CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2015

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Lane
Springfield, OH 45505

We have reviewed the *Independent Auditors' Report* of the Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2014 through June 30, 2015. 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.

Dave Yost
Auditor of State

November 23, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Clark State Community College
Springfield, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the College, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle
During fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. As a result of the implementation of GASB Statements No. 68 and 71, the College reported a restatement for the change in accounting principle (see Note 2). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-19) and the schedules of the College's proportionate share of the net pension liability (page 44) and College contributions (page 45) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees, Administrative Personnel and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of the Board of Trustees and the Administrative Personnel have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015 on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2015

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, 2015.

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 decreased by $3.8 million (24.2%) primarily due to capital outlay of $3.5 million related to construction.

- Investments include funds on deposit with Huntington National Bank (HNB) as trustee for the 2010 bond issuance. Funds are remitted monthly but paid out by HNB semi-annually.

- Net accounts receivable decreased by $286,000 (6.5%). Student receivables net of allowance for doubtful accounts increased $595,000. An additional adjustment to the allowance for student receivables was made at year end because there was no adjustment made during FY 2014.

- Prepaid expenses decreased by $203,000 (36.0%) because of the timing of payments related to IT, building maintenance contracts and marketing.

- Inventory increased $174,000 (43.0%) due to expanding the textbook rental program and the number of used textbooks, both of which reduced costs to students.

- Employee loans receivable decreased by $7,000 (82.8%) because the program ended in December 2013.

- Net capital assets increased by $1.4 million (2.9%) as a result of construction and equipping of the Student Center. This increase was somewhat offset by depreciation.

- Deferred outflows of resources ($2.5 million), deferred inflows of resources ($5.6 million) and net pension liability ($32.0 million) are a result of the implementation of GASB 68 and are explained in detail in the Notes to the Financial Statements – Note 8.

Liabilities and Net Position

- Accounts payable decreased by $516,000 (32.0%) largely due to a reduction in payables to the contractor for the Student Center.

- Note payable (current portion) and interest payable represent amounts due during FY 2016 on the 2010 bond issuance to purchase the Greene Center and the 2006 bond issuance to construct the Landess Technology and Learning Center.

- Wages payable increased by $89,000 (8.7%) for faculty and staff wages earned in FY 2015 but paid in FY 2016.

- Accrued payroll and tax liabilities increased by $21,000 (6.3%) as a result of several of the liabilities having higher dollar amounts including SERS and health insurance.

- Unearned revenue decreased by $58,000 (39.2%) because Summer term student tuition collected by June 30 decreased.

- Notes payable (less current portion) decreased by $650,000 (4.5%) which reflects debt service payments on both the 2006 and 2010 bond issuances paid in FY 2015.

- Deposits held in trust for others increased by $35,000 (22.8%) primarily as a result of the operations of the Early Childhood Education Center for which Clark State acts as fiscal agent.

- Net position invested in capital assets (net of related debt) increased by $2.2 million (7.1%) due to construction of the Student Center and reduction in capital related debt.

- Expendable restricted net position increased by $190,000 (5.4%) due to an increase in capital component funding, major gifts received and rebate from the Bureau of Worker's Compensation.

- Unrestricted net position (exclusive of pension adjustments) decreased by $4.2 million (29.9%) as a result of construction spending from reserves. Unrestricted net position (including pension adjustments) decreased by $39.3 million ($35.8 million of which is due to pension adjustments).

- Total net position decreased by $1.0 million (7.8%).

Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) decreased by $367,000 (4.1%). Gross tuition and fees revenue increased by $937,000 (5.0%). Scholarship allowances were up by $1.1 million (14.4%). Bad debt expense increased $218,000 (78.1%).

- Federal grants and contracts decreased by $204,000 (13.2%) due to decreases in Title III, National Science Foundation, ABLE and TRIO grant funding.

- State and local grants and contracts increased by $109,000 (25.3%) due to the grant from the State Fire Marshall and an increase in funding for Project Jericho.

- Nongovernmental grants and contracts decreased by $206,000 (49.5%) because of a decrease in partnership shows at the PAC and a decrease in private grants to Project Jericho.

- Auxiliary enterprises revenue, in total, increased by $36,000 (2.8%). Bookstore revenues (net of scholarship allowances) increased $53,000 (7.1%) even though gross revenue was up $189,000 (5.1%). This is because restricted scholarship aid for books was up $136,000 (5.0%). Parking revenues increased $2,000 (3.1%). Commercial Transportation Training Center revenues decreased $19,000 (4.1%) due to a decrease in enrollment caused by less WIA funding.

- Other operating revenues decreased $100,000 (8.7%) as a result of the Honda lease ending and PAC revenue decrease.

- In total, operating revenues decreased $732,000 (5.4%).

Operating Expenses

- Instructional expenses increased by $167,000 (1.4%) due to salary/benefit increases (including adjunct faculty) and rental of off campus facilities (GCCC).

- Academic support decreased $178,000 (13.6%) due to eliminating a position in IT and a decrease in equipment purchases.

- Institutional support increased $748,000 (12.8%) due to expenses related to IT initiatives/consulting fees, and marketing.

- Operation and maintenance of plant increased by $756,000 (29.5%) due to equipment for Success Center, electric utility and building maintenance contracts.

- Student aid (represents amounts refunded to students) decreased by $145,000 (6.9%).

- Depreciation expense increased by $139,000 (7.7%) due to Student Center and expenses related to Auxiliary Enterprises increased $384,000 (10.2%), with increases in Bookstore ($301,000), Food Service ($35,000) and CTTC ($48,000).

- Total operating expenses increased by $1.9 million (5.2%).

- Total operating loss increased by $2.6 million (11.8%) to $24.5 million.

Non-Operating Revenues (Expenses)

- State appropriations increased by $176,000 (1.5%) as a result of an increase in SSI funding based on student success.

- Other non-operating items increased $9,000 (243.3%) because of a gain on disposal of an asset.

- Total net nonoperating revenues increased by $315,000 (1.4%).

- The change in net position before other revenues, expenses, gains or losses decreased by $2.3 million (544.7%) from a gain of $419,000 in FY 2014 to a loss of $1.9 million.

- Capital appropriations reflects the expenditure of funds from the state capital bill. The decrease of $3.0 million (89.6%) is due to funding of Student Center construction.

- Capital grants and gifts increased by $209,000 (79.5%) primarily due to a gift received for Major Gifts Campaign and fundraising for Fallen Warrior.

- The change in net position for FY 2015 (including pension adjustments per GASB 68) was negative $1.0 million compared to FY 2014 or positive $4.0 million, exclusive of pension adjustments.

- Total net position (including pension adjustments) at the end of FY 2015 equaled $12.4 million, down from $13.5 million (also including pension adjustments) at the end of FY 2014.

