CLARK STATE COMMUNITY COLLEGE

Financial Statements and
Supplemental Information

June 30, 2004

with

Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Clark State Community College

We have reviewed the Independent Auditor's Report of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 20, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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CLARK STATE COMMUNITY COLLEGE

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

Independent Auditors' Report

Board of Trustees
Clark State Community College

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Clark State Community College, a component unit of the State of Ohio, as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clark State Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 the aggregate discretely presented component unit of Clark State Community College, as of June 30, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No., 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB 14*, as of July 1, 2003.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 14, 2004 on our consideration of Clark State Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered on assessing the results of our audit.

2525 North Limestone Street, Suite 103, Springfield, OH 45503-4291, 937/399-2000 Ext. 116, FAX 937/399-5528

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2004

Clark State Community College
Management Discussion and Analysis
(Unaudited)

This section of the Clark State Community College annual financial report presents an overview of its financial condition and assists readers in focusing on significant financial issues of the College for the fiscal year ended June 30, 2004.

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

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

- State appropriations increased by $328,000, primarily due to increase in Access Challenge ($155,000), Capital Component allocation ($149,000), Marketing ($16,000), and Jobs Challenge ($10,000).

- In response to state funding cuts ($12,100) and projections of continued constraints in state funding, the College reduced staffing by eliminating some open positions and not filling others.

- Student fee revenue increased by $167,000. This increase was the result of a 6.0% enrollment increase coupled with a 4.7% increase in tuition/fees. This increase was partially used to compensate for no increase in State Share of Instruction funding but was primarily used to fund investments in technology used directly by students, to add course sections and to support initiatives in the College's strategic plan.

- Net assets decreased $188,000 or 0.6% during the year. This decrease was the result of a $772,000 decrease in the carrying value of our facilities and other capital assets (net of depreciation and associated debt), a decrease in restricted non-expendable assets of $233,000 (Performing Arts Center Endowment transfer to Clark State Community College Foundation), an increase in restricted expendable assets of $618,000 (reduced grant expenditures for Literacy, Title III, Workforce Development), and an increase in unrestricted assets of $199,000.

- Total operating revenues decreased $230,000 (1.7%) as a result of decreased revenues in federal grants and contracts, state and local grants and contracts, non-governmental grants and contracts, auxiliary enterprises, and other operating revenues.

- Total operating expenses decreased $92,000 (0.4%) as a result of decreases in expenses related to institutional support, student aid, public service, and depreciation.

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

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

  totaling $14-$15 million. The success of these projects is contingent upon securing funding from federal, state, and local sources including a major gifts campaign “Building for our Future”.

- During fiscal year 2004, the College conducted a fundraising feasibility study. The result is that a major gifts campaign should be conducted to fund the above projects in the campus master plan, fund student scholarships, expand endowments, workforce development, and enhance technology.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

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

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

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

- Revenues and expenses are classified as either operating or non-operating. Several routine, recurring sources of revenue such as state appropriations, gifts, and investment income are classified as non-operating. As a public college, Clark State has a high dependency on these non-operating revenues particularly state appropriations. As a result of GASB 35 reporting classifications, the College will always generate an operating deficit. Non-operating revenues totaled $7.3 million and $7.0 million for the years ended June 30, 2004 and June 30, 2003, respectively. Non-operating expenses represent interest on debt and transfer of endowment funds to the Clark State Community College Foundation. The College retired one long-term debt instrument during fiscal year 2003 and entered into a new borrowing in April 2004 ($75,000). Both borrowings were to purchase semi-tractors for the Truck Driver Training Institute program. Interest expenses for the years ended June 30, 2004 and June 30, 2003, were minimal. All endowment funds for the Performing Arts Center have now been transferred to the Clark State Community College Foundation. Funds transferred for the years ended June 30, 2004 and June 30, 2003 were $214,000 and $300,000, respectively.

- 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 $1.1 million and $1.2 million for the years ended June 30, 2004 and June 30, 2003, respectively.

- Scholarships applied to student accounts are shown as a reduction of student tuition and fees while scholarships that are paid directly to students continue to be presented as scholarship expenses. Prior to fiscal year 2002, all scholarships were reflected as expenses. Scholarship allowances totaled $1.5 million and $1.3 million for the years ended June 30, 2004 and June 30, 2003, respectively.

