CLARK STATE COMMUNITY COLLEGE

FINANCIAL STATEMENTS
June 30, 2010 and 2009

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, 2009 through June 30, 2010. 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 24, 2010

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CLARK STATE COMMUNITY COLLEGE
Springfield, Ohio

FINANCIAL STATEMENTS
June 30, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Clark State Community College
Springfield, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, 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 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 15, 2010, 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.

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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. The listings of the Board of Trustees and Administrative Personnel are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

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, 2010.

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 $2.4 million (24.8%) primarily due to cash generated from student tuition and fees as a result of the enrollment increase and an increase in capital component funds.

- Net accounts receivable increased by $704,000 (21.5%) due to increased enrollment where students either were not eligible for financial aid or students were eligible for less financial aid. There was also an increase in the enrollments for College in the Classroom and students sponsored by third party payors including employers. There was also an increase in the Pell grant receivable for summer enrolled students, and with the implementation of Federal Direct Loans to students, a new receivable is now on the College's financial statement.

Liabilities and Net Assets

- Accounts payable increased by $293,000 (34.6%) due to the receipt of a large donation for the Major Gifts Campaign at the end of June that was not transferred to the Foundation until July 2, 2010. Also, purchases by faculty and staff using their purchasing cards increased over last year during the month of June. These balances are not paid until July.

- Deposits held in trust for others (including current portion) decreased by $400,000 (22.3%) primarily due to the loss from operations of the Early Childhood Education Center for which the College acts as fiscal agent. A current liability of $1.1 million is shown in the current year due to the Ohio Association of Community Colleges ("OACC") funds being moved to the current fund in anticipation of transferring them to the new OACC fiscal agent as of July 1, 2010.

- The note payable of $7.6 million (including current portion) is due to the 2006 issuance of bonds to partially finance the Landess Technology & Learning Center construction project.

- Accrued payroll and tax liabilities increased $22,000 (14.1%). This was due to the timing of the payment of Springfield city tax.

- Deferred income increased by $858,000 (56.6%). Summer and fall 2010 enrollment increases resulted in more revenue collected in May/June for the succeeding fiscal year.

- Unrestricted net assets increased $2.3 million (42.8%) as a result of operations generating a net surplus for the fiscal year.

- Total net assets increased $1.6 million (4.7%).

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Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) decreased by $480,000 (6.1%). Gross tuition revenue was up by 22% due to increased enrollment, but unrestricted scholarship aid increased 28% and restricted scholarship aid increased 70% resulting in an overall increase in scholarship allowances and the resulting decrease in net student tuition and fee revenue despite the enrollment increase.

- Federal grants and contracts increased by $259,000 (22.8%) due to new grant funding from U. S. Department of Education Title III, National Science Foundation Conversion Technology, and Gearup Stars (program to prevent minority involvement in juvenile court).

- State and local grants and contracts decreased $295,000 (38.2%) due to the ending of state grants from the Ohio Board of Nursing, Early Language, and Future Jobs, and the ending of local grants for Rise Above. This decrease was somewhat offset by an increase in local funding for Project Jericho Open Doors.

- Non-governmental grants and contracts decreased $28,000 (8.2%) due to a decrease in Performing Arts Center sponsorships and fewer ticket sales for the special fundraising concert.

- Auxiliary enterprises revenue, in total, decreased by $104,000 (4.9%). Bookstore revenues (net of scholarship allowances) increased $34,000 (2.6%) and Parking revenues increased $12,000 (30.3%) while Commercial Transportation Training Center revenues decreased $151,000 (18.8%) due to declining enrollment.

- Other operating revenues decreased $259,000 (23.5%) due to eliminating the administrative overhead charged to the Commercial Transportation Training Center, reduction in administrative overhead charged to grants that ended (Future Jobs and OACC), and a reduction in ticket revenue at the Performing Arts Center.

- In total, operating revenues decreased $909,000 (6.8%).

Operating Expenses

- Instructional expenses increased by $642,000 (7.9%) due to an increase in expenses for adjunct faculty to handle the enrollment increase and the addition of the Fire/Safety Department courses to the credit course classification.

- Academic support expenses increased by $184,000 (18.3%) primarily due to technology equipment purchases for student computer labs.

- Student services expenses increased by $429,000 (20.9%) due to expenses related to the new Title III grant as well as an increase in the student support services for tutoring, interpreters, and the success center.

- Student aid increased $371,000 (24.1%) due to institutional scholarships awarded to students in College in the Classroom programs and college prep classes at Wright State University.

- Public service expenditures decreased by $655,000 (16.5%) due to the addition of Fire/Safety Department courses to credit program classification, reduced expenditures for grant programs that ended (Jobs Challenge, Rise Above, Future Jobs), and reduced expenditures on other grant programs including Gearup.

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- Depreciation expense increased $213,000 (15.0%) due to the addition of capital assets in 2009 that now have a full year of depreciation expense, and several assets being fully depreciated in the prior year.