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 position divided by plant debt

- Primary Reserve Ratio = expendable net position divided by total operating and non-operating expenses

- Net Income Ratio = change in total net position divided by total operating and non-operating revenues

New GASB reporting standards (GASB 68) were implemented beginning in FY 2015 requiring employers to report a proportionate share of the retirement system's net pension liability (or unfunded liability) on their financial statements, and other related activity, including pension expense for employers under a new methodology. This impacts accounting, not funding. The Auditor of State has indicated that this liability will not be used when determining fiscal caution, watch or emergency. Financial ratings agencies have indicated they have been considering exposure to pension liabilities in their rating determinations for years as just one element to consider. Moody's has publicly stated that it estimates 98% of government entities will see virtually no impact on their ratings as a result of these new reporting requirements.

For FY 2015, the College scored a 3 on Viability Ratio, 4 on Primary Reserve Ratio, and 1 on Net Income Ratio, resulting in a composite score of 3.1. The composite score for FY 2014 was 4.2. The Primary Reserve score was the same as FY 2014. The Primary Reserve Ratio decreased slightly due to a decrease in expendable net position and an increase in total operating expenses. The Viability score was the same as FY 2014. The Net Income score decreased to 1 from a 5 in FY 2014. This was because of the decrease in total net assets due to expenses related to the Success Center and increased operational expenses. If pension adjustments were included, the resulting composite score would be 0.20.

Three Board of Trustees positions were appointed by the Governor during FY 2015.

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 was 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. In FY 2012, construction was completed on the Hollenbeck Bayley Creative Arts and Conference Center adjacent to the Performing Arts Center and an interior renovation of the PAC was completed. During FY 2015 construction of a new student center was completed. We anticipate undertaking a new campus master planning process within the next year.

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 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.

The College issued bonds totaling $9,525,000 in October 2010 to finance the purchase of a leased facility in Greene County. A combination of tax-exempt and taxable (Build America) bonds were issued. The purchase was completed in November 2010.

The College utilized the Ohio Building Authority ("OBA") to issue the bonds under a new program that became available to community colleges in the previous biennial state budget legislation. The benefit of utilizing the OBA is that the debt carried 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. In 2012 this program was transferred to the State Treasurer's office and the OBA became defunct.

In October 2013 Moody's Investors Service conducted an evaluation process of the College's operations. This process is undertaken every three years. Moody's reviewed financial operations, strategic planning, leadership team makeup, capital projects, and plans for future debt issuance. The Moody's team released the results of the Ratings Committee in late October 2013 (see further discussion of results on pages 13-14).

USING THE ANNUAL FINANCIAL REPORT

This annual financial report includes three financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- 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. The Clark State Community College Foundation (the Foundation) has been determined to be a component unit of the College. Accordingly, the Foundation is discretely presented in the College's financial statements. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Controller at the College.

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 position is one indicator of its financial health. Over time, increases or decreases in net position 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 Position 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 POSITION

The Statement of Net Position 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 position is simply the difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. The change in net position 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, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2015 and 2014 is as follows:

	2015	2014	Change
	(all dollar amounts in thousands)		
Current assets	$ 17,524	$ 21,680	$ (4,156)
Noncurrent assets	48,228	46,886	1,342
Total Assets	65,752	68,566	(2,814)
Deferred outflows of resources	2,541	2,109	432
Current liabilities	3,615	4,060	(445)
Noncurrent liabilities	46,625	53,142	(6,517)
Total Liabilities	50,240	57,202	(6,962)
Deferred outflows of resources	5,630	-	5,630
Net position			
Net investment in capital assets	33,715	31,474	2,241
Restricted			
Nonexpendable	250	250	-
Expendable	3,674	3,485	189
Unrestricted	(25,215)	(21,736)	(3,479)
Total Net Position	$ 12,424	$ 13,473	$ (1,049)

During 2015, the College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the College's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $49,248,629 to $13,472,520.

A review of the summary indicates a relatively strong financial position as of June 30, 2015. However, total net position decreased $1,049,000 primarily due to a decrease in current assets and unrestricted net position.

This occurred because of increases in depreciation expense and furnishings costs related to the Student Center as well as an increase in operating expenses.

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

Net investment in capital assets 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 position represents the College's permanent endowments.

Restricted expendable net position 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 position 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 POSTION

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014	Change
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 8,502	$ 8,869	$ (367)
Grants and contracts	2,097	2,398	(301)
Auxiliary enterprises	1,316	1,281	35
Other	1,040	1,139	(99)
Total	12,955	13,687	(732)
Operating expenses	37,465	35,600	1,865
Operating loss	(24,510)	(21,913)	(2,597)
Nonoperating revenues (expenses)			
State appropriations	11,694	11,518	176
Federal grants	11,488	11,380	108
Investment income	30	29	1
Other	13	4	9
Interest expense	(578)	(598)	20
Capital appropriations	343	3,305	(2,962)
Capital grants	471	262	209
Total	23,461	25,900	(2,439)
Increase (decrease) in net position	(1,049)	3,987	(5,036)
Net position beginning of year	13,473	N/A	
Net position end of year	$ 12,424	$ 13,473	$ (1,049)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of $2,108,587 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $1,635,834. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$ 37,464,379
Pension expense under GASB 68	(1,635,834)
2015 contractually required contribution	2,247,841
Adjusted 2015 program expenses	38,076,386
Total 2014 operating expenses under GASB 27	35,600,517
Increase in operating expenses not related to pension	$ 2,475,869

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 no longer a function of student enrollment. Funding is based on student success measures – course completion, success points and completion metrics. Enrollment increased 2.3% in fiscal year 2015 (the budget was based on an increase of 2.5%). Student fees were increased 2.4% effective fall semester 2014. 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.