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

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

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

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

STATEMENT OF NET ASSETS

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A summary of the College's assets, liabilities, and net assets as of June 30, 2004, and 2003, is as follows:

	2004	2003
	(all dollar amounts in thousands)	
Current assets	$9,155	$8,603
Noncurrent Assets	22,762	23,462
Total assets	31,917	32,065
Current liabilities	1,820	1,875
Noncurrent liabilities	644	548
Total liabilities	2,464	2,423
Net Assets:		
Invested in capital assets, net of related debt	22,689	23,462
Restricted	2,653	2,268
Unrestricted	4,111	3,912
Total net assets	$29,453	$29,642

A review of the summary indicates a relatively strong financial position as of June 30, 2004. This is a result of the College's careful spending habits and absence of long-term debt. Total net assets decreased $188,000 primarily due to a reduction in net capital assets of $773,000 due to depreciation expense of $1.1 million.

Current assets are comprised primarily of cash and operating investments, student and trade receivables, and pre-paid expenses. The increase in total current assets in 2004 is primarily due to the increase in cash and cash equivalents of $366,000 (which is a result of Bookstore surplus and receipt of restricted funds) and the increase in prepaid expenses of $229,000 (which is a result of Mumma loans and Pell grants issued in June for summer term).

Current liabilities are comprised primarily of trade payables and accrued liabilities and deferred income from both student fees and advance payments for grants. These liabilities decreased $55,000. The decrease was caused by a decrease in trade payables ($36,000) and accrued payroll liabilities (vacation accrual).

Net assets represent the remaining amount of the College's assets after deducting liabilities. A detailed summary of the College's net assets as of June 30, 2004 and 2003 is as follows:

	2004	2003
	(all dollar amounts in thousands)	
Invested in capital assets, net of related debt	$22,689	$23,462
Restricted:		
Nonexpendable	257	490
Expendable	2,396	1,778
Unrestricted	4,111	3,912
Total net assets	$29,453	$29,642

Invested in capital assets net of related debt represents the College's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction, or improvement of those assets. The primary activity in capital assets was depreciation expense ($1.1 million).

Restricted nonexpendable net assets represent the College's permanent endowments. It does not include endowments held by the Clark State Community College Foundation to which all new gifts are directed. This amount decreased by $233,000 primarily due to the transfer of Performing Arts Center Endowment funds from the College to the Foundation in December 2003.

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2004, and 2003, is as follows:

	2004	**2003**
	(all dollar amounts in thousands)	
Operating Revenues:		
Student tuition & fees – net	$5,573	$5,103
Grants and contracts	5,083	5,641
Auxiliary enterprises	2,008	2,055
Gain on sale	0	18
Other	773	850
Total	13,437	13,667
Operating Expenses	20,909	20,817
Operating loss	(7,472)	(7,150)
Nonoperating revenues (expenses):		
State appropriations	7,295	6,966
Gifts	(214)	(230)
Investment income	110	148
Other	2	0
Interest expense	0	(1)
Capital appropriations	8	22
Capital grants	84	65
Total	7,284	6,970
Decrease in net assets	(188)	(180)
Net assets – beginning of year (as restated)	29,641	29,821
Net assets – end of year	$29,453	$29,641

The College relies primarily on state appropriations and student tuition & fees to fund its ongoing programs and operations. Although classified by GASB 35 as a nonoperating revenue source, state appropriations over the years have been the largest single source of revenue for the College. The majority of the amount received each year is, in general, a function of student enrollment. Although enrollment increased in fiscal year 2004, the amount of State Share of Instruction (the majority of state appropriations) remained flat due to state budget cuts. The result of this leveling in state support was a heavier reliance on student tuition & fees. As the table below demonstrates, the State of Ohio has dramatically shifted the burden for funding the cost of higher education to students and their families over the past two decades.

State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State 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

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2004, that figure dropped to $0.97. In 2002, state appropriations exceed gross tuition by $1.2 million. In 2004, gross tuition exceeds state appropriations by $237,000.