- Total operating expenses increased $1.4 million (4.6%).

- Total operating loss increased by $2,259,000 (14.4%) to $17.9 million.

Nonoperating Revenues

- State appropriations decreased $1.3 million (13.4%) due to a portion of the State Share of Instruction (SSI) being funded by federal stimulus dollars which are reflected in the State appropriations-State Fiscal Stabilization Fund line item.

- Federal grants revenue increased $3.7 million (72.5%) as a result of increased Pell grants due to higher student enrollment and an increase in the Pell grant award amount to each eligible student.

- Investment income decreased by $49,000 (33.2%) due to lower interest rates.

- Other nonoperating expenses for FY 2009 were related to minor renovation projects that were completed that year.

- Interest expense reflects the amount of interest paid on the 2006 bond issuance.

- Total net nonoperating revenues increased $3.7 million (24.5%).

- The gain before other revenues, expenses, gains or losses increased by $1.4 million (184%) from a loss in FY 2009 to a $636,000 gain in FY 2010.

- Capital grants and gifts increased by $270,000 (41.4%) due to the transfer of Major Gifts Campaign funds for the Creative Arts & Conference Center (CACC) from the Clark State Foundation, which was somewhat offset by the spending down of the Greene Center earmark and instructional technical equipment funds.

- The change in net assets for FY 2010 was a positive $1.6 million compared to the FY 2009 change in net assets of negative $106,000.

- Total net assets at the end of FY 2010 totaled $34.9 million.

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

- Viability Ratio = expendable net assets divided by plant debt
- Primary Reserve Ratio = expendable net assets divided by total operating and non-operating expenses
- Net Income Ratio = change in total net assets divided by total operating and non-operating revenues

For FY 2010, the College scored a 4 on each of the financial ratios resulting in a composite score of 4.0. This compares favorably to the FY 2009 composite score of 3.1. Improvement in both the Viability and the Net Income Ratios had a positive influence on the composite score. The Viability Ratio improved due to the continued pay down of the 2006 bond debt while the Net Income Ratio improved due to increased revenues as a result of the enrollment increase.

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

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

The initial concept in the master plan was to build an addition to the Performing Arts Center. This project evolved into constructing a separate stand-alone Creative Arts and Conference Center adjacent to the Performing Arts Center. The total project budget of $5.6 million for this 27,000 square foot facility is being funded by state capital funds, private grants, local grants, and the Major Gifts fundraising campaign. Construction began in July 2010 and is scheduled to be completed in July 2011.

In response to workforce/economic development needs by the local community, construction is in process on the Disaster Recovery Learning Lab at the Leffel Lane campus. This 3,000 square foot facility, which is being funded by a state capital appropriation, a federal Army Corps of Engineers appropriation, and institutional funds, consists of a classroom and a mock residence which will be periodically flooded in order to conduct training on remediating flood damage. These workers will be employed by companies that are dispatched by insurance companies. This project is scheduled to be completed in October 2010.

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

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

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.

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In August 2007, the College entered into an operating lease for a new facility in Greene County and began holding classes in September 2007. Enrollment at the Greene Center for FY 2010 increased by 60% from FY 2009. 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 the Greene Center facility. A purchase agreement was signed August 2010 and the purchase will be financed by the issuance of a combination of tax-exempt and taxable (Build America Bonds) financing. The bond sale is scheduled for October 2010 with closing on the purchase scheduled for November 2010.

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

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

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

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

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

- Capital assets are depreciated over their expected useful lives. Prior to fiscal year 2002, capital assets were recorded entirely as a current period expense in the year of acquisition. Depreciation expense was $1.6 million and $1.4 million for the years ended June 30, 2010, and June 30, 2009, 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 $5.7 million and $2.9 million for the years ended June 30, 2010, and June 30, 2009, respectively.

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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, 2010, 2009, and 2008, is as follows:

	2010	2009	2008
	(all dollar amounts in thousands)		
Current assets	$ 16,901	$ 13,710	$ 11,824
Noncurrent assets	32,207	33,292	34,409
Total assets	49,108	47,002	46,233
Current liabilities	$ 6,216	$ 3,890	$ 3,730
Noncurrent liabilities	7,979	9,758	9,043
Total liabilities	14,195	13,648	12,773
Net assets			
Invested in capital assets, net of related debt	$ 24,592	$ 25,397	$ 26,237
Restricted			
Nonexpandable	250	250	250
Expendable	2,386	2,324	2,059
Unrestricted	7,685	5,383	4,914
Total net assets	$ 34,913	$ 33,354	$ 33,460

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A review of the summary indicates a relatively strong financial position as of June 30, 2010. Total net assets increased $1,559,000 primarily due to an increase in non-operating revenue and capital grants and gifts.

Current assets are comprised primarily of cash and student and trade receivables. The increase in total current assets of $3.2 million is primarily due to an increase in cash and accounts receivable.

