CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2014 and 2013

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Trustees
Clark State Community College
570 Leffels Lane
Springfield, OH 45502-4795

We have reviewed the *Independent Auditors' Report* of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

October 28, 2014

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STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Clark State Community College
Springfield, Ohio

Report on the Financial Statements
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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above 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, 2014 and 2013, and the respective changes in financial position and, where applicable its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 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 States 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.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees, Administrative Personnel and 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,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of the Board of Trustees and the Administrative Personnel have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 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* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2014

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, 2014.

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 $997,000 (6.7%) primarily due to surplus from operations.
- Investments include funds on deposit with Huntington National Bank (HNB) as trustee for the 2010 bond issuance. Funds are remitted monthly but paid out by HNB semi-annually.
- Net accounts receivable increased by $381,000 (9.5%). Student receivables net of allowance for doubtful accounts increased $173,000. Also, receivables increased for customized training, sponsored students, direct loans, Pell and Choose Ohio First Scholarships. Receivables decreased for ABLE, Worker's Comp and Foundation Major Gift Pledges.
- Prepaid expenses increased by $259,000 (85.4%) because of the timing of payment for a software maintenance contract and a building maintenance contract. These were paid in July and August for FY 2013 and June for FY 2014.
- Employee loans receivable decreased by $9,000 (50.7%) because the program ended in December 2013.
- Net capital assets increased by $2.3 million (5.3%) as a result of an increase in construction in progress (Student Success Center). This increases was somewhat offset by depreciation.

Liabilities and Net Position

- Accounts payable increased by $634,000 (64.8%) largely due to a capital appropriation payable to the contractor for the Student Success Center.
- Note payable (current portion) and interest payable represents amounts due during FY 2015 on the 2010 bond issuance to purchase the Greene Center and 2006 bond issuance to construct the Landess Technology and Learning Center.
- Wages payable decreased by $51,000 (4.7%) because in FY 2013 there was severance pay due to the retiring President.
- Accrued payroll and tax liabilities increased by $23,000 (7.6%) as a result of several of the liabilities having higher dollar amounts including SERS, health insurance and Flex Bank.
- Unearned revenue decreased by $216,000 (59.5%) because Performing Arts Center (PAC) ticket sales began later and student billing for Fall 2014 Semester was delayed until July 1.
- Notes payable (less current portion) decreased by $625,000 (4.1%) which reflects debt service payments on both the 2006 and 2010 bond issuances paid in FY 2014.

- Deposits held in trust for others decreased by $67,000 (30.3%) primarily as a result of the loss from operations experienced by the Early Childhood Education Center for which Clark State acts as fiscal agent.

- Accrued compensated absences increased by $252,000 (61.1%) due to a change in methodology of calculating accrued severance (sick leave) for those employees eligible for retirement.

- Net position invested in capital assets, net increased by $2.9 million (10.1%) due to construction activities (Student Success Center), equipment/vehicle purchases, infrastructure improvements, and depreciation expense.

- Expendable restricted net position increased by $315,000 (10.0%) due to an increase in capital component funding and Ohio Means Internship funding from the state.

- Unrestricted net position increased by $790,000 (6.0%) as a result of revenues exceeding expenditures generating a net surplus for the fiscal year.

- Total net position increased by $4.0 million (8.8%).

Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) increased by $167,000 (1.9%). Gross tuition and fees revenue decreased by $967,000 (5.6%) due to accounting for summer 2012 and summer 2013 in FY 2013 due to the change from quarters to semesters. Also, scholarship allowances were down by $1.1 million (13.1%).

- Federal grants and contracts decreased by $128,000 (7.7%) due to the ABLE grant from Ohio Hi-Point decreasing by $151,000.

- State and local grants and contracts increased by $123,000 (39.8%) due to a new grant from the State Fire Marshall and an increase in funding for Project Jericho.

- Nongovernmental grants and contracts increased by $100,000 (31.7%) because of an increase in partnership shows at the PAC.

- Auxiliary enterprises revenue, in total, increased by $108,000 (9.2%). Bookstore revenues (net of scholarship allowances) increased $194,000 (34.8%) even though gross revenue was up $415,000 (12.5%). This is because restricted scholarship aid for books was up $221,000 (8.0%). Parking revenues decreased $6,000 (10.0%) primarily due to a reduction in fines. Commercial Transportation Training Center revenues decreased $80,000 (14.5%) due to a decrease in enrollment caused by less WIA funding.

- Other operating revenues increased $79,000 (7.4%) as a result of an increase in lease revenue, including revenue from the Global Impact STEM Academy.

- In total, operating revenues increased $449,000 (3.4%).

Operating Expenses

- Instructional expenses increased by $409,000 (3.5%) due to salary increases and new grants from the State Fire Marshall and the Ohio Manufacturing Education Collaborative.

- Institutional support increased $669,000 (12.9%) due to expenses related to the purchase of software (I-Dashboards and Informer), technology replacements, branding/marketing project, IT initiatives, consulting fees, and retirement severance.

- Operation and maintenance of plant decreased by $32,000 (1.2%) due to bidding elevator and building maintenance contracts and trash service.

- Student aid (represents amounts refunded to students) decreased by $430,000 (17.1%) because of a reduction in Pell grants (FY 2013 included two Summer terms).

- Depreciation expense decreased by $113,000 (5.9%) and expenses related to Auxiliary Enterprises increased $96,000 (2.6%).

- Total operating expenses increased by $856,000 (2.5%).

- Total operating loss increased by $407,000 (1.9%) to $21.9 million.

Non-Operating Revenues (Expenses)

- State appropriations increased by $767,000 (7.1%) as a result of enrollment increases in previous years and receipt of the Ohio Means Internship grant.

- Federal grants revenue decreased by $1.3 million (10.4%) due to a decrease in Pell grants because FY 2013 had two Summer terms.

- Investment income decreased by $4,000 (12.1%) due to declining interest rates.

- Other non-operating items decreased $9,000 (72.0%) because FY 2013 included a gain on disposal of an asset.

- Interest expense decreased by $12,000 (2.0%).

- Total net nonoperating revenues decreased by $550,000 (2.4%).