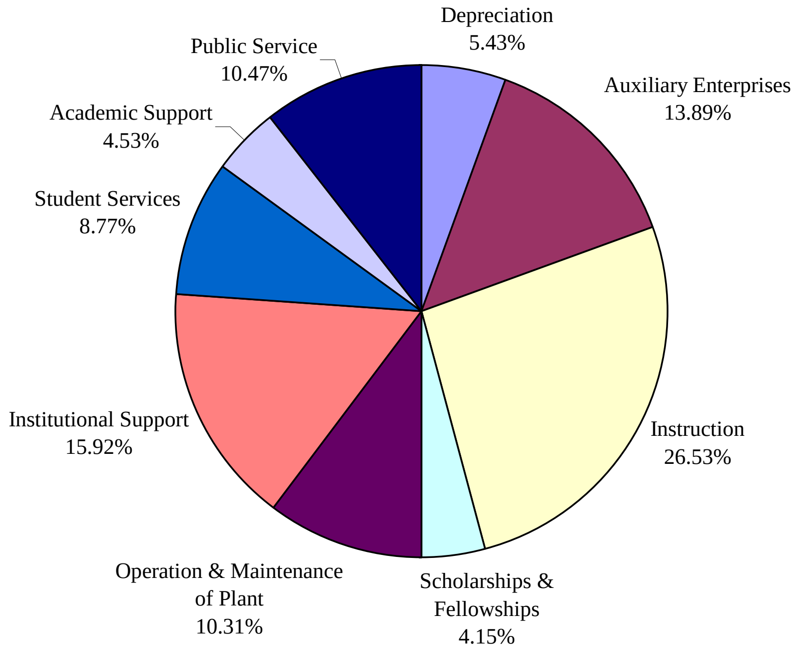
This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education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

State appropriations increased 4.7 % from $7.0 million in 2003 to $7.3 million in 2004 as a result of increases in Access Challenge and Capital Component funding. Net student tuition and fees increased 3.3% from $5.1 million in 2003 to $5.3 million in 2004. This increase reflects recent growth in enrollment.

Grants and contracts decreased from $5.6 million in 2003 to $5.1 million in 2004, a decrease of $558,000 or 9.9%. This was due to elimination of funding from the State Department of Vocational Education and reduction in funding for Workforce Development and Tech Prep.

Investment income decreased from $148,000 in 2003 to $110,000 in 2004 due to much lower yields in the fixed income market as well as a decline in money market rates and rates on certificates of deposit.

The following is a graphic illustration of expenses by function for the year ended June 30, 2004:



The majority of all operating expenses are comprised of employee compensation and benefits. Approximately 58% of total operating expenses were employee compensation and benefits for the year ended June 30, 2004. Net decrease in expenses in 2004 was a result of decreases in:

- More Pell grants were applied to tuition, fees and books (vs. refunded to student)
- Capital expenditures for the campus master plan and Voice Over Internet Protocol (VOIP) phone system made in 2003 were one-time capital expenditures
- Workforce development grant funding reduced
- Vacant VP Academic & Student Affairs position

In response to level funding from the state, departments reduced spending but not to the level that it adversely affected student learning.

The following table shows a comparison of total operating expenses per FTE for 2004 and 2003. Total operating expenses per FTE student decreased by $543 during 2004.

TOTAL OPERATING EXPENSES PER FTE

	2004	**2003**	**Difference**	**Percent Change**
Total operating expenses	$20,909,887	$20,817,056	($92,831)	(0.44%)
FTE enrollment	2,181	2,055	126	6.13%
Net operating expenses per FTE	9,587	10,130	(543)	(5.36%)

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, 2004. Following is a summary of the Statement of Cash Flows:

	2004	2003
	(All dollar amounts in thousands)	
Cash provided (used) by:		
Operating activities	($6,572)	($6,629)
Noncapital financing activities	7,083	6,736
Capital and related financing activities	(255)	(434)
Investing activities	110	148
Net increase/(decrease) in cash and cash equivalents	366	(179)
Cash and cash equivalents-beginning of year	5,520	5,699
Cash and cash equivalents-end of year	$5,886	$5,520

Cash and cash equivalents increased by $366,000 as a result of Bookstore operating surplus and receipt of restricted funds. Cash flows from operating activities increased by $57,000 in 2004 and cash flows from non-capital financing activities increased by $347,000 primarily as a result of an increase in state appropriations (not state share of instruction) and a smaller transfer of endowment funds from the College to the Clark State Foundation during 2004. The reduction in the net cash used by capital and related financing activities is primarily due to the reduction in the purchase of capital assets and the receipt of the proceeds from the loan for the Truck Driver Training Institute semi-tractor purchase. The cash outflows of $419,000 for the purchase of capital assets was primarily for equipment acquisition related to technology, instructional equipment and land acquisition.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $22.7 million invested in capital assets net of accumulated depreciation of $18.7 million at June 30, 2004. Depreciation expense for the year ended June 30, 2004, was $1.1 million compared to $1.2 million in 2003. A summary of net capital assets for the years ended June 30, 2004, and 2003, is as follows:

	2004	2003
	(All dollar amounts in thousands)	
Land, land improvements and infrastructure	$2,572	$2,627
Buildings	18,378	19,131
Machinery and equipment	1,701	1,592
Library books and publications	111	111
Long Term Debt	(73)	0
Total capital assets – net	$22,689	$23,461

The major projects the College undertook during 2004 were technology equipment replacement ($473,000), purchase of capital equipment ($120,000), replacement of a College van, acquired 1.4 acres of real estate and hired a consultant to conduct a fund raising feasibility study.

