

CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2016 and 2015

with Independent Auditors' Report



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, 2015 through June 30, 2016. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 2, 2016

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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 years ended June 30, 2016 and 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 auditor's 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, 2016 and 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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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-18) and the schedules of the College's proportionate share of the net pension liability (page 50) and College contributions (page 51) 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 audit was 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 and Administrative Personnel as well as the schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal award 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 12, 2016 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 12, 2016

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, 2016.

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 \$1.3 million (10.9%) primarily due to transferring \$584,000 to brokered CD's, which are reflected under Investments. The remaining difference is due to drawing down student loan funds after the close of the fiscal year.
- Investments increased \$582,000 (79.5%) as explained above. Investments include brokered CD's as well as 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 increased by \$1.4 million (33.5%). Student receivables net of allowance for doubtful accounts increased \$260,000. College Credit Plus (CCP) receivables increased by \$393,000; Federal Student Loan receivables increased by \$604,000; PELL receivables increased by \$153,000. The allowance for doubtful accounts was increased by \$200,000.
- Prepaid expenses increased by \$26,000 (7.1%) because of the timing of payments related to IT software.
- Inventory decreased \$49,000 (8.5%) due to a decrease in textbook inventory.
- Net capital assets increased by \$621,000 (1.3%) as a result of renovating and equipping of the LRC and Shull Hall and leasehold improvements and equipment at The Springfield Center of Innovation: The Dome. This increase was somewhat offset by depreciation.
- Deferred outflows of resources (\$3.8 million), deferred inflows of resources (\$2.1 million) and net pension liability (\$36.4 million) are a result of recognizing the College's proportionate share of the pension liability and are explained in detail in the Notes to the Financial Statements – Note 8.

Liabilities and Net Position

- Accounts payable decreased by \$155,000 (14.1%) largely due to a reduction in payables for the Bookstore and to the contractor for the Rafinski Student Center.
- Note payable (current portion) and interest payable represent amounts due during FY 2017 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 \$206,000 (18.4%) for faculty and staff wages earned in FY 2016 but paid in FY 2017.
- Unearned revenue increased by \$22,000 (24.7%) because the Performing Arts Center (PAC) future year ticket sales increased.
- Notes payable (less current portion) decreased by \$670,000 (4.9%) which reflects debt service payments on both the 2006 and 2010 bond issuances paid in FY 2016.

- Deposits held in trust for others increased by \$34,000 (18.1%) primarily as a result of the operations of the Early Childhood Education Center for which Clark State acts as fiscal agent.
- Accrued compensated absences increased by \$58,000 (8.6%) due to an increase of the accrued sick leave for eligible retirees.
- Net position invested in capital assets (net of related debt) increased by \$1.2 million (3.6%) due to building renovation projects, leasehold improvements and capitalization of equipment. These increases were partially offset by depreciation expenses and a reduction in capital related debt.
- Expendable restricted net position decreased by \$474,000 (12.9%) due to an increase in capital component expenditures and a decrease in major gifts received (for the Technology and Learning Center campaign) and funding for Ohio Means Internships program.
- Unrestricted net position (exclusive of pension adjustments) increased by \$1.0 million (10.6%) as a result of a surplus from operations in the Educational and General Fund and Auxiliary Enterprise Funds. Unrestricted net position (including pension adjustments) increased by \$1.4 million (5.7%).
- Total net position increased by \$2.1 million (17.8%).

Operating Revenues

- Student tuition and fees revenue (net of scholarship allowances) increased by \$850,000 (10.0%). Gross tuition and fees revenue increased by \$4,000 (.02%). Scholarship allowances were down by \$846,000 (9.8%) because of lower amounts of Federal financial aid received, which were partially offset by increases in CCP and Tuition Challenge allowances. Bad debt expense decreased \$104,000 (29%).
- Federal grants and contracts increased by \$1.2 million (86.6%) due to the receipt of the TAACCCT Grant from the Department of Labor.
- State and local grants and contracts decreased by \$115,000 (21.3%) due to a decrease in the grant from the State Fire Marshall and because of a Worker's Comp rebate earned the previous year.
- Nongovernmental grants and contracts decreased by \$15,000 (7.1%) because of a change in accounting for ticket sales for the Gala, decrease in PAC sponsorships and an increase in funding for Johns Hopkins.
- Auxiliary enterprises revenue, in total, increased by \$65,000 (4.9%). Bookstore revenues (net of scholarship allowances) increased \$15,000 (1.8%) even though gross revenue was down \$105,000 (2.7%). This is because restricted scholarship aid for books was down \$119,000 (3.8%). Parking revenues decreased \$2,000 (2.8%). Commercial Transportation Training Center revenues increased \$52,000 (11.5%) due to an increase in enrollment.
- Other operating revenues increased \$18,000 (1.8%) as a result of increased PAC ticket revenue.
- In total, operating revenues increased \$2.0 million (15.1%).

Operating Expenses

- Instructional expenses increased by \$689,000 (5.6%) due to an increase in restricted expenses for the TAACCCT Grant.
- Academic support decreased \$150,000 (13.2%) due to eliminating two positions in IT and a decrease in equipment purchases.

- Institutional support decreased \$804,000 (12.2%) due to a decrease in expenses related to IT initiatives/consulting fees and equipment and a decrease in Worker's Comp premium.
- Operation and maintenance of plant decreased by \$346,000 (10.4%) because equipment purchases for the Rafinski Student Center were reflected in previous year figure.
- Student aid (represents amounts refunded to students) decreased by \$151,000 (7.8%) because PELL refunds to students were down.
- Depreciation expense increased by \$114,000 (5.8%) due to construction/renovation and equipment costs related to the Rafinski Student Center, LRC, Shull Hall and The Springfield Center for Innovation: The Dome.
- Auxiliary Enterprise expenses decreased \$238,000 (5.7%) due to lower sales in the Bookstore and equipment purchases for the new store were reflected the previous year.
- Total operating expenses decreased by \$967,000 (2.6%).
- Total operating loss decreased by \$2.9 million (12.0%) to \$21.6 million.

Non-Operating Revenues (Expenses)

- State appropriations increased by \$717,000 (6.1%) as a result of an increase in SSI funding based on student success.
- Federal Grants decreased by \$1.3 million (11.6%) due to PELL Grants.
- Investment revenue increased \$19,000 (63.7%) due to rising interest rates.
- Other non-operating items expense increased \$361,000 due to PAC chiller repairs and equipment for Food Science and Technology program.
- Total net non-operating revenues decreased by \$926,000 (4.1%).
- The change in net position before other revenues, expenses, gains or losses improved by \$2.0 million from a loss of \$1.9 million in FY 2015 to a gain of \$146,000.
- Capital appropriations reflects the expenditure of funds from the State Capital Bill. The increase of \$1.3 million (385.0%) is due to funding of construction/renovation of the LRC, the Springfield Center for Innovation: The Dome and PAC chiller replacement.
- Capital grants and gifts decreased by \$142,000 (30.1%) primarily due to receiving gifts for Major Gifts Campaign and fundraising for Fallen Warrior the previous year.
- The change in net position for FY 2016 was positive \$2.1 million compared to FY 2015 of negative \$1.0 million.
- Total net position at the end of FY 2016 equaled \$14.1 million, up from \$12.0 million at the end of FY 2015.

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 decided that this liability will not be used when determining fiscal caution, watch or emergency. Financial ratings agencies stated they have been considering exposure to pension liabilities in their rating determinations for years as just one element to consider.

