CLARK STATE COMMUNITY COLLEGE

FINANCIAL STATEMENTS

June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Lane
P.O. Box 570
Springfield, Ohio 45501

We have reviewed the *Report of Independent Auditors* of the Clark State Community College, Clark County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 2, 2009

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CLARK STATE COMMUNITY COLLEGE
Springfield, Ohio

FINANCIAL STATEMENTS
June 30, 2009 and 2008

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Crowe Horwath.

Crowe Horwath LLP
Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Clark State Community College as of June 30, 2009 and 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 19 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.

(Continued)

In accordance with *Government Auditing Standards,* we have also issued a report dated October 16, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

This section of the Clark State Community College ("College") annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2009.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

Assets

- Equity in pooled cash and cash equivalents increased by $2.1 million (28.2%) primarily due to grant funding received by the Ohio Association of Community Colleges (OACC) for which the College is the fiscal agent and higher restricted balances for Pell grants as a result of implementing an auto-processing system within the financial accounting system which resulted in a much faster drawdown of Pell funds due the College (at June 30, 2008, there was a large receivable while at June 30, 2009, there is a very small receivable which results in a larger cash balance) and an increase in the capital component allocation received from the Ohio Board of Regents.

- Prepaid expenses decreased by $89,000 (16.6%) due to a reduction in pre-paid expenses for advertising, online learning software and building security monitoring.

Liabilities and Net Assets

- Accounts payable increased by $87,000 (11.4%) due to expenses incurred for the Performing Arts Center partners, Bookstore vendors and Business & Industry independent contractors that were incurred in FY 2009 but not paid at June 30, 2009.

- The first principal payment ($275,000) on bonds issued to finance construction of the Landess Technology & Learning Center (TLC) was made December 1, 2008.

- Wages payable increased by $78,000 (8.8%). This increase was primarily due to an increase in the number of employees and one additional day accrued for staff.

- Accrued payroll and tax liabilities decreased by $139,000 (47.4%). This was due to the timing of payment of health insurance premiums. The premiums for June 2008 were not paid until July 2008 while the June 2009 premium was paid in June 2009.

(Continued)

- Deferred income increased by $112,000 (8.0%). Summer and Fall enrollment increases resulted in more revenue collected in May/June for the succeeding fiscal year.

- Current portion of Note payable of $7.9 million, due to the issuance of bonds to finance the TLC construction project, is $285,000.

- Deposits held in trust for others increased by $960,000 (112.5%) primarily due to the $1.2 million in grants received by OACC for which the College serves as fiscal agent.

- Accrued compensated absences increased by $41,000 (14.3%) due to more employees carrying larger leave balances as a result of a change in policy allowing personal day accrual and additional vacation accrual.

- Restricted expendable net assets increased $265,000 (12.9%) due to unspent capital component funds received during the fiscal year.

- Unrestricted net assets increased $469,000 (9.6%) as a result of operations generating a net surplus for the fiscal year.

Operating Revenues

- Student tuition and fees revenue increased by $850,000 (12.0%). Enrollment increased 10.4% which was boosted due to dual enrollment programs and Greene Center enrollments. Non-credit continuing education revenue increased as the programs transferred from the Commercial Transportation Training Center continued to contribute to increased revenues. Revenues generated by customized training activities also increased.

- Federal grants and contracts increased by $126,000 (12.5%) due to increased funding from FEMA, National Endowment for the Arts, Federal Perkins Loan, Federal Work-Study, and GearUp programs.

- State and local grants and contracts decreased $200,000 (20.6%) due to the ending of the Workforce Development grant. This decrease was somewhat offset by new funds received for Future Jobs and Stackable Certificates programs.

- Non-governmental grants and contracts increased $31,000 (9.7%) due to increased fundraising by the Circle of Friends including proceeds received from special events.

- Auxiliary enterprises revenue decreased by $100,000 (4.4%) even though Bookstore and Parking revenues were up $34,000 (2.6%). The decrease was due to an enrollment decrease in the Commercial Transportation Training Center program resulting in a loss of $134,000 (14.4%) in revenues to that program.

(Continued)

- Other operating revenues increased $122,000 (12.4%) due to an increase in administrative overhead charges for programs that the College serves as the fiscal agent and an increase in Performing Arts Center revenues.

- In total, operating revenues increased $829,000 (6.6%).

Operating Expenses

- Instructional expenses increased by $895,000 (12.4%) due to an increase in the number of full-time faculty and expenses for adjunct faculty. There was also an increase in lab supplies.

- Academic support expenses decreased by $124,000 (11.0%) due to decreases in distance learning, faculty and professional fees expenses and the reorganization of staff to the academic computing department.

- Student services expenses increased by $115,000 (5.9%) due to the implementation of additional recruiting and retention services and personnel.

- Institutional support expenses increased by $379,000 (8.7%) due to increases in expenses for the Human Resources and VP Academic Affairs departments. There were also increases in expenses for the dental benefit, IT maintenance contracts, and workers compensation premiums.

- Operation and maintenance of plant expenditures decreased by $725,000 (19.6%) due to a reduction in equipment purchases.

- Student aid increased $340,000 (28.3%) due to increased enrollment and scholarships for the dual enrollment and seniors-to-sophomore programs.

- Public service expenditures increased by $440,000 (12.4%) due to an increase in expenditures for Business & Industry, Future Jobs project, Jobs Challenge grant, with all of these being partially offset by the Career Plus grant ending.

- Depreciation expense decreased $269,000 (15.9%) due to assets being fully depreciated in the prior year.

- Total operating expenses increased $1.4 million (5.1%).

- Total operating loss increased by $606,000 (3.9%) to $15.9 million.

