CLARK STATE COMMUNITY COLLEGE

Financial Statements and
Supplemental Information

June 30, 2005

with

Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Clark State Community College
570 Leffels Lane
PO Box 570
Springfield, Ohio 45501-0570

We have reviewed the Independent Auditor's Report of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co. for the audit period July 1, 2004 through June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 2, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

CLARK STATE COMMUNITY COLLEGE

Table of Contents

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

Independent Auditors' Report

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Clark State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clark State Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Clark State Community College, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 of the notes to the financial statements, Clark State Community College has implemented for the year ended June 30, 2005, Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures.*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2005 on our consideration of Clark State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered on assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 12 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark State Community College's financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying schedules included on pages 31 – 32 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 30, 2005

CLARK STATE COMMUNITY COLLEGE
Management Discussion and Analysis
(Unaudited)

This section of the Clark State Community College annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2005.

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

- State appropriations increased by $407,500 due to increase in State Share of Instruction ($418,000). Access Challenge funding declined ($10,000).

- Student fee revenue increased by $447,000. This increase was the result of a 6.2% enrollment increase coupled with a 6.0% increase in tuition/fees. This increase was used to fund investments in technology used directly by students, to add course sections and to support initiatives in the College's strategic plan.

- Net assets increased $554,000 or 1.9% during the year. This increase was primarily the result of a $668,000 increase in non-operating revenues.

- Total operating revenues increased $1,960,000 (14.6%) as a result of increased revenues in student fee revenue, federal grants and contracts, state and local grants and contracts, non-governmental grants and contracts, auxiliary enterprises, and other operating revenues.

- Total operating expenses increased $2,116,000 (10.1%) as a result of increases in expenses related to instruction, student services, institutional support, operation and maintenance of plant, student aid, public service, auxiliary enterprises and depreciation.

- A campus master planning process took place during the 2003 fiscal year resulting in a plan pertaining to facilities, land, technology, infrastructure, and space planning that was adopted by the Board of Trustees. Components of this campus master plan began to be implemented during the 2005 fiscal year. It is an aggressive plan that, if implemented in its entirety, would have a price tag of $40 million that would be invested in new and renovated facilities, land acquisition and technology upgrades over the next 10-15 years. Initially, the College is concentrating on three projects:

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

  totaling $20-$25 million. The success of these projects is contingent upon securing funding from federal, state, and local sources including a major gifts campaign "Building for our Future".

- During fiscal year 2005, the College kicked off its major gifts fund raising campaign to help fund the above projects in the campus master plan as well as establish an endowment to fund the Champion City Scholars Program. At 6/30/05 the campaign stood at just over $8 million (toward a goal of $10 million) in donations/pledges.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. These financial statements differ significantly in both form and the accounting principles utilized from financial statements presented prior to June 30, 2002. The financial statements presented prior to June 30, 2002, focused on the accountability of fund groups while statements beginning in fiscal year 2002 focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The fiscal year 2004 information is presented for comparison purposes.

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

- Revenues and expenses are classified as either operating or non-operating. Several routine, recurring sources of revenue such as state appropriations, gifts, and investment income are classified as non-operating. As a public college, Clark State has a high dependency on these non-operating revenues particularly state appropriations. As a result of GASB 35 reporting classifications, the College will always generate an operating deficit. Non-operating revenues totaled $7.7 million and $7.3 million for the years ended June 30, 2005 and June 30, 2004, respectively. Non-operating expenses represent interest on debt. The College incurred long-term debt during fiscal year 2004 ($75,000) to purchase semi-tractors for the Truck Driver Training Institute program. Interest expenses for the years ended June 30, 2005 and June 30, 2004, were minimal.

- 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 $1.3 million and $1.1 million for the years ended June 30, 2005 and June 30, 2004, 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 $1.8 million and $1.5 million for the years ended June 30, 2005 and June 30, 2004, respectively.

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

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

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

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

STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the College's assets, liabilities, and net assets as of June 30, 2005, and 2004, is as follows:

	2005	2004
	(all dollar amounts in thousands)	
Current assets	$ 10,569	$ 9,156
Noncurrent Assets	22,565	22,762
Total assets	33,134	31,918
Current liabilities	2,317	1,820
Noncurrent liabilities	809	644
Total liabilities	3,126	2,464
Net Assets:		
Invested in capital assets, net of related debt	22,519	22,690
Restricted	2,525	2,653
Unrestricted	4,964	4,111
Total net assets	30,008	29,454

A review of the summary indicates a relatively strong financial position as of June 30, 2005. This is a result of the College's careful spending habits and absence of long-term debt. Total net assets increased $554,000 primarily due to an increase in non-operating revenues of $408,000 due to an increase in the State Share of Instruction received through the Ohio Board of Regents (OBR).

