, the College continues to face the challenge of less than adequate state support for higher education from the State of Ohio. These challenges are the result of the State of Ohio addressing its economic downturn.

The FY 2008/FY 2009 biennial budget included a legislative charge for the creation of a strategic plan for higher education. This ten year strategic plan was approved by the Governor and the General Assembly in March 2008. The report builds upon the principles of creating the University System of Ohio, which represents a new cooperative framework for public higher education in the state. For too long, Ohio has been beset by competition between institutions for students and resources rather than the collaboration that would benefit all Ohioans. The goal of the plan is to raise the educational attainment each year and to close the gap between Ohio and competitor states and nations. To accomplish this goal, three things must be achieved:

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

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

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

FY 2012/FY 2013 State Biennial Budget

State Share of Instruction (SSI) funding for Clark State decreased 6% in FY 2012 and is projected to increase 6.3% in FY 2013. Tuition increases of 3.5% or $200 are permitted for each year of the biennium. The College increased tuition 3% ($112) in FY 2012 and 3.5% ($134) in FY 2013. A 3% in savings through efficiencies is required to be demonstrated in order to receive full SSI funding. SSI funding over the biennium is also tied to "success points" for community colleges. During FY 2012, 7.5% ($533,000) is tied to success points while in FY 2013 this increases to 10% ($718,000). Success points are earned for the following academic performance:

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

Other highlights of the state biennial budget:

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

Major Initiatives Planned for FY 2013

- Increased collaboration with Wright State University on the developmental education student initiative (Gateway Initiative)

- Increased educational outreach into Logan County

- Continued upgrade and enhancement of the IT infrastructure

- Further revise/develop curriculum, the academic calendar, policies, procedures, business services, and student services to fully implement the conversion to semesters beginning fall 2012

- Circulation of a Request for Proposal for energy management projects

- A renewed focus on academic support programs to increase student retention

- Implementation of realignments as a result of the space planning study

- Construction of a new building and renovation to existing spaces in Rhodes Hall and LRC to accommodate a student success center, food service, bookstore, and the relocation of the Business & Applied Technologies division from downtown Springfield

- Perform an institutional assessment in anticipation of conducting a presidential search to replace the president who is retiring June 30, 2013

- Identify additional revenue sources and/or increase efficiencies to reduce expenses to be able to absorb projected enrollment decline brought on by the conversion to a semester academic calendar

- Address the statewide (actually nationwide) student success agenda by providing the academic and student support services necessary to assist students in graduating and/or accomplishing their academic goals in a timely fashion

- Participate in the statewide process to determine how State Share of Instruction funding is to be distributed to colleges and universities

Clark State Community College
Statements of Net Assets
June 30, 2012 and 2011

Assets		2012	2011
Current assets			
Equity in pooled cash and cash equivalents	$	13,224,808	13,036,273
Investments		458,267	457,107
Accounts receivable, net		3,770,839	4,627,761
Prepaid expenses		457,351	484,161
Inventory		412,973	361,362
Employee loans receivable		18,423	22,091
Total current assets		18,342,661	18,988,755
Noncurrent assets			
Capital assets, net		45,579,258	43,730,358
Deferred charges		187,266	196,264
Total noncurrent assets		45,766,524	43,926,622
Total assets		64,109,185	62,915,377
Liabilities			
Current liabilities			
Accounts payable		731,152	1,174,524
Note payable, current portion		590,000	580,000
Interest payable		178,400	130,913
Wages payable		765,492	1,148,954
Accrued payroll and tax liabilities		361,450	334,720
Deferred income		1,459,745	1,694,335
Unclaimed funds		134,340	133,021
Total current liabilities		4,220,579	5,196,467
Noncurrent liabilities			
Note payable, less current portion		15,675,000	16,265,000
Deposits held in trust for others		327,212	252,059
Accrued compensated absences		382,544	375,878
Total noncurrent liabilities		16,384,756	16,892,937
Total liabilities		20,605,335	22,089,404
Net assets			
Invested in capital assets, net of related debt		29,406,118	26,988,816
Restricted			
Nonexpendable		250,000	250,000
Expendable		2,872,891	2,643,703
Unrestricted		10,974,841	10,943,454
Total net assets	$	43,503,850	40,825,973

See accompanying notes to financial statements.