- The gain before other revenues, expenses, gains or losses decreased by $957,000 (69.6%) from $1.4 million in FY 2013 to $419,000.

- Capital appropriations reflect funds from the state capital bill. There was $3.3 million in funds drawn in FY2014. There were no funds drawn down in FY 2013 primarily because there was no state capital bill for the FY 2011 / FY 2012 biennium.

- Capital grants and gifts decreased by $120,000 (31.4%) 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 position for FY 2014 was $4.0 million compared to FY 2013 of $1.8 million.

- Total net position at the end of FY 2014 equaled $49.2 million, up from $45.2 million at the end of FY 2013.

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 position divided by plant debt

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

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

For FY 2014, the College scored a 4 on Viability Ratio, 4 on Primary Reserve Ratio, and 5 on Net Income Ratio, resulting in a composite score of 4.2. The composite score for FY 2013 was 4.0. The Primary Reserve score was the same as FY 2013 and the ratio improved slightly. The Primary Reserve Ratio improved due to an increase in expendable net position and a smaller increase in total operating expenses. The Viability score was the same as FY 2013 and the ratio improved slightly due to a combination of an increase in expendable net assets coupled with paying down outstanding debt. The Net Income score increased to 5 from a 4 in FY 2013. This was because total revenues increased, primarily as a result of an increase in state and capital appropriations resulting in an increase in the change in total net position.

Dr. Karen Rafinski, President of the College retired in June 2013. After a nationwide search, Dr. Jo Alice Blondin was hired and began her tenure July 1, 2013. The Vice President for Academic and Student Affairs announced his retirement September 2013 and a new Vice President for Academic Affairs was hired in March 2014. Two Board of Trustees positions were appointed by the Governor (one position remains vacant).

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 and an interior renovation of the PAC was completed. During FY 2014 construction of a new student center began. We anticipate undertaking a new campus master planning process within the next year.

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 carried 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. In 2012 this program was transferred to the State Treasurer's office and the OBA became defunct.

In October 2013 Moody's Investors Service conducted an evaluation process of the College's operations. This process is undertaken every three years. Moody's reviewed financial operations, strategic planning, leadership team makeup, capital projects, and plans for future debt issuance. The Moody's team released the results of the Ratings Committee in late October 2013 (see further discussion of results on page 14).

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- 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 $1.81 million and $1.92 million for the years ended June 30, 2014, and June 30, 2013, respectively.

- Scholarships applied to student accounts are shown as a reduction of student tuition and fees while scholarships that are paid directly to students continue to be presented as scholarship expenses. Prior to fiscal year 2002, all scholarships were reflected as expenses. Scholarship allowances totaled $7.5 million and $8.7 million for the years ended June 30, 2014, and June 30, 2013, 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 position is one indicator of its financial health. Over time, increases or decreases in net position 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 Position 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 POSITION

The Statement of Net Position 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 position is simply the difference between total assets and total liabilities. The change in net position 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 position as of June 30, 2014, 2013, and 2012, is as follows:

	2014	2013	2012
	(all dollar amounts in thousands)		
Current assets	$ 21,680	$ 20,046	$ 18,343
Noncurrent assets	46,886	44,558	45,767
Total Assets	68,566	64,604	64,110
Current liabilities	$ 4,060	$ 3,645	$ 4,221
Noncurrent liabilities	15,257	15,697	16,385
Total Liabilities	19,317	19,342	20,606
Net position			
Net investment in capital assets	$ 31,474	$ 28,593	$ 29,406
Restricted			
Nonexpendable	250	250	250
Expendable	3,485	3,169	2,873
Unrestricted	14,040	13,250	10,975
Total Net Position	49,249	45,262	43,504

A review of the summary indicates a relatively strong financial position as of June 30, 2014. Total net position increased $3,987,000 primarily due to an increase in operating revenues (tuition and fees, state and local grants and contracts, non-governmental grants and contracts and bookstore sales), an increase in non-operating revenue (state appropriations) and an increase in capital appropriations.

Current assets increased by $1,634,000 primarily due to an increase in cash, accounts receivable and prepaid expenses.

Non-current assets increased $2.3 million due to an increase in net capital assets.

Current liabilities increased by $415,000 primarily due to increases in accounts payable due to expenses related to the Student Success Center construction.

Non-current liabilities decreased $440,000 as a result of paying down outstanding debt.

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

Net investment in capital assets 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 position represents the College's permanent endowments.

Restricted expendable net position 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 position 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 POSTION

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013, and 2012, is as follows:

	2014	2013	2012
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 8,869	$ 8,702	$ 7,154
Grants and contracts	2,398	2,303	2,054
Auxiliary enterprises	1,281	1,173	1,761
Other	1,139	1,060	1,019
Total	13,687	13,238	11,988
Operating expenses	35,600	34,745	33,472
Operating loss	(21,913)	(21,507)	(21,484)
Nonoperating revenues (expenses)			
State appropriations	$ 11,518	$ 10,751	$ 10,100
Federal grants	11,380	12,695	12,146
Investment income	29	34	42
Other	4	13	1
Interest expense	(598)	(610)	(623)
Capital appropriations	3,305	-	82
Capital grants	262	382	2,414
Total	25,900	23,265	24,162
Increase (decrease) in net position	3,987	1,758	2,678
Net position beginning of year	45,262	43,504	40,826
Net position end of year	$ 49,249	$ 45,262	$ 43,504

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 decreased 1.5% in fiscal year 2014 (the budget was based on an increase of 2.0%). The resulting effect on the State Share of Instruction (the majority of state appropriations) will be realized in fiscal year 2015. Student fees were increased 2.4% effective fall semester 2013 (the increase was 3.5% in fall 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