State Operating Appropriations per Dollar of Gross Tuition

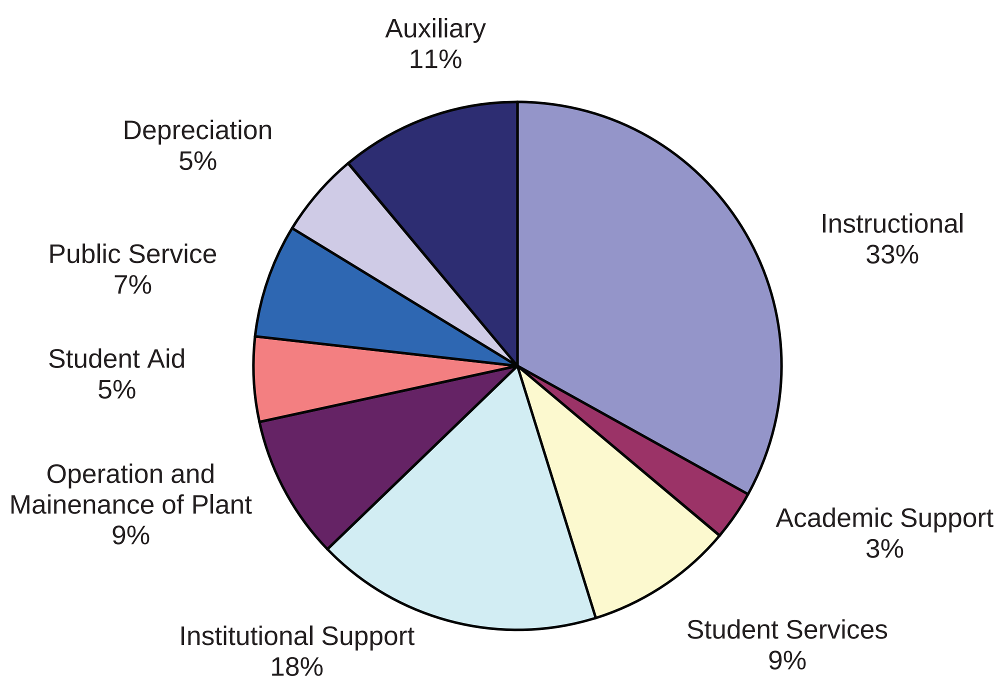
Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2004	6,775,293	6,538,684	0.97
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92
2009	9,914,898	8,822,705	0.89
2010	12,626,366	9,367,573	0.74
2011	14,417,217	9,938,577	0.69
2012	15,137,415	9,404,245	0.62
2013	16,680,297	10,137,875	0.61
2014	15,693,399	10,819,671	0.69
2015	16,636,325	11,164,635	0.67

In 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2015, that figure dropped to $0.67. In 2004, gross tuition exceeded state appropriations by $0.2 million. In 2015, gross tuition exceeds state appropriations by $5.5 million.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places special pressure on community and technical colleges. On the one hand we know that we serve many students who are economically disadvantaged who find the rising cost of higher education especially challenging. We have not forgotten these students in our financial planning which has resulted in modest tuition increases in recent years including no increases in FY 2008 or FY 2010 (and no increase for FY 2016). In 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2014, there are only seven other two-year institutions with lower tuition, six 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, implement student retention/ academic support services, address deferred maintenance, develop new academic programs, and provide the latest technology and equipment to be able to furnish our students with a quality learning experience at an affordable cost. It is imperative to adequately fund these initiatives in the interest of student success.

Total state appropriations increased 1.5% in FY 2015. Net student tuition and fees decreased 4.1% from $8.9 million in FY 2014 to $8.5 million in FY 2015. This decrease was experienced in spite of the 2.3% enrollment increase because of the increase in scholarship allowances.

The following is a graphic illustration of expenses by function for the year ended June 30, 2015:



The increase in expenses in FY 2015 was the result of:

- Increases in functional categories of operation and maintenance of plant 30.7%, institutional support 14.4%, auxiliary enterprises 10.8%, depreciation 7.7%, instruction 4.6%, and student services 4.4%.

- Decreases in academic support 11.8%, student aid 6.9% and public service 0.30%.

The increases and decreases in these functional categories were described in more detail earlier in this discussion and analysis.

The following table shows a comparison of total operating expenses per FTE for 2015 and 2014. Total operating expenses per FTE student increased by $277 during FY 2015.

	2015	2014	Difference	Change
Total operating expenses	$ 37,464,379	$ 35,600,517	$ 1,863,862	5.24%
FTE Enrollment	3,745	3,660	85	2.32%
Total operating expenses per FTE	10,004	9,727	277	2.85%

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, 2015. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2015 and 2014:

	2015	2014	Change
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (22,625)	$ (20,719)	$ (1,906)
Noncapital financing activities	23,195	22,901	294
Capital and related financing activities	(4,434)	(1,202)	(3,232)
Investing activities	21	17	4
Net increase/(decrease) in cash and cash equivalents	(3,843)	997	(4,840)
Cash and cash equivalents			
Beginning of year	15,848	14,851	997
End of year	$ 12,005	$ 15,848	$ (3,843)

Cash and cash equivalents decreased by $3.8 million primarily as a result of an increase in capital and related financing activities, which was due to construction costs of the Student Center. The changes in uses of cash and sources of cash from operating, noncapital financing, capital financing, and investment activities compared to FY 2014 clearly indicate that even though enrollment held steady and grants, gifts and contracts increased, expenses for goods/services, utilities, salary/benefits, and loans and scholarships for students increased at a faster rate. Cash generated by Auxiliary Enterprises increased due to higher bookstore sales which were somewhat offset by lower truck driving enrollment. Lastly, cash generated from non-capital financing activities increased.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $48.1 million invested in capital assets net of accumulated depreciation of $35.1 million at June 30, 2015. Depreciation expense for the year ended June 30, 2015, was $1.95 million compared to $1.81 million in FY 2014. A summary of net capital assets for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014	Change
	(all dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 3,666	$ 3,799	$ (133)
Buildings	42,350	36,689	5,661
Furniture and equipment	1,827	1,814	13
Library books and publications	121	111	10
Vehicles	76	90	(14)
Construction in progress	27	4,214	(4,187)
Total capital assets, net	$ 48,067	$ 46,717	$ 1,350

Capital projects during FY 2015 included parking lot refurbishing and maintenance, purchase of property at Leffel Lane, purchase of capital equipment, and technology equipment renewals and replacements. The major capital project was the Karen E. Rafinski Student Center. This project was bid in late summer 2013 and construction began in November. Phase I of the project was a renovation of the first floor of Rhodes Hall into student and academic support service spaces. A number of student support services offices relocated from other buildings at the Leffel Lane Campus. New multipurpose labs now serve as academic support learning labs. This phase of the project was completed in early 2015. Phase II of the project was the construction of a new building connecting the LRC and Rhodes Hall. This building houses the bookstore and dining facilities. There are also support offices for the bookstore, dining, physical plant, and mail services, as well as copier services. This phase of the project was completed in May 2015. Phase III of the project was to construct a lab and a corridor on the first floor of the LRC. Other work on this floor was to demolish the spaces that formerly housed the Library. This phase of the project was completed in May 2015.

Renovation of a portion of Shull Hall to accommodate year two of the Global Impact STEM Academy included additional offices and conversion of space for a cafeteria. In order to free up space, the storage building next to the Performing Arts Center was renovated to house the Scene Shop.

During FY 2007, the College embarked on a plan to help meet the needs of the citizens of the College's service district. This 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 of Greene, Champaign and Logan Counties. The Greene County campus was established and an outreach center was established in Logan County on the Ohio Hi-Point campus. The Ohio Hi-Point collaboration was further developed beginning in FY 2013 when we implemented Phase I of assuming responsibility for the adult education programs. These programs are delivered in Logan, Champaign and Union Counties. Beginning FY 2014 Phase II was implemented, which takes on the remaining adult education programs from Ohio Hi-Point. In FY 2013 we began a Diesel Technology program at Miami Valley CTC in Montgomery County. Over the last three years we have established programs with flight training schools in Clark, Greene, Champaign, and Warren counties. Other collaborations that began in FY 2014 included scheduling welding and HVAC classes at the Greene County Career Center and HVAC classes at the Springfield-Clark CTC. We have also begun utilizing space on the Urbana University campus in Champaign County for ABLE/GED classes.