Current assets are comprised primarily of cash and operating investments, student and trade receivables, and pre-paid expenses. The increase in total current assets in 2005 is primarily due to the increase in cash and cash equivalents of $654,000 (which is a result of increased enrollment and receipt of restricted funds) and the increase in accounts receivable of $668,000 (which is a result of receivables from students, state and federal grants, and agency receivables).

Current liabilities are comprised primarily of trade payables, wages payable and deferred income (from both student fees and advance payments for grants). These liabilities increased $497,000. The increase was caused by an increase in trade payables ($228,000) primarily caused by amount owed to the architect ($113,000) and deferred income.

Net assets represent the remaining amount of the College's assets after deducting liabilities. A detailed summary of the College's net assets as of June 30, 2005 and 2004, is as follows:

	2005	2004
	(all dollar amounts in thousands)	
Invested in capital assets, net of related debt	$ 22,519	$ 22,690
Restricted:		
Nonexpendable	250	257
Expendable	2,275	2,396
Unrestricted	4,964	4,111
Total net assets	30,008	29,454

Invested in capital assets net of related debt represents the College's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction, or improvement of those assets. The primary activity in capital assets was depreciation expense ($1.3 million).

Restricted nonexpendable net assets represent the College's permanent endowments. It does not include endowments held by the Clark State Community College Foundation to which all new gifts are directed. This amount remained essentially the same due to the fact that the transfer of Performing Arts Center Endowment funds from the College to the Foundation was completed in the previous fiscal year.

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2005, and 2004, is as follows:

	2005	2004
	(all dollar amounts in thousands)	
Operating Revenues:		
Student tuition & fees – net	$ 6,020	$ 5,573
Grants and contracts	6,340	5,084
Auxiliary enterprises	2,135	2,008
Other	903	773
Total	15,398	13,438
Operating Expenses	23,026	20,910
Operating loss	(7,628)	(7,472)
Nonoperating revenues (expenses):		
State appropriations	7,702	7,295
Gifts	26	(214)
Investment income	135	110
Other	0	2
Interest expense	(2)	0
Capital appropriations	25	8
Capital grants	296	84
Total	8,182	7,285
Increase/(Decrease) in net assets	554	(187)
Net assets – beginning of year	29,454	29,641
Net assets – end of year	30,008	29,454

The College relies primarily on state appropriations and student tuition & fees to fund its ongoing programs and operations. Although classified by GASB 35 as a nonoperating revenue source, state appropriations over the years have been the largest single source of revenue for the College up until fiscal year 2004. The amount received each year is, in general, a function of student enrollment for the previous year(s). Although enrollment increased in fiscal year 2005, the resulting effect on the State Share of Instruction (the majority of state appropriations) will not be realized until fiscal year 2006. As the table below demonstrates, the State of Ohio has dramatically shifted the burden for funding the cost of higher education to students and their families over the past two decades.

State Operating Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$ 1.89
1990	2,781,764	4,491,168	1.61
2002	5,323,375	6,584,459	1.24
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2005, that figure dropped to $0.92. In 2002, state appropriations exceed gross tuition by $1.2 million. In 2005, gross tuition exceeds state appropriations by $598,000.

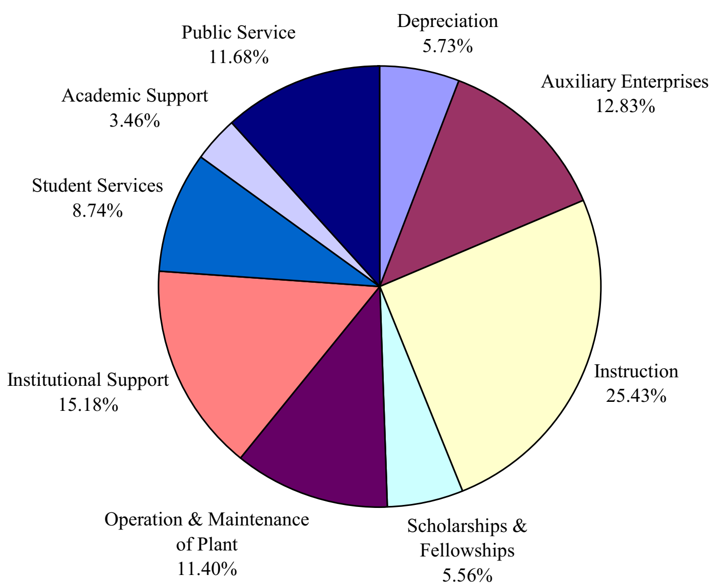
This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in only modest tuition increases in recent years. As recently as 1999, our tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2004, our tuition is higher than the tuition at only eight other two-year institutions, five of which receive special funding from local levies that we do not. It is a continual challenge to generate sufficient funds to attract quality faculty, maintain state-of-the art facilities, and provide the latest technology and equipment to be able to provide our students with a quality learning experience at an affordable cost.