Assets

		2012	2011
Cash and cash equivalents	$	44,941	640,204
Investments		12,447,178	12,886,485
Accounts receivable, Clark State Community College		-	55,628
Pledges receivable		2,338,201	2,563,899
Student loans receivable, net of allowance for doubtful loans of $80,098 in 2012 and $94,902 in 2011		117,731	120,392
Prepaid expenses		487	279
	$	14,948,538	16,266,887

Liabilities and net assets

		2012	2011
Liabilities			
Accounts payable, Clark State Community College	$	171,008	-
Wages payable		1,172	4,618
		172,180	4,618
Net assets			
Unrestricted		342,564	844,929
Temporarily restricted		5,748,858	6,930,323
Permanently restricted		8,684,936	8,487,017
		14,776,358	16,262,269
	$	14,948,538	16,266,887

See accompanying notes to financial statements.

	2012	2011
Operating revenues		
Student tuition and fees, net of scholarship allowances of $8,419,441 in 2012 and $7,187,609 in 2011	$ 7,154,149	8,085,470
Federal grants and contracts	1,392,989	1,869,481
State and local grants and contracts	338,931	795,669
Nongovernmental grants and contracts	322,495	381,298
Auxiliary enterprises		
Bookstore, net of scholarship allowances of $2,386,749 in 2012 and $2,292,745 in 2011	1,160,711	1,290,980
Parking	57,256	52,106
Truck driving	543,151	579,075
Other operating revenues	1,018,426	1,009,568
Total operating revenues	11,988,108	14,063,647
Operating expenses		
Educational and general		
Instructional	10,549,870	9,930,945
Academic support	1,072,473	1,107,312
Student services	3,000,684	3,172,542
Institutional support	4,864,133	4,780,963
Operation and maintenance of plant	3,364,880	2,964,990
Student aid	2,441,241	2,569,580
Public service	2,732,455	3,786,207
Depreciation expense	1,874,249	1,802,152
Auxiliary enterprises	3,572,143	3,608,456
Total operating expenses	33,472,128	33,723,147
Operating loss	(21,484,020)	(19,659,500)
Nonoperating revenues (expenses)		
State appropriations	10,100,077	9,233,005
State appropriations - State Fiscal Stabilization Fund	-	1,448,591
Federal grants revenue	12,145,955	11,148,813
Investment income	41,557	60,067
Other nonoperating items	1,135	(2,038)
Interest expense	(622,852)	(535,719)
Net nonoperating revenues (expenses)	21,665,872	21,352,719
Gain before other revenues, expenses, gains, or losses	181,852	1,693,219
Capital appropriations	82,328	1,522,257
Capital grants and gifts	2,413,697	2,697,849
Total other revenues, expenses, gains, or losses	2,496,025	4,220,106
Change in net assets	2,677,877	5,913,325
Net assets - beginning of year	40,825,973	34,912,648
Net assets - end of year	$ 43,503,850	40,825,973

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Revenues and other support					
Campaign contributions	$ 21,670	211,635	-	233,305	206,751
Foundation contributions	3,364	95,028	197,919	296,311	1,379,754
Interest	3,203	279,745	-	282,948	275,373
Net realized and unrealized gains (losses) on investment	(17,554)	(54,630)	-	(72,184)	1,463,540
Miscellaneous	8,971	51,533	-	60,504	33,534
Net assets released from restrictions	1,764,776	(1,764,776)	-	-	-
Total revenues and other support	1,784,430	(1,181,465)	197,919	800,884	3,358,952
Expenses					
Programs	2,181,640	-	-	2,181,640	2,141,998
Management and general	105,155	-	-	105,155	116,144
Total expenses	2,286,795	-	-	2,286,795	2,258,142
Change in net assets	(502,365)	(1,181,465)	197,919	(1,485,911)	1,100,810
Net assets at beginning of year	844,929	6,930,323	8,487,017	16,262,269	15,161,459
Net assets at end of year	$ 342,564	5,748,858	8,684,936	14,776,358	16,262,269

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

Clark State Community College
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