Debt

The College secured a loan in the amount of $75,000 during 2004. The loan was for the purchase of semi tractor trucks for the Truck Driver Training Institute auxiliary enterprise.

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 reductions in appropriations from the State of Ohio. These reductions are the result of the State of Ohio facing its own economic challenges. The current state biennial budget (July 1, 2003 – June 30, 2005) was balanced by the use of one-time funds (the state’s rainy day fund and tobacco settlement money) and by implementing an additional temporary 1% sales tax. The next biennial budget will not be able to fall back on these one-time budget balancing strategies.

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

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

With the uncertainty of state funding, the College is focusing on identifying alternative revenue sources. Revenue generated by grants and contracts for fiscal year 2004 totaled $5.1 million as compared to $5.6 million for fiscal year 2003. The five-year federal Title III grant expired September 30, 2003. The $1.7 million received from this grant has enabled the College to implement its e-learning programs and upgrade technology and technology infrastructure across campus. Management believes that these types of efforts will continue to be necessary in future years in order to provide a quality education in the face of state funding reductions. Already in 2005, the College has been successful in securing $1 million in state and federal funding for an Integrated Systems Technology grant project to purchase equipment for the Engineering program, $150,000 in state Tech Prep funding for a Pathways grant to collaborate with high schools, $540,000 in federal funding to assist with capital expenditures needed to address the nursing shortage and $108,000 in federal funding to purchase a virtual shooting range for the College’s Police Academy classes.

In order to be able to continue funding technology upgrades, a fund raising campaign feasibility study was undertaken to determine if a capital gifts campaign is appropriate and, if so, what projects should be funded and the total fund raising goal. It has been determined that a broad-based campaign will be conducted in the community that will focus on five initiatives including construction of a Student/Technology Center, expansion of the Health Sciences Center Complex, expansion of the Performing Arts Center, scholarship endowment funds, and Workforce Development.

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

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our general public with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report of need additional financial information, please contact the Business Affairs Office at Clark State Community College, 570 East Leffel Lane, Post Office Box 570, Springfield, Ohio 45501-0570or by calling (937) 325-0691.

CLARK STATE COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2004

		Clark State Community College	Component Unit: Clark State Community College Foundation
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	$	5,886,102	83,890
Investments		-	6,094,776
Accounts receivable, net		2,453,054	54,345
Inventory		187,380	-
Prepaid expenses		592,484	-
Pledges receivable		-	5,840
Loans receivable		36,156	41,973
Total current assets		9,155,176	6,280,824
Non-current assets:			
Capital assets, net		22,762,396	-
Total assets		31,917,572	6,280,824
LIABILITIES			
Current liabilities:			
Accounts payable		543,979	12,693
Note payable, current portion		26,400	-
Wages payable		423,255	-
Accrued payroll liabilities		99,108	-
Deferred income		673,099	-
Unclaimed funds		53,872	-
Total current liabilities		1,819,713	12,693
Non-current liabilities:			
Note payable, less current portion		46,400	-
Deposits held in trust for others		360,785	-
Accrued compensated absences		236,924	-
		644,109	-
Total liabilities		2,463,822	12,693
NET ASSETS			
Invested in capital assets, net of related debt		22,689,596	-
Restricted:			
Nonexpendable		256,826	5,267,957
Expendable		2,396,703	521,182
Unrestricted		4,110,625	478,992
	$	29,453,750	6,268,131

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Revenues, Expenses and Changes in Net Assets