Historically, the legislature passed a biennial capital appropriations bill. However, there was no such appropriation for the FY 2011/FY 2012 biennium. The Governor of Ohio implemented a new process for distributing capital funds to higher education institutions for the FY 2013/FY 2014 biennium. As a result of this process, the College received an appropriation of $3.4 million for the Karen E. Rafinski Student Center. Additionally, the capital reappropriations bill was enacted and appropriates a little over $750,000 for various renovation projects at the College.

A similar process was used for the FY 2015/FY 2016 capital biennium. The College received appropriations totaling a little over $4.6 million. The projects included energy efficiency improvements, renovations for a Food and Bioscience Training Center, replacement of the PAC roof, and two community projects in collaboration with the City of Springfield for a downtown parking facility and UAS hangar at the airport. The Ohio Board of Regents also set aside $16 million from the capital bill for small campus targeted workforce development expansion grants. There were 19 institutions eligible to compete for these funds, 18 of which submitted proposals. Six proposals were accepted for funding including a proposal to renovate the remaining portion of the LRC first floor for the purpose of relocating the Business and Applied Technologies Academic Division from downtown Springfield to the Leffel Lane Campus. The amount of the award was approximately $472,000.

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 December 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.

In October 2010, the College issued $9,525,000 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. The total amount of outstanding debt at June 30, 2015 is $14.5 million. The proceeds were used to purchase the 51,560 square foot Greene Center facility including the 3.66 acres of land on which it sits. The bonds consist of tax-exempt and taxable (Build America) bonds and are 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 initially assigned an Aa2 enhanced rating with Negative Outlook for the enhancement program. In March 2012, Moody's affirmed the Aa2 enhanced rating but upgraded the Outlook to Stable from Negative. Debt service interest payments began March 1, 2011, and continue to be paid monthly. Debt service principal payments began on September 1, 2011, for the tax-exempt issuance and will begin on September 1, 2018, for the taxable Build America Bonds issuance. The final maturity date for the tax-exempt bonds is December 2017 and for the taxable BABs is December 2035.

Every three years Moody's analysts have a formal discussion with college leadership to gather information to present to a Ratings Review committee to determine if the rating and outlook assigned to the College's bonds should be affirmed, upgraded or downgraded. This triennial review took place in fall 2013.

The College provided requested information to the Moody's team, which was discussed and reviewed during a call with the College leadership team. The President and Vice Presidents of the College participated in the call to discuss the strategic overview, governance and management (policy changes and senior leadership/Board changes), enrollment, operating performance, balance sheet and capital, state support and Foundation assets. As a result of this review, Moody's affirmed the Aa2 enhanced rating and the A2 underlying rating on the Series 2010 Bonds issued by the Ohio Building Authority and affirmed the A2 rating on the General Receipts Bonds issued in 2006. The A2 rating reflects the College's solid market position with positive operations, healthy state support and improved financial resource coverage of debt and operations. The outlook on both the enhanced and underlying ratings is stable.

Strengths of the College, as noted in the October 2013 Moody's Rating Update, include:

- The Series 2010 Bonds are supported by the Ohio Community and technical College Credit Enhancement Program which provides additional security.

- Expendable financial resources grew to $23.6 million in FY 2013, up 18.6% over the prior year, and provided fairly strong coverage of debt for the rating category at 1.5 times.

- Stable market position as a low cost provider of traditional and technical Associate degrees as reflected in enrollment levels.

- Operating performance has improved the past four years from a Moody's calculated operating margin of negative 1.3% in FY 2009 to a positive 5.7% in FY 2013, providing improved debt service coverage.

- Notable philanthropic support for a community college.

Challenges of the College, as noted in the October 2013 Moody's Rating Update, include:

- The College's modest operations and increasing reliance on student charges limit financial flexibility. State caps on tuition increases challenge the College's ability to increase revenues.

- Increasing age of facilities signals the future need for additional capital investment.

- Even though demographics have recently stabilized in the main service area of Clark County, the College faces a highly competitive student market in Ohio with many other private and public colleges and universities in the state.

GASB STATEMENT NO. 68

This accounting standard is effective beginning with the FY 2015 fiscal year. It revises the recognition, measurement and disclosure requirements for all employers with defined benefit and defined contribution pension plans administered through trusts that meet certain criteria. The intent of the new standard is to:

- Enhance the transparency of pension-related information in financial reports
- Improve accountability
- Standardize actuarial valuation practices

This statement requires the College to reflect the pension liability of retirees and prospective retirees on its financial statements, even though the College will never be legally responsible to pay these pension benefits. For Clark State the net pension liability reflected on the FY 2015 Statement of Net Position is $32.0 million.

STRATEGIC PLAN

The College embarked on a strategic planning process in fall 2013. Faculty, staff, students, Trustees, Foundation Directors, business leaders and the community at large were invited to participate in the process. During this process the Mission and Vision Statements were revised. A new set of Guiding Principles were developed which focus on learning, community, partnerships, innovation and diversity. Strategic trends were researched and compiled and included competition strategies, financial drivers, technology pathways, workforce and economic trends, marketing the product and demographic opportunities. As a result, three goals were developed with each having several initiatives that will be worked on over the next 3 to 5 years. Work on these initiatives began in fall 2014 by collaborative groups of faculty, staff and students. The goals are as follows:

- Increase enrollment, student success, engagement, retention and completion.
- Improve communication and collaboration within the College and with our diverse communities, businesses, and industries.
- Develop quality academic, community and support programs by creating an innovative learning environment.

Each goal involves a number of initiatives and each initiative has measurable objectives. Objectives institutionalized during FY 2015 include:

- Pre-Compass workshops
- 2 year master schedule of courses
- Utilizing data to support student recruitment
- Increasing high school and CTC partners
- Increasing customer service to high school and CTC partners
- Using scholarships to recruit new students
- Increasing the number of high school students taking ACT/Compass and completing the FAFSA
- Defining teaching and learning

ECONOMIC FACTORS AFFECTING THE FUTURE

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

The political party of the Governor changed in the general election of 2010. Subsequently the Chancellor of the Ohio Board of Regents left his post in 2011. This essentially put the USO plan on hold. A new Chancellor was appointed who then retired in 2013. The current Chancellor was appointed in June 2013. The two-year college fiscal officers are working with their Ohio Association on several collaborative projects to share services in the interest of increased efficiencies and reduced costs. We are also working with Wright State University and Central State University on a Print Management project and collaborated with Wright State University on a RFP process for banking services.