Non-Operating Revenues

- State appropriations increased $724,000 (7.7%) due to an increase in funding in State Share of Instruction.

(Continued)

- Federal grants increased $955,000 (23.2%) as a result of increased Pell grants due to higher student enrollment.

- Investment income decreased by $101,000 (40.3%) due to lower average cash and investment balances and interest rates.

- Other non-operating expenses decreased by $28,000 due to the Applied Science Center and sidewalk renovation expenses, which were somewhat offset by a gain on the sale of assets.

- Interest expense decreased $176,000 (34.0%).

- Total net non-operating revenues increased $1.7 million (13.1%).

- Loss before other revenues, expenses, gains or losses decreased by $1.4 million (64.8%).

- Capital appropriations decreased by $296,000 because there were none drawn down for capital projects.

- Capital grants and gifts decreased by $1.1 million (62.5%) due to the fact that in FY 2008 $1.3 million was transferred from the Foundation Major Gifts Campaign receipts to fund constructional expenses for the TLC.

- The change in net assets for FY 2009 was a negative $106,000 compared to FY 2008 change in net assets of negative $119,000.

- The Campus Master Plan was adopted by the Board of Trustees in June 2003. This plan addresses facilities, land acquisition, technology, infrastructure, and space planning. It is an aggressive plan that, if implemented in its entirety, would have a cost of $40 million that would be invested over a 10-15 year period. The first phase of the plan to construct an addition of the Applied Science Center and a new Technology & Learning Center has been completed. The initial concept for Phase II of the plan was to build an addition to the Performing Arts Center. This project has evolved to plans to construct a separate stand-alone Creative Arts and Conference Center adjacent to the Performing Arts Center. The total project budget of $5.8 million will be funded from state capital funds, private grants and the Major Gifts fundraising campaign. The project has progressed to the Design Development phase.

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

- In March 2007, the College began holding classes in a temporary facility shared with Wright State University in Greene County. Greene County is one of the four counties that make up the College's legally constituted service district. The College entered into an operating lease at the new facility in Greene County and began holding classes beginning September 2007. Enrollment at the Greene Center for FY 2009 increased by 143% from FY 2008.

- During FY 2009 the College entered into an operating lease for the second floor of this facility that will go into effect Fall 2011 or Fall 2012. Plans are underway to exercise the option to purchase this building that is included in the lease agreement.

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, certain grants and investment income are classified as non-operating. As a public college, Clark State Community College has a high dependency on these non-operating revenues particularly state appropriations. As a result of GASB 35 reporting classifications, the College will always generate an operating deficit.

(Continued)

- 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 $1.4 million and $1.7 million for the years ended June 30, 2009, and June 30, 2008, 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 $2.9 million and $2.3 million for the years ended June 30, 2009, and June 30, 2008, respectively.

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

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

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

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

STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the College's assets, liabilities, and net assets as of June 30, 2009, 2008, and 2007, is as follows:

(Continued)

	2009	2008	2007
	(all dollar amounts in thousands)		
Current assets	$ 13,710	$ 11,824	$ 12,310
Noncurrent assets	33,292	34,409	34,275
Total assets	47,002	46,233	46,585
Current liabilities	3,890	3,730	4,024
Noncurrent liabilities	9,758	9,043	8,982
Total liabilities	13,648	12,773	13,006
Net assets			
Invested in capital assets, net of related debt	25,397	26,237	25,929
Restricted			
Nonexpandable	250	250	250
Expendable	2,324	2,059	1,369
Unrestricted	5,383	4,914	6,031
Total net assets	$ 33,354	$ 33,460	$ 33,579

A review of the summary indicates a relatively strong financial position as of June 30, 2009. Total net assets decreased $106,000 primarily due to an increase in operating expenses and a decrease in capital grants and gifts.

Current assets are comprised primarily of cash and student and trade receivables. The increase in total current assets of almost $1.9 million is primarily due to an increase in Agency and Restricted fund cash.

Current liabilities are comprised primarily of trade payables, wages payable, and deferred income (from both student fees and advance payments for grants). These liabilities increased by $160,000 primarily due to an increase in trade payables caused by a higher volume of sales in the Bookstore and payments to Business & Industry trainers, wages payable due to more employees and deferred income due to increased summer enrollment.

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

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

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

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2009, 2008, and 2007, is as follows:

	2009	2008	2007
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 7,941	$ 7,091	$ 6,302
Grants and contracts	2,254	2,297	2,028
Auxiliary enterprises	2,144	2,244	1,817
Other	1,104	982	1,028
Total	13,443	12,614	11,175
Operating expenses	29,134	27,973	23,756
Operating loss	(15,691)	(15,359)	(12,581)
Nonoperating revenues (expenses)			
State appropriations	10,089	9,364	8,564
Federal grants	5,064	4,108	3,610
Investment income	149	250	375
Other	(27)	1	199
Interest expense	(343)	(519)	(7)
Capital appropriations	-	296	1,724
Capital grants	653	1,740	490
Total	15,585	15,240	14,955
Increase (decrease) in net assets	(106)	(119)	2,374
Net assets beginning of year	33,460	33,579	31,205
Net assets end of year	$ 33,354	$ 33,460	$ 33,579

(Continued)

The College relies primarily on state appropriations and student tuition and fees to fund its ongoing programs and operations. Although classified by GASB 35 as a non-operating revenue source, state appropriations over the years have been the largest single source of revenue for the College up until fiscal year 2004. The amount received each year is, in general, a function of student enrollment for the previous year(s). Although enrollment increased significantly (10.4%) in fiscal year 2009, the resulting effect on the State Share of Instruction (the majority of state appropriations) will not be realized until fiscal year 2010. In exchange for holding tuition and fees constant in FY 2008 and in FY 2009, higher education funding during the biennium was increased dramatically in the State budget. 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 three decades.