For The Year Ended June 30, 2004

	Clark State Community College	Component Unit: Clark State Community College Foundation
OPERATING REVENUES:		
Student tuition and fees, net of scholarship allowance of $1,547,921	$ 5,572,975	-
Gifts and contributions	-	160,588
Federal grants and contracts	4,289,514	-
State and local grants and contracts	525,581	-
Nongovernmental grants and contracts	268,195	-
Auxiliary enterprises:		
Bookstore, net of scholarship allowance of $894,351	1,063,442	-
Parking	36,242	-
Truck Driving, net of scholarship allowance of $198,878	908,590	-
Other operating revenues	773,283	-
Total operating revenues	13,437,822	160,588
OPERATING EXPENSES:		
Instruction	5,467,495	-
Academic support	932,636	-
Student services	1,807,610	-
Institutional support	3,280,807	49,659
Operation and maintenance of plant	2,124,301	-
Student aid	1,158,894	199,208
Public service	2,158,418	35,047
Depreciation	1,118,419	-
Auxiliary expenditures	2,861,307	-
Total operating expenses	20,909,887	283,914
Operating loss	(7,472,065)	(123,326)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	7,294,739	-
Gifts	(214,453)	-
Unrestricted investment income (Net of investment expense)	110,030	90,450
Temporarily restricted investment income (Net of investment expense)	-	135,334
Permanently restricted investment income (Net of investment expense)	-	433,815
Other non-operating revenues	2,200	69,363
Interest expense	(176)	-
Net nonoperating revenues	7,192,340	728,962
(Loss) income before other revenues, expenses, gains, or losses	(279,725)	605,636
Capital appropriations	8,063	-
Capital grants and gifts	83,633	-
Additions to permanent endowments	-	308,867
Change in net assets	(188,029)	914,503
NET ASSETS, beginning of year	29,641,779	5,353,628
NET ASSETS, end of year	$ 29,453,750	6,268,131

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE

Statement of Cash Flows

For The Year Ended June 30, 2004

	Clark State Community College	Component Unit: Clark State Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 5,459,479	-
Grants, gifts and contracts	5,147,460	360,258
Payments for goods and services	(6,444,196)	(269,333)
Payments for utilities	(758,438)	-
Payments to employees	(9,383,288)	(5,161)
Payments for benefits	(2,468,891)	(798)
Payments for scholarships and fellowships	(903,720)	(117,545)
Loans issued to students and employees	(36,156)	-
Collection of loans to students and employees	34,517	(7,348)
Auxiliary enterprise charges:		
Bookstore	1,063,442	-
Parking	36,242	-
Truck driving	908,590	-
Other receipts	773,283	-
Net cash used by operating activities	(6,571,676)	(39,927)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	7,294,739	-
Gifts and grants for other than capital purposes:		
Private gifts for endowment purposes	(214,453)	-
Other non-operating revenues	2,200	69,363
Net cash provided by noncapital financing activities	7,082,486	69,363
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital appropriations	8,063	-
Purchases of capital assets	(419,063)	-
Proceeds from note payable	75,000	-
Principal paid on capital debt and leases	(2,200)	-
Interest paid on capital debt and leases	(178)	-
State grants and gifts	83,633	-
Net cash used by capital financing activities	(254,745)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and (purchases) of investments	-	(563,768)
Income on investments	110,030	479,208
Net cash provided (used) by investing activities	110,030	(84,560)
Net Increase (decrease) in cash and cash equivalents	366,095	(55,124)
Equity in pooled cash and investments, beginning of year	5,520,007	139,014
Equity in pooled cash and investments, end of year	$ 5,886,102	83,890

(continued)

See accompanying notes to the financial statements.

CLARK STATE COMMUNITY COLLEGE
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	$	(7,472,065)	(123,326)
Adjustment to reconcile operating loss to			
Net cash provided by (used for) operating activities:			
Depreciation		1,118,419	-
Changes in assets and liabilities:			
Accounts receivable		41,678	199,670
Inventory		2,865	-
Prepaid expenses		(229,201)	-
Loans receivable		(1,639)	-
Accounts payable		(35,819)	(116,271)
Wages payable		1,048	-
Accrued payroll liabilities		(76,362)	-
Deferred income		13,538	-
Unclaimed funds		15,817	-
Deposits held in trust for others		50,632	-
Compensated absences		(587)	-
Net cash used by operating activities	$	(6,571,676)	(39,927)

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Principles:

A. Reporting Entity:

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

The College is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 50l(c)(3), and is therefore exempt from federal income taxes. Certain activities of the College may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

At July 1, 2003, the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units, and Amendment to GASB 14.* GASB 39 requires certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Clark State Community College Foundation meets all of the above requirements and is therefore included in these financial statements. The foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* 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 reporting entity for these differences.

B. Basis of Accounting:

The 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 GASB.