For FY 2016, the College scored a 4 on Viability Ratio, 4 on Primary Reserve Ratio, and 4 on Net Income Ratio, resulting in a composite score of 4.0. The composite score for FY 2015 was 3.1. The Viability score increased from 3 to 4 due to an increase in expendable net assets. The Net Income score increased to 4 from a 1 due to an increase in total net assets and an increase in total revenue. If pension adjustments were included, the resulting composite score would be 1.0.

One Board of Trustees position was appointed by the Governor during Summer 2016 to fill an unexpired term.

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 the Rafinski Student Center was completed. During FY 2016 renovation of the LRC was completed and manufacturing and welding labs were constructed in Shull Hall. Also, leasehold improvements were made at The Springfield Center for Innovation: The Dome. We anticipate undertaking a new campus master planning process during FY 2017.

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. 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.

The interest rate climate was favorable to refund the General Receipts Bonds issued in 2006. In June 2016 Moody's assigned a rating of A2 with a negative outlook to the Refunding Bonds, Series 2016 (see further discussion of results on pages 15-16).

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, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>Revised 2015</u>	<u>Revised 2014</u>
	(all dollar amounts in thousands)		
Current assets	\$ 18,173	\$ 17,524	\$ 21,680
Noncurrent assets	<u>48,397</u>	<u>47,785</u>	<u>46,443</u>
Total Assets	66,570	65,309	68,123
 Deferred outflows of resources	 3,839	 2,541	 2,109
Current liabilities	3,698	3,614	4,060
Noncurrent liabilities	<u>50,486</u>	<u>46,625</u>	<u>53,142</u>
Total Liabilities	54,184	50,239	57,202
 Deferred outflows of resources	 2,108	 5,630	 -
Net position			
Net investment in capital assets	34,456	33,272	31,031
Restricted			
Nonexpendable	250	250	250
Expendable	3,200	3,674	3,485
Unrestricted	<u>(23,789)</u>	<u>(25,215)</u>	<u>(21,736)</u>
Total Net Position	<u>\$ 14,117</u>	<u>\$ 11,981</u>	<u>\$ 13,030</u>

A review of the summary indicates a relatively strong financial position as of June 30, 2016. Total net position increased \$2.1 million primarily due to an increase in current assets (accounts receivable), capital assets and unrestricted net position.

This occurred because of steady enrollment while reducing scholarship allowances for CCP students and a decrease in operating expenses. These were somewhat offset by a decrease in Federal Grants (PELL).

Net position represents the remaining amount of the College's assets and deferred outflows after deducting liabilities and deferred inflows.

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, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	\$ 9,352	\$ 8,502	\$ 8,869
Grants and contracts	3,131	2,097	2,398
Auxiliary enterprises	1,382	1,316	1,281
Other	1,058	1,040	1,139
	14,923	12,955	13,687
Operating expenses	36,498	37,465	35,600
Operating loss	(21,575)	(24,510)	(21,913)
Nonoperating revenues (expenses)			
State appropriations	12,411	11,694	11,518
Federal grants	10,155	11,488	11,380
Investment income	50	30	29
Other	(348)	13	4
Interest expense	(547)	(578)	(598)
Capital appropriations	1,661	343	3,305
Capital grants	329	471	262
	23,711	23,461	25,900
Increase (decrease) in net position	2,136	(1,049)	3,987
Net position beginning of year, restated	11,981	13,030	N/A
Net position end of year	\$ 14,117	\$ 11,981	\$ 13,030

NA – Information necessary to restate the 2014 beginning balance and 2014 pension expense for the implementation of GASB 68 was not available.

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 decreased 1.4% in fiscal year 2016 (the budget was based on a decrease of 0.6%). Student fees were not increased for FY 2016. 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. Although in recent years, the trend is reversing due to a combination of tuition restraint and the shift to a State operating appropriation model based on student success and completion.

State Operating Appropriations per Dollar of Gross Tuition

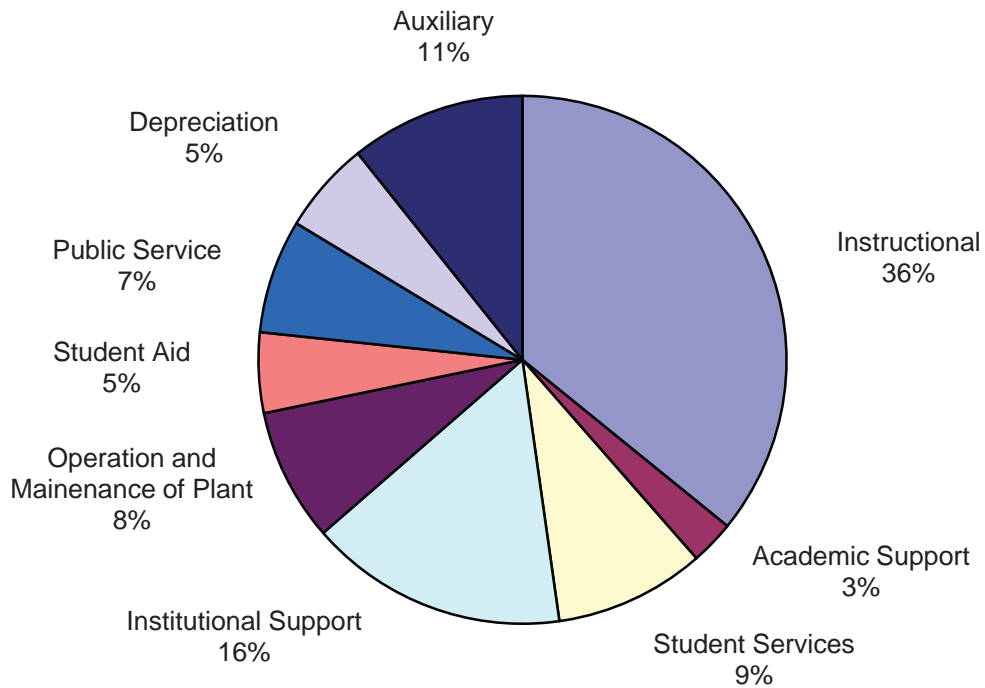
<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Operating Appropriations</u>	<u>Dollar of Gross Tuition</u>
1980	\$ 1,144,925	\$ 2,160,717	\$1.89
1990	2,781,764	4,491,168	1.61
2005	7,543,886	6,945,868	0.92
2006	7,835,537	7,420,797	0.95
2007	8,162,676	7,723,689	0.95
2008	8,851,902	8,119,091	0.92
2009	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
2016	14,640,107	11,987,351	0.82

In FY 1980, the State contributed \$1.89 to Clark State for every dollar of gross tuition. In 2016, that figure dropped to \$0.82. In FY 2005, gross tuition exceeded state appropriations by \$0.6 million. In FY 2016, gross tuition exceeds state appropriations by \$2.7 million.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. It places particular 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 or FY 2017. In 1999, Clark State's tuition was higher than 15 of the other two-year colleges in Ohio. As of fall 2016, there are only six two-year institutions with lower tuition, five of which receive special funding from local levies. It is a continual challenge to generate sufficient funds to attract qualified staff and faculty, maintain state-of-the art facilities, implement student retention/ academic support services, address deferred maintenance, develop new academic programs to meet the workforce, 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 7.4% in FY 2016. Net student tuition and fees increased 10.0% from \$8.5 million in FY 2015 to \$9.4 million in FY 2016. This increase was experienced even though enrollment declined slightly because of the decrease in scholarship allowances.