		2012	2011
Cash flows from operating activities			
Tuition and fees	$	7,521,643	7,195,258
Grants, gift and contracts		2,309,253	2,605,581
Payments for goods and services		(9,807,734)	(11,402,661)
Payment for utilities		(787,940)	(805,307)
Payments to employees		(15,295,411)	(14,448,805)
Payments for benefits		(4,148,816)	(3,691,390)
Payments for scholarships and fellowships		(2,301,064)	(2,437,637)
Loans issued to students and employees		(19,631)	(23,799)
Collection of loans to students and employees		23,299	26,763
Auxiliary enterprise charges			
Bookstore		1,160,711	1,290,980
Parking		57,256	52,106
Truck driving		543,151	579,075
Other receipts		1,028,743	976,849
Net cash from operating activities		(19,716,540)	(20,082,987)
Cash flows from noncapital financing activities			
State appropriations		10,100,077	9,233,005
State appropriations - State Fiscal Stabilization Fund		-	1,448,591
Federal grants revenue		12,145,955	11,148,813
Other nonoperating items		1,135	(2,038)
Net cash from noncapital financing activities		22,247,167	21,828,371
Cash flows from capital financing activities			
Purchase of capital assets		(3,723,149)	(13,470,802)
Proceeds from notes payable		-	9,525,000
Principal paid on capital debt and leases		(580,000)	(295,000)
Interest paid on capital debt and leases		(575,365)	(431,410)
Capital appropriations		82,328	1,522,257
Capital grants and gifts proceeds		2,413,697	2,697,849
Net cash from capital financing activities		(2,382,489)	(452,106)
Cash flow from investing activities			
Net change in investments		(1,160)	(456,962)
Income on investments		41,557	60,067
Net cash from investing activities		40,397	(396,895)
Net change in cash and cash equivalents		188,535	896,383
Cash and cash equivalents, beginning of year		13,036,273	12,139,890
Cash and cash equivalents, end of year	$	13,224,808	13,036,273

See accompanying notes to financial statements.

		2012	2011
Reconciliation of net operating loss to net cash from operating activities			
Operating loss	$	(21,484,020)	(19,659,500)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense		1,874,249	1,802,152
Provision for bad debts		489,428	239,160
Changes in assets and liabilities			
Accounts receivable		367,494	(890,212)
Inventory		(51,611)	(70,900)
Prepaid expenses		26,810	(15,226)
Loans receivable		3,668	2,964
Other assets		8,998	(51,450)
Accounts payable		(443,372)	34,671
Wages payable		(383,462)	151,513
Accrued payroll liabilities		26,730	159,532
Deferred income		(234,590)	(680,027)
Unclaimed funds		1,319	18,731
Deposits held in trust for others		75,153	(1,157,387)
Compensated absenses		6,666	32,992
Net cash from operating activities	$	(19,716,540)	(20,082,987)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- **Invested in capital assets net of related debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted, nonexpendable** – Net assets subject to externally-imposed stipulations that they be maintained permanently by the College.

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

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

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

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

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

The College has elected not to apply the Financial Accounting Standards Board ("FASB") statements and interpretations issued on or after November 30, 1989, to its business-type activities provided that they do not conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on total net assets or the change in net assets.

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

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

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

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

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

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

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

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

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

Deposits Held in Trust for Others: Deposits held in trust for others in the amount of $327,212 represents the balance in the College's Agency fund that is available for expenditures.

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

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

Joint Venture: In conjunction with Springfield-Clark Career Technology Center ("CTC"), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CTC to determine each entity's share in funding operating losses, if any. Although an operating loss was incurred in FY 2011, the College did not incur any funding obligations, due to the Center having positive fund balances from prior years' profitable operations. The Center did not incur an operating loss in FY2012. 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.

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, 2012 and 2011, carrying amount of the Colleges' deposits was $2,575,112 and $3,210,687, respectively. The bank balance was $3,301,753 at June 30, 2012. Of the 2012 bank balance, $1,879,349 was covered by federal depository insurance, $329,782 was collateralized in both the College's name and the financial institution's name, $1,092,622 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2012 and 2011, the College had amounts on deposit with STAR Ohio, with fair market values of $10,649,696 and $9,825,586, respectively which are included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

The College's investments include $458,267 invested in obligations of the U.S. Treasury and are therefore not subject to the credit risk disclosures of GASB Statement No. 40 which are stated at their fair value.