State appropriations increased 5.6 % from $7.3 million in 2004 to $7.7 million in 2005 as a result of an increase in State Share of Instruction. Net student tuition and fees increased 9.0% from $5.6 million in 2004 to $6.1 million in 2005. This increase reflects continuing recent growth in enrollment.

Grants and contracts increased from $5.1 million in 2004 to $6.0 million in 2005, an increase of $.9 million or 17.6%. This was primarily due to new funding from the Ohio Department of Job and Family Services (Integrated Systems Technology) and increased funding for student financial aid and Tech Prep.

Investment income increased from $110,000 in 2004 to $135,000 in 2005 due to much higher yields in money market rates and rates on certificates of deposit.

The following is a graphic illustration of expenses by function for the year ended June 30, 2005:



The majority of all operating expenses are comprised of employee compensation and benefits. Approximately 54.5% of total operating expenses were employee compensation and benefits for the year ended June 30, 2005. Net increase in expenses in 2005 was a result of:

- New faculty positions in Business Technologies and Health Technologies
- Increase in instructional and lab supplies
- Salary and benefit increases
- Adjunct faculty increase due to enrollment increase
- Technology consulting fees and maintenance expenses
- Expenses related to open positions (job postings, candidate travel)
- Spending on architectural fees for Technology and Learning Center
- Purchase of new and replacement technology
- Expenditure of grant funds for the Performing Arts Center, Tech Prep, and for the new IST lab
- Bookstore expenditures (offset by increase in revenue)
- Filled vacant VP Academic/Student Affairs position
- Student services increases in food service subsidy, tutoring, athletics, and student life

The following table shows a comparison of total operating expenses per FTE for 2005 and 2004. Total operating expenses per FTE student increased by $355 during 2005.

TOTAL OPERATING EXPENSES PER FTE

	2005	**2004**	**Difference**	**Percent Change**
Total operating expenses	$23,026,265	$20,909,887	$2,116,378	10.12%
FTE enrollment	2,316	2,181	135	6.19%
Net operating expenses per FTE	9,942	9,587	355	3.70%

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, 2005. Following is a summary of the Statement of Cash Flows:

	2005	**2004**
	(All dollar amounts in thousands)	
Cash provided (used) by:		
Operating activities	(6,379)	($6,572)
Noncapital financing activities	7,702	7,083
Capital and related financing activities	(804)	(255)
Investing activities	135	110
Net increase/(decrease) in cash and cash equivalents	654	366
Cash and cash equivalents-beginning of year	5,886	5,520
Cash and cash equivalents-end of year	6,540	5,886

Cash and cash equivalents increased by $654,000 as a result of state appropriations and a reduction in cash used by operating activities (primarily due to receipt of restricted funds). Cash flows from operating activities increased by $192,000 in 2005 and cash flows from non-capital financing activities increased by $619,000 primarily as a result of an increase in state appropriations. The increase in the net cash used by capital and related financing activities is due to the purchase of capital assets and the receipt of state grants and gifts. The cash outflows of $1.1 million for the purchase of capital assets was primarily for equipment acquisition related to technology, instructional equipment including equipment for the IST lab, and land acquisition.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $22.5 million invested in capital assets net of accumulated depreciation of $19.8 million at June 30, 2005. Depreciation expense for the year ended June 30, 2005, was $1.3 million compared to $1.1 million in 2004. A summary of net capital assets for the years ended June 30, 2005, and 2004, is as follows:

	2005	2004
	(All dollar amounts in thousands)	
Land, land improvements and infrastructure	$ 2,534	$ 2,573
Buildings	17,682	18,378
Machinery and equipment	2,119	1,535
Library books and publications	115	111
Vehicles	115	166
Long Term Debt	(46)	(73)
Total capital assets – net	22,519	22,690

The major projects the College undertook during 2005 were technology equipment replacement ($53,000), network expansion ($161,000), purchase of lab equipment ($793,000), acquired 1.4 acres of real estate, hired an architect for the Technology and Learning Center project ($706,000) and began the major gifts fund raising campaign.

Debt

The College secured a loan in the amount of $75,000 during 2004. The loan was for the purchase of semi tractor trucks for the Truck Driver Training Institute auxiliary enterprise. The balance at June 30, 2005 is $46,400.