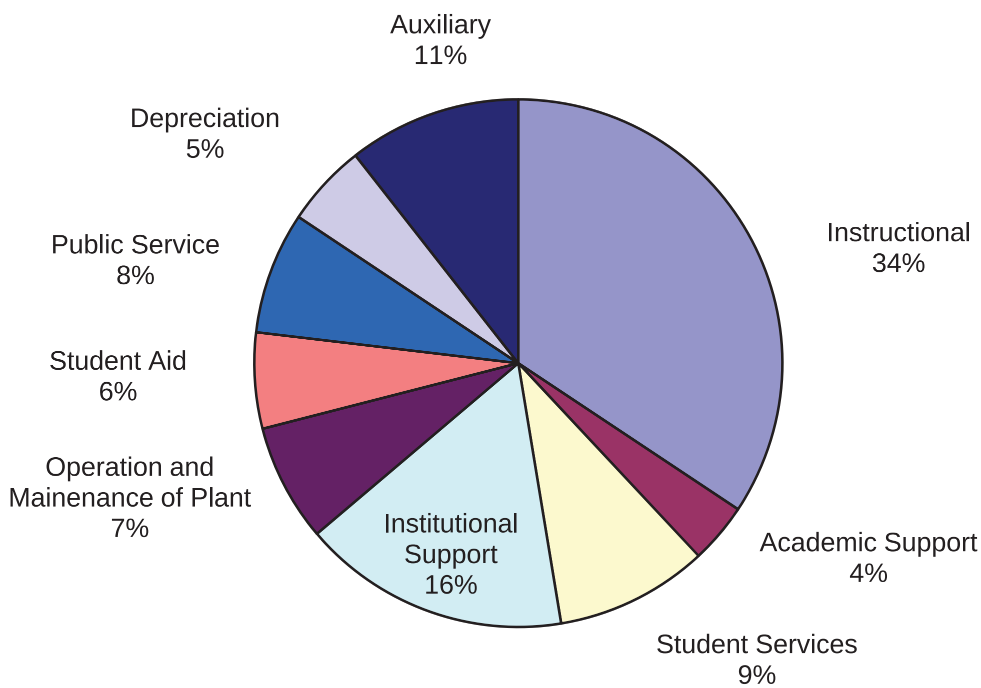
Fiscal Year	Gross Tuition	State Operating Appropriations	Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	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
2013	16,680,297	10,137,875	0.61
2014	15,693,399	10,819,671	0.69

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2014, that figure dropped to $0.69. In 2004, gross tuition exceeded state appropriations by $0.2 million. In 2014, gross tuition exceeds state appropriations by $4.8 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. In 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2013, there are only seven other two-year institutions with lower tuition, six 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 increased 7.1% in FY 2014. Net student tuition and fees increased 1.9% from $8.7 million in FY 2013 to $8.9 million in FY 2014. This increase was experienced in spite of the 1.5% enrollment decrease because of the tuition increase and the reduction in scholarship allowances.

The following is a graphic illustration of expenses by function for the year ended June 30, 2014:



The increase in expenses in FY 2014 was the result of:

- Increases in functional categories of instruction 3.5%, academic support 3.1%, student services 3.7%, public service 3.8%, auxiliary enterprises 2.6%, and institutional support 12.9%.

- Decreases in student aid 17.1%, depreciation 5.9%, and operation and maintenance of plant 1.2%.

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 2014 and 2013. Total operating expenses per FTE student increased by $282 during FY 2014.

	2014	2013	Difference	Change
Total operating expenses	$ 35,600,517	$ 34,744,660	$ 855,857	2.46%
FTE Enrollment	3,672	3,691	(19)	-0.51%
Net operating expense per FTE	9,695	9,413	282	3.00%

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, 2014. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2014, 2013, and 2012:

	2014	2013	2012
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (20,719)	$ (20,509)	$ (19,717)
Noncapital financing activities	22,901	23,459	22,247
Capital and related financing activities	(1,202)	(1,347)	(2,383)
Investing activities	17	23	42
Net increase/(decrease) in cash and cash equivalents	997	1,626	189
Cash and cash equivalents			
Beginning of year	14,851	13,225	13,036
End of year	$ 15,848	$ 14,851	$ 13,225

Cash and cash equivalents increased by $997,000 primarily as a result of an increase in cash flow from noncapital financing activities, which was due to an increase in state appropriations. The changes in uses of cash and sources of cash from operating, noncapital financing, capital financing, and investment activities compared to FY 2013 clearly indicate that enrollment held fairly steady, grants, gifts and contracts increased, expenses for goods/services increased, salaries increased due to an increase in employees and pay raises and loans and scholarships for students decreased. Cash generated by Auxiliary Enterprises increased due to higher bookstore sales which were somewhat offset by lower truck driving enrollment. Lastly, cash generated from state appropriations increased while the use of cash from capital financing activities decreased.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $46.7 million invested in capital assets net of accumulated depreciation of $33.3 million at June 30, 2014. Depreciation expense for the year ended June 30, 2014, was $1.81 million compared to $1.92 million in FY 2013 and $1.87 million in FY 2012. A summary of net capital assets for the years ended June 30, 2014, 2013, and 2012, is as follows:

	2014	2013	2012
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 3,799	$ 3,063	$ 3,123
Buildings	36,689	37,975	39,031
Furniture and equipment	1,814	1,972	2,046
Library books and publications	111	110	109
Vehicles	90	124	96
Construction in progress	4,214	1,135	1,174
Total capital assets, net	$ 46,717	$ 44,379	$ 45,579

Capital projects during FY 2014 included parking lot refurbishing and maintenance, completion of the water/sewer infrastructure and booster station projects at Leffel Lane, purchase of property at Leffel Lane, purchase of capital equipment/vehicles, and technology equipment renewals and replacements. The major capital project was the Karen E. Rafinski Student Center/Student Success Center. This project was bid in late summer 2013 and construction began in November. Phase I of the project is a renovation of the first floor of Rhodes Hall into student and academic support service spaces. A number of student support services offices will relocate from other buildings at the Leffel Lane Campus. New multipurpose labs will serve as academic support learning labs. This phase of the project is scheduled to complete in the fall 2014. Phase II of the project is the construction of a new building connecting the LRC and Rhodes Hall. This building will house the bookstore and dining facilities. There will also be support offices for the bookstore, dining, physical plant, and mail services, as well as copier services. This phase of the project is scheduled to complete in February 2015. Phase III of the project is to construct two classrooms and a corridor on the first floor of the LRC. Other work on this floor is to demolish the spaces that formerly housed the Library and are currently servicing as a temporary location for the bookstore. This phase of the project is scheduled to complete March 2015.

