CLARK STATE COMMUNITY COLLEGE
Springfield, Ohio

FINANCIAL STATEMENTS
June 30, 2006

Auditor of State
Betty Montgomery

Board of Trustees
Clark State Community College
570 Leffels Lane
PO Box 570
Springfield, Ohio 45505

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Crowe Chizek and Company LLC for the audit period July 1, 2005 through June 30, 2006. 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

December 18, 2006

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CLARK STATE COMMUNITY COLLEGE
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Crowe Chizek and Company LLC
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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Clark State Community College Foundation
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2005, and the year then ended, were audited by other auditors whose report, dated September 23, 2005, expressed an unqualified opinion on those statements.

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 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 opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2006, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying schedules included on pages 40 and 41 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.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 2, 2006

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, 2006.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

Assets

- Cash, cash equivalents, and investments increased by $9.3 million (142%) primarily due to the $8.1 million in bond proceeds related to the issuance of long-term debt. Restricted grants and contracts cash increased by $516,000 due to receipt of GearUp and Jobs Challenge funds which were not yet spent as well as more timely receipts of Pell grant drawdowns. General fund cash increased by $725,000 due to the year's operation.

- Accounts receivable, net decreased by $512,000 (15.0%) due to repayments of Major Gifts Campaign receivable ($87,000), no longer carrying the Early Childhood Education Center receivables on the College's books ($48,000), a reduction in federal, state and local grant receivables ($345,000), and a reduction in General Fund receivables ($23,000).

- Prepaid expenses increased by $158,000 (40%) due to the timing of payment of the annual invoice to Datatel ($111,000) which was paid in June 2006 for the 2006-2007 licensing period. Additionally, third party sponsors of student tuition for summer term increased by $25,000 and student use of temporary funding programs while waiting on their financial aid to be approved increased $34,000 compared to summer term 2005.

- Capital assets, net increased by $1.8 million (7.9%) due to capitalizing the construction in progress of $2.9 million for the Sara T. Landess Technology and Learning Center construction project.

Liabilities and Net Assets

- Accounts payable increased $814,000 (105%). This is primarily due to work related to the construction project performed in June but not invoiced and paid until July ($958,000). General fund accounts payable actually decreased $144,000.

- Wages payable increased $56,000 (11%). General wages payable increased $55,000 due, in part, to severance payouts for retirements of $14,000 while restricted grants and contracts wages payable increased $24,000.

- Accrued payroll liabilities increased $132,000 (125%). This was due to the timing of payments of city tax, health insurance, United Way, vision insurance, and life insurance.

- Deferred income increased $392,000 (47%). This account reflects summer/fall student tuition payments received prior to July 1 which increased $140,000 as a result of the increased tuition, the federal GearUp grant received but not yet earned ($223,000), and the Performing Arts Center fall season revenue received prior to July 1 was up $20,000 due to earlier announcement of the season.

- Note payable increased $8.1 million due to the issuance of bonds to finance construction of the Sara T. Landess Technology and Learning Center.

- Deposits held in trust for others increased $113,000 (21%) due to a change in how receivables and payables are accounted for for the Early Childhood Education Center.

Revenues

- Student tuition and fees revenue decreased by $111,700. This decrease was primarily due to an increase of $310,200 in scholarship allowances. Also contributing was the 1.0% enrollment decline coupled with a 5.0% increase in tuition/fees.

- State and local grants and contracts decreased $779,500 (51%) due to reductions in Tech Prep ($90,000), Ohio Arts Council ($26,000), Targeted Industries ($72,000), and due to the fact that the DOL IST grant was received the previous fiscal year in the amount of approximately $800,000. These reductions were somewhat offset by an increase in the Workforce Development grant of $166,000.

- The increase of $45,000 (16%) in the Non-Governmental grants and contracts is primarily due to an increase in the DJFS Turner grant of $44,000. Also, the Circle of Friends fundraising increased $10,000.

- The Truck Driving revenues decreased $253,000 (28%) because of reduced enrollment due to changes in student-trainer ratios and state regulations.

- Total operating revenues decreased $1,067,500 (6.9%) as a result of decreases in Student Fee revenue, Federal, State and Local Grants and Contracts, and Truck Driving revenue.

- State appropriations increased by $485,500 due to increase in State Share of Instruction ($461,100). Access Challenge funding increased ($13,100).

- Total operating expenses decreased $112,500 (0.5%) as a result of decreases in Operation and maintenance of Plant, Student Aid, Student Services, and Public Service while all other categories of expenses realized increases.

- Net assets increased $1.2 million or 4.0% during the year in spite of the decrease in operating revenues. This increase was the result of an increase in nonoperating revenues and a decrease in operating expenses.

- 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. 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 totaling $20-$25 million:

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

  Phase I of the implementation of this plan is the construction of the Sara T. Landess Technology and Learning Center. This project was bid during the 2006 fiscal year and construction began in November 2005. At June 30, 2006, construction was approximately 20% complete. The success of the Performing Arts Center project is contingent upon securing funding from federal, state, and local sources including the Major Gifts Campaign "Building for our Future".

- During fiscal year 2005, the Clark State Foundation kicked off its major gifts fund raising campaign to help fund the above projects in the campus master plan as well as establish an endowment to fund the Champion City Scholars Program. At June 30, 2006, the campaign stood at just over $9.3 million (toward a goal of $10 million) in donations/pledges.