ECONOMIC FACTORS AFFECTING THE FUTURE

Management believes that the College has a solid financial foundation to be able to accomplish its mission to foster individual and community prosperity through access to the highest quality learning centered education. In addition to challenges that the College has historically faced such as attracting and retaining students from underserved populations, the College continues to face the challenge of less than adequate state support for higher education from the State of Ohio. These challenges are the result of the State of Ohio addressing its economic downturn. The current state biennial budget (July 1, 2005 – June 30, 2007) was balanced by using the Office and Budget Management's revised projections of the state's economic growth over the next two years which included $800 million more revenue than had previously been expected for the state.

Other highlights of the current state biennial budget include:

- $23.7 million increase (.97%) in overall higher education appropriations in 2006 and an additional $78.9 million (3.19%) in FY 2007. The increase is primarily in the State Share of Instruction line item.

- Creation of a new entity – The Higher Education Funding Study Council – charged to review all aspects of higher education funding and to issue a report on its findings to the Governor, the Speaker of the House, and the President of the Senate by May 31, 2006.
- The OBR is charged with three new funding studies
    - How to allocate State Share of Instruction funds based on campus administrative and operational efficiency.
    - How to distribute State Share of Instruction funds based on the number of degrees and certificates awarded.
    - How to provide financial incentives for two-year colleges for completion of certificate and associate degrees.

  These studies are to be reported to the Higher Education Funding Study Council by April 2006.
- Annual increases to instructional and general fees are capped.
- Creation of the Ohio College Opportunity Grant (OCOG) program, which is a needs-based financial aid program.

Also, the constitutionality of the current level and method of state funding for primary and secondary education continues to loom on the horizon which may lead to further increases in state support for this sector and decreases in state support for higher education. On the other hand, enrollment growth, primarily in the two-year community and technical colleges, has been spurred by citizens seeking additional skill sets in order to compete in today's technology-driven marketplace. This has resulted in the realization by elected officials that higher education is not only important to citizens but is an investment in the state's future economic growth. We are confident that, in time, this realization will lead to increases in state support in spite of other pressures on the state budget.

The cost of health care continues to rise at a pace far exceeding inflation (although the three previous renewals for the College's health care benefit were 5.4% (August 2004), 4% (August 2003) and 5% (August 2002)) with the College experiencing a 15% increase in August 2005. The College is taking steps to minimize the impact of a potential large increase in this benefit by studying alternatives during fiscal year 2006.

With the uncertainty of state funding, the College is focusing on identifying alternative revenue sources. Revenue generated by grants and contracts for fiscal year 2005 totaled $6.3 million as compared to $5.1 million for fiscal year 2004. During 2005, the College was successful in securing $1 million in state and federal funding for an Integrated Systems Technology grant project to purchase equipment for the Engineering program, $150,000 in state Tech Prep funding for a Pathways grant to collaborate with high schools, $540,000 in federal funding to assist with capital expenditures needed to address the nursing shortage and $108,000 in federal funding to purchase a virtual shooting range for the College's Police Academy classes. Already in 2006, the College has been successful in securing $300,000 from the U. S. Department of Education for a Gear-Up grant to work with the Springfield City Schools in preparing students for higher education, a FIPSE grant from the U. S. Department of Education in the amount of $297,000 for the purchase of technology in the Technology and Learning Center, an increase of $200,000 from the Clark County Department of Job and Family Services for workforce development partnership initiatives with the JVS, and a renewal of the Student Support Services project funding from the U. S. Department of Education ($171,000).

In a feasibility study conducted last year, the community rated preparing the workforce of tomorrow for the knowledge economy as the top priority. Post-secondary education is required for more than 80% of America's new job openings yet only 16% of adults in Clark County have a college degree. This demographic is not conducive to attracting new businesses or retaining existing businesses. To address this challenge, the College embarked on a project to construct a Technology and Learning Center on the

Leffel Lane Campus. The 55,000 square foot building will provide state-of-the-art classrooms, labs and technology infrastructure. It will also house a new information resource center (library) and student support services. In order to fund the construction of this building, a major gifts campaign was undertaken as a result of the feasibility study conducted the year before. Four initiatives for the campaign represent priorities identified by community leaders during the feasibility study. By addressing the following vital needs, these College initiatives will contribute to the community's economic development and quality of life:

- The Technology and Learning Center (workforce development)
- Expansion of the Health Sciences Complex
- Expansion/endowment for the Performing Arts Center
- Endowment for the Champion City Scholars Program

The construction of the Technology and Learning Center is projected to cost $15.2 million. This would require the College to enter into some type of long term financing in the amount of approximately $4.7 million. Additionally, phase 2 of the campus master plan implementation would entail renovating the first and second floor areas of Rhodes Hall and areas being vacated in the Applied Science Center. The total cost of this project is projected to be $2.7 million. Therefore, it is likely that the College will enter into some type of long term debt financing of as much as $6 million. This could be a financing stretching out over 20 years with annual debt service payments approaching $0.5 million. It is critical that the College not allow this long term debt financing to adversely impact its Senate Bill 6 Ratio Analysis. The College's fiscal year 2004 financial statements result in a composite score of 3.7. If there had been a $6 million debt incurred during FY 2003-2004, this composite score of 3.7 would have been reduced to 3.1. The College cannot lose sight of the increased operational cost associated with bringing on additional square footage. Also, the College cannot allow itself to get into a deferred maintenance situation by utilizing all available capital funds to fund these construction projects. It must continue to maintain boilers, chillers, roofs, etc.