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 $2.3 million primarily due to an increase in trade payables, deposits held in trust by others, and deferred income. The deposit was previously classified as a non-current liability but became a current liability due to a change in the fiscal agent for the OACC.

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

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

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

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2010, 2009, and 2008, is as follows:

	2010	2009	2008
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 7,460	$ 7,941	$ 7,091
Grants and contracts	2,190	2,254	2,297
Auxiliary enterprises	2,040	2,144	2,244
Other	844	1,104	982
Total	12,534	13,443	12,614
Operating expenses	30,484	29,134	27,973
Operating loss	(17,950)	(15,691)	(15,359)

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	2010	2009	2008
	(all dollar amounts in thousands)		
Nonoperating revenues (expenses)			
State appropriations	$ 8,742	$ 10,089	$ 9,364
State Fiscal Stabilization Funds	1,342	-	-
Federal grants	8,733	5,064	4,108
Investment income	100	149	250
Other	1	(27)	1
Interest expense	(332)	(343)	(519)
Capital appropriations	-	-	296
Capital grants	923	653	1,740
Total	19,509	15,585	15,240
Increase (decrease) in net assets	1,559	(106)	(119)
Net assets beginning of year	33,354	33,460	33,579
Net assets end of year	$ 34,913	$ 33,354	$ 33,460

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 (25%) in fiscal year 2010, the resulting effect on the State Share of Instruction (the majority of state appropriations) will not be realized until fiscal year 2011. State appropriations included funds from the State Fiscal Stabilization Fund (federal stimulus funds) in the amount of $1.3 million. The College will continue to receive federal stimulus funds as a portion of its state appropriations during FY 2011. Student fees were increased 3.5% effective winter quarter 2010 and were increased an additional 3.5% effective summer quarter 2010. 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
2010	12,626,366	9,367,573	0.74

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2010, that figure dropped to $0.74. In 2002, state appropriations exceeded gross tuition by $1.2 million. In 2010, gross tuition exceeds state appropriations by $3.3 million.

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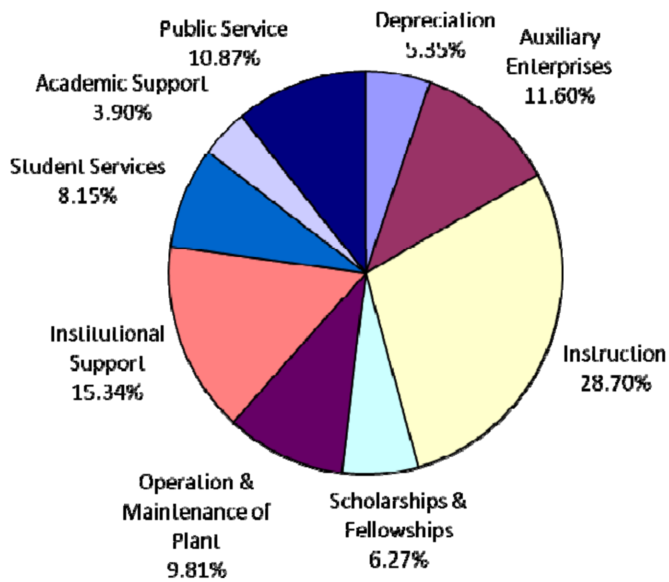
This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in modest tuition increases in recent years including no increases in FY 2008 or FY 2009. As recently as 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2010, 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.

Total state appropriations were flat at $10.1 million for both FY 2009 and FY 2010. Net student tuition and fees decreased 6.1% from $7.9 million in FY 2009 to $7.5 million in FY 2010. This decrease is a result of increases in unrestricted and restricted scholarship aid including Pell grants.

The following is a graphic illustration of expenses by function for the year ended June 30, 2010:



The net increase in expenses in 2010 was the effect of:

- Increases in functional categories of student aid 24.1%, student services 20.9%, academic support 18.3%, depreciation 15.0%, instruction 7.9%, auxiliary enterprises 6.3%, and operation and maintenance of plant 0.3%.
- Decreases in institutional support 1.1% and public service 16.5%.

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- The biggest expenditure increases were in functional categories that provided direct services to students while expenses for overhead (institutional support and operation and maintenance of plant) either remained flat or declined slightly.

The following table shows a comparison of total operating expenses per FTE for FY 2010 and FY 2009. Total operating expenses per FTE student decreased by $1,775 during FY 2010.