- The College issued debt for the first time in its history during the 2006 fiscal year. As a part of this process, the College requested and received a Moody's Rating. Moody's Investors Service has assigned an underlying rating of A3 with a stable outlook to the College's Series 2006A General Receipts Bonds. Bonds totaling $8,175,000 were sold in May 2006 with the closing held in mid June 2006. The debt repayment schedule begins with semi-annual interest only payments December 1, 2006. The first payment to include principal will occur December 1, 2008. The true interest cost is 4.24% and the all-inclusive borrowing costs equate to 4.43%. The final payment on these bonds is scheduled in the year 2032.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

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

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

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

- Capital assets are depreciated over their expected useful lives. Prior to fiscal year 2002, capital assets were recorded entirely as a current period expense in the year of acquisition. Depreciation expense was $1.3 million for both years ended June 30, 2006 and June 30, 2005, respectively.

- Scholarships applied to student accounts are shown as a reduction of student tuition and fees while scholarships that are paid directly to students continue to be presented as scholarship expenses. Prior to fiscal year 2002, all scholarships were reflected as expenses. Scholarship allowances totaled $2.2 million and $1.9 million for the years ended June 30, 2006 and June 30, 2005, 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, 2006, 2005, and 2004, is as follows:

	2006	2005	2004
	(all dollar amounts in thousands)		
Current assets	$ 19,520	$ 10,569	$ 9,155
Noncurrent assets	24,527	22,565	22,762
Total assets	44,047	33,134	31,917
Current liabilities	3,752	2,318	1,820
Noncurrent liabilities	9,091	809	644
Total liabilities	12,843	3,127	2,464
Net assets:			
Invested in capital assets, net of related debt	23,446	22,519	22,690
Restricted:			
Nonexpendable	250	250	257
Expendable	2,216	2,275	2,397
Unrestricted	5,292	4,964	4,111
Total net assets	$ 31,204	$ 30,008	$ 29,455

A review of the summary indicates a relatively strong financial position as of June 30, 2006. Total net assets increased $1.2 million primarily due to an increase in "invested in capital assets, net of related debt" due to construction costs associated with the Sara T. Landess Technology and Learning Center.

Current assets are comprised primarily of cash and operating investments, student and trade receivables, and prepaid expenses. The increase in total current assets in 2006 is primarily due to the increase in cash and cash equivalents of $1,229,000 (which is a result of proceeds from the Major Gifts Campaign) and the increase in investments of $8,072,000 (which is a result of the Bond issuance).

Current liabilities are comprised primarily of trade payables, wages payable, accrued payroll liabilities, and deferred income (from both student fees and advance payments for grants). These liabilities increased $1,434,000. The increase was caused by an increase in trade payables ($814,000) primarily caused by amounts owed to contractors, accrued payroll liabilities, and deferred income.

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

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

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

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2006, 2005, and 2004, is as follows:

	2006	2005	2004
	(all dollar amounts in thousands)		
Operating revenues:			
Student tuition and fees – net	$ 5,908	$ 6,020	$ 5,573
Grants and contracts	5,577	6,341	5,084
Auxiliary enterprises	1,896	2,134	2,008
Other	948	903	773
Total	14,331	15,398	13,438
Operating expenses	22,914	23,026	20,910
Operating loss	(8,583)	(7,628)	(7,472)
Nonoperating revenues (expenses):			
State appropriations	8,188	7,702	7,295
Gifts	--	26	(214)
Investment income	247	135	110
Other	17	--	2
Interest expense	(1)	(2)	--
Capital appropriations	675	--	8
Capital grants	654	321	84
Total	9,780	8,182	7,284
Increase/(decrease) in net assets	1,197	554	(188)
Net assets – beginning of year	30,008	29,454	29,642
Net assets – end of year	$ 31,205	$ 30,008	$ 29,454

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 nonoperating revenue source, state appropriations over the years have been the largest single source of revenue for the College until fiscal year 2004. The amount received each year is, in general, a function of student enrollment for the previous year(s). Although enrollment decreased slightly in fiscal year 2006, the resulting effect on the State Share of Instruction (the majority of state appropriations) will not be realized until fiscal year 2007. As the table below demonstrates, the State of Ohio has dramatically shifted the burden for funding the cost of higher education to students and their families over the past two decades.

State Operating Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$ 1.89
1990	2,781,764	4,491,168	1.61
2002	5,323,375	6,584,459	1.24
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2005, that figure dropped to $0.92. However, in 2006 it actually increased to $0.95. In 2002, state appropriations exceeded gross tuition by $1.2 million. In 2006, gross tuition exceeds state appropriations by $415,000.