FY 2014/FY 2015 State Biennial Budget

Beginning in FY 2014 the State Share of Instruction (SSI) transitioned from a model based primarily on enrollment to a model based on performance. For FY 2014 funding was calculated based on enrollment (50%), success points (25%), and course completion (25%). The data used was a three year average for fiscal years 2013, 2012 and 2011. The College received an increase in SSI of $682,000 (6.7%) in FY 2014.

The Budget Bill called for a community college funding consultation group to draft the formula framework for SSI for FY 2015. The group was made up of community college fiscal, academic, and student services officers as well as representatives from the Ohio Board of Regents, Office of Budget and Management, and the Ohio Association of Community Colleges. The consultation was led by consultants that have worked with other states across the country to assist them in developing performance funding models. They are in part funded by the Lumina Foundation to work toward a goal for 60% of adults across the nation to have a higher education degree/credentials by 2025. The new funding model eliminates the enrollment component and instead funds a combination of course completion (50%), success points (25%), and completion metrics (25%). Weights are assigned, and institutions rewarded, for the success of at-risk students. There is no stop-loss (minimum funding guarantee) in the formula.

The report including recommendations was submitted to the Chancellor of the OBR December 2013. The Higher Education Funding Commission (another collaborative group assembled by the Governor of Ohio) reviewed the report during January/February 2014. The final recommendations were submitted by the Chancellor of the OBR to the Office of Budget and Management in February 2014. All recommendations in the report were accepted by the Governor and included in the mid-biennium budget review legislation which was approved by both the House and Senate. The Consultation continues to meet to further explore elements identified for consideration in the FY 2016/FY 2017 SSI funding formula including:

- Data consistency and reliability (e.g. use of projected data)
- Academic preparation access category
- Short term certificates

The Budget Bill limits tuition increases for community colleges to $100 above what was charged in the previous academic year.

Major Accomplishments for FY 2015

- Implementation of Strategic Plan objectives
- Disseminated data widely through on-line software tools to support data driven decision making
- Implementation of the Enrollment Management Plan
- Developed new academic programs
- Opened new/renovated facilities for student academic support services, bookstore and dining
- Investments in technology infrastructure, planning and data management tools

- Increased funding for student scholarships

Major Initiatives Planned for FY 2016

- Improve and streamline the IT infrastructure
- A renewed focus on academic support programs to increase student retention
- Implementation of realignments as a result of the space planning study completed in June 2011
- Implement the branding and enrollment marketing campaign to refresh our brand and create an enrollment-driven marketing campaign
- Address the statewide (actually nationwide) student success agenda by providing the academic and student support services necessary to assist students in graduating and/or accomplishing their academic goals in a timely fashion
- Increase community engagement activities especially in Greene County
- Implement a formal academic program review process
- Continue to assure strong 360 degree communication with faculty and staff
- Update Campus Master Plan
- Freeze tuition at FY 2015 levels
- Implement College affordability measures including a Tuition Challenge Program, expansion of College Credit Plus, reduction in academic program credit hours, expansion of textbook rental program and crafting 2+2 and 3+1 agreements with universities
- Energy management project to improve building efficiencies

Clark State Community College
Statement of Net Position
June 30, 2015

Assets	
Current assets	
Equity in pooled cash and cash equivalents	$ 12,005,257
Investments	490,379
Accounts receivable, net	4,089,337
Prepaid expenses	359,873
Inventory	577,242
Employee loans receivable	1,503
Total current assets	17,523,591
Noncurrent assets	
Capital assets, net	48,067,813
Deferred charges	160,263
Total noncurrent assets	48,228,076
Total assets	65,751,667
Deferred outflows of resources	
Pensions	2,541,627
Total deferred outflows of resources	2,541,627
Liabilities	
Current liabilities	
Accounts payable	1,097,281
Note payable, current portion	650,000
Interest payable	169,875
Wages payable	1,116,312
Accrued payroll and tax liabilities	345,003
Unearned revenue	89,433
Unclaimed funds	146,502
Total current liabilities	3,614,406
Noncurrent liabilities	
Note payable, less current portion	13,790,000
Deposits held in trust for others	188,217
Accrued compensated absences	672,177
Net pension liability	31,974,854
Total noncurrent liabilities	46,625,248
Total liabilities	50,239,654
Deferred inflows of resources	
Pensions	5,629,885
Total deferred inflows of resources	5,629,885
Net position	
Net investment in capital assets	33,714,828
Restricted	
Nonexpendable	250,000
Expendable	3,674,426
Unrestricted (deficit)	(25,215,499)
Total net position	$ 12,423,755

See accompanying notes to financial statements.

Clark State Community College Foundation
Statement of Financial Position
June 30, 2015

Assets		
Cash and cash equivalents	$	23,905
Investments		16,603,447
Accounts receivable, Clark State Community College		64,593
Pledges receivable		1,583,873
Student loans receivable, net of allowance for doubtful loans of $53,381		83,693
	$	18,359,511
Liabilities and net assets		
Liabilities		
Wages payable	$	1,403
		1,403
Net assets		
Unrestricted		386,729
Temporarily restricted		8,854,397
Permanently restricted		9,116,982
		18,358,108
	$	18,359,511

See accompanying notes to financial statements.

Operating revenues		
Student tuition and fees, net of scholarship allowance of $8,610,334	$	8,501,797
Federal grants and contracts		1,344,764
State and local grants and contracts		541,453
Nongovernmental grants and contracts		210,585
Auxiliary enterprises		
Bookstore, net of scholarship allowance of $3,124,781		805,420
Parking		59,473
Truck driving		451,592
Other operating revenues		1,039,642
Total operating revenues		12,954,726
Operating expenses		
Educational and general		
Instructional		12,395,323
Academic support		1,134,546
Student services		3,386,430
Institutional support		6,587,244
Operation and maintenance of plant		3,318,673
Student aid		1,946,400
Public service		2,601,593
Depreciation expense		1,946,088
Auxiliary enterprises		4,148,082
Total operating expenses		37,464,379
Operating loss		(24,509,653)
Nonoperating revenues (expenses)		
State appropriations		11,693,942
Federal grants revenue		11,488,393
Investment income		30,391
Other nonoperating items		12,615
Interest expense		(578,100)
Net nonoperating revenues (expenses)		22,647,241
Loss before other revenues, expenses, gains, or losses		(1,862,412)
Capital appropriations		342,484
Capital grants and gifts		471,163
Total other revenues, expenses, gains, or losses		813,647
Change in net position		(1,048,765)
Net position - beginning of year, restated		13,472,520
Net position - end of year	$	12,423,755

See accompanying notes to financial statements.

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support					
Campaign contributions	$	11,638	224,116	7,438	243,192
Foundation contributions		25	282,988	86,697	369,710
Interest		1,553	376,869	-	378,422
Net realized and unrealized gains on investment		13,329	166,856	-	180,185
Miscellaneous		5,028	24,179	-	29,207
Net assets released from restrictions		1,001,700	(819,423)	(182,277)	-
Total revenues and other support		1,033,273	255,585	(88,142)	1,200,716
Expenses					
Programs		935,836	-	-	935,836
Management and general		91,859	-	-	91,859
Total expenses		1,027,695	-	-	1,027,695
Change in net assets		5,578	255,585	(88,142)	173,021
Net assets at beginning of year		381,151	8,598,812	9,205,124	18,185,087
Net assets at end of year	$	386,729	8,854,397	9,116,982	18,358,108

See accompanying notes to financial statements.