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

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

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

NOTE 3 – RECEIVABLES

Receivables at June 30, 2012 and 2011 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:

	2012	2011
Student charges	$ 2,757,002	$ 2,265,961
Room rental	21,634	23,734
Post secondary	310,364	395,678
Customized training services	19,902	27,125
Sponsored billings	165,783	397,819
Intergovernmental	1,147,218	2,152,750
Miscellaneous	717,589	426,944
	5,139,492	5,690,011
Less allowance for possible collection losses	(1,368,653)	(1,062,250)
Accounts receivable, net	$ 3,770,839	$ 4,627,761

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	July 1, 2011 Balance	Additions/ Transfers	Net Reductions	June 30, 2012 Balance
Cost				
Land	$ 2,271,084	$ -	$ -	$ 2,271,084
Infrastructure	3,530,256	59,074	-	3,589,330
Buildings	55,277,668	5,620,751	(63,436)	60,834,983
Construction in Progress	3,844,608	1,158,898	(3,829,243)	1,174,263
Furniture and equipment	5,803,292	618,573	(32,431)	6,389,434
Library books	531,428	29,059	(29,523)	530,964
Vehicles	462,311	66,036	-	528,347
	71,720,647	7,552,391	(3,954,633)	75,318,405

	July 1, 2011 Balance	Additions/ Transfers	Net Reductions	June 30, 2012 Balance
Accumulated depreciation				
Infrastructure	$ 2,553,119	$ 183,995	$ -	$ 2,737,114
Buildings	20,476,490	1,392,184	(65,079)	21,803,595
Furniture and equipment	4,123,529	251,281	(31,632)	4,343,178
Library books	429,526	22,329	(29,524)	422,331
Vehicles	407,625	25,304	-	432,929
	27,990,289	1,875,093	(126,235)	29,739,147
Capital assets, net	$ 43,730,358	$ 5,677,298	$ (3,828,398)	$ 45,579,258

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

	July 1, 2010 Balance	Additions/ Transfers	Net Reductions	June 30, 2011 Balance
Cost				
Land	$ 1,531,084	$ 740,000	$ -	$ 2,271,084
Infrastructure	3,503,035	43,513	(16,292)	3,530,256
Buildings	46,141,417	9,136,251	-	55,277,668
Construction in Progress	399,930	3,456,896	(12,218)	3,844,608
Furniture and equipment	5,722,513	96,731	(15,952)	5,803,292
Library books	515,265	26,518	(10,355)	531,428
Vehicles	492,273	-	(29,962)	462,311
	58,305,517	13,499,909	(84,779)	71,720,647

	July 1, 2010 Balance	Additions/ Transfers	Net Reductions	June 30, 2011 Balance
Accumulated depreciation				
Infrastructure	$ 2,369,556	$ 184,377	$ (814)	$ 2,553,119
Buildings	19,185,366	1,291,124	-	20,476,490
Furniture and equipment	3,868,909	269,975	(15,355)	4,123,529
Library books	418,735	21,145	(10,354)	429,526
Vehicles	401,243	36,344	(29,962)	407,625
	26,243,809	1,802,965	(56,485)	27,990,289
Capital assets, net	$ 32,061,708	$ 11,696,944	$ (28,294)	$ 43,730,358

NOTE 5 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2012 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 16,845,000	$ -	$ 580,000	$ 16,265,000	$ 590,000
Deposits held in trust for others	252,059	75,153	-	327,212	-
Compensated absences	375,878	6,666	-	382,544	-
Total long-term liabilities	$ 17,472,937	$ 81,819	$ 580,000	$ 16,974,756	$ 590,000

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

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

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
2013	$ 320,000	$ 288,650	$ 608,650
2014	335,000	275,131	610,131
2015	345,000	260,681	605,681
2016	360,000	245,700	605,700
2017	375,000	230,081	605,081
2018-2022	2,135,000	902,767	3,037,767
2023-2027	1,250,000	552,244	1,802,244
2028-2032	1,540,000	252,200	1,792,200
2033	350,000	7,700	357,700
	$ 7,010,000	$ 3,015,154	$ 10,025,154