During FY 2007, 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, Champaign 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 was further developed beginning in FY 2013 when we implemented Phase I of assuming responsibility for the adult education programs. These programs are delivered in Logan, Champaign and Union Counties. Beginning FY 2014 Phase II was implemented, which takes on the remaining adult education programs from Ohio Hi-Point. In FY 2013 we began a Diesel Technology program at Miami Valley CTC in Montgomery County. Over the last two years we have established programs with flight training schools in Clark, Greene, Champaign, and Warren counties. Other collaborations that began in FY 2014 included scheduling welding and HVAC classes at the Greene County Career Center and HVAC classes at the Springfield-Clark CTC. We have also began utilizing space on the Urbana University campus in Champaign County for ABLE/GED classes.

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 the Karen E. Rafinski Student Center. Additionally, the capital reappropriations bill was enacted and appropriates a little over $750,000 for various renovation projects at the College.

A similar process was used for the FY 2015/FY 2016 capital biennium. The College received appropriations totaling a little over $4.1 million. The projects included energy efficiency improvements, renovations for a Food and Bioscience Training Center, replacement of the PAC roof, and two community projects in collaboration with the City of Springfield for a downtown parking facility and UAS hangar at the airport. The Ohio Board of Regents set aside $16 million from the capital bill for small campus targeted workforce development expansion grants. There were 19 institutions eligible to compete for these funds, 18 of which submitted proposals. Six proposals were accepted for funding including a proposal to renovate the remaining portion of the LRC first floor for the purpose of relocating the Business and Applied Technologies Academic Division from downtown Springfield to the Leffel Lane Campus. The amount of the award was approximately $472,000.

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 $15.1 million at June 30, 2014. 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.

Every three years Moody's analysts have a formal discussion with college leadership to gather information to present to a Ratings Review committee to determine if the rating and outlook assigned to the College's bonds should be affirmed, upgraded or downgraded. This triennial review took place in fall 2013.

The College provided requested information to the Moody's team, which was discussed and reviewed during a call with the College leadership team. The President and Vice Presidents of the College participated in the call to discuss the strategic overview, governance and management (policy changes and senior leadership/Board changes), enrollment, operating performance, balance sheet and capital, state support and Foundation assets. As a result of this review, Moody's affirmed the Aa2 enhanced rating and the A2 underlying rating on the Series 2010 Bonds issued by the Ohio Building Authority and affirmed the A2 rating on the General Receipts Bonds issued in 2006. The A2 rating reflects the College's solid market position with positive operations, healthy state support and improved financial resource coverage of debt and operations. The outlook on both the enhanced and underlying ratings is stable.

Strengths of the College, as noted in the October 2013 Moody's Rating Update, include:

- The Series 2010 Bonds are supported by the Ohio Community and technical College Credit Enhancement Program which provides additional security.
- Expendable financial resources grew to $23.6 million in FY 2013, up 18.6% over the prior year, and provided fairly strong coverage of debt for the rating category at 1.5 times.
- Stable market position as a low cost provider of traditional and technical Associate degrees as reflected in enrollment levels.
- Operating performance has improved the past four years from a Moody's calculated operating margin of negative 1.3% in FY 2009 to a positive 5.7% in FY 2013, providing improved debt service coverage.
- Notable philanthropic support for a community college.

Challenges of the College, as noted in the October 2013 Moody's Rating Update, include:

- The College's modest operations and increasing reliance on student charges limit financial flexibility. State caps on tuition increases challenge the College's ability to increase revenues.
- Increasing age of facilities signals the future need for additional capital investment.
- Even though demographics have recently stabilized in the main service area of Clark county, the College faces a highly competitive student market in Ohio with many other private and public colleges and universities in the state.

GASB STATEMENT NO. 68

This accounting standard is effective beginning with the FY 2015 fiscal year. It revises the recognition, measurement and disclosure requirements for all employers with defined benefit and defined contribution pension plans administered through trusts that meet certain criteria. The intent of the new standard is to:

- Enhance the transparency of pension-related information in financial reports
- Improve accountability
- Standardized actuarial valuation practices

This statement requires the College to reflect the pension liability of retirees and prospective retirees on its financial statements, even though the College will never be legally responsible to pay these pension benefits. For Clark State this pension liability is estimated at $38.9 million. If (when) this liability is reflected on the College's financial reports, it will decimate the financial ratios and composite score required by Senate Bill 6 and it is yet to be determined how this might affect the rating on the College's debt and the outlook as determined by the ratings agencies.

STRATEGIC PLAN

The College embarked on a strategic planning process in fall 2013. Faculty, staff, students, Trustees, Foundation Directors, business leaders and the community at large were invited to participate in the process. During this process the Mission and Vision Statements were revised. A new set of Guiding Principles were developed which focus on learning, community, partnerships, innovation and diversity. Strategic trends were researched and compiled and included competition strategies, financial drivers, technology pathways, workforce and economic trends, marketing the product and demographic opportunities. As a result, three goals were developed with each having several initiatives that will be worked on over the next 3 to 5 years. Work on these initiatives began in fall 2014 by collaborative groups of faculty, staff and students. The goals are as follows:

- Increase enrollment, student success, engagement, retention and completion.
- Improve communication and collaboration within the College and with our diverse communities, businesses, and industries.
- Develop quality academic, community and support programs by creating an innovative learning environment.

ECONOMIC FACTORS AFFECTING THE FUTURE

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 essentially put the USO plan on hold. A new Chancellor was appointed who then retired in 2013. The current Chancellor was appointed in June 2013. 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. We are also working with Wright State University and Central State University on a Print Management project.

FY 2014/FY 2015 State Biennial Budget

Beginning in FY 2014 the State Share of Instruction (SSI) is transitioning from a model based primarily on enrollment to a model based on performance. For FY 2014 funding will be calculated based on enrollment (50%), success points (25%), and course completion (25%). The data used will be a three year average for fiscal years 2013, 2012 and 2011. The College received an increase in SSI of $682,000 (6.7%) in FY 2014.