State Operating Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$ 1.89
1990	2,781,764	4,491,168	1.61
2002	5,323,375	6,584,459	1.24
2003	6,098,702	6,384,948	1.05
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92
2009	9,914,898	8,822,705	0.89

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2009 that figure dropped to $0.89. In 2002, state appropriations exceeded gross tuition by $1.2 million. In 2009, gross tuition exceeds state appropriations by $1.1 million.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in only modest tuition increases in recent years and no increase in FY 2008 or 2009. As recently as 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2009, 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 qualified staff and faculty, maintain state-of-the art facilities, accommodate growing enrollments, implement student retention support services, and provide the latest technology and equipment to be able to furnish our students with a quality learning experience at an affordable cost.

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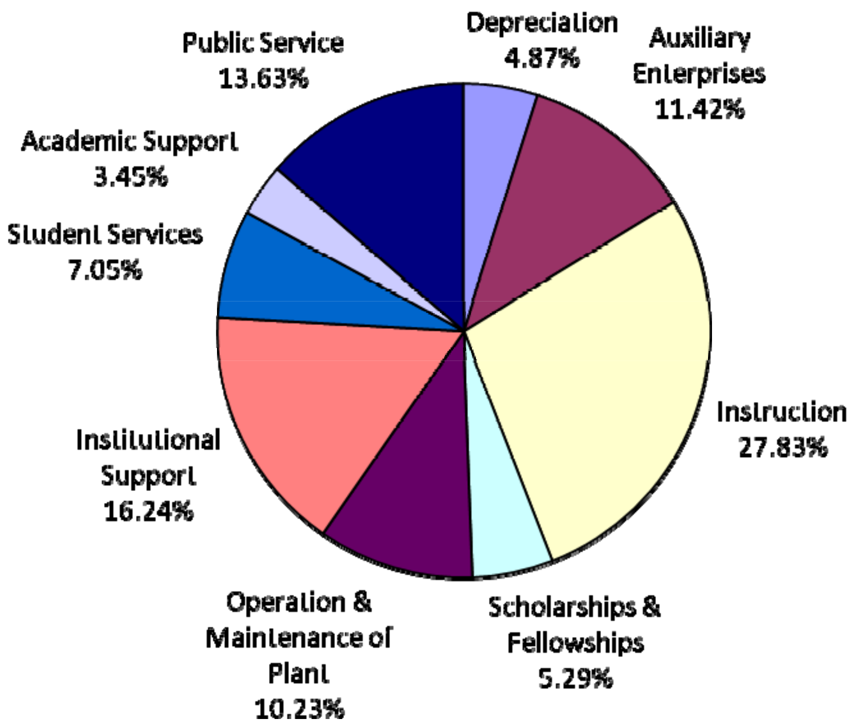
Total state appropriations increased 7.7% from $9.4 million in 2008 to $10.1 million in 2009 as a result of an increase in State Share of Instruction. Net student tuition and fees increased 12.0% from $7.1 million in 2008 to $7.9 million in 2009. This increase is a result of a 10.4% increase in enrollment in 2009.

Administrative overhead revenues from new grant programs increased other operating revenues.

The following is a graphic illustration of expenses by function for the year ended June 30, 2009:



The net increase in expenses in 2009 was the effect of:

- Increases in functional categories of student aid 28.3%, public service 12.5%, instruction 12.4%, institutional support 8.7%, student services 5.9%, and auxiliary enterprises 3.4%.

- Decreases in academic support 10.9%, operation and maintenance of plant 19.6%, and depreciation 15.9%.

(Continued)

- The increase in student aid was a result of increased enrollment including scholarships awarded to students in the dual enrollment and seniors-to-sophomores programs.

- The increase in public service expenses was a result of increased expenditures in Business & Industry training and expenditures related to the Future Jobs program.

- The increase in expenditures for instruction was a result in the increase in full-time faculty and expenditures for adjunct faculty as well as expenditures for lab supplies.

- The increase in institutional support expenditures was due to an increase in Human Resources expenses, dental and workers compensation benefit expenses, IT maintenance contracts, and new initiatives funded by the VP Academic & Student Affairs budget.

- The decrease in expenditures for academic support was primarily due to a reclassification of staff from this category to institutional support.

- The decrease in expenses for operation and maintenance of plant was due to a reduction in equipment purchases.

The following table shows a comparison of total operating expenses per FTE for 2009 and 2008. Total operating expenses per FTE student decreased by $648 during 2009.

TOTAL OPERATING EXPENSES PER FTE

	2009	2008	Difference	Percent Change
Total operating expenses	$ 29,133,649	$ 27,973,144	$ 1,160,505	4.15%
FTE enrollment	2,705	2,450	255	10.41%
Net operating expenses per FTE	10,770	11,418	(648)	(5.68%)

(Continued)

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, 2009. Following is a summary of the Statement of Cash Flows:

	2009	2008	2007
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (12,882)	$ (14,256)	$ (11,342)
Noncapital financing activities	15,125	13,473	12,373
Capital and related financing activities	(275)	(310)	(8,798)
Investing activities	169	423	8,255
Net increase (decrease) in cash and cash equivalents	2,137	(670)	488
Cash and cash equivalents:			
Beginning of year	7,587	8,257	7,769
End of year	$ 9,724	$ 7,587	$ 8,257

Cash and cash equivalents increased by $2.1 million primarily as a result of an increase in cash flow for noncapital financing activities, which was due to an increase in state appropriations and federal grants. The improvement in cash flows from operating activities compared to FY 2008 was the result of an increase in cash flows from tuition and fees; grants, gifts and contracts; Bookstore sales; other receipts including Performing Arts Center revenue; and a decrease in expenses for goods and services and utilities. These positive cash flows were somewhat offset by an increase in salaries and student scholarships and a decrease in revenue generated by the Commercial Transportation Training Center. Cash flows were also negatively impacted by a decrease in income earned on investments.