Clark State Community College
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities	
Tuition and fees	$ 8,212,942
Grants, gift and contracts	2,614,233
Payments for goods and services	(11,545,818)
Payment for utilities	(913,186)
Payments to employees	(16,817,034)
Payments for benefits	(4,760,019)
Payments for scholarships and fellowships	(1,785,317)
Collection of loans to students and employees	7,214
Auxiliary enterprise charges	
Bookstore	805,420
Parking	59,473
Truck driving	451,592
Other receipts	1,045,856
Net cash from operating activities	(22,624,644)
Cash flows from noncapital financing activities	
State appropriations	11,693,942
Federal grants revenue	11,488,393
Other nonoperating items	12,615
Net cash from noncapital financing activities	23,194,950
Cash flows from capital financing activities	
Purchase of capital assets	(4,041,638)
Principal paid on capital debt	(625,000)
Interest paid on capital debt	(581,188)
Capital appropriations	342,484
Capital grants and gifts proceeds	471,163
Net cash from capital financing activities	(4,434,179)
Cash flow from investing activities	
Net change in investments	(9,719)
Income on investments	30,391
Net cash from investing activities	20,672
Net change in cash and cash equivalents	(3,843,201)
Cash and cash equivalents, beginning of year	15,848,458
Cash and cash equivalents, end of year	$ 12,005,257

(continued)

See accompanying notes to financial statements.

Clark State Community College
Statement of Cash Flows
Year Ended June 30, 2015
(continued)

Reconciliation of net operating loss to net cash from operating activities	
Operating loss	$ (24,509,653)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	1,946,088
Provision for bad debts	575,003
Changes in assets and liabilities	
Accounts receivable	(288,855)
Inventory	(173,631)
Prepaid expenses	202,832
Loans receivable	7,214
Other assets	9,000
Deferred outflows	(433,040)
Accounts payable	227,995
Wages payable	88,931
Accrued payroll liabilities	20,578
Unearned revenue	(57,572)
Unclaimed funds	(2,786)
Deposits held in trust for others	34,932
Net pension liablity	(5,909,842)
Deferred inflows	5,629,885
Compensated absenses	8,277
Net cash from operating activities	$ (22,624,644)

Noncash transactions:

Capital assets of $34,635 was financed through accounts payable, therefore this amount was excluded from the change in accounts payable and purchase of capital assets, above.

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB Statement 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 position categories:

- **Net investment in capital assets** – 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 position subject to externally-imposed stipulations that they be maintained permanently by the College.

- **Restricted, expendable** – Net position 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 represent amounts for capital construction projects, student services, and public service initiatives.

- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position 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 expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply the 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 position, revenues, expenses, changes in net position and cash flows.

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

Upcoming Accounting Pronouncements: In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement are generally effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The College has not yet completed the process of evaluating the impact of GASB Statements Nos. 72, 73 and 76 on its financial statements.

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 position.

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 includes 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 bookstore 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 asset additions and improvements with a cost in excess of $5,000 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	20-40 years
Furniture and equipment	5-20 years
Library books	10 years
Vehicles	3-6 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension as explained in Note 8.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources are related to pension and are reported on the statement of net position. (See Note 8)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

Unearned Revenue: Unearned 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. Unearned 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 $188,217 represents the balance in the College's Agency fund that is available for expenditures.

Operating and Nonoperating Revenues: The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position 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 position. 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. The Center did not incur an operating loss in FY 2015. 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.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	$49,248,629
Adjustments:	
Net Pension Liability	(37,884,696)
Deferred Outflow – Payments Subsequent to Measurement Date	2,108,587
Restated Net Position June 30, 2014	$13,472,520

Other than employer contributions subsequent to the measurement date, the College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3 – 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, 2015, the carrying amount of the College’s deposits was $2,650,824. The bank balance was $2,914,576 at June 30, 2015. Of the 2015 bank balance, $1,472,172 was covered by federal depository insurance, $384,964 was collateralized in both the College’s name and the financial institution’s name, and $1,057,440 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2015, the College had amounts on deposit with STAR Ohio, with fair market values of $9,354,433, which is included in the “Equity in Pooled Cash and Cash Equivalents” amount on the statement of net position. STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on the balance sheet date.

The College’s investments include $490,379 invested in obligations of the U.S. Treasury and are therefore not subject to the credit risk disclosures of GASB Statement No. 40 which are stated at their fair value.

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 AAAm by Standard & Poor’s), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015 consisted of 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 at June 30, 2015:

Student charges	$ 4,622,352
Room rental	47,474
Post secondary	289,261
Customized training services	43,240
Sponsored billings	166,719
Intergovernmental	850,325
Miscellaneous	316,146
	6,335,517
Less allowance for possible collection losses	(2,246,180)
Accounts receivable, net	$ 4,089,337

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2015:

	July 1, 2014 Balance	Additions	Retirements	Transfers	June 30, 2015 Balance
Cost					
Land	$ 2,408,738	$ 33,190	$ -	$ -	$ 2,441,928
Infrastructure	4,474,470	9,976	-	-	4,484,446
Buildings	61,185,052	72,390	-	7,033,218	68,290,660
Construction in Progress	4,213,594	2,892,135	-	(7,078,506)	27,223
Furniture and equipment	6,652,205	241,069	(54,714)	45,288	6,883,848
Library books	518,734	34,737	(109,843)	-	443,628
Vehicles	548,203	33,046	(22,435)	-	558,814
	80,000,996	3,316,543	(186,992)	-	83,130,547

	July 1, 2014 Balance	Additions	Retirements	Transfers	June 30, 2015 Balance
Accumulated depreciation					
Infrastructure	$ 3,084,379	$ 176,116	$ -	$ -	$ 3,260,495
Buildings	24,496,341	1,444,461	-	-	25,940,802
Furniture and equipment	4,838,482	253,429	(35,333)	-	5,056,578
Library books	407,278	25,095	(109,843)	-	322,530
Vehicles	457,777	46,987	(22,435)	-	482,329
	33,284,257	1,946,088	(167,611)	-	35,062,734
Capital assets, net	$ 46,716,739	$ 1,370,455	$ (19,381)	$ -	$ 48,067,813

NOTE 6 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2015 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable, net	$ 15,065,000	$ -	$ 625,000	$ 14,440,000	$ 650,000
Net pension liability:					
SERS	14,781,957	-	2,201,718	12,580,239	-
STRS	23,102,739	-	3,708,124	19,394,615	-
Total net pension liability	37,884,696	-	5,909,842	31,974,854	-
Deposits held in trust for others	153,285	34,932	-	188,217	-
Compensated absences	663,900	47,018	38,741	672,177	-
Total long-term liabilities	$ 53,766,881	$ 81,950	$ 6,573,583	$ 47,275,248	$ 650,000

In June 2006, the College issued $8,175,000 of General Receipts Bonds, Series 2006, to pay a portion of the costs of the Sara T. Landess Technology and Learning Center. These bonds are special obligations of the College. Principal and interest on the bonds are payable solely from the pledged general receipts of the College. 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 College has covenanted it will ensure sufficient general receipts at all times sufficient to, at least, pay debt service charges on the General Receipt Bonds when due. The total principal and interest remaining to be paid at June 30, 2015 was $8,200,692. Principal and interest paid during the current fiscal year and total general receipts were $605,681 and $10,857,924, respectively.