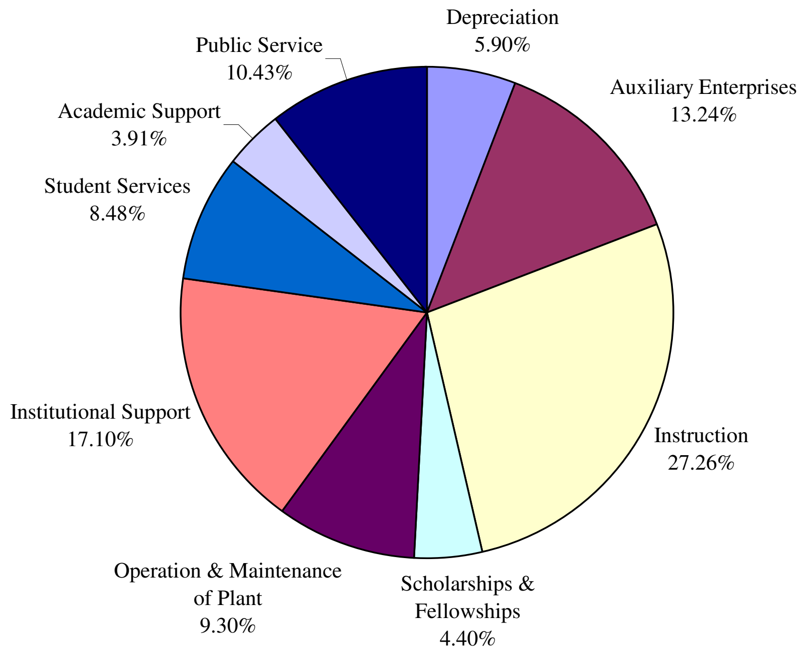
This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged and find the rising cost of higher education 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 2005, Clark State's tuition is higher than the tuition at only eight other two-year institutions, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract quality faculty, maintain state-of-the art facilities, and provide the latest technology and equipment to be able to provide our students with a quality learning experience at an affordable cost.

State appropriations increased 6.3% from $7.7 million in 2005 to $8.2 million in 2006 as a result of an increase in State Share of Instruction. Net student tuition and fees decreased 1.9% from $6.0 million in 2005 to $5.9 million in 2006. This decrease reflects the leveling off of recent growth in enrollment and the increase in Scholarships.

Grants and Contracts decreased from $6.3 million in 2005 to $5.6 million in 2006, a decrease of 12.0%. This was primarily due to a 51% decrease in State and Local Grants and Contracts.

Investment income increased from $135,000 in 2005 to $247,000 in 2006 due to higher yields in money market and certificates of deposit and larger balances invested.

The following is a graphic illustration of expenses by function for the year ended June 30, 2006:



The majority of all operating expenses are comprised of employee compensation and benefits. Approximately 58.5% of total operating expenses were employee compensation and benefits for the year ended June 30, 2006. Net decrease in expenses in 2006 was the net effect of:

- Increases in functional categories of Institutional Support 12%, Academic Support 12%, and Instruction 7%.
- Decreases in functional categories Operation and Maintenance of Plant 19% and Public Service 11%.
- Contributing to the increase in Instruction expenses included an increase in spending in the Health and Human Services Division of $291,000 largely due to salaries and benefits and an increase in the Arts and Sciences Division of $78,000 again largely due to salaries and benefits.
- The increase in Academic Support was due to an increase in computer replacement expenses of $130,000 in the academic computing department.
- The increase in Institutional Support was due to the purchase of document imaging hardware/software of $49,000, technology replacement cycle expenses of $167,000, an increase in severance payments due to retirements of $24,000, the new position in the grant writing department increasing expenses there by $27,000, an increase in workers compensation premiums ($30,000) and unemployment compensation ($27,000), funding of the Greene County initiative ($21,000), and the diversity initiatives ($11,000).

- The decrease in the Operation and Maintenance of Plant expenditures was primarily due to the expensing of professional architect fees of $700,000 in fiscal 2005 partially offset by increases in utilities ($51,000) and salary and benefits for physical plant personnel ($87,000).
- The decrease in Public Service was primarily due to grant activity. There was also a $50,000 reduction in expenditures related to non-credit continuing education due to the retirement of the director.

The following table shows a comparison of total operating expenses per FTE for 2006 and 2005. Total operating expenses per FTE student increased by $55 during 2006.

TOTAL OPERATING EXPENSES PER FTE

	2006	**2005**	**Difference**	**Percent Change**
Total operating expenses	$22,913,798	$23,026,265	$(116,704)	(0.51%)
FTE enrollment	2,292	2,316	(24)	(1.04%)
Net operating expenses per FTE	9,997	9,942	55	0.55%

STATEMENT OF CASH FLOWS

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2006. Following is a summary of the Statement of Cash Flows:

	2006	**2005**	**2004**
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (5,376)	$ (6,379)	$ (6,572)
Noncapital financing activities	8,205	7,702	7,083
Capital and related financing activities	6,225	(804)	(255)
Investing activities	(7,825)	135	110
Net increase/(decrease) in cash and cash equivalents	1,229	654	366
Cash and cash equivalents-beginning of year	6,540	5,886	5,520
Cash and cash equivalents-end of year	$ 7,769	$ 6,540	$ 5,886

Cash and cash equivalents increased by $1.2 million primarily as a result of a reduction in cash used by operating activities. Cash flows from non-capital financing activities increased by $503,000 as a result of an increase in state appropriations. The increase in the net cash generated by capital and related financing activities is due to the bond issuance payments to contractors for construction. The cash outflows of $3.1 million for the purchase of capital assets was primarily for equipment acquisition related to technology, instructional equipment, and land acquisition.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $24.3 million invested in capital assets net of accumulated depreciation of $20.9 million at June 30, 2006. Depreciation expense for the year ended June 30, 2006, was $1.3 million compared to $1.3 million in 2005 and $1.1 million in 2004. A summary of net capital assets for the years ended June 30, 2006, 2005, and 2004, is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 2,458	$ 2,534	$ 2,573
Buildings	16,923	17,682	18,378
Machinery and equipment	1,871	2,119	1,535
Library books and publications	112	115	111
Vehicles	111	115	166
Construction in progress	2,881	--	--
Total capital assets – net	24,356	22,565	22,763

The major projects the College undertook during 2006 were technology equipment replacements ($348,000), Performing Arts Center orchestra lift upgrade ($49,000) and control console replacement ($20,000), safety equipment, office furnishings, athletic equipment ($9,000), parking lot improvements ($15,000), tennis court improvements ($24,000), vehicle replacement ($21,000), renovation of campus police facility ($15,000), land acquisition ($48,000) and construction of the Sara T. Landess Technology and Learning Center.