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CAPITAL ASSETS AND DEBT

Capital Assets

The College had $33.1 million invested in capital assets net of accumulated depreciation of $24.7 million at June 30, 2009. Depreciation expense for the year ended June 30, 2009, was $1.4 million compared to $1.7 million in 2008 and $1.2 million in 2007. A summary of net capital assets for the years ended June 30, 2009, 2008, and 2007, is as follows:

	2009	2008	2007
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 2,844	$ 3,040	$ 2,497
Building	28,028	29,099	16,164
Machinery and equipment	2,066	1,926	1,711
Library books and publications	97	99	106
Vehicles	106	86	100
Construction in progress	-	-	13,532
Total capital assets, net	$ 33,141	$ 34,250	$ 34,110

The major projects the College undertook during 2009 were technology equipment replacements and vehicle replacements.

During FY 2008, the College began leasing a facility in Greene County, which is a part of its assigned service district. The business plan projects enrollment growth at this location at a higher rate than the Springfield location. For FY 2009, actual enrollment (11,802 credit hours) exceeded the Business Plan (8,645 credit hours) by 36.5%. Financial resources have been set aside over the years to help meet the future needs of the citizens of the College's service district. FY 2008 represented just the beginning of a more conscious outreach into the entire service district of the College in an effort to meet the educational and workforce development needs of those citizens. During FY 2009, an outreach center was established in Logan County on the Ohio Hi-Point campus and a lease agreement for the second floor of the facility in Greene County was entered into beginning in Fall 2011 or Fall 2012.

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Debt

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

A critical consideration when contemplating the issuance of long term debt financing was that this action would not adversely impact the College's Senate Bill 6 financial ratios. The College's FY 2005 ratio analysis resulted in a composite score of 4.1. The FY 2006 ratio analysis, which was the year the bonds were issued, resulted in a composite score of 3.7. The FY 2007 ratio analysis resulted in a composite score of 3.9. The FY 2008 ratio analysis results in a composite score of 2.6. The FY 2009 ratio analysis results in a composite score of 3.4 due to an improvement in the viability ratio (increase in expendable net assets and decrease in debt) and an improvement in the primary reserve ratio (increase in expendable net assets).

ECONOMIC FACTORS AFFECTING THE FUTURE

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

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

- Create a Higher Education Compact by which the State and the higher education community will restrain tuition, increase efficiency, and adequately fund public colleges and universities.

(Continued)

- Dramatically increase the number of students in Ohio's colleges and universities by broadening access and ensuring that those who attend succeed and graduate with a degree that counts.

- Provide all Ohioans the opportunities to attain skills for high quality jobs.

- Establish AccelerateOhio to provide low cost flexible entry points to higher education for workers.

- Create "Truth in Tuition" to enhance transparency in the tuition and fees in higher education.

- Provide Ohio's colleges and universities with a reliable, adequate and targeted base of state support to meet growing enrollment; science, technology, engineering, mathematics, and medicine (STEMM); research; and workforce challenges.

- Improve college affordability for Ohioans by increasing state need-based aid.

- Maximize the effectiveness and efficiency of state investments through efforts to increase collaboration among campuses including sharing of best practices.

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

- State Share of Instruction funding increases of 2% in FY 2008 and 10% in FY 2009.

- A tuition freeze for both years of the biennium.

- Implement management efficiencies of 1% in FY 2008 and 3% in FY 2009.

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

(Continued)

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

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

The FY 2010/FY 2011 state biennial budget, passed in July 2009, is a different story. State Share of Instruction (SSI) funding for community colleges increased 5.88% in FY 2010 but then was reduced by 6.8% in FY 2011. Tuition increases of 3.5% are permitted for each year of the biennium. A 3% in savings through efficiencies is required to be demonstrated in order to receive full SSI funding. SSI funding for FY 2011 is also tied to "success points" for community colleges and a study was commissioned with a report due April 2010. The Ohio College Opportunity Grant funding program eligibility was adjusted so that very few community college students will now be eligible for this grant program including none attending Clark State. Funding for the Jobs Challenge program, which assists businesses and industries in the state, has been eliminated. Community Colleges are now eligible to participate in the Ohio Building Authority's Bond Intercept Program, which gives these institutions an additional mechanism to fund capital projects. The new state biennial budget also relies on stimulus (ARRA) money from the federal government which may or may not be available in the succeeding biennium and funds from revenue generated by video lottery terminals installed across the state which is now at risk due to a referendum that will appear on the ballot in November 2010.

In September 2009, Moody's Investors Service completed a review in order to update the College's rating. Moody's affirmed the A3 rating on the College's series 2006 general receipts bonds. The outlook is stable. Strengths cited included growing enrollment, historically positive or break even operating performance, and healthy levels of philanthropic support. Challenges cited included small institutional size, operating in a highly competitive student market in Ohio with private and public universities, both the City of Springfield and Clark County facing economic and demographic challenges, funding future capital projects, and a constrained state funding environment. 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.