For financial management purposes, the College classifies financial resources into funds that reflect the specific activities, objectives or restrictions of the resources. Funds that have similar characteristics are combined into the following fund groups:

- **Current Funds** include those resources that are available for current operations. These funds can be either restricted or unrestricted and are used for educational and general purposes or auxiliary enterprises.
- **Loan Funds** include resources available for loans to students and consist primarily of federal Perkins loans.
- **Endowment and Similar Funds** include both endowment funds, whose principal is not expendable per the donor's or external agency's instructions, and quasi-endowment funds, which are designated by the College to be retained and invested.
- **Plant Funds** include resources set aside for the construction, renewal and replacement of property, plant and equipment. The College's plant assets, long-term debt and resources set aside for the debt retirement are also included in this fund group.
- **Agency Funds** include resources held by the College on behalf of others in the capacity of custodian or fiscal agent.

Effective July 1, 2001, the College adopted GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No 34.*

These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. The accompanying financial statements have been prepared on the accrual basis. The College reports as a Business Type Activity, as defined by GASB Statement No. 35 and as such, the concept of external reporting of fund statements is eliminated and replaced by single column university wide financial statements. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. GASB Statement No. 35 requires that resources be classified for accounting and reporting purposes into the following four 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. (These assets are recorded in the Clark State Community College Foundation financial statements.)
- **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.
- **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 Regents or may otherwise be limited by contractual agreements with outside parties. (Substantially all unrestricted net assets are designated for academic and research programs, capital projects and other initiatives.)

The financial statement presentation required by GASB Statement 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. It replaces the find group perspective previously required.

C. 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.

D. Pooled Cash and Investments:

Clark State Community College uses the "pooled cash" method of accounting.

Investment procedures are restricted by the provision of the Revised Code. Purchased investments are valued at cost, which approximates market, and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

Legal requirements - Statutes require the classification of monies held by Clark State Community College into three categories. Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near cash" status for immediate use by the College. Such monies must be maintained either as cash in the College treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposits maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" monies, those monies which are not needed for immediate use, but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, debentures, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes debentures, or other obligations or securities issued by any federal government agency, or by the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool (STAR Ohio).

Notwithstanding the foregoing requirements, Clark State Community College may invest any monies not required to be used for a period of six months in the following classes of investments:

1. Bonds or other obligations of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Discount notes of the federal national mortgage association;
3. Bonds issued by the home owner's loan corporation;
4. Bonds of the State of Ohio; and

5. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest, or coupons.

E. Property, Plant and Equipment:

Property, plant and equipment 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.

Property, plant and equipment 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

F. Inventories:

Inventories are primarily stated at actual cost, using the first in, first out method.

G. Revenue Recognition:

Revenues are recognized when earned and expenditures are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended.

H. Deposits Held in Trust for Others:

Deposits held in trust for others in the amount of $360,785 represents balance in the College's Agency fund that are available for expenditures.

2. State Support:

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

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

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

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

3. Equity in Pooled Cash and Investments:

Deposits – At year-end, the carrying amount of Clark State Community College's cash and deposits was $2,937,475 and the bank balance was $2,955,606. Of the bank balance:

1. $931,340 was covered by federal depository insurance, or by collateral held by a qualified third party trustee in the name of the College.
2. $2,024,266 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The College's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the College.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the College's name.

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Investment in State Treasurer's Investment Pool	$ -	-	-	2,948,627	2,948,627

A reconciliation between the classifications of cash and investments on the combined financial statements and classifications per GASB #3 is as follows:

Equity in Pooled cash and cash equivalents and investments

	Deposits
Amounts per financial statements	$5,886,102
Investments: STAR Ohio	(2,948,627)
GASB Statement #3 deposits	$ 2,937,475

The following summarized the carrying value of investments for the Foundation at June 30, 2004:

		Cost	Market
Bond Fund			
Unrestricted	$	84,557	90,466
Endowment		1,055,634	1,144,366
		1,140,191	1,234,812
Bond Fund			
Unrestricted	$	154,270	227,741
Endowment		2,250,749	2,878,160
		2,405,019	3,105,901
High quality bond fund:			
Endowment		1,380,688	1,378454
Certificate of Deposit		375,609	375,609
Total	$	5,301,507	6,094,776

Endowment fees are netted against interest income in the Statement of Activities. Total fees for 2004 were $17,763. Certificates of deposit are held at two financial institutions in Clark and Champaign County. The balances in the accounts exceeded the amount insured by the FDIC by $175,609.