Clark State Community College is confident that with its current solid financial base, recent successes in grant writing, and continued enrollment growth we can meet the challenges of uncertain state funding, stay abreast of technological advancements, and provide support structures to enable our students to be successful. Even though the College's recent tuition increases have been modest compared to other public two-year and four-year colleges and universities across Ohio, the cost of higher education continues to be a burden for many citizens. The work of the Clark State Community College Foundation in providing student scholarships, funds for technology improvements, and funds for the Performing Arts Center has kept higher education within reach of those citizens that we serve and the Foundation's leadership in conducting a Major Gifts Campaign will keep this education within reach for years to come.

CLARK STATE COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2005

		Clark State Community College	Component Unit: Clark State Community College Foundation
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	$	6,540,123	172,386
Investments		-	6,598,679
Accounts receivable, net		3,120,783	18,439
Inventory		194,006	-
Prepaid expenses		686,984	199
Pledges receivable-current portion, net		-	746,520
Student loans receivable, net of allowance of $38,216		27,053	46,344
Total current assets		10,568,949	7,582,567
Noncurrent assets:			
Pledges receivable, net		-	2,852,700
Capital assets, net		22,565,455	-
Total noncurrent assets		22,565,455	2,852,700
Total assets		33,134,404	10,435,267
LIABILITIES			
Current liabilities:			
Accounts payable		772,087	17,580
Note payable, current portion		26,400	-
Wages payable		523,568	-
Accrued payroll liabilities		105,941	-
Deferred income		834,331	-
Unclaimed funds		55,234	-
Total current liabilities		2,317,561	17,580
Non-current liabilities:			
Note payable, less current portion		20,000	-
Deposits held in trust for others		544,651	-
Accrued compensated absences		244,635	-
Total noncurrent liabilities		809,286	-
Total liabilities		3,126,847	17,580
NET ASSETS			
Invested in capital assets, net of related debt		22,519,055	-
Restricted:			
Nonexpendable		250,000	5,738,801
Expendable		2,274,622	3,882,058
Unrestricted		4,963,880	796,828
	$	30,007,557	10,417,687

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005

		Clark State Community College	Component Unit Clark State Community College Foundation
OPERATING REVENUES:			
Student tuition and fees, net of scholarship allowance of $1,853,181	$	6,020,046	-
Gifts and contributions		-	3,897,993
Federal grants and contracts		4,544,692	-
State and local grants and contracts		1,515,030	-
Nongovernmental grants and contracts		280,593	-
Auxiliary enterprises:			
Bookstore, net of scholarship allowance of $876,480		1,179,458	-
Parking		36,226	-
Truck Driving, net of scholarship allowance of $160,369		918,844	-
Other operating revenues		903,143	-
Total operating revenues		15,398,032	3,897,993
OPERATING EXPENSES:			
Instruction		5,855,778	-
Academic support		796,918	-
Student services		2,011,938	-
Institutional support		3,494,727	117,943
Operation and maintenance of plant		2,625,426	-
Student aid		1,280,177	223,480
Public service		2,688,406	76,570
Depreciation		1,318,890	-
Auxiliary expenditures		2,954,005	-
Total operating expenses		23,026,265	417,993
Operating loss (income)		(7,628,233)	3,480,000
NONOPERATING REVENUES (EXPENSES):			
State appropriations		7,702,266	-
State and local gifts		25,383	-
Unrestricted investment income (Net of investment expense)		135,060	59,688
Temporarily restricted investment income (Net of investment expense)		-	140,873
Permanently restricted investment income (Net of investment expense)		-	334,315
Other non-operating revenues		-	37,814
Interest expense		(1,973)	-
Net nonoperating revenues		7,860,736	572,690
Income before other revenues, expenses, gains, or losses		232,503	4,052,690
Capital appropriations		25,245	-
Capital grants and gifts		296,059	-
Additions to permanent endowments		-	96,866
Change in net assets		553,807	4,149,556
NET ASSETS, beginning of year		29,453,750	6,268,131
NET ASSETS, end of year	$	30,007,557	10,417,687