The following is a graphic illustration of expenses by function for the year ended June 30, 2016:



The decrease in expenses in FY 2016 was the result of:

- Increases in functional categories of instructional 5.6% and depreciation 5.8%.
- Decreases in academic support 13.2%, student services 0.7%, institutional support 12.2%, operation and maintenance of plant 10.4%, student aid 7.8%, public service 2.2% and auxiliary enterprises 5.7%.

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 FY 2016 and FY 2015. Total operating expenses per FTE student decreased by \$116 during FY 2016.

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Change</u>
Total operating expenses	\$ 36,497,794	\$ 37,464,379	\$ (966,585)	-2.58%
FTE Enrollment	3,691	3,745	(54)	-1.44%
Total operating expenses per FTE	\$ 9,888	\$ 10,004	\$ (116)	-1.16%

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, 2016. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>Revised</u> <u>2015</u>	<u>2014</u>
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	\$ (21,105)	\$ (22,625)	\$ (20,719)
Noncapital financing activities	22,229	23,195	22,901
Capital and related financing activities	(1,871)	(4,434)	(1,202)
Investing activities	<u>(532)</u>	<u>(220)</u>	<u>17</u>
Net increase/(decrease) in cash and cash equivalents	(1,279)	(4,084)	997
Cash and cash equivalents			
Beginning of year	<u>11,764</u>	<u>15,848</u>	<u>14,851</u>
End of year	<u>\$ 10,485</u>	<u>\$ 11,764</u>	<u>\$ 15,848</u>

Cash and cash equivalents decreased by \$1.3 million primarily as a result of an increase in investing activities, which was due to investing additional cash in CD's, and a decrease in noncapital financing activities, which was due to a decrease in PELL Grants. This resulted in a net decrease in cash of \$1.3 million compared to FY 2015.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had \$48.2 million invested in capital assets net of accumulated depreciation of \$37.6 million at June 30, 2016. Depreciation expense for the year ended June 30, 2016, was \$2.1 million compared to \$1.9 million in FY 2015. A summary of net capital assets for the years ended June 30, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(all dollar amounts in thousands)		
Land, leasehold improvements and infrastructure	\$ 4,153	3,666	3,799
Building	41,902	42,350	36,689
Furniture and equipment	2,016	1,384	1,371
Library books and publications	101	121	111
Vehicles	74	76	90
Construction in progress	-	27	4,214
	\$ 48,246	47,624	46,274
Total capital assets, net	\$ 48,246	47,624	46,274

Capital projects during FY 2016 included parking lot refurbishing and maintenance, purchase of capital equipment, and technology equipment renewals and replacements. The LRC renovation project was completed during FY 2016. This project renovated the first floor of the LRC to create offices, classrooms and labs for the Business Technologies academic division. Faculty and staff moved in during Summer 2016 and began holding classes in these new spaces Fall Semester.

Renovation of a portion of The Springfield Center of Innovation: The Dome was completed in time for classes to be held beginning Spring Semester 2016. The College entered into a long term lease with the Springfield City School District in order to construct a classroom, lab and office for faculty to house the new Food Science and Technology academic program. The project included the purchase of equipment for this lab.

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 in Beavercreek 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 with the implementation of 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 State legislature has 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.

This process was completed once again for the FY 2017/FY 2018 capital biennium. The College received appropriations totaling \$4.525 million. The projects included safety and security upgrades, Rhodes Hall and Applied Science Center Renovation and two community projects – PAC upgrades and Springfield downtown parking facility.

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 principal amount outstanding for this issue at June 30, 2016 is \$8.1 million. The proceeds were used to purchase the 51,560 square foot Greene Center facility in Beavercreek 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 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.

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.

Debt Refunding

The 2006 debt was refunded resulting in a savings of over \$900,000 over the next 16 years. The credit opinion issued by Moody's affirmed the A2 rating but revised the outlook to negative. The A2 rating reflects Clark State Community College's (CSCC) role as an affordable public provider of education to a four county service area with good state operating and capital support. Clark State's relative reserve levels remain good and it has a flexible expense base, which enables it to adjust to enrollment volatility. The rating also incorporates strong competition for students and some demographic challenges in the College's primary service area, which may pressure enrollment, resulting in thin expected annual operating performance. Further, while direct debt is low, the College has an elevated pension liability which adds credit pressure.

Credit Strengths

- State-supported community college with some enrollment diversification across multiple counties
- Demonstrated ability to adjust programs and partner with area high schools, employers, and other colleges
- Consistent support for operations and capital from Aa1-rated State of Ohio
- Good operating reserves, with 131 days cash on hand, and some expense base flexibility

Credit Challenges

- Demographic and population challenges in the College's core service area
- Limited ability to grow tuition revenue due to state limits on tuition rates, competition, and affordability concerns
- Relatively small scale of operations (\$35 million) with only break-even operating performance
- Material pension liability adds significant adjusted leverage

Rating Outlook

The negative outlook reflects expectations of ongoing operating pressures given the challenging revenue environment, and the state freeze on tuition increases.

GASB STATEMENT NO. 68

This accounting standard was 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 2016 Statement of Net Position is \$36.4 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 2016 include:

- Align Admissions, Advising and Career Services
- Create 15-30 and 60-hours pathways
- Increase participation at community events through employee presence and sponsorships
- Consistency across CPE sections and in the transition from CPE to College Level
- High School College-prep Curriculum realignment

- Advisory Representation
- Identify opportunities for and implement appropriate new programs, both credit and noncredit

OHIO DEPARTMENT OF HIGHER EDUCATION

The Ohio Department of Higher Education (formerly known as the Ohio Board of Regents) is a Cabinet-level agency for the Governor of the State of Ohio that oversees higher education for the state. The agency's main responsibilities include authorizing and approving new degree programs, managing state-funded financial aid programs and developing and advocating policies to maximize higher education's contributions to the state and its citizens.

As a member of the Governor's Cabinet, the Chancellor of the Ohio Department of Higher Education advises the Governor on higher education policy and implements the Governor's plan to make college more affordable for Ohioans and drive the state's economic advancement through the public universities and colleges of Ohio, the state's network of public universities, regional campuses, community colleges, and adult workforce and adult education centers. The Chancellor is responsible for carrying out the responsibilities of the agency, including authorizing and approving new degree programs and managing state-funded financial aid programs. Chancellor John Carey was appointed the ninth Chancellor of the Ohio Department of Higher Education in April 2013.

Two initiatives relative to making college more affordable include:

- Task Force on Affordability and Efficiency – Gov. John R. Kasich called on this task force to recommend solutions for institutions of higher education based on three key simultaneous needs:
 - to be more efficient both in expense management and revenue generation
 - while offering an education of equal or higher quality
 - and decreasing costs to students and their familiesReport was due to the Governor and General Assembly by October 1, 2015.
- Five-Percent Reduction Plans – Ohio House Bill 64 Section 369.600 requires the board of trustees of each state institution of higher education to develop and implement a plan to provide all in-state, undergraduate students the opportunity to reduce the student cost of earning a degree by five percent.

FY 2015/FY 2016 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%).

A community college funding consultation group was convened to draft the formula framework for SSI for FY 2015 and beyond. 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. This 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 Consultation continued to meet to further explore elements identified for consideration for the funding formula including:

- Data consistency and reliability (e.g. use of projected data)

- Academic preparation access category
- Short term certificates

The Budget Bill prohibits tuition increases for public colleges and universities in both years of the biennium.