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, 2006 is $26,400.

On May 31, 2006, the College sold $8,175,000 of General Receipts Bonds. The sale closed on June 13, 2006. The true interest cost on the transaction was 4.24%. The College applied for an underlying rating on the Bonds and received an "A3" rating from Moody's. Subsequently, bond insurance was purchased from Ambac which elevated the rating to "Aaa." Neither the rating agency nor the insurer imposed a debt service reserve requirement on the borrowing. This Bond issuance generated $8 million toward the construction costs for the Sara T. Landess Technology and Learning Center. 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 will begin to be paid December 1, 2006, and will be paid semi-annually thereafter on December 1 and June 1. Debt service principal payments will begin to be paid on December 1, 2008. The final maturity date for the Bonds is 2032. During the first 15 years (through 2021) of debt service payments, a donation generated by the Major Gifts Campaign will be used to fund approximately 40% of the annual payments.

ECONOMIC FACTORS AFFECTING THE FUTURE

Management believes that the College has a solid financial foundation to be able to accomplish its mission to foster individual and community prosperity through access to the highest quality learning centered education. In addition to challenges that the College has historically faced such as attracting and retaining students from underserved populations, the College continues to face the challenge of less than adequate state support for higher education from the State of Ohio. These challenges are the result of the State of Ohio addressing its economic downturn. The 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.
- 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 have been reported to the Higher Education Funding Study Council.
- 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 with the College experiencing an 8% increase in August 2006 and a 15% increase in 2005 (although the three previous renewals for the College's health care benefit were 5.4% (2004), 4% (2003), and 5% (2002)). The College is taking steps to minimize the impact of a potential large increase in this benefit by studying alternatives during fiscal year 2007.

With the uncertainty of state funding, the College is focusing on identifying alternative revenue sources. Revenue generated by grants and contracts for fiscal year 2006 totaled $5.6 million compared to $6.3 million in 2005 and $5.1 million in 2004. During 2006, the College was successful in securing $300,000 from the U. S. Department of Education for a GearUp 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 Sara T. Landess 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). Already in 2007, the College has been successful in securing $200,000 from Housing and Urban Development and an additional $200,000 from the U. S. Department of Education for a FIPSE grant both for the purchase of technology for the Sara T. Landess Technology and Learning Center. Project Jericho received $25,000 for its Open Doors project from DJFS, Tech Prep received $34,000 for the GearUp program from the Ohio Board of Regents, a grant from the U. S. Department of Agriculture for improving agriculture curriculum was received in the amount of $28,000, and U. S. Department of Education academic competitiveness grants have been received in the amount of $48,000.

In a feasibility study conducted in 2004, 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. 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

To date, the campaign has raised over $9.3 million in pledges and payments. The construction of the Sara T. Landess Technology and Learning Center is projected to cost $15.2 million. Additionally, phase 2 of the campus master plan implementation would entail an expansion of the Performing Arts Center. This project is projected to cost $5.6 million. An architectural firm has been hired and is currently in the programming stage. Phase 3 would entail renovating the first and second floor areas of Rhodes Hall and the areas being vacated in the Applied Science Center. The total cost of this project is projected to be $2.7 million.

Following are excerpts from the Moody's Investors Service opinion that was issued in May 2006:

Strengths
- Growing enrollment
- Healthy levels of philanthropic support

Challenges
- Small size
- Highly competitive student market in Ohio
- Springfield and Clark County facing economic and demographic challenges
- Funding for future capital projects not yet secured

The stable outlook reflects Moody's expectation that enrollment will continue to grow and that the College will generate at least balanced operating margins and healthy debt service coverage. Factors that could change the Moody's rating up include growth of liquid financial resources and further enrollment growth. Factors that could change the rating down include declining enrollment, deterioration of financial resources and/or debt service coverage, and/or additional borrowing without compensating growth of resources.

It is critical that the issuance of long term debt financing not adversely impact the College's Senate Bill 6 Ratios. The College's fiscal year 2005 ratio analysis resulted in a composite score of 4.1 which represented an increase over the 2004 composite score of 3.7. The fiscal year 2006 ratio analysis is projected to result in a composite score of 3.7. The College cannot lose sight of the increased operational costs 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 its capital assets.

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
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	2006	2005
Assets		
Current assets		
Equity in pooled cash and cash equivalents	$ 7,769,109	$ 6,540,123
Investments	8,072,323	-
Accounts receivable, net	2,903,893	3,416,174
Inventory	198,399	194,006
Prepaid expenses	549,785	391,593
Employee loans receivable	26,716	27,053
Total current assets	19,520,225	10,568,949
Noncurrent assets		
Capital assets, net	24,356,243	22,565,455
Deferred charges	171,144	-
Total noncurrent assets	24,527,387	22,565,455
Total assets	44,047,612	33,134,404
Liabilities		
Current liabilities		
Accounts payable	1,586,103	772,087
Note payable, current portion	20,000	26,400
Interest payable	26,495	-
Wages payable	579,669	523,568
Accrued payroll and tax liabilities	238,333	105,941
Deferred income	1,226,565	834,331
Unclaimed funds	74,478	55,234
Total current liabilities	3,751,643	2,317,561
Noncurrent liabilities		
Note payable, less current portion	8,175,000	20,000
Deposits held in trust for others	658,041	544,651
Accrued compensated absences	258,445	244,635
Total noncurrent liabilities	9,091,486	809,286
Total liabilities	12,843,129	3,126,847
Net assets		
Invested in capital assets, net of related debt	23,446,444	22,519,055
Restricted		
Nonexpendable	250,000	250,000
Expendable	2,215,604	2,274,622
Unrestricted	5,292,435	4,963,880
Total net assets	$ 31,204,483	$ 30,007,557