TOTAL OPERATING EXPENSES PER FTE

	2010	2009	Difference	Percent Change
Total operating expenses	$ 30,483,904	$ 29,133,649	$ 1,350,255	4.63%
FTE enrollment	3,389	2,705	684	25.29%
Net operating expenses per FTE	$ 8,995	$ 10,770	$ (1,775)	(16.48%)

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, 2010. Following is a summary of the Statement of Cash Flows:

	2010	2009	2008
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (16,256)	$ (12,882)	$ (14,256)
Noncapital financing activities	18,818	15,125	13,473
Capital and related financing activities	(223)	(275)	(310)
Investing activities	77	169	423
Net increase/(decrease) in cash and cash equivalents	2,416	2,137	(670)
Cash and cash equivalents:			
Beginning of year	9,724	7,587	8,257
End of year	$ 12,140	$ 9,724	$ 7,587

Cash and cash equivalents increased by $2.4 million primarily as a result of an increase in cash flow for noncapital financing activities, which was due to an increase in federal grants revenue (primarily Pell grants). The decline in cash flows from operating activities compared to FY 2009 was the result of a decrease in cash flows from tuition and fees; grants, gifts and contracts; Commercial Transportation Training Center (Truck Driving); and other receipts including Performing Arts Center revenue. The decrease in cash flows from operating activities was also due to an increase in expenses for salary/benefits and student scholarships.

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CAPITAL ASSETS AND DEBT

Capital Assets

The College had $32.1 million invested in capital assets net of accumulated depreciation of $26.2 million at June 30, 2010. Depreciation expense for the year ended June 30, 2010, was $1.6 million compared to $1.4 million in FY 2009 and $1.7 million in FY 2008. A summary of net capital assets for the years ended June 30, 2010, 2009, and 2008, is as follows:

	2010	2009	2008
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 2,664	$ 2,844	$ 3,040
Building	26,956	28,028	29,099
Furniture and equipment	1,854	2,066	1,926
Library books and publications	97	97	99
Vehicles	91	106	86
Construction in progress	400	-	-
Total capital assets, net	$ 32,062	$ 33,141	$ 34,250

The major projects the College undertook during FY 2010 included the installation of a sidewalk to John Street, replacement of a retaining wall at the Brinkman Educational Center, Shull Hall roof project, renovation of the first floor classrooms at the Brinkman Educational Center, renovation of the second floor at the Applied Science Center, refurbishing of the third floor at the LRC, and technology equipment 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.

Due to the success of the Greene Center measured in terms of enrollment growth, it is financially feasible to purchase this facility rather than continuing to lease it. A financing team was assembled in anticipation of utilizing the Ohio Building Authority (OBA) to issue debt in the form of long term bonds to finance the purchase of the facility including paying off the cost of the improvements made to the second floor. The College now leases two small buildings in Logan County from Ohio Hi-Point and recently collaborated with them to construct a fire tower.

(Continued)

Debt

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

During FY 2011, the College plans to issue $9.5 million of 2010 Series A1 and A2 bonds secured by the general receipts of the College but subordinate to the Series 2006 A bonds which have a first lien on the general receipts. The pro-forma debt service coverage is strong and the Series 2010 bonds are secured by an additional pledge of State Share of Instruction. This will bring the total amount of outstanding debt to $17.1 million. The proceeds will be used to purchase the 51,560 square foot Greene Center facility including the 3.66 acres of land on which it sits. The bonds will consist of tax-exempt and taxable (Build America) bonds and will be supported by the Ohio Community and Technical College Credit Enhancement Program. Moody's assigned an A2 with Stable Outlook underlying rating to the College and an Aa2 enhanced rating with Negative Outlook for the enhancement program.

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

- Additional security via the Credit Enhancement Program
- Robust enrollment growth in recent years
- Balanced operations with improvement in operating margin
- Strong debt service coverage
- Notable philanthropic support

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

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

(Continued)

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

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

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

FY 2010/FY 2011 State Biennial Budget

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.

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.

(Continued)

Major initiatives planned for FY 2011 include:

- Increased collaboration with Wright State University on the developmental education student initiative
- Transition to absorb the Springfield Regional School of Nursing Program
- Increased educational outreach into Logan County
- Continued upgrade and enhancement of the IT infrastructure
- Debt issuance to finance the purchase of the Greene Center facility including improvements
- Curriculum and academic calendar revisions in anticipation of the conversion to semesters beginning fall 2012
- Construction of the Hollenbeck Bayley Creative Arts & Conference Center
- Construction of a Disaster Recovery Learning Lab
- Completion of a facilities planning study
- Implementation of a computerized comprehensive room scheduling package
- Planning, design and renovation of the administrative suite, classrooms, and cross aisle at the Performing Arts Center
- Planning and design of water/sewer infrastructure projects funded by the Army Corps of Engineers
- Circulation of a Request for Proposal for energy management projects
- A renewed focus on support programs to increase student retention