Major Accomplishments for FY 2016

- Implementation of Strategic Plan objectives
- Improved and streamlined the IT infrastructure
- Implementation of the Enrollment Management Plan
- 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
- Implementation of the branding and enrollment marketing campaign to refresh our brand and create an enrollment-driven marketing campaign
- Developed new academic programs
- Addressed 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
- Increased community engagement activities especially in Greene County
- Implemented a formal academic program review process
- Continued to assure strong 360 degree communication with faculty and staff
- Froze tuition at FY 2015 levels
- Developed College Completion Plan
- Implemented College affordability measures including the Tuition Challenge Program, expanded College Credit Plus, reduction in academic program credit hours, expanded the textbook rental program and crafted 2+2 and 3+1 agreements with universities

Major Initiatives planned for FY 2017

- Update Campus Master Plan
- Energy management project to improve building efficiencies
- Planning/design for the renovation of Rhodes Hall and Applied Science Center
- Refund the 2006 debt
- Planning/preparation for the Higher Learning Commission accreditation
- Major Gifts fundraising campaign

Clark State Community College
Statements of Net Position
June 30, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current assets		
Equity in pooled cash and cash equivalents	\$ 10,485,531	11,764,441
Investments	1,312,774	731,195
Accounts receivable, net	5,460,881	4,089,337
Prepaid expenses	385,452	359,873
Inventory	527,996	577,242
Employee loans receivable	-	1,503
Total current assets	<u>18,172,634</u>	<u>17,523,591</u>
Noncurrent assets		
Capital assets, net	48,245,982	47,624,713
Deferred charges	151,262	160,263
Total noncurrent assets	<u>48,397,244</u>	<u>47,784,976</u>
Total assets	<u>66,569,878</u>	<u>65,308,567</u>
Deferred outflows of resources		
Pensions	<u>3,839,342</u>	<u>2,541,627</u>
Total deferred outflows of resources	<u>3,839,342</u>	<u>2,541,627</u>
Liabilities		
Current liabilities		
Accounts payable	942,066	1,097,281
Note payable, current portion	670,000	650,000
Interest payable	166,667	169,875
Wages payable	1,322,043	1,116,312
Accrued payroll and tax liabilities	335,801	345,003
Unearned revenue	111,566	89,433
Unclaimed funds	<u>150,392</u>	<u>146,502</u>
Total current liabilities	3,698,535	3,614,406
Noncurrent liabilities		
Note payable, less current portion	13,120,000	13,790,000
Deposits held in trust for others	222,329	188,217
Accrued compensated absences	729,743	672,177
Net pension liability	<u>36,413,588</u>	<u>31,974,854</u>
Total noncurrent liabilities	<u>50,485,660</u>	<u>46,625,248</u>
Total liabilities	<u>54,184,195</u>	<u>50,239,654</u>
Deferred inflows of resources		
Pensions	<u>2,107,616</u>	<u>5,629,885</u>
Total deferred inflows of resources	<u>2,107,616</u>	<u>5,629,885</u>
Net position		
Net investment in capital assets	34,455,982	33,271,728
Restricted		
Nonexpendable	250,000	250,000
Expendable	3,200,607	3,674,426
Unrestricted (deficit)	<u>(23,789,180)</u>	<u>(25,215,499)</u>
Total net position	<u>\$ 14,117,409</u>	<u>11,980,655</u>

See accompanying notes to financial statements.

Clark State Community College Foundation
 Statements of Financial Position
 June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 177,565	23,905
Investments	16,423,782	16,603,447
Accounts receivable, Clark State Community College	42,886	64,593
Pledges receivable	1,383,583	1,583,873
Student loans receivable, net of allowance for doubtful loans of \$59,913 in 2016 and \$53,381 in 2015	95,868	83,693
Prepaid expenses	534	-
	\$ 18,124,218	18,359,511
 Liabilities and Net Assets		
Liabilities		
Wages payable	9,102	1,403
	9,102	1,403
 Net assets		
Unrestricted	491,353	386,729
Temporarily restricted	8,554,010	8,854,397
Permanently restricted	9,069,753	9,116,982
	18,115,116	18,358,108
	\$ 18,124,218	18,359,511

See accompanying notes to financial statements.

Clark State Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Student tuition and fees, net of scholarship allowance of \$7,764,105 in 2016 and \$8,610,334 in 2015	\$ 9,351,904	8,501,797
Federal grants and contracts	2,509,054	1,344,764
State and local grants and contracts	426,303	541,453
Nongovernmental grants and contracts	195,697	210,585
Auxiliary enterprises		
Bookstore, net of scholarship allowance of \$3,005,355 in 2016 and \$3,124,781 in 2015	820,243	805,420
Parking	57,809	59,473
Truck driving	503,591	451,592
Other operating revenues	1,058,045	1,039,642
Total operating revenues	14,922,646	12,954,726
Operating expenses		
Educational and general		
Instructional	13,084,611	12,395,323
Academic support	985,015	1,134,546
Student services	3,362,954	3,386,430
Institutional support	5,783,247	6,587,244
Operation and maintenance of plant	2,972,212	3,318,673
Student aid	1,795,089	1,946,400
Public service	2,545,132	2,601,593
Depreciation expense	2,059,908	1,946,088
Auxiliary enterprises	3,909,626	4,148,082
Total operating expenses	36,497,794	37,464,379
Operating loss	(21,575,148)	(24,509,653)
Nonoperating revenues (expenses)		
State appropriations	12,411,575	11,693,942
Federal grants revenue	10,155,153	11,488,393
Investment income	49,744	30,391
Other nonoperating items	(348,381)	12,615
Interest expense	(546,566)	(578,100)
Net nonoperating revenues (expenses)	21,721,525	22,647,241
Gain (loss) before other revenues, expenses, gains, or losses	146,377	(1,862,412)
Capital appropriations	1,661,197	342,484
Capital grants and gifts	329,180	471,163
Total other revenues, expenses, gains, or losses	1,990,377	813,647
Change in net position	2,136,754	(1,048,765)
Net position - beginning of year, restated	11,980,655	13,029,420
Net position - end of year	\$ 14,117,409	11,980,655

See accompanying notes to financial statements.

Clark State Community College Foundation
 Statements of Activities and Changes in Net Assets
 Year Ended June 30, 2016 with Comparative 2015 Totals

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenues and other support					
Campaign contributions	\$ 27,786	136,402	3,425	167,613	243,192
Foundation contributions	125	161,768	149,200	311,093	369,710
Interest	1,417	380,137	-	381,554	378,422
Net realized and unrealized (losses) gains on investments	(14,406)	(228,004)	(795)	(243,205)	180,185
Miscellaneous	7,318	36,413	-	43,731	29,207
Net assets released from restrictions	<u>986,162</u>	<u>(787,103)</u>	<u>(199,059)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	1,008,402	(300,387)	(47,229)	660,786	1,200,716
Expenses					
Programs	682,835	-	-	682,835	935,836
Management and general	72,192	-	-	72,192	91,859
Fundraising	<u>148,751</u>	<u>-</u>	<u>-</u>	<u>148,751</u>	<u>-</u>
Total expenses	<u>903,778</u>	<u>-</u>	<u>-</u>	<u>903,778</u>	<u>1,027,695</u>
Change in net assets	104,624	(300,387)	(47,229)	(242,992)	173,021
Net assets at beginning of year	<u>386,729</u>	<u>8,854,397</u>	<u>9,116,982</u>	<u>18,358,108</u>	<u>18,185,087</u>
Net assets at end of year	\$ <u>491,353</u>	<u>8,554,010</u>	<u>9,069,753</u>	<u>18,115,116</u>	<u>18,358,108</u>

See accompanying notes to financial statements.