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Cash Flows

For the Year Ended June 30, 2005

	Clark State Community College	Component Unit Clark State Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 5,352,317	-
Grants, gifts and contracts	6,685,413	336,148
Payments for goods and services	(7,167,635)	(312,130)
Payments for utilities	(745,675)	-
Payments to employees	(9,925,616)	(1,450)
Payments for benefits	(2,626,842)	-
Payments for scholarships and fellowships	(998,406)	(97,751)
Loans issued to students and employees	(25,594)	-
Collection of loans to students and employees	34,697	(1,974)
Auxiliary enterprise charges:		
Bookstore	1,179,458	-
Parking	36,226	-
Truck driving	918,844	-
Other receipts	903,143	-
Net cash used by operating activities	(6,379,670)	(77,157)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	7,702,266	-
Other non-operating revenues	-	37,814
Net cash provided by noncapital financing activities	7,702,266	37,814
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital appropriations	25,245	-
Purchases of capital assets	(1,121,948)	-
Principal paid on capital debt and leases	(26,400)	-
Interest paid on capital debt and leases	(1,973)	-
State grants and gifts	321,441	-
Net cash used by capital financing activities	(803,635)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and (purchases) of investments	-	(148,573)
Income on investments	135,060	276,412
Net cash provided by investing activities	135,060	127,839
Net Increase in cash and cash equivalents	654,021	88,496
Equity in pooled cash and investments, beginning of year	5,886,102	83,890
Equity in pooled cash and investments, end of year	$ 6,540,123	172,386

(continued)

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2005

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	$	(7,628,233)	3,480,000
Adjustment to reconcile operating loss to			
Net cash used by operating activities:			
Depreciation		1,318,890	-
Changes in assets and liabilities:			
Accounts receivable		(667,729)	(3,561,845)
Inventory		(6,626)	-
Prepaid expenses		(94,500)	(199)
Loans receivable		9,103	-
Accounts payable		228,108	4,887
Wages payable		100,313	-
Accrued payroll liabilities		6,833	-
Deferred income		161,232	-
Unclaimed funds		1,362	-
Deposits held in trust for others		183,866	-
Compensated absences		7,711	-
Net cash used by operating activities	$	(6,379,670)	(77,157)

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Principles:

A. Reporting Entity:

Clark State Community College ("College") is an institution of higher education and is considered to be a component unit of the State of Ohio ("State") because its Board of 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 50l(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 amount of receipts form the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.*

B. Basis of Presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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

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

- **Restricted, nonexpendable** - Net assets subject to externally-imposed stipulations that they be maintained permanently by the College. Such assets include the permanent endowment funds of the College and the Foundation.

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

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

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

C. Basis of Accounting:

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

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

D. 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.

E. Investments:

All investments are state at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investment Pools.* Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

F. Accounts Receivable:

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the 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.

G. Inventories:

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

H. Capital Assets:

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

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

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

I. Deferred Revenue:

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

J. Operating and Nonoperating Revenues:

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

K. Deposits Held in Trust for Others:

Deposits held in trust for others in the amount of $544,651 represents balance in the College's Agency fund that are available for expenditures.

L. 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.

2. Change in Accounting Principle:

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which revised the necessary disclosures that address risk related to deposits and investments and amended Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 involves required disclosures about:

- Custodial Credit Risk
- Credit Risk
- Concentration of Credit Risk
- Interest Rate Risk, and
- Foreign Currency Risk

Additional disclosures are required regarding investment policies related to disclosed risks, and for investments with fair values that are highly sensitive to interest rate changes. The requirements of Statement No. 40 are effective for financial statements for periods beginning after June 15, 2004. Implementation of this new accounting principle had no effect on these financial statements.

3. Equity in Pooled Cash and Investments:

Ohio law requires that deposits be placed in eligible banks or building 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. As of the June 30, 2005 bank balances of $2,863,687: $926,151 was covered by federal depository insurance, $130,216 was collateralized in both the College's name and the financial institution's name, $611,754 was secured with letters of credit for the benefit of the College, and the remaining $1,195,566 was exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

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

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

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

At June 30, 2005, the College's only investment was amounts on deposit with STAR Ohio, with a fair value of $3,845,162, which is included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date. The amount invested with STAR Ohio is not classified by risk category because it is not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

4. Pension Plans:

A. School Employees Retirement System

Plan Description - The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were $738,206, $657,980, and $694,767 respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for 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 additions 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, 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 Defined Benefit 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 a 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 members' 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 date to select a retirement plan.