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Equity in pooled cash and cash equivalents	$ 12,139,890	$ 9,724,562
Investments	145	145
Accounts receivable, net	3,976,709	3,272,822
Prepaid expenses	468,935	444,976
Inventory	290,462	247,022
Employee loans receivable	25,055	20,357
Total current assets	16,901,196	13,709,884
Noncurrent assets		
Capital assets, net	32,061,708	33,140,977
Deferred charges	144,814	151,396
Total noncurrent assets	32,206,522	33,292,373
Total assets	49,107,718	47,002,257
LIABILITIES		
Current liabilities		
Accounts payable	1,139,853	846,891
Note payable, current portion	295,000	285,000
Deposits held in trust for others	1,093,481	-
Interest payable	26,604	27,554
Wages payable	997,441	958,421
Accrued payroll and tax liabilities	175,188	153,503
Deferred income	2,374,362	1,516,054
Unclaimed funds	114,290	102,352
Total current liabilities	6,216,219	3,889,775
Noncurrent liabilities		
Note payable, less current portion	7,320,000	7,615,000
Deposits held in trust for others	315,965	1,813,658
Accrued compensated absences	342,886	330,348
Total noncurrent liabilities	7,978,851	9,759,006
Total liabilities	14,195,070	13,648,781
NET ASSETS		
Invested in capital assets, net of related debt	24,591,522	25,396,198
Restricted		
Nonexpendable	250,000	250,000
Expendable	2,386,235	2,324,112
Unrestricted	7,684,891	5,383,166
Total net assets	$ 34,912,648	$ 33,353,476

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 498,502	$ 247,832
Investments	10,421,618	9,339,525
Accounts receivable, Clark State Community College	198,316	56,497
Pledges receivable	3,889,725	2,831,016
Student loans receivable, net of allowance for doubtful loans of $101,048 in 2010 and $99,378 in 2009	156,779	198,387
Prepaid expenses	-	300
	$ 15,164,940	$ 12,673,557
LIABILITIES AND NET ASSETS		
Liabilities		
Wages payable	$ 3,481	$ 3,112
	3,481	3,112
Net assets		
Unrestricted	667,699	320,064
Temporarily restricted	7,238,100	4,910,937
Permanently restricted	7,255,660	7,439,444
	15,161,459	12,670,445
	$ 15,164,940	$ 12,673,557

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2010 and 2009

	2010	2009
Operating revenues		
Student tuition and fees, net of scholarship allowances of $5,718,381 in 2010 and $2,866,894 in 2009	$ 7,460,137	$ 7,940,607
Federal grants and contracts	1,393,943	1,135,036
State and local grants and contracts	476,226	771,180
Nongovernmental grants and contracts	319,879	348,348
Auxiliary enterprises		
Bookstore, net of scholarship allowances of $1,957,045 in 2010 and $1,354,124 in 2009	1,339,314	1,305,209
Parking	51,600	39,617
Truck driving	648,609	799,186
Other operating revenues	844,398	1,103,685
Total operating revenues	12,534,106	13,442,868
Operating expenses		
Educational and general		
Instructional	8,748,609	8,107,098
Academic support	1,189,611	1,005,839
Student services	2,483,874	2,054,754
Institutional support	4,676,986	4,729,930
Operation and maintenance of plant	2,989,812	2,979,336
Student aid	1,911,942	1,540,917
Public service	3,314,581	3,969,661
Depreciation expense	1,631,186	1,418,215
Auxiliary enterprises	3,537,303	3,327,899
Total operating expenses	30,483,904	29,133,649
Operating loss	(17,949,798)	(15,690,781)
Nonoperating revenues (expenses)		
State appropriations	8,741,898	10,088,517
State appropriations – State Fiscal Stabilization Fund	1,341,507	-
Federal grants revenue	8,733,302	5,063,335
Investment income	99,761	149,272
Other nonoperating items	939	(26,838)
Interest expense	(331,522)	(342,755)
Net nonoperating revenues	18,585,885	14,931,531
Gain (loss) before other revenues, expenses, gains, or losses	636,087	(759,250)
Capital grants and gifts	923,085	652,875
Change in net assets	1,559,172	(106,375)
Net assets - beginning of year	33,353,476	33,459,851
Net assets - end of year	$ 34,912,648	$ 33,353,476

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
Year ended June 30, 2010 with comparative 2009 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Revenues and other support					
Campaign contributions	$ 54,380	$ 2,004,402	$ 4,931	$ 2,063,713	$ 198,353
Foundation contributions	6,763	44,270	111,285	162,318	397,132
Interest	15,816	267,140	-	282,956	338,100
Net realized and unrealized gains (losses) on investment	5,476	950,337	-	955,813	(1,653,880)
Miscellaneous	11,032	26,375	-	37,407	26,836
Change in donor restriction	300,000	-	(300,000)	-	-
Net assets released from restrictions	965,361	(965,361)	-	-	-
Total revenues and other support	1,358,828	2,327,163	(183,784)	3,502,207	(694,459)
Expenses					
Programs	902,751	-	-	902,751	615,699
Management and general	108,442	-	-	108,442	120,188
Total expenses	1,011,193	-	-	1,011,193	735,887
Change in net assets	347,635	2,327,163	(183,784)	2,491,014	(1,430,346)
Net assets at beginning of year	320,064	4,910,937	7,439,444	12,670,445	14,100,791
Net assets at end of year	$ 667,699	$ 7,238,100	$ 7,255,660	$15,161,459	$12,670,445