4. Pension Plans:

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were $657,980, $694,767, and $617,959 respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002.

B. State Teachers Retirement System

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

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. 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 member to allocate all their member contributions and employer contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

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

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The College's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were $517,098, $520,645, and $500,258 respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, were 9.3% of covered payroll for members and 14% for employers.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* will be available after January 1, 2004.

Additional information or copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Alternative Retirement Programs
The College's contributions to alternative retirement plans for the year ended June 30, 2004, was $25,203, which is equal to the required contribution for the year.

6. Postemployment Benefits:

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, (the latest information available), the healthcare allocation rate was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at $14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003, were $204,930,737 and the target level was $307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits of $303.6 million.

The number of benefit recipients currently receiving heath care benefits is approximately 50,000.

The portion of the College's contributions that were used to fund postemployment benefits, including the surcharge, was $372,000 for fiscal year 2004.

B. State Teachers Retirement System

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 30, 2003 (the latest information available), the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stablilization Fund. For the fiscal year ended June 30, 2002, 4.5% of covered payroll was allocated to the fund. The balance in the the Health Care Stabilization Fund was $2.8 billion on June 30, 2003.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were $352,301,000. There were 108,294 eligible benefit recipients.

7. Risk Management:

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For fiscal year 2004, the College contracted with Wallace and Turner Insurance Agency for these various risks. Coverage's provided by insurance are as follows:

Building and contents – replacement cost ($1,000 deductible)	$39,312,116
Crime Insurance (employee dishonesty)	500,000
Crime Insurance – Forgery/Alteration	100,000
Crime Insurance – Other	50,000
Automotive Liability ($250 deductible)	1,000,000
Truck Driver Liability ($2,500 deductible)	1,000,000
General Liability (per occurrence)	1,000,000
Umbrella Liability (per occurrence)	15,000,000
Computer equipment ($500 deductible)	2,638,636

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

8. Guaranteed Student Loan Program:

The college receives non-cash assistance in the form of federal student loan guarantees. The total of subsidized and unsubsidized Stafford Loans and Parents Loans for Undergraduate Students granted for the years ended June 30, 2004 and 2003 was $4,456,963 and $3,523,662, respectively.

9. Compensated Absences:

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

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

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

The total amount accrued for compensated absences at June 30, 2004 is as follows:

Vacation	$214,229
Sick leave	22,695
Total compensated absence accrued liability	$236,924

10. Capital Assets:

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

Capital assets consist of the following, as of June 30, 2004:

	Balance 7/1/2003	Additions/ Transfers	Net Reductions	Balance 6/30/2004
Cost:				
Land	$ 1,219,474	65,000	-	1,284,474
Infrastructure	2,696,593	-	-	2,696,593
Buildings	32,070,635	-	-	32,070,635
Furniture and equipment	4,224,982	238,055	(345,821)	4,117,216
Library books	720,990	22,809	(18,459)	725,340
Vehicles	476,052	93,199	(9,011)	560,240
Construction in progress	-	-	-	-
	$ 41,408,726	419,063	(373,291)	41,454,498

		Balance 7/1/2003	Additions/ Transfers	Net Reductions	Balance 6/30/2004
Accumulated depreciation:					
Infrastructure	$	1,289,115	119,396	-	1,408,511
Buildings		12,939,478	752,976	-	13,692,454
Furniture and equipment		2,758,246	169,533	(345,821)	2,581,958
Library books		609,550	23,225	(18,459)	614,316
Vehicles		350,585	53,289	(9,011)	394,863
		17,946,974	1,118,419	(373,291)	18,692,102
Capital assets, net	$	23,461,752	(699,356)	-	22,762,396

11. Receivables:

Receivables at June 30, 2004 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, 2004:

Student charges	$ 893,483
Room rental	51,116
Post secondary	257,134
Customized training services	79,662
Sponsored billings	52,178
Intergovernmental	1,362,470
Miscellaneous	191,178
	2,887,221
Less allowance for possible collection losses	(434,167)
Accounts receivable, net	$ 2,453,054
Loans receivable (employee loans)	$ 36,156

12. Note Payable:

Note payable consists of the following as of June 30, 2004:

Source	Interest Rate	Beginning Balance July 1, 2003	Additions	Reductions	Beginning Balance June 30, 2004
Fifth Third Bank	3.25%	$ 0	75,000	(2,200)	$ 72,800