See accompanying notes to financial statements

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash	$ 28,074	$ 172,386
Investments	8,325,699	6,598,679
Accounts receivable, Clark State Community College	14,226	18,439
Pledges receivable	3,780,386	3,599,220
Student loans receivable, net allowance of $57,001 in 2006 and $38,216 in 2005	75,924	46,344
Prepaid expenses	--	199
	$ 12,224,309	$ 10,435,267
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 1,944	$ 17,580
	1,944	17,580
Net assets		
Unrestricted	710,814	796,828
Temporarily restricted	6,261,200	5,012,786
Permanently restricted	5,250,351	4,608,073
	12,222,365	10,417,687
	$ 12,224,309	$ 10,435,267

See accompanying notes to financial statements

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2006 and 2005

	2006	2005
Operating revenues		
Student tuition and fees, net of scholarship allowances of $2,163,426 in 2006 and $1,853,181 in 2005	$ 5,908,318	$ 6,020,046
Federal grants and contracts	4,516,263	4,544,692
State and local grants and contracts	726,622	1,515,030
Nongovernmental grants and contracts	334,886	280,593
Auxiliary enterprises:		
Bookstore, net scholarship of scholarship allowances of $930,894 in 2006 and $876,480 in 2005	1,195,048	1,179,458
Parking	35,666	36,226
Truck driving, net of scholarship allowance of $92,803 in 2006 and $160,369 in 2005	665,493	918,844
Other operating revenues	948,142	903,143
Total operating revenues	14,330,438	15,398,032
Operating expenses		
Educational and general		
Instructional	6,244,942	5,855,778
Academic support	894,967	796,918
Student services	1,942,121	2,011,938
Institutional support	3,918,276	3,494,727
Operation and maintenance of plant	2,131,420	2,625,426
Student aid	1,008,547	1,280,177
Public Service	2,389,425	2,688,406
Depreciation expense	1,350,882	1,318,890
Auxiliary enterprises	3,033,218	2,954,005
Total operating expenses	22,913,798	23,026,265
Operating loss	(8,583,360)	(7,628,233)
Nonoperating revenues (expenses)		
State appropriations	8,187,742	7,702,266
State and local gifts	-	25,383
Investment income	247,368	135,060
Other nonoperating revenues	17,170	-
Interest expense	(1,115)	(1,973)
Net nonoperating revenues	8,451,165	7,860,736
Income (loss) before other revenues, expenses gains, or losses	(132,195)	232,503
Capital appropriations	674,955	25,245
Capital grants and gifts	654,166	296,059
Change in net assets	1,196,926	553,807
Net assets- beginning of year	30,007,557	29,453,750
Net assets- end of year	$ 31,204,483	$ 30,007,557

See accompanying notes to financial statements

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
Year ended June 30, 2006 with comparative 2005 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2006	Total 2005
Revenues and other support					
Campaign contributions	$ 156,957	$ 816,158	$ 557,273	$ 1,530,388	$ 3,831,719
Foundation contributions	2,149	114,602	85,005	201,756	163,140
Interest	22,159	186,470	--	208,629	179,546
Net realized gain (loss) on investments	35,377	173,872	--	209,249	355,330
Miscellaneous	--	44,168	--	44,168	37,814
Net assets released from restrictions	86,856	(86,856)	--	--	--
Total revenues and other support	303,498	1,248,414	642,278	2,194,190	4,567,549
Expenses					
Programs	356,740	--	--	356,740	390,818
Management and general	32,772	--	--	32,772	27,175
Total expenses	389,512	--	--	389,512	417,993
Change in net assets	(86,014)	1,248,414	642,278	1,804,678	4,149,556
Net assets at beginning of year	796,828	5,012,786	4,608,073	10,417,687	6,268,131
Net assets at end of year	$ 710,814	$6,261,200	$5,250,351	$ 12,222,365	$ 10,417,687

(Continued)

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2005
Revenues and other support				
Campaign contributions	$ 434,045	$ 3,378,653	$ 19,021	$ 3,831,719
Foundation contributions	--	58,548	104,592	163,140
Interest	19,937	159,609	—	179,546
Net unrealized gain on investments	39,751	315,579	—	355,330
Miscellaneous	4,272	20,626	12,916	37,814
Net assets released from restrictions	237,824	(237,824)	--	--
Total revenues and other support	735,829	3,695,191	136,529	4,567,549
Expenses				
Programs	390,818	--	--	390,818
Management and general	27,175	--	--	27,175
Total expenses	417,993	--	--	417,993
Change in net assets	317,836	3,695,191	136,529	4,149,556
Net assets at beginning of year – as originally reported	478,992	521,182	5,267,957	6,268,131
Reclassification adjustment	--	796,413	(796,413)	--
Net assets at beginning of year – as restated	478,992	1,317,595	4,471,544	6,268,131
Net assets at end of year	$ 796,828	$ 5,012,786	$ 4,608,073	$ 10,417,687