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
Revenues and other support				
Campaign contributions	$ 57,215	$ 131,049	$ 10,089	$ 198,353
Foundation contributions	1,694	157,023	238,415	397,132
Interest	12,399	325,701	-	338,100
Net realized and unrealized gains (losses) on investments	(422,816)	(1,231,064)	-	(1,653,880)
Miscellaneous	5,331	20,505	-	25,836
Net assets released from restrictions	633,527	(633,527)	-	-
Total revenues and other support	287,350	(1,230,313)	248,504	(694,459)
Expenses				
Programs	615,699	-	-	615,699
Management and general	120,188	-	-	120,188
Total expenses	735,887	-	-	735,887
Change in net assets	(448,537)	(1,230,313)	248,504	(1,430,346)
Net assets at beginning of year	768,601	6,141,250	7,190,940	14,100,791
Net assets at end of year	$ 320,064	$ 4,910,937	$7,439,444	$12,670,445

See accompanying notes to financial statements.

CLARK STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Tuition and fees	$ 6,756,250	$ 8,084,565
Grants, gift and contracts	2,644,144	3,326,366
Payments for goods and services	(8,538,110)	(9,004,020)
Payment for utilities	(810,437)	(796,819)
Payments to employees	(13,652,530)	(12,769,690)
Payments for benefits	(3,622,373)	(3,430,481)
Payments for scholarships and fellowships	(1,911,942)	(1,540,917)
Loans issued to students and employees	(27,248)	(21,176)
Collection of loans to students and employees	22,550	22,517
Auxiliary enterprise charges		
Bookstore	1,339,314	1,305,209
Parking	51,600	39,617
Truck driving	648,609	799,186
Other receipts	844,398	1,103,685
Net cash from operating activities	(16,255,775)	(12,881,958)
Cash flows from noncapital financing activities		
State appropriations	8,741,898	10,088,517
State appropriations – State Fiscal Stabilization Fund	1,341,507	-
Federal grants revenue	8,733,302	5,063,335
Other nonoperating items	939	(26,838)
Net cash from noncapital financing activities	18,817,646	15,125,014
Cash flows from capital financing activities		
Purchase of capital assets	(537,326)	(308,765)
Principal paid on capital debt and leases	(285,000)	(275,000)
Interest paid on capital debt and leases	(324,000)	(343,672)
State grants and gifts proceeds	923,085	652,875
Net cash from capital financing activities	(223,241)	(274,562)
Cash flows from investing activities		
Net change in investments	(23,063)	19,670
Income on investments	99,761	149,272
Net cash from investing activities	76,698	168,942
Net change in cash and cash equivalents	2,415,328	2,137,436
Cash and cash equivalents, beginning of year	9,724,562	7,587,126
Cash and cash equivalents, end of year	$ 12,139,890	$ 9,724,562

(Continued)

	2010	2009
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$(17,949,798)	$(15,690,781)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	1,631,186	1,418,215
Provision for bad debts	365,927	114,069
Changes in assets and liabilities		
Accounts receivable	(1,069,814)	29,889
Inventory	(43,440)	(2,108)
Prepaid expenses	(23,959)	88,859
Loans receivable	(4,698)	1,341
Other assets	6,582	6,583
Accounts payable	292,962	86,965
Wages payable	39,020	77,619
Accrued payroll liabilities	21,685	(138,528)
Deferred income	858,308	111,736
Unclaimed funds	11,938	12,721
Deposits held in trust for others	(404,212)	960,066
Compensated absences	12,538	41,396
Net cash from operating activities	$(16,255,775)	$(12,881,958)

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.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, the College applies restricted resources first, then unrestricted resources as needed.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on total net assets or the change in net assets.

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

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

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $1,409,446 represents the balance in the College's Agency fund that is available for expenditures.

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

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

Joint Venture: In conjunction with Springfield-Clark Career Technology Center ("CTC"), the College participated in creating a separate 501(c)(3) organization that operates a child day care facility. Clark State Community College operates as the Center's fiscal agent. A formula has been established by the College and CTC to determine each entity's share in funding operating losses, if any. During fiscal 2010 and 2009 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements: In fiscal year 2010, GASB Statement No. 51, *Accounting and Reporting for Intangible Assets* was adopted. 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 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies.

The provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* were also adopted during the year. 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 investment 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 future contracts.

The College also adopted GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

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

Recently Issued Accounting Pronouncements: In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The College will be required to implement this Statement in fiscal year 2011.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Mutliple-Employer Plans*. The objective of this Statement is to address issues related to the use of alternative measurement methods and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The College will be required to implement this Statement in fiscal year 2012.