(Continued)

Major initiatives planned for FY 2010 include increased collaboration with Wright State University on the developmental education student initiative, collaboration with Springfield Regional Medical Center to operate the hospital's School of Nursing Program, increased educational outreach into Logan County, continued upgrade and enhancement of the IT infrastructure that supports distance education, investigating the possible purchase of the facility in Greene County, and complete fundraising for the $5.8 million Creative Arts & Conference Center project to be located in downtown Springfield.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Equity in pooled cash and cash equivalents	$ 9,724,562	$ 7,587,126
Investments	145	19,815
Accounts receivable, net	3,272,822	3,416,780
Prepaid expenses	444,976	533,835
Inventory	247,022	244,914
Employee loans receivable	20,357	21,698
Total current assets	13,709,884	11,824,168
Noncurrent assets		
Capital assets, net	33,140,977	34,250,427
Deferred charges	151,396	157,979
Total noncurrent assets	33,292,373	34,408,406
Total assets	47,002,257	46,232,574
Liabilities		
Current liabilities		
Accounts payable	846,891	759,926
Note payable, current portion	285,000	275,000
Interest payable	27,554	28,471
Wages payable	958,421	880,802
Accrued payroll and tax liabilities	153,503	292,031
Deferred income	1,516,054	1,404,318
Unclaimed funds	102,352	89,631
Total current liabilities	3,889,775	3,730,179
Noncurrent liabilities		
Note payable, less current portion	7,615,000	7,900,000
Deposits held in trust for others	1,813,658	853,592
Accrued compensated absences	330,348	288,952
Total noncurrent liabilities	9,759,006	9,042,544
Total liabilities	13,648,781	12,772,723
Net assets		
Invested in capital assets, net of related debt	25,396,198	26,237,230
Restricted		
Nonexpendable	250,000	250,000
Expendable	2,324,112	2,058,889
Unrestricted	5,383,166	4,913,732
Total net assets	$ 33,353,476	$ 33,459,851

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash	$ 247,832	$ 100,758
Investments	9,339,525	10,662,201
Accounts receivable, Clark State Community College	56,497	43,249
Pledges receivable	2,831,016	3,054,935
Student loans receivable, net of allowance for doubtful loans of $99,378 in 2009 and $80,266 in 2008	198,387	240,305
Prepaid expenses	300	1,304
	$ 12,673,557	$ 14,102,752
LIABILITIES AND NET ASSETS		
Liabilities		
Wages payable	$ 3,112	$ 1,961
	3,112	1,961
Net assets		
Unrestricted	320,064	768,601
Temporarily restricted	4,910,937	6,141,250
Permanently restricted	7,439,444	7,190,940
	12,670,445	14,100,791
	$ 12,673,557	$ 14,102,752

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2009 and 2008

	2009	2008
Operating revenues		
Student tuition and fees, net of scholarship allowances of $2,866,894 in 2009 and $2,313,766 in 2008	$ 7,940,607	$ 7,090,725
Federal grants and contracts	1,135,036	1,008,958
State and local grants and contracts	771,180	971,062
Nongovernmental grants and contracts	348,348	317,505
Auxiliary enterprises		
Bookstore, net of scholarship allowances of $1,354,124 in 2009 and $1,102,160 in 2008	1,305,209	1,273,829
Parking	39,617	36,514
Truck driving	799,186	933,276
Other operating revenues	1,103,685	981,897
Total operating revenues	13,442,868	12,613,766
Operating expenses		
Educational and general		
Instructional	8,107,098	7,211,801
Academic support	1,005,839	1,129,945
Student services	2,054,754	1,940,032
Institutional support	4,729,930	4,351,040
Operation and maintenance of plant	2,979,336	3,704,395
Student aid	1,540,917	1,201,327
Public service	3,969,661	3,529,309
Depreciation expense	1,418,215	1,687,069
Auxiliary enterprises	3,327,899	3,218,226
Total operating expenses	29,133,649	27,973,144
Operating loss	(15,690,781)	(15,359,378)
Nonoperating revenues (expenses)		
State appropriations	10,088,517	9,364,466
Federal grants revenue	5,063,335	4,108,139
Investment income	149,272	249,992
Other nonoperating items	(26,838)	700
Interest expense	(342,755)	(519,056)
Net nonoperating revenues	14,931,531	13,204,241
Loss before other revenues, expenses gains, or losses	(759,250)	(2,155,137)
Capital appropriations	-	296,312
Capital grants and gifts	652,875	1,739,927
Change in net assets	(106,375)	(118,898)
Net assets - beginning of year	33,459,851	33,578,749
Net assets - end of year	$ 33,353,476	$ 33,459,851

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

Year ended June 30, 2009 with comparative 2008 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
Revenues and other support					
Campaign contributions	$ 57,215	$ 131,049	$ 10,089	$ 198,353	$ 196,990
Foundation contributions	1,694	157,023	238,415	397,132	317,062
Interest	12,399	325,701	-	338,100	392,126
Net realized and unrealized gains (losses) on investment	(422,816)	(1,231,064)	-	(1,653,880)	(582,245)
Miscellaneous	89,810	20,505	-	110,315	184,095
Net assets released from restrictions	633,527	(633,527)	-	-	-
Total revenues and other support	371,829	(1,230,313)	248,504	(609,980)	508,028
Expenses					
Programs	700,178	-	-	700,178	1,689,160
Management and general	120,188	-	-	120,188	110,423
Total expenses	820,366	-	-	820,366	1,799,583
Change in net assets	(448,537)	(1,230,313)	248,504	(1,430,346)	(1,291,555)
Net assets at beginning of year	768,601	6,141,250	7,190,940	14,100,791	15,392,346
Net assets at end of year	$ 320,064	$ 4,910,937	$ 7,439,444	$ 12,670,445	$ 14,100,791