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
2016	$ 360,000	$ 245,700	$ 605,700
2017	375,000	230,081	605,081
2018	395,000	214,213	609,213
2019	410,000	198,113	608,113
2020	425,000	181,413	606,413
2021-2025	1,625,000	672,507	2,297,507
2026-2030	1,415,000	381,015	1,796,015
2031-2033	1,005,000	67,650	1,072,650
	$ 6,010,000	$ 2,190,692	$ 8,200,692

In October 2010, $9,525,000 State of Ohio (Ohio Building Authority) Clark State Community College Facilities Bonds, 2010 Series A, were issued to finance the purchase of the Greene Center facility at 3775 Pentagon Park Boulevard, Beavercreek, Ohio. The bonds consist of $1,980,000 of 2010 Series A1 Tax-Exempt Bonds and $7,545,000 2010 Series A2 Federally Taxable-Build America Bonds-Direct Payment. These bonds are special obligations of the Ohio Building Authority, the proceeds from which financed the purchase of the facility which the College leases from the OBA. Rentals to be paid to the OBA will be paid by the College from available receipts. The interest is payable semi-annually each March 1 and September 1, beginning March 1, 2011 and ending September 1, 2035. The principal is payable annually each September 1, beginning September 1, 2011 and ending September 1, 2035. The interest rates range from 1.5% to 6.17%. The bonds are payable as follows:

Year Ending June 30,	Principal	Interest	Discount/ Subsidy	Total
2016	$ 290,000	$ 443,387	$ (149,612)	$ 583,775
2017	295,000	437,536	(149,612)	582,924
2018	300,000	431,024	(149,612)	581,412
2019	310,000	420,673	(147,235)	583,438
2020	315,000	406,985	(142,445)	579,540
2021-2025	1,740,000	1,792,760	(627,466)	2,905,294
2026-2030	2,080,000	1,273,918	(445,871)	2,908,047
2031-2035	2,530,000	578,706	(202,547)	2,906,159
2036	570,000	17,583	(6,155)	581,428
	$ 8,430,000	$ 5,802,572	$ (2,020,555)	$ 12,212,017

Compensated Absences

Under the College's compensated absences 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 grade levels 1-6 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.

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 the vesting method to estimate the liability for the next fiscal year.

Full-time faculty have the option of deferring compensation for overload assignments for future leave time with pay during a regular academic year.

The President is covered by the above stated Board policy on "sick leave severance upon retirement." The President is entitled to 20 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, 2015 consisted of the following:

Vacation	$	395,689
Sick leave		256,685
Faculty Banked Leave		19,803
Total	$	672,177

NOTE 7 – STATE SUPPORT

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

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

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

The facilities are not pledged as collateral for the revenue bonds. Instead the bonds are supported by a pledge of monies in the Higher Education's 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 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued payroll and tax liabilities.

Plan Description – School Employees Retirement System (SERS)

Plan Description – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017*
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit: or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $1,095,681 for fiscal year 2015. Of this amount $140,685 is reported in accrued payroll and tax liabilities.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $1,152,160 for fiscal year 2015. Of this amount $116,921 is accrued at year end.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of net Pension Liability	$ 12,580,239	$ 19,394,615	$ 31,974,854
Proportion of the Net Pension Liability	0.248575%	0.07973625%	
Pension Expense	$ 739,821	$ 896,013	$ 1,635,834

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 107,071	$ 186,715	$ 293,786
College contributions subsequent to the measurement date	1,095,681	1,152,160	2,247,841
Total Deferred Outflows of Resources	$ 1,202,752	$ 1,338,875	$ 2,541,627
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 2,041,808	$ 3,588,077	$ 5,629,885

$2,274,841 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$ (483,684)	$ (850,341)	$ (1,334,025)
2017	(483,684)	(850,341)	(1,334,025)
2018	(483,684)	(850,341)	(1,334,025)
2019	(483,685)	(850,339)	(1,334,024)
	$ (1,934,737)	$ (3,401,362)	$ (5,336,099)

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc Cola	3.00 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00%	0.00%
US Stocks	22.50%	5.00%
Non-US Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Assets	10.00%	5.00%
Multi-Assets Strategies	15.00%	7.50%
Total	100.00%	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 17,948,263	$ 12,580,239	$ 8,065,267

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost -of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 27,765,507	$ 19,394,615	$ 12,315,659

<u>Alternative Retirement Programs</u>

The College's contributions to ARPs for the year ended June 30, 2015, 2014 and 2013, were $92,668 $76,177 and $73,755, respectively, which is equal to the required contribution for those years.

NOTE 9 – POSTEMPLOYMENT BENEFITS

<u>School Employees Retirement System</u>

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan
Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at $20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were $96,223, $78,417 and $77,772, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 2014, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund (latest information available). The College's contributions allocated to health care benefits for the years ended June 30, 2015, 2014, and 2013 were $82,297, $76,631and $84,106, respectively, which equaled the required contributions each year.

NOTE 10 – LEASES

The College leases real property at 700 S Limestone St in Springfield, Ohio under a Lease Agreement that expires December 2035. Future minimum lease payments under this Lease Agreement at June 30, 2015 are as follows:

Year Ending June 30,	
2016	30,000
2017	60,000
2018	60,000
2019	60,000
2020	60,000
2021 - 2025	300,000
2026 - 2030	300,000
2031 - 2035	300,000
2036	30,000
	1,200,000

The College leases office equipment under an operating lease that expires June 2016. The College has $7,668 in future minimum lease payments due in 2016 under this lease agreement at June 30, 2015.

NOTE 11 – 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.

NOTE 12 – 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, vehicle coverage, and natural disasters.