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, 2010 and 2009, carrying amount of the Colleges' deposits was $3,061,301 and $2,770,144, respectively. The bank balance was $3,376,723 at June 30, 2010. Of the 2010 bank balance, $1,657,454 was covered by federal depository insurance, $594,388 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 $1,124,881 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, 2010 and 2009, the College had amounts on deposit with STAR Ohio, with fair market values of $9,078,589 and $6,954,418, respectively, which are included in the "Equity in Pooled Cash and Cash Equivalents" amount on the Statement of Net Assets. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the balance sheet date.

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

Credit Risk: It is College practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAA by Standard & Poor's and Aaa by Moody's Investor Services), 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.

(Continued)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2010 and 2009 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:

	2010	2009
Student charges	$ 1,925,234	$ 1,591,926
Room rental	27,561	8,434
Post secondary	357,300	237,070
Customized training services	144,396	142,047
Sponsored billings	795,198	705,128
Intergovernmental	1,572,180	1,119,422
Miscellaneous	61,580	73,400
	4,883,449	3,877,427
Less allowance for possible collection losses	(906,740)	(604,605)
Accounts receivable, net	$ 3,976,709	$ 3,272,822

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions/ Transfers	Net Reductions	June 30, 2010 Balance
Cost				
Land	$ 1,531,084	$ -	$ -	$ 1,531,084
Infrastructure	3,486,745	16,290	-	3,503,035
Buildings	46,141,417	-	-	46,141,417
Construction in Progress	-	399,930	-	399,930
Furniture and equipment	5,659,988	92,732	(30,207)	5,722,513
Library books	532,587	20,530	(37,852)	515,265
Vehicles	488,869	22,435	(19,031)	492,273
	57,840,690	551,917	(87,090)	58,305,517

	July 1, 2009 Balance	Additions/ Transfers	Net Reductions	June 30, 2010 Balance
Accumulated depreciation				
Infrastructure	$ 2,173,343	$ 196,213	$ -	$ 2,369,556
Buildings	18,113,715	1,071,651	-	19,185,366
Furniture and equipment	3,593,869	305,247	(30,207)	3,868,909
Library books	436,022	20,565	(37,852)	418,735
Vehicles	382,764	37,510	(19,031)	401,243
	24,699,713	1,631,186	(87,090)	26,243,809
Capital assets, net	$ 33,140,977	$ (1,079,269)	$ -	$ 32,061,708

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

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

NOTE 5 - LONG-TERM OBLIGATIONS

The College’s long-term obligations at June 30, 2010 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 7,900,000	$ -	$ 285,000	$ 7,615,000	$ 295,000
Deposits held in trust for others	1,813,658	-	404,212	1,409,446	1,093,481
Compensated absences	330,348	12,538	-	342,886	-
Total long-term liabilities	$10,044,006	$ 12,538	$ 689,212	$ 9,367,332	$ 1,388,481

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

(Continued)

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

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
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	345,000	260,681	605,681
2016-2020	1,965,000	1,069,519	3,034,519
2021-2025	1,625,000	672,506	2,297,506
2026-2030	1,415,000	381,015	1,796,015
2031-2034	1,005,000	67,650	1,072,650
	$ 7,615,000	$ 3,629,752	$ 11,244,752

The College's fiscal-agency relationship with the Ohio Association of Community Colleges ("OACC") ended July 1, 2010. The deposit held in trust for OACC was transferred to Lakeland Community College on July 1, 2010. These funds are shown as a current liability in the College's statement of net assets as deposits held in trust for others.

Compensated Absences

The College adopted a compensated absences policy effective September 1, 2001. Under the 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.

(Continued)

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

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:

	2010	2009
Vacation	$ 329,103	$ 318,385
Sick leave	13,783	11,963
Total	$ 342,886	$ 330,348

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 2010, the College also received State Fiscal Stabilization Funds ("SFSF") from the American Recovery and Reinvestment Act through 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

School Employees Retirement System

Plan Description – The College contributes to the School Employees Retirement System ("SERS"), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code ("ORC"). SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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, 2010, 2009, and 2008 were $957,953, $941,547 and $920,398, respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

State Teachers Retirement System

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

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

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

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

(Continued)

NOTE 7 - PENSION PLANS (Continued)

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for 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, 2010, 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, 2010, 2009, and 2008, were $866,744, $805,259 and $717,192, respectively.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's *2009 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, 2010 and 2009 were $65,576 and $58,555, 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, 2009, the healthcare allocation rate was 4.16%. 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 2009, 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, 2010 were $215,409,645. 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, 2009, the value of the health care fund was $376.5 million, which is about 140.1% 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 77,668.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $392,388 and $350,940 for fiscal years 2010 and 2009, 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.

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 2009, 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 $2.7 billion on June 30, 2009.

For the year ended June 30, 2009, net health care costs paid by STRS Ohio were $298,110,000. There were 129,659 eligible benefit recipients.