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
Revenues and other support				
Campaign contributions	$ 64,563	$ 116,834	$ 15,593	$ 196,990
Foundation contributions	2,490	237,836	76,736	317,062
Interest	24,612	367,514	-	392,126
Net realized and unrealized gains (losses) on investments	(24,124)	(558,121)	-	(582,245)
Miscellaneous	167,543	16,552	-	184,095
Net assets released from restrictions	1,531,025	(1,531,025)	-	-
Total revenues and other support	1,766,109	(1,350,410)	92,329	508,028
Expenses				
Programs	1,689,160	-	-	1,689,160
Management and general	110,423	-	-	110,423
Total expenses	1,799,583	-	-	1,799,583
Change in net assets	(33,474)	(1,350,410)	92,329	(1,291,555)
Net assets at beginning of year	802,075	7,491,660	7,098,611	15,392,346
Net assets at end of year	$ 768,601	$ 6,141,250	$ 7,190,940	$ 14,100,791

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Tuition and fees	$ 8,084,565	$ 6,988,046
Grants, gift and contracts	3,326,366	2,971,948
Payments for goods and services	(9,004,020)	(9,941,981)
Payment for utilities	(796,819)	(897,933)
Payments to employees	(12,769,690)	(11,979,409)
Payments for benefits	(3,430,481)	(3,431,428)
Payments for scholarships and fellowships	(1,540,917)	(1,201,327)
Loans issued to students and employees	(21,176)	(19,947)
Collection of loans to students and employees	22,517	30,347
Auxiliary enterprise charges		
Bookstore	1,305,209	1,273,829
Parking	39,617	36,514
Truck driving	799,186	933,276
Other receipts	1,103,685	981,897
Net cash from operating activities	(12,881,958)	(14,256,168)
Cash flows from noncapital financing activities		
State appropriations	10,088,517	9,364,466
Federal grants revenue	5,063,335	4,108,139
Other nonoperating items	(26,838)	700
Net cash from noncapital financing activities	15,125,014	13,473,305
Cash flows from capital financing activities		
Capital appropriations	-	296,312
Purchase of capital assets	(308,765)	(1,827,240)
Principal paid on capital debt and leases	(275,000)	-
Interest paid on capital debt and leases	(343,672)	(519,056)
State grants and gifts proceeds	652,875	1,739,927
Net cash from financing activities	(274,562)	(310,057)
Cash flows from investing activities		
Net change in investments	19,670	172,702
Income on investments	149,272	249,993
Net cash from investing activities	168,942	422,695
Net change in cash and cash equivalents	2,137,436	(670,225)
Cash and cash equivalents, beginning of year	7,587,126	8,257,351
Cash and cash equivalents, end of year	$ 9,724,562	$ 7,587,126

(Continued)

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	2009	2008
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$ (15,690,781)	$ (15,359,378)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,418,215	1,687,069
Changes in assets and liabilities		
Accounts receivable	143,958	(104,679)
Inventory	(2,108)	(12,450)
Prepaid expenses	88,859	(250,455)
Loans receivable	1,341	10,400
Other assets	6,583	6,583
Accounts payable	86,965	(1,219,484)
Wages payable	77,619	119,043
Accrued payroll liabilities	(138,528)	165,679
Deferred income	111,736	359,246
Unclaimed funds	12,721	7,185
Deposits held in trust for others	960,066	315,177
Compensated absences	41,396	19,896
Net cash from operating activities	$ (12,881,958)	$ (14,256,168)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB 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 has elected not to apply the Financial Accounting Standards Board ("FASB") statements and interpretations issued on or after November 30, 1989, to its business-type activities provided that they do not conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on total net assets or the change in net assets.

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

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

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Deposits Held in Trust for Others: Deposits held in trust for others in the amount of $1,813,658 represents the balance in the College's Agency fund that is available for expenditures.

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Joint Venture: In conjunction with Springfield-Clark Career Technology Center ("CTC"), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CTC to determine each entity's share in funding operating losses, if any. During fiscal 2009 and 2008 no losses were incurred. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

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

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. This statement was implemented prospectively. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups.

In November, 2007, GASB issued Statement No, 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

Adopting these statements had no effect on the College's financial statements.

Recently Issued Accounting Pronouncements: In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies. The College will be required to implement this statement in fiscal year 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The College will be required to implement this statement in fiscal 2010.

Management has not yet determined the impact that these GASB Statements will have on the College's financial statements and disclosures.

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NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least five percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

Deposits – Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. As of June 30, 2009, carrying amount of the Colleges' deposits was $2,770,144 and the bank balance was $2,995,877. Of the bank balance, $1,955,460 was covered by federal depository insurance, $186,834 was collateralized in both the College's name and the financial institution's name, $0 was secured with letters of credit for the benefit of the College, and the remaining $853,583 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, 2009, the College had amounts on deposit with STAR Ohio, with a fair market value of $6,954,418, which is included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

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

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

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

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009 and 2008 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:

	2009	2008
Student charges	$ 1,591,926	$ 1,184,341
Room rental	8,434	33,103
Post secondary	237,070	323,812
Customized training services	142,047	115,815
Sponsored billings	705,128	146,897
Intergovernmental	1,119,422	1,858,430
Miscellaneous	73,400	312,523
	3,877,427	3,974,921
Less allowance for possible collection losses	(604,605)	(558,141)
Accounts receivable, net	$ 3,272,822	$ 3,416,780

(Continued)