The Budget Bill called for a community college funding consultation group to draft the formula framework for SSI for FY 2015. The group is made up of community college fiscal, academic, and student services officers as well as representatives from the Ohio Board of Regents, Office of Budget and Management, and the Ohio Association of Community Colleges. The consultation is being led by consultants that have worked with other states across the country to assist them in developing performance funding models. They are in part funded by the Lumina Foundation to work toward a goal for 60% of adults across the nation to have a higher education degree/credentials by 2025. The model will eliminate the enrollment component and instead fund a combination of course completion, success points, and completion metrics. Weights will be assigned, and institutions rewarded, for the success of at-risk students. There will be no stop-loss (minimum funding guarantee) in the formula.

The report including recommendations was submitted to the Chancellor of the OBR December 2013. The Higher Education Funding Commission (another collaborative group assembled by the Governor of Ohio) reviewed the report during January/February 2014. The final recommendations were submitted by the Chancellor of the OBR to the Office of Budget and Management by February 2014. All recommendations in the report were accepted by the Governor and included in the mid-biennium budget review legislation which was approved by both the House and Senate. The Consultation continues to meet to further explore elements identified for consideration in the FY 2016/FY 2017 SSI funding formula including:

- Data consistency and reliability (e.g. use of projected data)
- Academic preparation access category
- Short term certificates

The Budget Bill limits tuition increases for community colleges to $100 above what was charged in the previous academic year.

Major Accomplishments for FY 2014

- Development of a Strategic Plan
- Facilitated student success and completion through organizational changes, including streamlining and student services
- Disseminated data widely through on-line software tools to support data driven decision making
- Implemented a strategic enrollment Management Plan
- Developed relationships with the Career Technology Centers throughout the College's service district
- Developed new academic programs

Major Initiatives Planned for FY 2015

- Improve and streamline the IT infrastructure
- A renewed focus on academic support programs to increase student retention
- Implementation of realignments as a result of the space planning study completed in June 2011
- Complete the construction of the Karen E. Rafinski Student Center and renovation to existing spaces in Rhodes Hall for academic and support services
- Implement the branding and enrollment marketing campaign developed during FY 2014 to refresh our brand and create an enrollment-driven marketing campaign
- 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
- Increase community engagement activities especially in Greene County
- Implement a formal academic program review process
- Continue to assure strong 360 degree communication with faculty and staff
- Update Campus Master Plan

Clark State Community College
Statements of Net Position
June 30, 2014 and 2013

Assets		2014	2013
Current assets			
Equity in pooled cash and cash equivalents	$	15,848,458	14,851,324
Investments		480,660	468,798
Accounts receivable, net		4,375,485	3,994,430
Prepaid expenses		562,705	303,457
Inventory		403,611	410,305
Employee loans receivable		8,717	17,685
Total current assets		21,679,636	20,045,999
Noncurrent assets			
Capital assets, net		46,716,739	44,379,491
Deferred charges		169,263	178,264
Total noncurrent assets		46,886,002	44,557,755
Total assets		68,565,638	64,603,754
Liabilities			
Current liabilities			
Accounts payable		1,613,762	979,450
Note payable, current portion		625,000	610,000
Interest payable		172,963	175,983
Wages payable		1,027,381	1,078,122
Accrued payroll and tax liabilities		324,425	301,522
Unearned revenue		147,005	363,205
Unclaimed funds		149,288	136,697
Total current liabilities		4,059,824	3,644,979
Noncurrent liabilities			
Note payable, less current portion		14,440,000	15,065,000
Deposits held in trust for others		153,285	219,801
Accrued compensated absences		663,900	412,197
Total noncurrent liabilities		15,257,185	15,696,998
Total liabilities		19,317,009	19,341,977
Net position			
Net investment in capital assets		31,474,114	28,593,044
Restricted			
Nonexpendable		250,000	250,000
Expendable		3,484,570	3,169,193
Unrestricted		14,039,945	13,249,540
Total net position	$	49,248,629	45,261,777

See accompanying notes to financial statements.

	2014	2013
Assets		
Cash and cash equivalents	$ 283,174	284,367
Investments	16,056,838	13,851,113
Pledges receivable	1,778,702	2,015,528
Student loans receivable, net of allowance for doubtful loans of $50,385 in 2014 and $81,842 in 2013	71,714	60,405
Prepaid expenses	36	458
	$ 18,190,464	16,211,871
Liabilities and net assets		
Liabilities		
Accounts payable, Clark State Community College	$ 4,508	40,815
Wages payable	869	615
	5,377	41,430
Net assets		
Unrestricted	381,151	323,069
Temporarily restricted	8,598,812	6,901,021
Permanently restricted	9,205,124	8,946,351
	18,185,087	16,170,441
	$ 18,190,464	16,211,871

See accompanying notes to financial statements.

Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Student tuition and fees, net of scholarship allowances of $7,524,006 in 2014 and $8,658,069 in 2013	$ 8,869,061	8,702,024
Federal grants and contracts	1,548,558	1,676,873
State and local grants and contracts	432,244	309,118
Nongovernmental grants and contracts	417,043	316,626
Auxiliary enterprises		
Bookstore, net of scholarship allowances of $2,988,435 in 2014 and $2,767,670 in 2013	752,352	558,145
Parking	57,678	64,074
Truck driving	470,889	550,605
Other operating revenues	1,139,299	1,060,682
Total operating revenues	13,687,124	13,238,147
Operating expenses		
Educational and general		
Instructional	12,227,882	11,818,925
Academic support	1,312,990	1,273,146
Student services	3,334,903	3,214,583
Institutional support	5,839,425	5,170,289
Operation and maintenance of plant	2,562,361	2,594,372
Student aid	2,091,503	2,521,631
Public service	2,661,079	2,564,287
Depreciation expense	1,806,744	1,920,064
Auxiliary enterprises	3,763,630	3,667,363
Total operating expenses	35,600,517	34,744,660
Operating loss	(21,913,393)	(21,506,513)
Nonoperating revenues (expenses)		
State appropriations	11,517,755	10,750,494
Federal grants revenue	11,379,713	12,695,425
Investment income	29,485	33,549
Other nonoperating items	3,675	13,135
Interest expense	(598,417)	(610,507)
Net nonoperating revenues (expenses)	22,332,211	22,882,096
Gain before other revenues, expenses, gains, or losses	418,818	1,375,583
Capital appropriations	3,305,583	-
Capital grants and gifts	262,451	382,344
Total other revenues, expenses, gains, or losses	3,568,034	382,344
Change in net position	3,986,852	1,757,927
Net position - beginning of year	45,261,777	43,503,850
Net position - end of year	$ 49,248,629	45,261,777

See accompanying notes to financial statements.