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Tuition and fees	$ 6,432,512	$ 5,352,317
Grants, gift and contracts	6,102,360	6,685,413
Payments for goods and services	(4,611,340)	(7,167,635)
Payment for utilities	(785,197)	(745,675)
Payments to employees	(11,233,499)	(9,925,616)
Payments for benefits	(3,082,233)	(2,626,842)
Payments for scholarships and fellowships	(1,008,547)	(998,406)
Loans issued to students and employees	(29,253)	(25,594)
Collection of loans to students and employees	29,590	34,697
Auxiliary enterprise charges		
Bookstore	1,195,048	1,179,458
Parking	35,666	36,226
Truck driving	665,493	918,844
Other receipts	913,612	903,143
Net cash from operating activities	(5,375,788)	(6,379,670)
Cash flows from noncapital financing activities		
State appropriations	8,187,742	7,702,266
Other nonoperating revenues	17,170	-
Net cash from noncapital financing activities	8,204,912	7,702,266
Cash flows from capital financing activities		
Capital appropriations	674,955	25,245
Purchase of capital assets	(3,080,645)	(1,121,948)
Principal paid on capital debt and leases	(26,400)	(26,400)
Interest paid on capital debt and leases	(1,115)	(1,973)
Financing fees payments	(171,144)	
Bond proceeds	8,175,000	
State grants and gifts proceeds	654,166	321,441
Net cash from financing activities	6,224,817	(803,635)
Cash flows from investing activities		
Purchase of investments	(8,072,323)	-
Income on investments	247,368	135,060
Net cash from investing activities	(7,824,955)	135,060
Net increase in cash and cash equivalents	**1,228,986**	**654,021**
Cash and cash equivalents, beginning of year	**6,540,123**	**5,886,102**
Cash and cash equivalents, end of year	**$ 7,769,109**	**$ 6,540,123**

(Continued)

Reconciliation of net operating loss to net cash from operating activities	**2006**	**2005**
Operating loss	$ (8,583,360)	$ (7,628,233)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,350,882	1,318,890
(Gain) on disposal of capital assets	(34,530)	-
Changes in assets and liabilities		
Accounts receivables	512,281	(372,338)
Inventory	(4,393)	(6,626)
Prepaid expenses	(158,192)	(389,891)
Loans receivables	337	9,103
Accounts payable	814,016	228,108
Wages payable	56,101	100,313
Accrued payroll liabilities	132,392	6,833
Deferred income	392,234	161,232
Unclaimed funds	19,244	1,362
Deposits held in trust for others	113,390	183,866
Compensated absences	13,810	7,711
Net cash from operating activities	$ (5,375,788)	$ (6,379,670)

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 income 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 Governmental Accounting Standards Board (GASB).

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted, expendable** – Net assets whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These net assets represent amounts for scholarships and capital construction projects.
- **Unrestricted** – Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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

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

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

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Deposits Held in Trust for Others: Deposits held in trust for others in the amount of $658,041 represents the balance in the College's Agency fund that is available for expenditures.

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

Joint Venture: In conjunction with Clark County Joint Vocational School (CCJVS), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CCJVS to determine each entity's share in funding operating losses, if any. During fiscal 2006 and 2005 no losses were incurred. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of New Accounting Principle: For the year ended June 30, 2005, the College implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This new statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

In addition, GASB Statement No. 47, *Accounting for Termination Benefits* became effective. Currently, the College provides no benefits required to be recognized by this statement.

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.

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

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, 2006, carrying amount of the Colleges' deposits was $2,936,346 and the bank balance was $3,001,795. Of the bank balance, $921,663 was covered by federal depository insurance, $628,545 was collateralized in both the College's name and the financial institution's name, $133,743 was secured with letters of credit for the benefit of the College, and the remaining $1,317,844 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.

At June 30, 2006, the College had amounts on deposit with STAR Ohio, with a fair market value of $4,828,753, 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.

Investments - At June 30, 2006, the College investment included shares in Federated Government Obligation, Tax Managed Select Treasuries, a money market fund. The fund holds securities with effective average maturity of less than one year and has a rating of AAA. These shares are stated at their fair value of $8,072,323.

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

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

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

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NOTE 3 - RECEIVABLES

Receivables at June 30, 2006 and 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:

	2006	2005
Student charges	$ 1,036,065	$ 1,111,970
Room rental	20,158	38,331
Post secondary	370,213	358,092
Customized training services	61,342	100,874
Sponsored billings	73,076	70,022
Intergovernmental	1,616,385	1,658,494
Miscellaneous	209,800	282,149
	3,387,039	3,619,932
Less allowance for possible collection losses	(483,146)	(499,149)
Accounts receivable, net	$ 2,903,893	$ 3,120,783