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	July 1, 2008 Balance	Additions/ Transfers	Net Reductions	June 30, 2009 Balance
Cost				
Land	$ 1,531,084	$ -	$ -	$ 1,531,084
Infrastructure	3,486,745	-	-	3,486,745
Buildings	46,141,417	-	-	46,141,417
Furniture and equipment	5,453,734	240,148	(33,894)	5,659,988
Library books	515,964	18,048	(1,425)	532,587
Vehicles	496,366	61,450	(68,947)	488,869
	57,625,310	319,646	(104,266)	57,840,690

	July 1, 2008 Balance	Additions/ Transfers	Net Reductions	June 30, 2009 Balance
Accumulated depreciation				
Infrastructure	$ 1,977,945	$ 195,398	$ -	$ 2,173,343
Buildings	17,042,064	1,071,651	-	18,113,715
Furniture and equipment	3,527,570	100,193	(33,894)	3,593,869
Library books	416,505	20,942	(1,425)	436,022
Vehicles	410,799	30,031	(58,066)	382,764
	23,374,883	1,418,215	(93,385)	24,699,713
Capital assets, net	$ 34,250,427	$ (1,098,569)	$ (10,881)	$ 33,140,977

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	July 1, 2007 Balance	Additions/ Transfers	Net Reductions	June 30, 2008 Balance
Cost				
Land	$ 1,531,084	$ -	$ -	$ 1,531,084
Infrastructure	2,747,657	739,088	-	3,486,745
Buildings	32,134,071	14,007,346	-	46,141,417
Furniture and equipment	4,941,198	588,295	(75,759)	5,453,734
Library books	518,397	14,329	(16,762)	515,964
Vehicles	531,607	11,000	(46,241)	496,366
Construction in progress	13,532,818	(13,532,818)	-	-
	55,936,832	1,827,240	(138,762)	57,625,310

	July 1, 2007 Balance	Additions/ Transfers	Net Reductions	June 30, 2008 Balance
Accumulated depreciation				
Infrastructure	$ 1,782,000	$ 195,945	$ -	$ 1,977,945
Buildings	15,970,413	1,071,651	-	17,042,064
Furniture and equipment	3,230,368	372,961	(75,759)	3,527,570
Library books	411,715	21,552	(16,762)	416,505
Vehicles	432,080	24,960	(46,241)	410,799
	21,826,576	1,687,069	(138,762)	23,374,883
Capital assets, net	$ 34,110,256	$ 140,171	$ -	$ 34,250,427

(Continued)

NOTE 5 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2009 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	8,175,000	-	275,000	7,900,000	285,000
Deposits held in trust for others	853,592	960,066	-	1,813,658	-
Compensated absences	288,952	41,396	-	330,348	-
Total long-term liabilities	9,317,544	1,001,462	275,000	10,044,006	285,000

The College's long-term obligations at June 30, 2008 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	8,175,000	-	-	8,175,000	275,000
Deposits held in trust for others	538,415	315,177	-	853,592	-
Compensated absences	269,056	19,896	-	288,952	-
Total long-term liabilities	8,982,471	335,073	-	9,317,544	275,000

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

Year Ending June 30,	Principal	Interest	Total
2010	285,000	324,950	609,950
2011	295,000	313,350	608,350
2012	310,000	301,250	611,250
2013	320,000	288,650	608,650
2014	335,000	275,131	610,131
2015-2019	1,885,000	1,148,788	3,033,788
2020-2024	1,800,000	742,874	2,542,874
2025-2029	1,355,000	441,020	1,796,020
2030-2033	1,315,000	118,690	1,433,690
	$ 7,900,000	$ 3,954,703	$ 11,854,703

(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 200 vacation hours to be carried over to the subsequent year. Upon termination of employment, an employee is entitled to payment for all unused, accrued vacation hours. Vacation leave accrual rates will not be reduced for all employees hired prior to this date.

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

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

The total amount accrued for compensated absences at June 30:

	2009	2008
Vacation	$ 318,385	$ 273,562
Sick leave	11,963	15,390
Total	$ 330,348	$ 288,952

(Continued)

NOTE 6 – STATE SUPPORT

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

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

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

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

NOTE 7 – PENSION PLANS

<u>School Employees Retirement System</u>

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

(Continued)

NOTE 7 – PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were $941,547, $920,398, and $798,940, respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007.

State Teachers Retirement System

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

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

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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

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

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

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

(Continued)

NOTE 7 – PENSION PLANS (Continued)

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, 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, 2009, 2008, and 2007, were $805,259, $717,192, and $644,242, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2008 Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2009 and 2008 were $58,555 and $56,749, respectively, which is equal to the required contribution for the year.

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2008, the healthcare allocation rate was 4.18%. 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 2008, the minimum payment was established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provided for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2009 were $226,436,827. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2008, the value of the health care fund was $392.7 million, which is about 157% of next year's projected net health care costs. On the basis of the actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claims costs.

The number of participants eligible to receive benefits was 76,075.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $350,940 and $117,535 for fiscal years 2009 and 2008, respectively.

State Teachers Retirement System

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

(Continued)

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2008, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.7 billion on June 30, 2008.

For the year ended June 30, 2008, net health care costs paid by STRS Ohio were $288,878,000. There were 126,506 eligible benefit recipients.

NOTE 9 – LEASES

The College leases a building in Greene County, Ohio for an extension of its main campus, and also leases other office equipment under operating leases that have varying expiration dates from November 2009 through August 2017. Future minimum lease payments under these lease agreements at June 30, 2009 are as follows:

2010	$ 687,047
2011	743,844
2012	739,270
2013	750,012
2014	815,337
2015 – 2018	2,690,189
	$ 6,425,699

NOTE 10 – GRANTS, CONTRACTS AND OTHER ASSISTANCE

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

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, 2009 and 2008 was $6,838,212 and $6,660,369, respectively.