Clark State Community College Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
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 investments	13,329	166,856	-	180,185
Miscellaneous	5,028	24,179	-	29,207
Net assets released from restrictions	<u>1,001,700</u>	<u>(819,423)</u>	<u>(182,277)</u>	<u>-</u>
Total revenues and other support	1,033,273	255,585	(88,142)	1,200,716
Expenses				
Programs	935,836	-	-	935,836
Management and general	<u>91,859</u>	<u>-</u>	<u>-</u>	<u>91,859</u>
Total expenses	<u>1,027,695</u>	<u>-</u>	<u>-</u>	<u>1,027,695</u>
Change in net assets	5,578	255,585	(88,142)	173,021
Net assets at beginning of year	<u>381,151</u>	<u>8,598,812</u>	<u>9,205,124</u>	<u>18,185,087</u>
Net assets at end of year	<u>\$ 386,729</u>	<u>8,854,397</u>	<u>9,116,982</u>	<u>18,358,108</u>

See accompanying notes to financial statements

Clark State Community College
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Tuition and fees	\$ 7,727,371	8,212,942
Grants, gift and contracts	3,406,176	2,614,233
Payments for goods and services	(10,490,001)	(11,545,818)
Payment for utilities	(858,556)	(913,186)
Payments to employees	(16,697,700)	(16,817,034)
Payments for benefits	(5,003,467)	(4,760,019)
Payments for scholarships and fellowships	(1,642,752)	(1,785,317)
Collection of loans to students and employees	1,503	7,214
Auxiliary enterprise charges		
Bookstore	820,243	805,420
Parking	57,809	59,473
Truck driving	503,591	451,592
Other receipts	<u>1,070,936</u>	<u>1,045,856</u>
Net cash from operating activities	<u>(21,104,847)</u>	<u>(22,624,644)</u>
Cash flows from noncapital financing activities		
State appropriations	12,411,575	11,693,942
Federal grants revenue	10,155,153	11,488,393
Other nonoperating items	<u>(337,808)</u>	<u>12,615</u>
Net cash from noncapital financing activities	<u>22,228,920</u>	<u>23,194,950</u>
Cash flows from capital financing activities		
Purchase of capital assets	(2,661,751)	(4,041,638)
Principal paid on capital debt	(650,000)	(625,000)
Interest paid on capital debt	(549,774)	(581,188)
Capital appropriations	1,661,197	342,484
Capital grants and gifts proceeds	<u>329,180</u>	<u>471,163</u>
Net cash from capital financing activities	<u>(1,871,148)</u>	<u>(4,434,179)</u>
Cash flow from investing activities		
Net change in investments	(581,579)	(250,535)
Income on investments	<u>49,744</u>	<u>30,391</u>
Net cash from investing activities	<u>(531,835)</u>	<u>(220,144)</u>
Net change in cash and cash equivalents	(1,278,910)	(4,084,017)
Cash and cash equivalents, beginning of year	<u>11,764,441</u>	<u>15,848,458</u>
Cash and cash equivalents, end of year	\$ <u>10,485,531</u>	<u>11,764,441</u>

(continued)

See accompanying notes to financial statements.

Clark State Community College
Statements of Cash Flows
Years Ended June 30, 2016 and 2015
(continued)

	2016	2015
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	\$ (21,575,148)	(24,509,653)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	2,059,908	1,946,088
Provision for bad debts	252,989	575,003
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(1,624,533)	(288,855)
Inventory	49,246	(173,631)
Prepaid expenses	(25,579)	202,832
Loans receivable	1,503	7,214
Other assets	9,001	9,000
Deferred outflows	(1,297,715)	(433,040)
Accounts payable	(185,214)	227,995
Wages payable	205,731	88,931
Accrued payroll liabilities	(9,202)	20,578
Unearned revenue	22,133	(57,572)
Unclaimed funds	3,890	(2,786)
Deposits held in trust for others	34,112	34,932
Net pension liability	4,438,734	(5,909,842)
Deferred inflows	(3,522,269)	5,629,885
Compensated absences	57,566	8,277
	\$ (21,104,847)	(22,624,644)

Noncash transactions:

Capital assets of \$64,634 and \$34,635 for fiscal years 2016 and 2015 respectively, were financed through accounts payable, therefore this amount was excluded from the change in accounts payable and purchases 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.

New Accounting Standards Adopted: For the year ended June 30, 2016, The College retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Upcoming Accounting Pronouncements: In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018. The College has not yet completed the process of evaluating the impact of GASB 75 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. Fair value is determined by market quotations. Donated investments are recorded at the fair value at the time received.

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 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:

<u>Classification</u>	<u>Life</u>
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 position 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 \$222,329 and \$188,217 at June 30, 2016 and 2015, respectively, 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. Pell grants are considered nonexchange transactions and are recorded as nonoperating 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 operating losses in fiscal years 2016 and 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.

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 – 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, 2016 and 2015, the carrying amount of the College's deposits was \$1,872,080 and \$2,410,008, respectively. The bank balance was \$2,253,101 at June 30, 2016. Of the 2016 bank balance, \$1,107,876 was covered by federal depository insurance, \$433,546 was collateralized in both the College's name and the financial institution's name, and \$711,680 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2016 and 2015, the College had amounts on deposit with STAR Ohio, with fair market values of \$8,613,451 and \$9,354,433, respectively, which are included in the "Equity in Pooled Cash and Cash Equivalents" amount on the statements 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.

As of June 30, 2016, the College had the following investments and maturities:

	Investment			
	Maturities (in Years)			
	Fair Value	Less than 1	1 to 3	3 to 5
Negotiable certificates of deposit	\$ 822,413	\$ 240,624	\$ 581,789	\$ -
US treasury notes	490,361	490,361	-	-
Star Ohio	8,613,451	8,613,451	-	-
	<u>\$ 9,926,225</u>	<u>\$ 9,344,436</u>	<u>\$ 581,789</u>	<u>\$ -</u>

As of June 30, 2015, the College had the following investments and maturities:

	Investment			
	Maturities (in Years)			
	Fair Value	Less than 1	1 to 3	3 to 5
Negotiable certificates of deposit	\$ 240,816	\$ 240,816	\$ -	\$ -
US treasury notes	490,379	490,379	-	-
Star Ohio	9,354,433	9,354,433	-	-
	\$ 10,085,628	\$ 10,085,628	\$ -	\$ -

The College's investments include \$490,361 and \$490,379 for 2016 and 2015, respectively, 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.

The College's investments in negotiable certificates of deposits are held in the College's name by Trustees and are fully covered by FDIC.