NOTE 4 – CAPITAL ASSETS

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

	July 1, 2005 Balance	Additions/ Transfers	Net Reductions	June 30, 2006 Balance
Cost:				
Land	$ 1,319,474	$ 48,013	--	$ 1,367,487
Infrastructure	2,747,657	--	--	2,747,657
Buildings	32,134,071	--	--	32,134,071
Furniture and equipment	4,808,249	155,496	$ (97,463)	4,866,282
Library books	734,997	19,064	(31,456)	722,605
Vehicles	596,606	37,644	(109,643)	524,607
Construction in progress	--	2,881,454	--	2,881,454
	42,341,054	3,141,671	(238,562)	45,244,163
Accumulated depreciation:				
Infrastructure	1,533,007	124,497	--	1,657,504
Buildings	14,451,774	759,320	--	15,211,094
Furniture and equipment	2,689,580	378,882	(73,134)	2,995,328
Library books	620,041	21,798	(31,456)	610,383
Vehicles	481,197	31,856	(99,442)	413,611
	19,775,599	1,316,353	(204,032)	20,887,920
Capital assets, net	$22,565,455	$ 1,825,318	$ (34,530)	$ 24,356,243

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	July 1, 2004 Balance	Additions/ Transfers	Net Reductions	June 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

NOTE 5 – LONG TERM OBLIGATIONS

Note Payable

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

Source	Interest Rate	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
Fifth Third Bank	3.25%	$46,400	--	$26,400	$20,000

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

(Continued)

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

Long Term Debt

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

General receipts bonds	$ 8,175,000
Less: Unamortized Discount on Bonds Payable	(171,144)
Bonds Payable, Net	$ 8,003,856

In June 2006, the College issued $8,175,000 of General Receipts Bonds, Series 2006, to pay a portion of the costs of the Sara T. Landess Technology and Learning Center. These bonds are special obligations of the College. Principal and interest on the bonds are payable solely from the general receipts of the College and bond proceeds. The bonds are not obligations of the State of Ohio, are not general obligations of the College, and the full faith and credit of the College is not pledged to their payment. Bondholders have no right to have excises or taxes levied by the Ohio General Assembly. The interest is payable semi-annually each June 1 and December 1, beginning December 1, 2006 and ending December 1, 2032. The principal is payable annually each December 1 beginning December 1, 2008 and ending December 1, 2032. The interest rates range from 4.0% to 4.4%. The bonds are payable as follows:

FY	Principal	Interest	Total
2007	$ -	$ 330,262	$ 330,262
2008	-	341,650	341,650
2009	275,000	336,150	611,150
2010	285,000	324,950	609,950
2011	295,000	313,350	608,350
2012	310,000	301,250	611,250
2013-2017	1,735,000	1,300,244	3,035,244
2018-2022	2,135,000	902,765	3,037,765
2023-2027	1,250,000	552,244	1,802,244
2028-2032	1,890,000	259,899	2,149,899
	$ 8,175,000	$ 4,962,764	$ 13,137,764

(Continued)

NOTE 5 – LONG TERM OBLIGATIONS (Continued)

Compensated Absences

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

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

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

The total amount accrued for compensated absences at June 30:

	2006	2005
Vacation	$ 238,805	$ 227,032
Sick leave	19,640	17,603
Total	$ 258,445	$ 244,635

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.

(Continued)

NOTE 6 – STATE SUPPORT (Continued)

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

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

NOTE 7 – PENSION PLANS

School Employees Retirement System

Plan Description – The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (614) 222-5853, or by downloading from the website www.ohsers.org.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS" Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were $761,773, $738,206, and $657,980 respectively; 100 percent has been contributed for fiscal years 2006, 2005, 2004.

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

State Teachers Retirement System (Continued)

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

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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.

State Teachers Retirement System (Continued)

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

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

The Defined Benefit 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.

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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 deceased 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, 2006, were 10% of covered payroll for members and 14% for employers. The College's required 14% contributions for pension obligations for the fiscal years ended June 30, 2006, 2005, and 2004 were $631,808, $603,330, and $517,098 respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's 2005 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., 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 alternative retirement plans for the year ended June 30, 2006, was $19,715, which is equal to the required contribution for the year.

NOTE 8 – POSTEMPLOYMENT BENEFITS

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.

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, (the latest information available), the healthcare allocation rate was 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service. For fiscal year 2005, the minimum payment was established at $27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provided for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2005, were $218,816,560 and the target level was $335.2 million. At June 30, 2005, the Retirement System's net assets available for payment of health care benefits was $267.4 million.

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

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $480,714 and $364,365 for fiscal years 2006 and 2005, respectively.

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.

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2005 (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 $3.2 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $443,615,000. There were 115,395 eligible benefit recipients.

NOTE 9 – GRANTS, CONTRACTS AND OTHER ASSISTANCE

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

The College receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2006 and 2005 was $5,418,172 and $4,963,807, respectively.

(Continued)

NOTE 10 – 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 2006 the College contracted the 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)	$51,864,828
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)	1,000,000
General Liability (per occurrence)	1,000,000
Umbrella Liability (per occurrence)	15,000,000
Computer equipment ($500 deductible)	2,947,558

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

NOTE 11 – CLARK STATE COMMUNITY COLLEGE FOUNDATION

Clark State Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of Clark State Community College (College). The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The assets of the Foundation have been given by donors/grantors independent from the College and 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.

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.

(Continued)

NOTE 11 – CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)

During fiscal 2006, the Foundation became aware that it should be classifying gains and losses on its endowed gifts as temporarily restricted until spent rather than permanently restricted. Therefore, the Foundation has restated its 2005 financial statements to reflect this reclassification adjustment. This resulted in an increase in temporarily restricted net assets at July 1, 2004 of $796,413 and a corresponding decrease of permanently restricted net assets. This reclassification adjustment has no effect on originally reported total net assets or the originally reported change in total net assets.