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenues and other support						
Campaign contributions	$	13,605	131,083	2,134	146,822	236,175
Foundation contributions		2,414	246,853	256,639	505,906	374,814
Interest		984	303,391	-	304,375	293,739
Net realized and unrealized gains on investment		74,173	1,838,703	-	1,912,876	1,308,581
Miscellaneous		8,418	32,331	-	40,749	57,402
Net assets released from restrictions		854,570	(854,570)	-	-	-
Total revenues and other support		954,164	1,697,791	258,773	2,910,728	2,270,711
Expenses						
Programs		821,599	-	-	821,599	803,127
Management and general		74,483	-	-	74,483	73,501
Total expenses		896,082	-	-	896,082	876,628
Change in net assets		58,082	1,697,791	258,773	2,014,646	1,394,083
Net assets at beginning of year		323,069	6,901,021	8,946,351	16,170,441	14,776,358
Net assets at end of year	$	381,151	8,598,812	9,205,124	18,185,087	16,170,441

See accompanying notes to financial statements.

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
Revenues and other support					
Campaign contributions	$	37,351	198,824	-	236,175
Foundation contributions		3,109	110,290	261,415	374,814
Interest		759	292,980	-	293,739
Net realized and unrealized gains on investment		33,465	1,275,116	-	1,308,581
Miscellaneous		5,663	51,739	-	57,402
Net assets released from restrictions		776,786	(776,786)	-	-
Total revenues and other support		857,133	1,152,163	261,415	2,270,711
Expenses					
Programs		803,127	-	-	803,127
Management and general		73,501	-	-	73,501
Total expenses		876,628	-	-	876,628
Change in net assets		(19,495)	1,152,163	261,415	1,394,083
Net assets at beginning of year		342,564	5,748,858	8,684,936	14,776,358
Net assets at end of year	$	323,069	6,901,021	8,946,351	16,170,441

See accompanying notes to financial statements.

	2014	2013
Cash flows from operating activities		
Tuition and fees	$ 8,208,409	8,031,725
Grants, gift and contracts	2,461,242	1,652,785
Payments for goods and services	(10,368,170)	(8,959,624)
Payment for utilities	(794,601)	(794,283)
Payments to employees	(16,316,918)	(15,805,461)
Payments for benefits	(4,469,454)	(4,550,320)
Payments for scholarships and fellowships	(1,890,611)	(2,329,127)
Loans issued to students and employees	(7,393)	(28,275)
Collection of loans to students and employees	16,361	29,013
Auxiliary enterprise charges		
Bookstore	752,352	558,145
Parking	57,678	64,074
Truck driving	470,889	550,605
Other receipts	1,160,891	1,072,041
Net cash from operating activities	(20,719,325)	(20,508,702)
Cash flows from noncapital financing activities		
State appropriations	11,517,755	10,750,494
Federal grants revenue	11,379,713	12,695,425
Other nonoperating items	3,675	13,135
Net cash from noncapital financing activities	22,901,143	23,459,054
Cash flows from capital financing activities		
Purchase of capital assets	(3,558,904)	(526,274)
Principal paid on capital debt	(610,000)	(590,000)
Interest paid on capital debt	(601,437)	(612,924)
Capital appropriations	3,305,583	-
Capital grants and gifts proceeds	262,451	382,344
Net cash from capital financing activities	(1,202,307)	(1,346,854)
Cash flow from investing activities		
Net change in investments	(11,862)	(10,531)
Income on investments	29,485	33,549
Net cash from investing activities	17,623	23,018
Net change in cash and cash equivalents	997,134	1,626,516
Cash and cash equivalents, beginning of year	14,851,324	13,224,808
Cash and cash equivalents, end of year	$ 15,848,458	14,851,324

(continued)

See accompanying notes to financial statements.

		2014	2013
Reconciliation of net operating loss to net cash from operating activities			
Operating loss	$	(21,913,393)	(21,506,513)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense		1,806,744	1,920,064
Provision for bad debts		279,597	446,708
Changes in assets and liabilities			
Accounts receivable		(660,652)	(670,299)
Inventory		6,694	2,668
Prepaid expenses		(259,248)	153,894
Loans receivable		8,968	738
Other assets		9,001	9,002
Accounts payable		49,224	54,275
Wages payable		(50,741)	312,630
Accrued payroll liabilities		22,903	(59,928)
Unearned revenue		(216,200)	(1,096,540)
Unclaimed funds		12,591	2,357
Deposits held in trust for others		(66,516)	(107,411)
Compensated absenses		251,703	29,653
Net cash from operating activities	$	(20,719,325)	(20,508,702)

Noncash transactions:

Capital assets of $779,111 and $194,023 for fiscal years 2014 and 2013, respectively, were financed through accounts payable, therefore this amount was excluded from the change in accounts payable and purchases of capital assets, above.

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 position categories:

- **Net investment in capital assets** – 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 position subject to externally-imposed stipulations that they be maintained permanently by the College.

- **Restricted, expendable** – Net position 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 represent amounts for scholarships and capital construction projects.

- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position 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 position, revenues, expenses, changes in net position 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.

New Accounting Standards Adopted:
In fiscal year 2014, the College adopted two new accounting standards as follows:

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the College.

GASB Statement No. 66 *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66) improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the College.

Upcoming Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of the statement are effective for financial statements for periods beginning after June 30, 2014.

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 position.