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

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans 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 Defined Benefit 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 decease retired member who participated in the Defined Benefit 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, 2004, were 10% of covered payroll for members and 14% for employers. The College's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were $603,330, $517,098, and $520,645 respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2004 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, 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 alternative retirement plans for the year ended June 30, 2005, was $25,567, which is equal to the required contribution for the year.

5. Postemployment Benefits:

A. School Employees Retirement System

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, (the latest information available), the healthcare allocation rate was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at $25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004, were $223,443,805 and the target level was $335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of $300.8 million.

The number of benefit recipients currently receiving heath care benefits is approximately 62,000.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $364,365, for fiscal year 2005.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care benefits to retirees who participated in the Defined Benefit 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 Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal years ended June 30, 2004 and 2003 (the latest information available), the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were $268,739,000. There were 111,853 eligible benefit recipients.

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

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

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

7. Risk Management:

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees other than workers' compensation obtained through the state of Ohio, TDTI vehicle coverage, and natural disasters. For fiscal year 2005, the College contracted with Wallace and Turner Insurance Agency for these various risks. Coverage's provided by insurance are as follows:

Building and contents – replacement cost ($1,000 deductible)	$59,092,177
Crime Insurance (employee dishonesty)	500,000
Crime Insurance – Forgery/Alteration	100,000
Crime Insurance – Other	50,000
Automotive Liability ($250 deductible)	1,000,000
Truck Driver Liability ($2,500 deductible)	1,000,000

General Liability (per occurrence)	1,000,000
Umbrella Liability (per occurrence)	15,000,000
Computer equipment ($500 deductible)	2,638,636

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

8. Guaranteed Student Loan Program:

The college receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2005 and 2004 was $4,963,807 and $4,456,963, respectively.

9. Compensated Absences:

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

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

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, 2005 is as follows:

Vacation	$227,032
Sick leave	17,603
Total compensated absence accrued liability	$244,635

10. Capital Assets:

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation. Capital assets consist of the following, as of June 30, 2005:

	7/1/2004 Balance	Additions/ Transfers	Net Reductions	6/30/2005 Balance
Cost:				
Land	$ 1,284,474	35,000	-	1,319,474
Infrastructure	2,696,593	51,064	-	2,747,657
Buildings	32,070,635	63,436	-	32,134,071
Furniture and equipment	4,117,216	942,071	(251,038)	4,808,249
Library books	725,340	27,052	(17,395)	734,997
Vehicles	593,281	3,325	-	596,606
	41,487,539	1,121,948	(268,433)	42,341,054
Accumulated depreciation:				
Infrastructure	1,408,511	124,496	-	1,533,007
Buildings	13,692,454	759,320	-	14,451,774
Furniture and equipment	2,581,958	358,660	(251,038)	2,689,580
Library books	614,316	23,120	(17,395)	620,041
Vehicles	427,904	53,293	-	481,197
	18,725,143	1,318,889	(268,433)	19,775,599
Capital assets, net	$ 22,762,396	(196,941)	-	22,565,455

11. Receivables:

Receivables at June 30, 2005 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, 2005:

Student charges	$ 1,111,970
Room rental	38,331
Post secondary	358,092
Customized training services	100,874
Sponsored billings	70,022
Intergovernmental	1,658,494
Miscellaneous	282,149
	3,619,932
Less allowance for possible collection losses	(499,149)
Accounts receivable, net	$ 3,120,783
Loans receivable (employee loans)	$ 27,053

12. Note Payable:

Note payable consists of the following as of June 30, 2005:

Source	Interest Rate	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Fifth Third Bank	3.25%	$ 72,800	-	26,400	$ 46,400

Monthly principal payments on the above note equal $2,200. The final payment is due on or before April 30, 2007.

13. Contingent Liability:

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

14. Legal Compliance:

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

15. Joint Venture:

During 1996, in conjunction with Clark County Joint Vocational School (CCJVS), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. Due to the Center operating at breakeven or better, it is expected to operate financially independently from the College and CCJVS; however, a formula has been established by the College and CCJVS to determine each entity's share in funding operating losses. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

16. 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 is governed by a Board of Directors. The twenty-three-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, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2005, the Foundation distributed $122,851 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.

17. Component Unit Disclosures:

Equity in Pooled Cash and Cash Equivalents and Investments:

As of June 30, 2005, the Foundation had the following investments:

	Fair Value	Weighted Average Life (years)
Multi-Strategy Equity Fund	$ 3,351,073	N/A
Multi-Strategy Bond Fund	1,397,314	6.67
High Quality Bond Fund	1,473,853	8.00
Certificate of Deposits	376,439	2.00
	$ 6,598,679	

Interest rate risk – Although the Foundation 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, the Foundation manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – The Foundation's policy is to divide its asset investment between fixed and equity, of which some portion may be alternative assets, including private capital investments. The Foundation's Multi-Strategy Bond Fund and High Quality Bond Fund both carry an average quality rating of AA+. Due to the Multi-Strategy Equity Fund not being fixed income instruments, it is not rated.