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 3 – FAIR VALUE MEASUREMENT

The College's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

The College has the following recurring fair value measurements as of June 30, 2016 and 2015:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2016</u>				
Assets				
Negotiable certificates of deposit	\$ 822,413	\$ 822,413	\$ -	\$ -
US treasury notes	490,361	490,361	-	-
Total	<u>\$ 1,312,774</u>	<u>\$ 1,312,774</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2015</u>				
Assets				
Negotiable certificates of deposit	\$ 240,816	\$ 240,816	\$ -	\$ -
US treasury notes	490,379	490,379	-	-
Total	<u>\$ 731,195</u>	<u>\$ 731,195</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2016 and 2015, the College had amounts on deposit with STAR Ohio, with fair market values of \$8,613,451 and \$9,354,433, respectively, which are included in the "Equity in Pooled Cash and Cash Equivalents" amount on the statements of net position. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016 and 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:

	<u>2016</u>	<u>2015</u>
Student charges	\$ 4,881,120	4,622,352
Room rental	41,078	47,474
College Credit Plus (formerly Post Secondary)	694,453	289,261
Customized training services	73,995	43,240
Sponsored billings	227,032	166,719
Intergovernmental	1,661,155	850,325
Miscellaneous	328,064	316,146
	<u>7,906,897</u>	<u>6,335,517</u>
Less allowance for possible collection losses	<u>(2,446,016)</u>	<u>(2,246,180)</u>
Accounts receivable, net	<u>\$ 5,460,881</u>	<u>\$ 4,089,337</u>

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2016:

	July 1, 2015				June 30, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
Cost					
Land	\$ 2,441,928	\$ -	\$ -	\$ -	\$ 2,441,928
Infrastructure	4,484,446	-	-	-	4,484,446
Buildings	68,290,660	-	-	1,019,658	69,310,318
Leasehold improvements	-	717,016	-	-	717,016
Furniture and equipment	6,883,848	939,087	(2,600)	-	7,820,335
Library books	443,628	9,212	(16,100)	-	436,740
Vehicles	558,814	34,000	-	-	592,814
Construction in Progress	27,223	992,435	-	(1,019,658)	-
	<u>83,130,547</u>	<u>2,691,750</u>	<u>(18,700)</u>	<u>-</u>	<u>85,803,597</u>
	July 1, 2015				June 30, 2016
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
Accumulated depreciation					
Infrastructure	\$ 3,260,495	\$ 176,219	\$ -	\$ -	\$ 3,436,714
Buildings	25,940,802	1,467,120	-	-	27,407,922
Leasehold improvements	-	53,776	-	-	53,776
Furniture and equipment	5,499,678	307,560	(2,600)	-	5,804,638
Library books	322,530	19,238	(5,527)	-	336,241
Vehicles	482,329	35,995	-	-	518,324
	<u>35,505,834</u>	<u>2,059,908</u>	<u>(8,127)</u>	<u>-</u>	<u>37,557,615</u>
Capital assets, net	<u>\$ 47,624,713</u>	<u>\$ 631,842</u>	<u>\$ (10,573)</u>	<u>\$ -</u>	<u>\$ 48,245,982</u>

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

	Restated July 1, 2014				June 30, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
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
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
Construction in Progress	4,213,594	2,892,135	-	(7,078,506)	27,223
	<u>80,000,996</u>	<u>3,316,543</u>	<u>(186,992)</u>	<u>-</u>	<u>83,130,547</u>
	July 1, 2014				June 30, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u>
Accumulated depreciation					
Infrastructure	\$ 3,084,379	\$ 176,116	\$ -	\$ -	\$ 3,260,495
Buildings	24,496,341	1,444,461	-	-	25,940,802
Furniture and equipment	5,281,582	253,429	(35,333)	-	5,499,678
Library books	407,278	25,095	(109,843)	-	322,530
Vehicles	457,777	46,987	(22,435)	-	482,329
	<u>33,727,357</u>	<u>1,946,088</u>	<u>(167,611)</u>	<u>-</u>	<u>35,505,834</u>
Capital assets, net	<u>\$ 46,273,639</u>	<u>\$ 1,370,455</u>	<u>\$ (19,381)</u>	<u>\$ -</u>	<u>\$ 47,624,713</u>

NOTE 6 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2016 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable, net	\$ 14,440,000	\$ -	\$ 650,000	\$ 13,790,000	\$ 670,000
Net pension liability:					
SERS	12,580,239	1,845,328	-	14,425,567	-
STRS	19,394,615	2,593,406	-	21,988,021	-
Total net pension liability	<u>31,974,854</u>	<u>4,438,734</u>	<u>-</u>	<u>36,413,588</u>	<u>-</u>
Deposits held in trust for others	188,217	34,112	-	222,329	-
Compensated absences	672,177	66,981	9,415	729,743	-
Total long-term liabilities	<u>\$ 47,275,248</u>	<u>\$ 4,539,827</u>	<u>\$ 659,415</u>	<u>\$ 51,155,660</u>	<u>\$ 670,000</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
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	<u>37,884,696</u>	<u>-</u>	<u>5,909,842</u>	<u>31,974,854</u>	<u>-</u>
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	<u>\$ 53,766,881</u>	<u>\$ 81,950</u>	<u>\$ 6,573,583</u>	<u>\$ 47,275,248</u>	<u>\$ 650,000</u>

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, 2016 was \$7,594,992. Principal and interest paid during fiscal year 2016 and total general receipts were \$605,700 and \$11,791,592, respectively. Principal and interest paid during fiscal year 2015 and total general receipts were \$605,681 and \$10,857,924, respectively.

Clark State Community College
Notes to the Financial Statements
Years Ended June 30, 2016 and 2015

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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	445,000	163,790	608,790
2022-2026	1,440,000	608,797	2,048,797
2027-2031	1,475,000	318,115	1,793,115
2032-2033	685,000	30,470	715,470
	<u>\$ 5,650,000</u>	<u>\$ 1,944,992</u>	<u>\$ 7,594,992</u>

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,	<u>Principal</u>	<u>Interest</u>	<u>Discount/ Subsidy</u>	<u>Total</u>
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	325,000	392,969	(137,539)	580,430
2022-2026	1,800,000	1,702,374	(595,831)	2,906,543
2027-2031	2,160,000	1,147,911	(401,769)	2,906,142
2032-2036	2,635,000	419,713	(146,899)	2,907,814
	<u>\$ 8,140,000</u>	<u>\$ 5,359,185</u>	<u>\$ (1,870,942)</u>	<u>\$ 11,628,243</u>

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:

	2016	2015
Vacation	\$ 400,246	\$ 395,689
Sick leave	309,694	256,685
Faculty Banked Leave	19,803	19,803
Total	\$ 729,743	\$ 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 were the same for fiscal years 2016 and 2015 and 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, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year 2016, there was no employer contribution rate allocated to the Health Care Fund. For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. For 2015, 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 \$1,136,409 and \$1,095,681 for fiscal years 2016 and 2015, respectively. Of this amount \$78,768 and \$140,685 is reported in accrued payroll and tax liabilities in 2016 and 2015, respectively.

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 was 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 increased 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 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For fiscal years ended June 30, 2016 and 2015, plan members were required to contribute 13% and 12% of their annual covered salary, respectively. For both fiscal years, the College was required to contribute 14% and the entire 14% was the portion used to fund pension obligations. The fiscal year 2016 and 2015 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$1,258,022 and \$1,152,160 for fiscal years 2016 and 2015, respectively. Of this amount \$42,869 and \$116,921 is accrued at year end for fiscal years 2016 and 2015.