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

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

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

	2006	2005
One year or less	$ 527,025	$ 746,520
Between one and five years	2,118,119	1,663,599
Longer than five years	2,250,000	2,755,023
	4,895,144	5,165,142
Discounts and allowance	(1,114,758)	(1,565,922)
Net pledges	$ 3,780,386	$ 3,599,220

Foundation investments are stated at market value, with changes in market value being recognized as gains and losses during the period in which they occur.

Fair value of investment held by the Foundation are summarized as follows:

	2006	2005
Equity funds	$ 4,038,701	$ 3,351,073
Bond funds	3,265,095	2,871,167
Money market account and other	1,021,903	376,439
	$ 8,325,699	$ 6,598,679

NOTE 11 – CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)

During the year ended June 30, 2006, the Foundation distributed $131,533 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, 2006

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

CLARK STATE COMMUNITY COLLEGE
Administrative Personnel
June 30, 2006

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

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

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Years ended June 30, 2006

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2005	Total Revenue	Total Expenditures	Ending Balance 6/30/2006
Department of Education Title IV Programs						
Student Financial Assistance cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A053254	$ -	$ 144,898	$ 144,898	$ -
College Work Study	84.033	P033A053254	-	119,927	119,927	-
Pell Grant	84.063	P063P052557	-	3,761,289	3,761,289	-
Total Student Financial Assistance Cluster			-	4,026,114	4,026,114	-
TRIO Student Support Services	84.042	P042A01078B	-	18,968	18,968	-
TRIO Student Support Services	84.042	P042A050017	-	162,047	162,047	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P4334S050016	-	42,956	42,956	-
Total Title IV Programs			-	4,250,085	4,250,085	-
Title I Program						
Vocational Education	84.048	063370-20C3-2006	-	101,511	101,511	-
Title II Program						
Tech-Prep Program	84.243	063370-3ETC-2006	-	115,908	115,908	-
Title VII Programs						
Outreach to Instructional Aides	84.116	P116Z040054	-	48,297	48,297	-
Equipping the Learning Success Center	84.116Z	P116Z050146	-	-	-	-
Total Department of Education			-	4,515,801	4,515,801	-
Department of Health and Human Services						
Passes through Clark County Department Of Job and Family Services:						
TANF (Temporary Assistance for Needy Families)						
TANF – Workforce Develop.	93.558	N/A	-	346,899	346,899	-
TANF – Youth Activities	93.558	N/A	-	70,950	70,950	-
Total TANF			-	417,849	417,849	-
Health Care and Other Facilities	93.887	C76HF02762-01-00	-	541,288	541,288	-
Total Department of Health and Human Services			-	959,137	959,137	-
Natural Science Foundation						
AgrowKnowledge Mini Grant	47.076	DUE-0434405	-	463	463	-
Total National Science Foundation			-	463	463	-
Total Federal Assistance			$ -	$5,475,401	$5,475,401	$ -

This schedule was prepared using the accrual basis of accounting.

During the fiscal year ending June 30, 2006, 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	$5,418,172

Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the financial statements of Clark State community College as of and for the year ended June 30, 2006, and have issued our report thereon dated October 2, 2006. 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 an opinion 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 reportable 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 misstatement 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 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*.

This report is intended for the information of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 2, 2006

Crowe

Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Clark State Community College
Springfield, Ohio

Compliance

We have audited the compliance of Clark State Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are to be reported in accordance with OMB Circular A-133 and which are discussed in the accompanying schedule of findings and questioned costs as Finding 06-01. We also noted matters involving compliance that we have reported to management of Clark State Community College in a separate letter dated October 2, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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 material weaknesses. However, we noted matters involving the internal control over compliance that we have reported to management of Clark State Community College in a separate letter dated October 2, 2006.

This report is intended for the information of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 2, 2006

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Reportable conditions(s) identified not considered to be material weaknesses?		Yes	X	N/A
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Reportable condition(s) identified not considered to be material weakness(es)?		Yes	X	N/A
Type of auditors' report issued on compliance for major programs	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))	X	Yes		No

Name of Major Program Identified	CFDA Number(s)
Total Student Financial Aid cluster (consisting of):	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Educational Loan Program	84.032
Temporary Assistance for Needy Families	93.558
Health Care and Other Facilities	93.887

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

Auditee qualified as low-risk auditee? X Yes ____ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable

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

See Finding 06-01

FINDING 06-01

Federal Program Information: Federal Family Education Loan Program, CFDA No. 84.032

Criteria: 34 CFR 668.22(j) - Timeframe for the return of Title IV funds: An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than thirty days after the date of the institution's determination that the student withdrew.

Condition: The return of Title IV funds occurred past the thirty-day requirement for four students.

Questioned Costs: The total number of days that the School was overdue in paying FFELP funds related to the four students was 105 days. Using a 2.0% annual interest rate, the questioned costs was calculated to be $2.80.

Context: Funds from four out of a sample of twenty returns were not returned within the thirty-day required timeframe.

Recommendation: We recommend the College review its policies and procedures over this area to ensure timely processing in all instances.

Management's Response and corrective actions: Management is in agreement with this finding. Clark State Community College has reviewed its policies and procedures related to processing the return of Title IV funds. The Financial Aid office will work with the Clark State Computing Services office to ensure that accurate withdrawal information related to students awarded Title IV funding is requested by and provided to the Financial Aid office in a timely manner.

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF RESOLUTION OF PRIOR YEAR'S AUDIT FINDINGS
June 30, 2006

There were no findings in the June 30, 2005 audit.

Auditor of State
Betty Montgomery

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CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 2, 2007