(Continued)

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 2019. Future minimum lease payments under these lease agreements at June 30, 2010 are as follows:

2011	$ 800,870
2012	1,241,730
2013	1,363,670
2014	1,389,157
2015	1,425,278
2016 – 2020	5,683,474
	$ 11,904,179

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, 2010 and 2009 was $9,993,784 and $6,838,212, 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
Sexual Misconduct (per claim)	1,000,000	None

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

(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:

	2010	2009
One year or less	$ 1,278,924	$ 508,651
Between one and five years	1,492,082	1,119,000
Longer than five years	1,627,500	1,875,000
	4,398,506	3,502,651
Discounts and allowance	(508,781)	(671,635)
Net pledges	$ 3,889,725	$ 2,831,016

(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:

	2010	2009
Equity funds	$ 4,447,425	$ 3,943,293
Bond funds	4,087,154	3,394,455
Money market account and other	1,887,039	2,001,777
	$ 10,421,618	$ 9,339,525

During the year ended June 30, 2010 and 2009, the Foundation distributed $757,071 and $431,492, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

SUPPLEMENTAL INFORMATION

CLARK STATE COMMUNITY COLLEGE
BOARD OF TRUSTEES
June 30, 2010

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, 2010

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2009	Total Revenue	Total Expenditures	Ending Balance 6/30/2010
Department of Education Title IV Programs						
Student Financial Assistance cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A093254	$ -	$ 156,622	$ 156,622	$ -
College Work Study	84.033	P033A093254	-	131,967	131,967	-
Pell Grant	84.063	P063P092557	-	8,732,913	8,732,913	-
Total Student Financial Assistance Cluster			-	9,021,502	9,021,502	-
TRIO Student Support Services	84.042	P042A050017	-	227,373	227,373	-
Gaining Early Awareness and Readiness for						
Undergraduate Programs	84.334	P4334S050016	-	326,717	326,717	-
GEARUP/STARS Program	16.540	2007-JJ-DMC-0208	-	19,352	19,352	-
Total Title IV Programs			-	9,594,944	9,594,944	-
Title I Program						
Vocational Education	84.048	063370-20C3-2008	-	155,912	155,912	-
Title II Program						
Tech-Prep Program	84.243	063370-3ETC-2008	-	111,529	111,529	-
Title III Program						
Title 3 Program	84.031	P031A090165	-	225,149	225,149	-
Title VII Programs						
Greene Center Earmark	84.116Z	P116Z080061	-	95,729	95,729	-
Total Department of Education			-	10,183,263	10,183,263	-

(Continued)

CLARK STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 6/30/2009	Total Revenue	Total Expenditures	Ending Balance 6/30/2010
Department of Health and Human Services						
Passed through Clark County Department Of Job and Family Services:						
TANF (Temporary Assistance for Needy Families)						
TANF – Rise Above	93.558	N/A	$ -	$ 40,822	$ 40,822	$ -
TANF – Youth Activities	93.558	N/A	-	87,283	87,283	-
Total TANF			-	128,105	128,105	-
Total Department of Health and Human Services			-	128,105	128,105	-
Education State Grants Recovery Act						
Passed through the Ohio Board of Regents						
State Fiscal Stabilization Fund	84.394	N/A	-	1,341,507	1,341,507	-
Total Educational State Grants Recovery Act			-	1,341,507	1,341,507	-
National Science Foundation						
Mentorlinks	47.076	DUE-0903228	-	6,471	6,471	-
Cybersecurity	47.076	DUE-0703130	-	12,147	12,147	-
Convergent Technology Center	47.076	DUE-0402356	-	21,303	21,303	-
Total National Science Foundation			-	39,921	39,921	-
Total Federal Assistance			$ -	$ 11,692,796	$ 11,692,796	$ -

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 participated in the Federal Family Education Loan Program ("FFEL") including Federal Subsidized and Unsubsidized Stafford loans and Federal Parents Loans for Undergraduate Students ("PLUS"). Effective June 11, 2010, the College began participating in the Federal Direct Loans Program ("FDL"). Expenditures represent new loans processed for students during the year ended June 30, 2010, as follows:

	CDFA Number	Amount Authorized
Federal Family Educational Loan Program	84.032	$ 9,993,784
Federal Direct Loan Program	84.268	930,593

Crowe Horwath.
Crowe Horwath LLP
Independent 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 (the "College") as of and for the year ended June 30, 2010, 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies 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*.

(Continued)

We noted certain matters that we reported to management of the College in a separate letter dated the same date as this report.

This report is intended 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 15, 2010

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Clark State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 the 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 the College's internal control over compliance.

(Continued)

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

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

We noted certain matters that we reported to management of the College in a separate letter dated the same date as this report.

This report is intended 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 15, 2010

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	None Reported
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	None Reported
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
Federal Direct Loan Program	84.268
State Fiscal Stabilization Fund	84.394
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334

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, 2010.

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

There were no findings for the year ended June 30, 2010.

PART IV: SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

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
DECEMBER 9, 2010

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