Coverage	Amount	Deductible
Building, Contents, Computer Equipment, including Equipment Breakdown (Boiler and Machinery) (per occurrence)	$ 750,000	$ 25,000
Crime – Employee Dishonesty and Forgery/Alteration	500,000	2,500
Crime – Theft, Disappearance and Destruction of Money and Securities (on premises or away)	40,000	2,500
Automobile Liability	1,000,000	None
Automobile – Physical Damage – Collision	Actual Cash Value	500
Automobile – Physical Damage – Comprehensive (other than collision)	Actual Cash Value	500
General Liability (per occurrence)	1,000,000	None
General Aggregate Liability (per policy year)	3,000,000	None
Excess Liability (per occurrence and per policy year)	15,000,000	None
Excess Educators – Legal Liability (per occurrence and per policy year)	15,000,000	None
Liquor Liability (per occurrence)	1,000,000	None
Educators Legal (per occurrence)	1,000,000	10,000
Flood and Earthquake – Each Occurrence and Aggregate	100,000,000	100,000
Nurse Professional (Student Professional Liability)	1,000,000	None
Employers Liability	1,000,000	None
Employee Benefits Liability	1,000,000	1,000
Sexual Misconduct (per claim)	1,000,000	None
Specialty Risk Protector (Cyber Risk)	1,000,000	25,000
Non-Owned Aircraft	5,000,000	1,000

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

NOTE 13 – 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, is 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. For the year ended June 30, 2015, pledges are recorded after discounting at 3.11% to the present value of future cash flows.

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

One year or less	$ 295,239
Between one and five years	1,000,000
Longer than five years	375,000
	1,670,239
Discount and allowance	(86,366)
Net Pledges	$ 1,583,873

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:

Equity funds	$ 8,009,215
Bond funds	6,145,870
Money market account and other	2,448,362
	$ 16,603,447

During the year ended June 30, 2015, the Foundation distributed $476,408 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.

REQUIRED SUPPLEMENTARY INFORMATION

	2014	2013
School Employees Retirement System of Ohio		
College's Proportion of the Net Position Liability	0.248575%	0.248575%
College's Proportionate Share of the Net Pension Liability	$ 12,580,239	$ 14,781,957
College's Covered-Employee Payroll	$ 7,223,082	$ 7,112,938
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	174.17%	207.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%
State Teachers Retirement System of Ohio		
College's Proportion of the Net Position Liability	0.079736%	0.079736%
College's Proportionate Share of the Net Pension Liability	$ 19,394,615	$ 23,102,739
College's Covered-Employee Payroll	$ 8,080,064	$ 7,995,124
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	240.03%	288.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio						
Contractually Required Contribution	$ 1,127,765	$ 1,035,838	$ 1,095,878	$ 1,085,613	$ 981,090	$ 957,953
Contributions in Relation to the Contractually Required Contribution	(1,127,765)	(1,035,838)	(1,095,878)	(1,085,613)	(981,090)	(957,953)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 7,613,979	$ 7,223,082	$ 7,112,938	$ 6,871,371	$ 7,007,777	$ 6,960,912
Contributions as a Percentage of College Covered-Employee Payroll	14.81%	14.34%	15.41%	15.80%	14.00%	13.76%
State Teachers Retirement System of Ohio						
Contractually Required Contribution	$ 1,152,759	$ 1,072,749	$ 1,177,487	$ 1,053,938	$ 960,790	$ 866,744
Contributions in Relation to the Contractually Required Contribution	(1,152,759)	(1,072,749)	(1,177,487)	(1,053,938)	(960,790)	(866,744)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 8,208,655	$ 8,080,065	$ 7,995,124	$ 7,247,376	$ 6,862,772	$ 6,862,772
Contributions as a Percentage of College Covered-Employee Payroll	14.04%	13.28%	14.73%	14.54%	14.00%	12.63%

(1) - Information prior to 2010 is not available.

SUPPLEMENTAL INFORMATION

Legal Counsel
James D. Miller
Attorney General's Office
30 E. Broad Street, 15th Floor
Columbus, OH 43215

Name	Title
Jo Alice Blondin, 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.

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Revenues	Expenditures
U.S. Department of Education				
Title IV Program				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant	P007A143254	84.007	$ 236,431	$ 236,431
College Work Study	P033A143254	84.033	159,744	159,744
Pell Grant	P063P142557	84.063	11,488,393	11,488,393
Federal Direct Student Loans	P268K152557	84.268	22,728,413	22,728,413
Total Student Financial Aid Cluster			34,612,981	34,612,981
TRIO Support Services				
TRIO Student Support Services	P042A101486	84.042	214,904	214,904
Total TRIO Support Services			214,904	214,904
Total Title IV Program			34,827,885	34,827,885
Title I Program				
Secondary Career-Technical Alignment Initiative	PO4026	84.048	3,500	3,500
Vocational Education	063370-20C3-2008	84.048	126,268	126,268
Total Title I Program			129,768	129,768
Title III Program				
Title III Program	P031A090165	84.031	109,282	109,282
Adult Basic and Literacy Education Program				
ABLE-English Literacy/Civics Education Grant	501-9900 (AB-S2)	84.002	7,540	7,540
ABLE-Ohio Hi-Point	501-9900	84.002	167,984	167,984
Total Adult Basic and Literacy Education Program			175,524	175,524
Total U.S. Department of Education			35,242,459	35,242,459
U.S. Department of Health and Human Services				
Passed through the Clark County Department of Job and Family Services:				
Temporary Assistance for Needy Families	CO-181-FY14	93.558	209,532	209,532
Total U.S. Department of Health and Human Services			209,532	209,532
U.S. Department of Justice				
Passed through the Ohio Department of Youth Services				
Title II Formula Grant Program	2012-JJ-DMC-2007	16.540	69,299	69,299
Total U.S. Department of Justice			69,299	69,299
U.S. Department of Labor				
Trade Adjustment Assistance Comm. College and Career Tr	TC265041460/A39	17.282	97,415	97,415
Total U.S. Department of Labor			97,415	97,415
National Science Foundation				
Cyberpro	DUE-1204553	47.076	150,116	150,116
Total National Science Foundation			150,116	150,116
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 35,768,821	$ 35,768,821

See accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 - GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year (which includes Stafford Loans and Parents Loans for Undergraduate Students).

INDEPENDENT AUDITORS' 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
Springfield, Ohio

We have audited, in accordance with the 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, the 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 14, 2015, wherein we noted the College adopted the provisions of GASB Statements No. 68 and 71 for the year ended June 30, 2015

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

Board of Trustees
Clark State Community College
Springfield, Ohio

Report on Compliance for Each Major Federal Program
We have audited the Clark State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance 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, 2015.

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Report on Internal Control Over Compliance
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 over compliance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 14, 2015

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	No

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

<u>Finding 2014-001</u>: Federal Direct Student Loans, CFDA No. 84.268

Condition: Three students in a sample of sixty were over-awarded Federal Direct Loans.

Recommendation: We recommend implementing monitoring procedures relative to the packaging process, in order to ensure that Direct Loans are awarded and disbursed in accordance with federal guidelines.

Current Status: The recommendation was adopted in November 2014. No similar findings were noted in the 2015 audit.

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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Dave Yost • 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 3, 2015

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