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

Year Ending June 30,	Principal	Interest	Discount/ Subsidy	Total
2013	270,000	459,412	$ (149,612)	$ 579,800
2014	275,000	454,637	(149,612)	580,025
2015	280,000	449,087	(149,612)	579,475
2016	290,000	443,387	(149,612)	583,775
2017	295,000	437,537	(149,612)	582,925
2018-2022	1,585,000	2,028,826	(708,842)	2,904,984
2023-2027	1,865,000	1,605,770	(562,019)	2,908,751
2028-2032	2,245,000	1,014,956	(355,235)	2,904,721
2033-2036	2,150,000	272,097	(95,234)	2,326,863
	$ 9,255,000	$ 7,165,709	$ (2,469,390)	$ 13,951,319

Compensated Absences

The College adopted a new compensated absences policy effective September 1, 2001. Under the new policy, employees in Grade Levels 7 through 14 earn vacation leave at a rate of 6.15 hours for each pay period, up to a maximum of 160 hours. Employees in Grade Levels 5 and 6 earn vacation at a rate of 4.62 hours per pay period, up to a maximum of 120 hours. Employees in Grade Levels 4 and below earn vacation leave at a rate of 3.08 hours for each pay period, up to a maximum of 80 hours. Upon completion of five years of service, eligible employees in these grade levels earn eight additional vacation hours for each year of service, up to a maximum of 160 hours. The policy allows a maximum of 200 vacation hours to be carried over to the subsequent year. Upon termination of employment, an employee is entitled to payment for all unused, accrued vacation hours. Vacation leave accrual rates will not be reduced for all employees hired prior to this date.

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

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

The total amount accrued for compensated absences at June 30:

	2012	2011
Vacation	$ 366,159	$ 359,662
Sick leave	16,385	16,216
Total	$ 382,544	$ 375,878

NOTE 6 – STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for construction of major plant facilities on the College campus. The funding is obtained from issuance of revenue bonds by the Ohio Public Facilities Commission (“OPFC”), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost.

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

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

NOTE 7 – PENSION PLANS

School Employees Retirement System

Plan Description – The College contributes to the School Employees Retirement System ("SERS"), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code ("ORC"). SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of their annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were $1,085,613, $981,090 and $957,953, respectively, which equaled the required contributions each year.

State Teachers Retirement System

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

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

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

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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, 2012, 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, 2012, 2011, and 2010, were \$1,053,938, \$960,790 and \$866,744, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2011 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.

<u>Alternative Retirement Programs</u>

The College's contributions to ARPs for the year ended June 30, 2012 and 2011 were \$70,188 and \$61,547, respectively, which is equal to the required contribution for the year.

NOTE 8 – POSTEMPLOYMENT BENEFITS

<u>School Employees Retirement System</u>

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

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocations a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The College's contributions for the years ended June 30, 2012, 2011, and 2010 were \$58,158, \$53,259, and \$52,003, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were $148,506, $205,532 and $136,796, respectively.

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

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

State Teachers Retirement System

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2011, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund (latest information available). The College's contributions allocated to health care benefits for the years ended June 30, 2012, 2011, and 2010 were $75,281, $68,628 and $61,910, respectively, which equaled the required contributions each year.

NOTE 9 – LEASES

The College leases office equipment under operating leases that have varying expiration dates from June 2012 through October 2016. Future minimum lease payments under these lease agreements at June 30, 2012 are as follows:

2013	57,772
2014	29,760
2015	29,760
2016	29,760
2017	7,364
	$ 154,416

NOTE 10 – GRANTS, CONTRACTS AND OTHER ASSISTANCE

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

NOTE 11 – RISK MANAGEMENT

Risk Management:

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

Coverage	Amount	Deductible
Building, Contents, Computer Equipment	Replacement Cost	$ 25,000
Crime – Employee Dishonesty	$ 500,000	2,500
Crime – Forgery/Alteration	500,000	2,500
Crime – Theft, Disappearance and Destruction of Money and Securities (on premises or away)	40,000	2,500
Automobile Liability	1,000,000	None
Automobile – Physical Damage – Collision	Actual Cash Value of Vehicle	$ 500
Automobile – Physical Damage – Comprehension (other than collision)	Actual Cash Value of Vehicle	$ 500
Trailer/Truck Liability	$ 1,000,000	2,500
Truck/Trailer Physical Damage	79,500	2,500
General Liability (per occurrence)	1,000,000	None
General Aggregate Liability (per policy year)	3,000,000	None
Excess Liability (per occurrence)	15,000,000	None
Educators – Excess (per occurrence)	15,000,000	None
Liquor Liability (per occurrence)	1,000,000	None
Educators Legal (per occurrence)	1,000,000	$ 10,000
Flood – Each Occurrence and Aggregate	100,000,000	100,000
Earthquake – Each Occurrence and Aggregate	100,000,000	100,000
Ordinance or Law	Policy Limit	25,000
Equipment Breakdown	$ 100,000,000	25,000
Nurse Professional	1,000,000	None
Employers Liability	1,000,000	None
Employee Benefit Liability	1,000,000	$ 1,000
Sexual Misconduct (per claim)	1,000,000	None

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

NOTE 12 – CLARK STATE COMMUNITY COLLEGE FOUNDATION

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

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

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

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 2.76% and 4.38%, respectively, to the present value of future cash flows, for the years ended June 30, 2012 and 2011.

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

	2012	2011
One year or less	$ 314,987	$ 388,907
Between one and five years	1,153,850	1,248,812
Longer than five years	1,125,000	1,375,000
	2,593,837	3,012,719
Discount and allowance	(255,636)	(448,820)
Net Pledges	$ 2,338,201	$ 2,563,899

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:

	2012	2011
Equity funds	$ 5,842,543	$ 6,161,029
Bond funds	4,556,864	4,563,631
Money market account and other	2,047,771	2,161,825
	$ 12,447,178	$ 12,886,485

During the years ended June 30, 2012 and 2011, the Foundation distributed $1,532,500 and $1,798,187, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

SUPPLEMENTAL INFORMATION

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

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

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Revenues	Expenditures
U.S. Department of Education				
Title IV Program				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant	P007A113254	84.007	$ 203,096	$ 203,096
College Work Study	P033A113254	84.033	140,177	140,177
Pell Grant	P063P112557	84.063	12,145,955	12,145,955
Federal Direct Student Loans	P268K122557	84.268	21,733,741	21,733,741
Total Student Financial Aid Cluster			34,222,969	34,222,969
TRIO Support Services				
TRIO Student Support Services	P042A101486	84.042	221,599	221,599
Total TRIO Support Services			221,599	221,599
Gaining Early Awareness and Readiness for Undergraduate Programs	P4334S050016	84.334	127,429	127,429
Total Title IV Program			34,571,997	34,571,997
Title I Program				
Vocational Education	063370-20C3-2008	84.048	134,970	134,970
Title III Program				
Title III Program	P031A090165	84.031	351,460	351,460
Title VIII Program				
Training Real-time Writers	P116K100007	84.116K	84,211	84,211
Total U.S. Department of Education			35,142,638	35,142,638
U.S. Department of Justice				
GEARUP/STARS Program	212007-JJ-DMC-0208	16.540	23,794	23,794
Total U.S. Department of Justice			23,794	23,794
U.S. Department of Commerce				
ARRA - Connect Ohio	21-43-B10546	11.557	54,254	54,254
Total U.S. Department of Commerce			54,254	54,254
U.S. Department of Health and Human Services				
Passed through the Clark County Department of Job and Family Services:				
Temporary Assistance for Needy Families	N/A	93.558	86,808	86,808
Total U.S. Department of Health and Human Services			86,808	86,808
U.S. Department of Defense				
Ohio Environmental Infrastructure Program	N/A	12.118	636,100	636,100
Total U.S. Department of Defense			636,100	636,100
National Science Foundation				
Cybersecurity	DUE-0703130	47.076	62,693	62,693
Total National Science Foundation			62,693	62,693
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 36,006,287	$ 36,006,287

See accompanying notes to the schedule of federal awards.

NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year. During the fiscal year ending June 30, 2012, the College processed the following amount of new loans for the Direct Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students):

	CDFA Number	Amount Authorized
Federal Direct Loan Program	84.268	$21,733,741

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

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECTAND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Clark State Community College
Springfield, Ohio

Compliance

We have audited the of Clark State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2012

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major program:

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

Dollar threshold to distinguish between Type A and Type B programs:	$1,080,189
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported in prior audit

Dave Yost • Auditor of State

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2012