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 includes 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 asset additions and improvements with a cost in excess of $5,000 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	20-40 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 position and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Unearned Revenue: Unearned 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. Unearned 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 $153,285 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 position 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 position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Joint Venture: In conjunction with Springfield-Clark Career Technology Center ("CTC"), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CTC to determine each entity's share in funding operating losses, if any. Although operating losses were incurred in FY 2014 and FY2013, the College did not incur any funding obligations, due to the Center having positive fund balances from prior years' profitable operations. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

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

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, 2014 and 2013, carrying amount of the Colleges' deposits was $2,636,278 and $2,612,313, respectively. The bank balance was $3,253,218 at June 30, 2014. Of the 2014 bank balance, $1,541,006 was covered by federal depository insurance, $908,550 was collateralized in both the College's name and the financial institution's name, and $803,662 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2014 and 2013, the College had amounts on deposit with STAR Ohio, with fair market values of $13,212,180 and $12,239,011, respectively which are included in the "Equity in Pooled Cash and Cash Equivalents" amount on the statement of net position. 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 $480,660 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 AAAm 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, 2014 and 2013 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:

	2014	2013
Student charges	$ 3,563,020	$ 3,213,071
Room rental	48,822	22,507
Post secondary	300,771	324,113
Customized training services	179,511	54,967
Sponsored billings	253,385	145,168
Intergovernmental	1,513,811	1,374,076
Miscellaneous	297,755	464,915
	6,157,075	5,598,817
Less allowance for possible collection losses	(1,781,590)	(1,604,387)
Accounts receivable, net	$ 4,375,485	$ 3,994,430

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	July 1, 2013 Balance	Additions/ Transfers	Net Reductions	June 30, 2014 Balance
Cost				
Land	$ 2,376,796	$ 31,942	$ -	$ 2,408,738
Infrastructure	3,589,330	885,140	-	4,474,470
Buildings	61,185,052	-	-	61,185,052
Construction in Progress	1,135,011	3,963,723	(885,140)	4,213,594
Furniture and equipment	6,554,255	114,435	(16,485)	6,652,205
Library books	516,219	25,892	(23,377)	518,734
Vehicles	551,803	8,000	(11,600)	548,203
	75,908,466	5,029,132	(936,602)	80,000,996

	July 1, 2013 Balance	Additions/ Transfers	Net Reductions	June 30, 2014 Balance
Accumulated depreciation				
Infrastructure	$ 2,903,406	$ 180,973	$ -	$ 3,084,379
Buildings	23,209,782	1,286,559	-	24,496,341
Furniture and equipment	4,581,623	273,344	(16,485)	4,838,482
Library books	406,103	24,552	(23,377)	407,278
Vehicles	428,061	41,316	(11,600)	457,777
	31,528,975	1,806,744	(51,462)	33,284,257
Capital assets, net	$ 44,379,491	$ 3,222,388	$ (885,140)	$ 46,716,739

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	July 1, 2012 Balance	Additions/ Transfers	Net Reductions	June 30, 2013 Balance
Cost				
Land	$ 2,271,084	$ 105,712	$ -	$ 2,376,796
Infrastructure	3,589,330	-	-	3,589,330
Buildings	60,834,983	350,069	-	61,185,052
Construction in Progress	1,174,263	310,817	(350,069)	1,135,011
Furniture and equipment	6,389,434	211,588	(46,767)	6,554,255
Library books	530,964	25,207	(39,952)	516,219
Vehicles	528,347	66,973	(43,517)	551,803
	75,318,405	1,070,366	(480,305)	75,908,466

	July 1, 2012 Balance	Additions/ Transfers	Net Reductions	June 30, 2013 Balance
Accumulated depreciation				
Infrastructure	$ 2,737,114	$ 166,292	$ -	$ 2,903,406
Buildings	21,803,595	1,406,187	-	23,209,782
Furniture and equipment	4,343,178	285,212	(46,767)	4,581,623
Library books	422,331	23,724	(39,952)	406,103
Vehicles	432,929	38,649	(43,517)	428,061
	29,739,147	1,920,064	(130,236)	31,528,975
Capital assets, net	$ 45,579,258	$ (849,698)	$ (350,069)	$ 44,379,491

NOTE 5 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2014 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 15,675,000	$ -	$ 610,000	$ 15,065,000	$ 625,000
Deposits held in trust for others	219,801	-	66,516	153,285	-
Compensated absences	412,197	259,118	7,415	663,900	-
Total long-term liabilities	$ 16,306,998	$ 259,118	$ 683,931	$ 15,882,185	$ 625,000

The College's long-term obligations at June 30, 2013 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 16,265,000	$ -	$ 590,000	$ 15,675,000	$ 610,000
Deposits held in trust for others	327,212	-	107,411	219,801	-
Compensated absences	382,544	49,682	20,029	412,197	-
Total long-term liabilities	$ 16,974,756	$ 49,682	$ 717,440	$ 16,306,998	$ 610,000

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 pledged general receipts of the College. 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 College has covenanted it will ensure sufficient general receipts at all times sufficient to, at least, pay debt service charges on the General Receipt Bonds when due. The total principal and interest remaining to be paid at June 30, 2014 was $8,806,373. Principal and interest paid during the current fiscal year and total general receipts were $610,131 and $11,289,124, respectively.

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
2015	$ 345,000	$ 260,681	$ 605,681
2016	360,000	245,700	605,700
2017	375,000	230,081	605,081
2018	395,000	214,213	609,213
2019	410,000	198,113	608,113
2020-2024	1,800,000	742,875	2,542,875
2025-2029	1,355,000	441,020	1,796,020
2030-2033	1,315,000	118,690	1,433,690
	$ 6,355,000	$ 2,451,373	$ 8,806,373

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
2015	$ 280,000	$ 449,087	$ (149,612)	$ 579,475
2016	290,000	443,387	(149,612)	583,775
2017	295,000	437,536	(149,612)	582,924
2018	300,000	431,024	(149,612)	581,412
2019	310,000	420,673	(147,235)	583,438
2020-2024	1,685,000	1,877,607	(657,162)	2,905,445
2025-2029	2,000,000	1,391,938	(487,178)	2,904,760
2030-2034	2,430,000	730,687	(255,740)	2,904,947
2035-2036	1,120,000	69,721	(24,402)	1,165,319
	$ 8,710,000	$ 6,251,660	$ (2,170,165)	$ 12,791,495

Compensated Absences

Under the College's compensated absences 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 the vesting method to estimate the liability for the next fiscal year.