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

13. Contingent Liability:

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

14. Legal Compliance:

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

15. Joint Venture:

During 1996, in conjunction with Clark County Joint Vocational School, 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. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

16. Clark State Community College Foundation:

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

During the year ended June 30, 2004, the Foundation distributed $152,928 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, 2004

Name	Title	Term of Office
Jennifer E. Baader	Chairperson	12/01/01 - 11/30/2006
Cathryn S. Balas	Vice-Chairperson	12/01/02 - 11/30/2008
O. Lester Smithers	Member	12/01/98 - 11/30/2004
Sharon M. Evans	Member	12/01/02 - 11/30/2008
Faye M. Flack	Member	12/01/98 - 11/30/2004
James N. Doyle	Member	12/01/98 - 11/30/2004
Than Johnson	Member	12/01/96 - 11/30/2008
Alicia S. Hupp	Member	12/01/00 - 11/30/2006
Gary E. Buroker	Member	06/25/04 - 11/30/2006

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

CLARK STATE COMMUNITY COLLEGE
Administrative Personnel
June 30, 2004

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

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

CLARK STATE COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
June 30, 2004

Federal Grantor/Program Title	Federal Catalog Number	Project Number	Beginning Balance 7/1/2003	Total Revenue	Total Expenditures	Ending Balance 6/30/2004
Department of Education						
Title IV Programs						
Student Financial Assistance Cluster:						
Supplemental Educational Opportunity Grant	84.007	P007A993254	$ -	148,258	148,258	-
College Work Study	84.033	P033A33254	-	100,000	100,000	-
Pell Grant	84.063	P063P992021	-	3,396,612	3,396,612	-
Total Student Financial Assistance Cluster			-	3,644,870	3,644,870	-
TRIO Student Support Services	84.042	P042A01078B	-	174,262	174,262	-
Total Title IV Programs			-	3,819,132	3,819,132	-
Title I Program						
Vocational Education	84.048	VECPII-P2000-506	-	63,721	63,721	-
Title II Program						
Tech-Prep Program	84.243	VETP-2000-19	-	106,390	106,390	-
Title III Programs						
Strengthening Institutions	84.031	P031A980166	-	107,977	107,977	-
Title V Programs						
Improvement of Education	84.215	R215K010104	-	90,655	90,655	-
Title VII Programs						
Improvement of postsecondary Education	84.116	P116Z020033	-	85,728	85,728	-
Outreach to Instructional Aides	84.116	P116Z040054	-	564	564	-
Total Title VII Programs			-	86,292	86,292	-
Total Department of Education			-	4,274,167	4,274,167	-
Department of Labor						
Integrated Systems Technology Project	17.261	N/A	-	5,686	5,686	-
Passed through Clark County Department of Job and Family Services:						
Workforce Investment Act	17.255	N/A	-	156,310	156,310	-
Total Department of Labor			-	161,996	161,996	-
Total Federal Assistance			$ -	4,436,163	4,436,163	-

This schedule was prepared using the accrual basis of accounting.

During the fiscal year ending June 30, 2003, the College processed the following amount of new loans for the Guaranteed Student Loan Program (which includes Stafford Loans and Parents Loans for Undergraduate Students.)

	CDFA Number	Amount Authorized
Guaranteed Student Loans	84.032	$ 4,456,963

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Clark State Community College

We have audited the financial statements of Clark State Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated October 14, 2004, in which we noted the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment to GASB 14*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

2525 North Limestone Street, Suite 103, Springfield, OH 45503-4291, 937/399-2000 Ext. 116, FAX 937/399-5528

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2004

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

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

Board of Trustees
Clark State Community College

Compliance

We have audited the compliance of Clark State Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Clark State Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clark State Community College's management. Our responsibility is to express an opinion on Clark State Community College's compliance based on our audit.

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

In our opinion, Clark State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

2525 North Limestone Street, Suite 103, Springfield, OH 45503-4291, 937/399-2000 Ext. 116, FAX 937/399-5528

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2004

CLARK STATE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2004

1.	Summary of Auditors' Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § 510?	No
(d)(1)(vii)	Major Programs	Supplemental Educational Opportunity Grant, Federal Family Education Loan Program, College Work Study, Pell Grant CFDA #: 84.007, 84.032, 84.033, 84.063; Tech-Prep Program CFDA #: 84.243
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CLARK STATE COMMUNITY COLLEGE
Schedule of Prior Year Audit Findings and Questioned Costs
OMB Circular A-133 § 315(b)
June 30, 2004

NONE

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 15, 2005