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

The net pension liability reported at June 30, 2016 and 2015 was measured as of June 30, 2015 and June 30, 2014, respectively, 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 College's proportionate share, pension expense and deferred inflows and outflows for fiscal years 2016 and 2015:

Fiscal Year 2016	SERS	STRS	Total
Proportionate Share of net Pension Liability	\$ 14,425,567	\$ 21,988,021	\$ 36,413,588
Proportion of the Net Pension Liability	0.25280970%	0.07955987%	
Pension Expense	\$ 971,478	\$ 1,041,703	\$ 2,013,181

Clark State Community College
Notes to the Financial Statements
Years Ended June 30, 2016 and 2015

Fiscal Year 2016 (continued)	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 232,278	\$ 1,002,376	\$ 1,234,654
Change in the College's proportionate share	187,403	-	187,403
Differences between actual contributions and proportionate share of contributions	22,854	-	22,854
College contributions subsequent to the measurement date	1,136,409	1,258,022	2,394,431
Total Deferred Outflows of Resources	\$ 1,578,944	\$ 2,260,398	\$ 3,839,342

Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 477,966	\$ 1,581,355	\$ 2,059,321
Change in the College's proportionate share	-	40,340	40,340
Differences between actual contributions and proportionate share of contributions	-	7,955	7,955
Total Deferred Inflows of Resources	\$ 477,966	\$ 1,629,650	\$ 2,107,616

Fiscal Year 2015	SERS	STRS	Total
Proportionate Share of net Pension Liability	\$ 12,580,239	\$ 19,394,615	\$ 31,974,854
Proportion of the Net Pension Liability	0.24857500%	0.07973625%	
Pension Expense	\$ 739,821	\$ 896,013	\$ 1,635,834

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			
Net difference between projected and actual earnings on pension plan investments	\$ 2,041,808	\$ 3,588,077	\$ 5,629,885

\$2,394,431 reported as deferred outflows of resources at June 30, 2016 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	\$ (106,399)	\$ (368,933)	\$ (475,332)
2018	(106,399)	(368,933)	(475,332)
2019	(107,500)	(368,936)	(476,436)
2020	284,867	479,528	764,395
	\$ (35,431)	\$ (627,274)	\$ (662,705)

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 two most recent actuarial valuations, prepared as of June 30, 2015 and 2014, were the same for both fiscal years and 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 were the same for both fiscal years and 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	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent for both fiscal years. 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 for both fiscal years.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Fiscal Year 2016			
College's proportionate share of the net pension liability	\$ 20,003,077	\$ 14,425,567	\$ 9,728,843
Fiscal Year 2015			
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, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions for both fiscal years and 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, 2015 and June 30, 2014 valuations were 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 were the same for both fiscal years and 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 for both fiscal years. 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, 2015 and 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, 2015 and 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 for both fiscal years, 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%)
<u>Fiscal Year 2016</u>			
College's proportionate share of the net pension liability	\$ 30,543,020	\$ 21,988,021	\$ 14,753,494
<u>Fiscal Year 2015</u>			
College's proportionate share of the net pension liability	\$ 27,765,507	\$ 19,394,615	\$ 12,315,659

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2016, 2015 and 2014, were \$115,442, \$92,668 and \$76,177 respectively, which is equal to the required contribution for those years.

NOTE 9 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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, 2016, the health care allocation is 0.00%. 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 2016, the minimum compensation level was established at \$23,000. 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, including surcharge, for the years ended June 30, 2016, 2015, and 2014 were \$80,442, \$96,223 and \$78,417, 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 2016, the State Teachers Retirement Board allocated employer contributions equal to 0.00% of covered payroll to the Health Care Stabilization Fund. The College's contributions allocated to health care benefits for the years ended June 30, 2016, 2015, and 2014 were \$0, \$82,297 and \$76,631, 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, 2016 are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 60,000
2018	60,000
2019	60,000
2020	60,000
2021	60,000
2022-2026	300,000
2027-2031	300,000
2032-2036	270,000
	<u>\$ 1,170,000</u>

The College leases office equipment under an operating lease that will expire June 2021. Future minimum lease payments under this Lease Agreement at June 30, 2016 are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 7,178
2018	7,178
2019	7,178
2020	7,178
2021	7,178
	<u>\$ 35,890</u>

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.

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Building, Contents, Computer Equipment, including Equipment Breakdown (Boiler and Machinery) (per occurrence)	\$ 1,000,000,000	\$ 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. Pledges are recorded after discounting at 2.30% and 3.11%, respectively, to the present value of future cash flows, for the years ended June 30, 2016 and 2015.

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

	<u>2016</u>	<u>2015</u>
One year or less	\$ 289,249	\$ 295,239
Between one and five years	1,014,334	1,000,000
Longer than five years	<u>125,000</u>	<u>375,000</u>
	1,428,583	1,670,239
Discount and allowance	<u>(45,000)</u>	<u>(86,366)</u>
Net Pledges	<u>\$ 1,383,583</u>	<u>\$ 1,583,873</u>

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:

	<u>2016</u>	<u>2015</u>
Equity funds	\$ 7,805,279	\$ 8,009,215
Bond funds	6,116,195	6,145,870
Money market account and other	<u>2,502,313</u>	<u>2,448,362</u>
	<u>\$ 16,423,787</u>	<u>\$ 16,603,447</u>

During the years ended June 30, 2016 and 2015, the Foundation distributed \$234,665 and \$476,408, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Business Office at 570 East Leffel Lane, Springfield, Ohio 45505.

Assets and liabilities of the Foundation measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at June 30, 2016

	Balance as of June 30, 2016	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	\$ 1,864,906	\$ -	\$ 1,864,906	\$ -
Large cap	6,076,510	-	6,076,510	-
All cap	-	-	-	-
International equity	458,150	-	458,150	-
Emerging markets	229,075	-	229,075	-
MSEF cash equalization	-	-	-	-
Directional strategies	1,036,865	-	1,036,865	-
Core bonds	2,953,859	-	2,953,859	-
Global bonds	482,263	-	482,263	-
Credit	-	-	-	-
Opportunistic	638,998	-	638,998	-
Distressed debt	180,848	-	180,848	-
Total privately held funds	\$ 13,921,474	\$ -	\$ 13,921,474	\$ -
Common stock	\$ 419,467	\$ 419,467	\$ -	\$ -
Mutual funds:				
Large cap	\$ 894,987	\$ 894,987	\$ -	\$ -
Mid cap	294,870	294,870	-	-
Short-term bonds	559,840	559,840	-	-
Intermediate-term bonds	114,882	114,882	-	-
Foreign large cap	54,005	54,005	-	-
REIT	26,111	26,111	-	-
Total Mutual Funds	\$ 1,944,695	\$ 1,944,695	\$ -	\$ -

Fair Value Measurements at June 30, 2015

	Balance as of June 30, 2015	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. fixed income	\$ 1,779,400	\$ -	\$ 1,779,400	\$ -
Large cap	3,947,844	-	3,947,844	-
All cap	2,685,524	-	2,685,524	-
International equity	99,005	-	99,005	-
Emerging markets	198,011	-	198,011	-
MSEF cash equalization	24,751	-	24,751	-
Directional strategies	1,051,933	-	1,051,933	-
Core bonds	2,949,126	-	2,949,126	-
Global bonds	438,100	-	438,100	-
Credit	91,580	-	91,580	-
Opportunistic	638,585	-	638,585	-
Distressed debt	251,226	-	251,226	-
Total privately held funds	\$ 14,155,085	\$ -	\$ 14,155,085	\$ -
Common stock	\$ 385,233	\$ 385,233	\$ -	\$ -
Mutual funds:				
Large cap	\$ 828,202	\$ 828,202	\$ -	\$ -
Mid cap	219,811	219,811	-	-
Short-term bonds	598,020	598,020	-	-
Intermediate-term bonds	118,941	118,941	-	-
Foreign large cap	146,160	146,160	-	-
REIT	17,720	17,720	-	-
Total Mutual Funds	\$ 1,928,854	\$ 1,928,854	\$ -	\$ -

NOTE 14 – RESTATEMENT OF NET POSITION

Net position as of the beginning of the fiscal year 2015 has been adjusted to decrease net capital assets for adjustments to accumulated depreciation related to depreciation expense on assets that should have been recognized in prior years. The correction has no effect on the results of the 2016 or 2015 activities; however, the cumulative effect decreased net position by \$443,100 primarily relating to fiscal years 2012 and prior.