Full-time faculty have the option of deferring compensation for overload assignments for future leave time with pay during a regular academic 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:

	2014	2013
Vacation	$ 384,979	$ 383,349
Sick leave	259,118	28,848
Faculty Banked Leave	19,803	-
Total	$ 663,900	$ 412,197

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, disability and survivor 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, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% 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, 2014, 2013, and 2012 were $1,071,862, $1,095,878 and $1,085,613, 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, 2014, were 11% 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, 2014, 2013, and 2012, were $1,072,836, $1,177,487, and $1,053,938, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2013 Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2014, 2013 and 2012, were $76,177 $73,755 and $70,188, respectively, which is equal to the required contribution for those years.

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was $104.90 for most participants, but could be as high as $335.70 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 2014, the actuarially required allocation is .76%. The College's contributions for the years ended June 30, 2014, 2013, and 2012 were $58,187, $57,382 and $58,158, 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, 2014, the health care allocation is .14%. 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. Statues provide 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 2014, the minimum compensation level was established at $20,250. 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, 2014, 2013, and 2012 were $78,417, $77,772 and $148,506, 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 2014, 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, 2014, 2013, and 2012 were $76,631, $84,106 and $75,281, 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 2014 through October 2016. Future minimum lease payments under these lease agreements at June 30, 2014 are as follows:

Year Ending June 30,	
2015	$ 22,092
2016	22,092
2017	7,364
Total	$ 51,548

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, vehicle coverage, and natural disasters.

Coverage	Amount	Deductible
Building, Contents, Computer Equipment, including Equipment Breakdown (Boiler and Machinery) (per occurrence)	$ 500,000,000	$ 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	500
Automobile – Physical Damage – Comprehensive (other than collision)	Actual Cash Value	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
Excess Educators – Legal Liability (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
Nurse Professional (Student Professional Liability)	1,000,000	None
Employers Liability	1,000,000	None
Employee Benefits 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, is 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 3.34% and 3.52%, respectively, to the present value of future cash flows, for the years ended June 30, 2014 and 2013.

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

	2014	2013
One year or less	$ 315,965	$ 305,252
Between one and five years	1,007,250	1,068,760
Longer than five years	625,000	875,000
	1,948,215	2,249,012
Discount and allowance	(169,513)	(233,484)
Net Pledges	$ 1,778,702	$ 2,015,528

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:

	2014	2013
Equity funds	$ 7,809,938	$ 6,517,789
Bond funds	5,847,777	5,274,196
Money market account and other	2,399,123	2,059,128
	$ 16,056,838	$ 13,851,113

During the years ended June 30, 2014 and 2013, the Foundation distributed $306,998 and $434,540, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

SUPPLEMENTAL INFORMATION

Clark State Community College
Board Of Trustees
June 30, 2014

Name	Title
Jo Alice Blondin, 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	P007A133254	84.007	$ 201,921	$ 201,921
College Work Study	P033A133254	84.033	183,893	183,893
Pell Grant	P063P132557	84.063	11,379,713	11,379,713
Federal Direct Student Loans	P268K142557	84.268	23,684,170	23,684,170
Total Student Financial Aid Cluster			35,449,697	35,449,697
TRIO Support Services				
TRIO Student Support Services	P042A101486	84.042	226,886	226,886
Total TRIO Support Services			226,886	226,886
Total Title IV Program			35,676,583	35,676,583
Title I Program				
Supply Chain Talent Academic Initiative	PO3674	84.048	4,000	4,000
Passed through Ohio Department of Education				
Vocational Education	063370-20C3-2008	84.048	137,072	137,072
Total Title I Program			141,072	141,072
Title III Program				
Title III Program	P031A090165	84.031	398,450	398,450
Title VIII Program				
Training Real-time Writers	P116K100007	84.116K	72,475	72,475
Adult Basic and Literacy Education Program				
Passed through Ohio Department of Education				
Basic Grants to States	501-9900	84.002	188,264	188,264
Total U.S. Department of Education			36,476,844	36,476,844
U.S. Department of Commerce				
ARRA - Connect Ohio	21-43-B10546	11.557	9,828	9,828
Total U.S. Department of Commerce			9,828	9,828
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	138,920	138,920
Total U.S. Department of Health and Human Services			138,920	138,920
U.S. Department of Justice				
Passed through Ohio Department of Youth Services				
Title II Formula Grant Program	2012-JJ-DMC-2007	16.540	18,700	18,700
Total U.S. Department of Justice			18,700	18,700
National Science Foundation				
Education and Human Resources Grants				
Cyberpro	DUE-1204553	47.076	104,269	104,269
Total National Science Foundation			104,269	104,269
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 36,748,561	$ 36,748,561

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

NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year (which includes Stafford Loans and Parents Loans for Undergraduate Students).

INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon October 15, 2014.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Trustees
Clark State Community College
Springfield, Ohio

Report on Compliance for Each Major Federal Program
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, 2014. The College's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

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The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 15, 2014

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
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)?	Yes
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes

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

CFDA# 84.031 – Strengthening Institutions Program

Dollar threshold to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

Finding 2014-001

Federal Program Information:	Federal Direct Student Loans, CFDA No. 84.268
Criteria:	34 CFR 685.203 (j) – Maximum loan amounts. In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended less – (1) The student's estimated financial assistance for that period; and (2) In the case of Direct Subsidized Loan, the borrower's expected family contribution for that period.
Condition:	Three students in a sample of sixty were over-awarded Federal Direct Loans.
Questioned Costs:	Questioned costs for the three over-awards in the sample total $852
Context:	In a sample of sixty students receiving Title IV funds, three students were over-awarded and over-disbursed Title IV aid based on incorrect cost of attendance (COA).
Cause/Effect:	Review of changes to students COA subsequent to the first day of class and prior to the fourteenth day freeze is a manual process. An automated monitoring process is not currently in place to verify that award amounts were adjusted. As a result, Direct Loans, in these cases, were not adjusted in accordance with Federal guidelines.
Recommendation:	We recommend implementing monitoring procedures relative to the packaging process, in order to ensure that Direct Loans are awarded and disbursed in accordance with federal guidelines.
Views of Responsible Officials Planned Correction Actions:	Students are awarded according to their intended enrollment status indicated when they complete an application for admission to the College. While every effort is made to ensure that students are not over awarded, additional measures will be taken to address these specific situations. The College is evaluating additional automated procedures to verify that student awards are adjusted according to their enrollment status at the time of their loan disbursement.

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported in prior audit

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 13, 2014