Concentration of Credit Risk – This relates to the increased risk of loss when investments have a significant concentration in a single issuer (i.e. lack of diversification). Since this risk is minimized by the commingled funds structure, concentration risk disclosure is not required for external pooled funds.

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The Foundation's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Of the June 30, 2005 bank balances of $176,023, $100,000 was covered by federal depository insurance and the remaining balance of $76,023 is secured by agreement between the Foundation and the financial institution to indemnify against loss up to the sum of $500,000.

Pledges Receivable:

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 6% to the present value of future cash flows.

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

In one year or less	$ 746,520
Between one and five years	1,663,599
Longer than five years	2,755,023
	5,165,142
Less: discount of $1,507,933 and allowance of $57,989	(1,565,922)
	$ 3,599,220

Since no historical data exists to be used in setting up an allowance for doubtful accounts, the Foundation has estimated that approximately five percent of the amount pledged will be uncollectible. This amount may change once historical data becomes available in the years to come.

SUPPLEMENTAL INFORMATION

CLARK STATE COMMUNITY COLLEGE
Board of Trustees
June 30, 2005

CLARK STATE COMMUNITY COLLEGE
Administrative Personnel
June 30, 2005

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

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

CLARK STATE COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
June 30, 2005

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 7/1/2004	Total Revenue	Total Expenditures	Ending Balance 6/30/2005
Department of Education						
Title IV Programs						
Student Financial Assistance Cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A993254	$ -	150,956	150,956	-
College Work Study	84.033	P033A33254	-	124,045	124,045	-
Pell Grant	84.063	P063P992021	-	3,737,480	3,737,480	-
Total Student Financial Assistance Cluster			-	4,012,481	4,012,481	-
TRIO Student Support Services	84.042	P042A01078B	-	173,699	173,699	-
Total Title IV Programs			-	4,186,180	4,186,180	-
Title I Program						
Vocational Education	84.048	VECPII-P2000-506	-	99,917	99,917	-
Title II Program						
Tech-Prep Program	84.243	VETP-2000-19	-	115,356	115,356	-
Title VII Programs						
Outreach to Instructional Aides	84.116	P116Z040054	-	45,253	45,253	-
Total Department of Education			-	4,446,706	4,446,706	-
Department of Agriculture						
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grant	10.226	N/A	-	19,313	19,313	-
Total Department of Agriculture			-	19,313	19,313	-
Department of Justice						
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004DDBX1384	-	100,330	100,330	-
Total Department of Justice			-	100,330	100,330	-
Department of Labor						
Integrated Systems Technology Project	17.261	AF-13645-04-60	-	182,537	182,537	-
Passed through Clark County Department of Job and Family Services:						
Workforce Investment Act	17.255	N/A	-	180,428	180,428	-
WIA Youth Activities	17.259	N/A	-	66,634	66,634	-
Total Department of Labor			-	429,599	429,599	-
National Science Foundation						
AgrowKnowledge Mini Grant	47.076	DUE-0434405	-	3,568	3,568	-
Total National Science Foundation			-	3,568	3,568	-
Department of Homeland Security						
Public Assistant Grants	97.036	FEMA-3198-EM-023-12D09	$ -	8,471	8,471	-
Total Department of Homeland Security			-	8,471	8,471	-
Total Federal Assistance			-	5,007,987	5,007,987	-

This schedule was prepared using the accrual basis of accounting.

During the fiscal year ending June 30, 2005, the College processed the following amount of new loans for the Guaranteed Student Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students.)

	CDFA Number	Amount Authorized
Guaranteed Student Loans	84.032	$ 4,963,807

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

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

We have audited the financial statements of Clark State Community College as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005, in which we noted the College adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark State Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 30, 2005

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

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

Board of Trustees
Clark State Community College

Compliance

We have audited the compliance of Clark State Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Clark State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on Clark State Community College's compliance based on our audit.

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

In our opinion, Clark State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 30, 2005

1. Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § 510?	No
(d)(1)(vii)	Major Programs	Supplemental Educational Opportunity Grant, Federal Family Education Loan Program, College Work Study, Pell Grant CFDA #: 84.007, 84.032, 84.033, 84.063; Edward Byrne Memorial State and Local Law Enforcement Discretionary Grant CFDA #: 16.580
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CLARK STATE COMMUNITY COLLEGE

Schedule of Prior Year Audit Findings and Questioned Costs

OMB Circular A-133 § 315(b)

June 30, 2005

NONE

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 22, 2005