(Continued)

NOTE 11 – RISK MANAGEMENT

Risk Management:

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

Coverage	Amount	Deductible
Building and Contents	Replacement Cost	$ 10,000
Crime – Employee Dishonesty	$ 500,000	None
Crime – Forgery/Alteration	100,000	None
Crime – Theft, Disappearance and Destruction of Money and Securities (on premises or away)	50,000	None
Automobile Liability	1,000,000	None
Automobile – Physical Damage – Collision	Actual Cash Value of Vehicle	$ 500
Automobile – Physical Damage – Comprehension (other than collision)	Actual Cash Value of Vehicle	$ 250
Trailer/Truck Liability	$ 1,000,000	None
Truck/Trailer Physical Damage	106,500	$ 2,500
General Liability (per occurrence)	1,000,000	None
General Aggregate Liability (per policy year)	2,000,000	None
Umbrella Liability (per occurrence)	5,000,000	$ 10,000
Umbrella – Excess (per occurrence)	10,000,000	None
Computer Equipment	3,297,466	$ 500
Liquor Liability (per occurrence)	1,000,000	None
Directors and Officers (per occurrence)	1,000,000	$ 50,000
Flood	5,000,000	10,000
Earthquake	Policy Limit	5% Deductible
Ordinance or Law	$ 500,000	None
Equipment Breakdown	Policy Limits	$ 10,000
Nurse Professional	$ 1,000,000	None
Employers Liability	1,000,000	None
Employee Benefit Liability	1,000,000	$ 1,000

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

(Continued)

NOTE 12 – CLARK STATE COMMUNITY COLLEGE FOUNDATION

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

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

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

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

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

	2009	2008
One year or less	$ 508,651	$ 450,241
Between one and five years	1,119,000	1,549,707
Longer than five years	1,875,000	2,000,000
	3,502,651	3,999,948
Discounts and allowance	(671,635)	(945,013)
Net pledges	$ 2,831,016	$ 3,054,935

(Continued)

NOTE 12 – CLARK STATE COMMUNITY COLLEGE FOUNDATION (Continued)

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

Fair value of investments held by the Foundation is summarized as follows:

	2009	2008
Equity funds	$ 3,943,293	$ 4,623,601
Bond funds	3,394,455	3,734,470
Money market account and other	2,001,777	2,304,130
	$ 9,339,525	$ 10,662,201

During the year ended June 30, 2009 and 2008, the Foundation distributed $431,492 and $1,331,159, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

SUPPLEMENTAL INFORMATION

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

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

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2008	Total Revenue	Total Expenditures	Ending Balance 6/30/2009
Department of Housing and Urban Development						
HUD/Business Incubator Project	14.246	5470780001	-	4,637	4,637	-
Total Department of Housing and Urban Development			-	4,637	4,637	-
Department of Education Title IV Programs						
Student Financial Assistance cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A083254	$ -	$ 116,195	$ 116,195	$ -
Federal Work Study Program	84.033	P033A083254	-	139,012	139,012	-
Pell Grant Program	84.063	P063P082557	-	5,063,335	5,063,335	-
Total Student Financial Assistance Cluster			-	5,318,542	5,318,542	-
TRIO Student Support Services	84.042	P042A050017	-	210,255	210,255	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P4334S050016	-	395,696	395,696	-
Total Title IV Programs			-	5,924,493	5,924,493	-
Title I Program						
Vocational Education	84.048	063370-20C3-2008	-	128,682	128,682	-
Title II Program						
Tech-Prep Program	84.243	063370-3ETC-2008	-	109,797	109,797	-
Title VII Programs						
Greene Center Earmark	84.116Z	P116Z080061	-	182,901	182,901	-
Total Department of Education			-	6,345,873	6,345,873	-

(Continued)

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2008	Total Revenue	Total Expenditures	Ending Balance 6/30/2009
Department of Health and Human Services						
Passes through Clark County Department Of Job and Family Services:						
TANF (Temporary Assistance for Needy Families)	93.558	N/A	-	202,842	202,842	-
Total Department of Health and Human Services			-	202,842	202,842	-
Department of Homeland Security						
FEMA						
Major Disaster Declaration	97.036	FEMA-1805-DR	-	22,513	22,513	-
Total Department of Homeland Security			-	22,513	22,513	-
Total Federal Assistance			$ -	$6,575,865	$ 6,575,865	$ -

NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – LOAN PROGRAMS

The College originates but does not provide funding for Federal Family Education Loans ("FFELs"). The amount presented represents the value of new FFELs awarded by outside lenders and the government, respectively, during the year. During the fiscal year ending June 30, 2009, the College processed the following amount of new loans for the FFEL (which includes Stafford Loans and Parents Loans for Undergraduate Students):

	CDFA Number	Amount Authorized
Federal Family Educational Loan Program	84.032	$6,838,212

Crowe Horwath LLP
Member Crowe Horwath International

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

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College as of and for the year ended June 30, 2009, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

(Continued)

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

Compliance and Other Matters

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

Crowe Horwath LLP
Member Crowe 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, 2009. Clark State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on Clark State Community College's compliance based on our audit.

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

In our opinion, Clark State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

(Continued)

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 16, 2009

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?		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
Significant deficiencies 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))		Yes	X	No

(Continued)

Name of Major Program Identified	CFDA Number(s)
Total Student Financial Aid cluster (consisting of):	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Educational Loan Program	84.032
Academic Competitiveness Grant Program	84.375

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

There were no findings for the year ended June 30, 2009.

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

There were no findings for the year ended June 20, 2009.

PART IV: SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended June 30, 2008.

Mary Taylor, CPA
Auditor of State

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 12, 2009

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