Net Position July 1, 2014	\$13,472,520
Adjustments:	
Accumulated Depreciation	<u>(443,100)</u>
Restated Net Position July 1, 2014	<u>\$13,029,420</u>

NOTE 15 – SUBSEQUENT EVENTS

In July, 2016, the College issued \$5,425,000 of general receipts bonds to refund the General Receipts Bonds, Series 2006 which will mature on December 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

Clark State Community College
 Required Supplementary Information
 Schedule of the College's Proportionate Share of the Net Pension Liability
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>School Employees Retirement System of Ohio</u>			
College's Proportion of the Net Position Liability	0.2528097%	0.2485750%	0.2485750%
College's Proportionate Share of the Net Pension Liability	\$ 14,425,567	\$ 12,580,239	\$ 14,781,957
College's Covered-Employee Payroll	\$ 7,613,979	\$ 7,223,082	\$ 7,112,938
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	189.46%	174.17%	207.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio</u>			
College's Proportion of the Net Position Liability	0.07955987%	0.07973625%	0.07973625%
College's Proportionate Share of the Net Pension Liability	\$ 21,988,021	\$ 19,394,615	\$ 23,102,739
College's Covered-Employee Payroll	\$ 8,208,655	\$ 8,080,065	\$ 7,995,124
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	267.86%	240.03%	288.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Clark State Community College
Required Supplementary Information
Schedule of College Contributions
Last Seven Fiscal Years (1)

	2016	2015	2014	2013	2012	2011	2010
<u>School Employees Retirement System of Ohio</u>							
Contractually Required Contribution	\$ 1,136,409	\$ 1,127,765	\$ 1,035,838	\$ 1,095,878	\$ 1,085,613	\$ 981,090	\$ 957,953
Contributions in Relation to the Contractually Required Contribution	<u>(1,136,409)</u>	<u>(1,127,765)</u>	<u>(1,035,838)</u>	<u>(1,095,878)</u>	<u>(1,085,613)</u>	<u>(981,090)</u>	<u>(957,953)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College Covered-Employee Payroll	\$ 8,117,207	\$ 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	14.00%	14.81%	14.34%	15.41%	15.80%	14.00%	13.76%
<u>State Teachers Retirement System of Ohio</u>							
Contractually Required Contribution	\$ 1,258,022	\$ 1,152,759	\$ 1,072,749	\$ 1,177,487	\$ 1,053,938	\$ 960,790	\$ 866,744
Contributions in Relation to the Contractually Required Contribution	<u>(1,258,022)</u>	<u>(1,152,759)</u>	<u>(1,072,749)</u>	<u>(1,177,487)</u>	<u>(1,053,938)</u>	<u>(960,790)</u>	<u>(866,744)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College Covered-Employee Payroll	\$ 8,985,871	\$ 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	14.00%	14.04%	13.28%	14.73%	14.54%	14.00%	12.63%

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

SUPPLEMENTAL INFORMATION

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Peggy Noonan	Chairperson	08/04/2010 – 11/30/2018
Sharon M. Evans	Vice-Chairperson	05/16/2011 – 11/30/2016
James N. Doyle	Member	12/01/1998 – 11/30/2016
Andy Bell	Member	03/10/2006 – 11/30/2020
Mike McDorman	Member	03/14/2014 – 11/30/2018
Brad Phillips	Member	10/14/2011 – 11/30/2016
Pam Strickler	Member	03/14/2014 – 07/19/2016
David E. Ball	Member	02/12/2015 – 11/30/2020
Maurice McDonald	Member	02/11/2015 – 11/30/2020

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.

Clark State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Revenues	Expenditures
<u>U.S. Department of Education</u>				
<u>Title IV Program</u>				
<u>Student Financial Aid Cluster:</u>				
Supplemental Educational Opportunity Grant	P007A153254	84.007	\$ 244,630	244,630
College Work Study	P033A153254	84.033	117,426	117,426
Pell Grant	P063P152557	84.063	10,155,153	10,155,153
Federal Direct Student Loans	P268K162557	84.268	<u>19,875,108</u>	<u>19,875,108</u>
Total Student Financial Aid Cluster			30,392,317	30,392,317
<u>TRIO Support Services</u>				
TRIO Student Support Services	P042A150877	84.042	<u>210,731</u>	<u>210,731</u>
Total TRIO Support Services			210,731	210,731
Total Title IV Program			30,603,047	30,603,047
<u>Title I Program</u>				
Vocational Education	VO48A150035	84.048	<u>138,674</u>	<u>138,674</u>
Total Title I Program			138,674	138,674
<u>Title III Program</u>				
Title III Program	P031A090165	84.031	15,025	15,025
<u>Adult Basic and Literacy Education Program</u>				
ABLE-English Literacy/Civics Education Grant	V002A150036	84.002	6,240	6,240
ABLE-Ohio Hi-Point	V002A150036	84.002	<u>183,047</u>	<u>183,047</u>
Total Adult Basic and Literacy Education Program			189,287	189,287
Total U.S. Department of Education			<u>30,946,033</u>	<u>30,946,033</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Clark County Department of Job and Family Services:</i>				
ProtectOhio	N/A	93.658	30,931	30,931
Temporary Assistance for Needy Families	N/A	93.558	<u>79,749</u>	<u>79,749</u>
Total U.S. Department of Health and Human Services			110,680	110,680
<u>U.S. Department of Justice</u>				
<i>Passed through the Ohio Department of Youth Services</i>				
Title II Formula Grant Program	2012-JJ-DMC-2007	16.540	<u>22,386</u>	<u>22,386</u>
Total U.S. Department of Justice			22,386	22,386
<u>U.S. Department of Labor</u>				
Trade Adjustment Assistance Community College and Career Training Grant	TC265041460/A39	17.282	<u>1,373,440</u>	<u>1,373,440</u>
Total U.S. Department of Labor			1,373,440	1,373,440
<u>National Endowment for the Arts</u>				
Challenge America Fast-Track	16-7800-7020	45.024	<u>9,604</u>	<u>9,604</u>
Total National Science Foundation			9,604	9,604
<u>National Science Foundation</u>				
Cyberpro	DUE-1204553	47.076	<u>185,863</u>	<u>185,863</u>
Total National Science Foundation			185,863	185,863
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 32,648,007</u>	<u>\$ 32,648,007</u>

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

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Clark State Community College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clark State Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clark State Community College.

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. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subrecipients during the year ended June 30, 2016.

The College has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance

NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For the year ended June 30, 2016, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

NOTE 4 – 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.

**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, 2016, 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 12, 2016.

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 12, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003, that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 12, 2016

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)?	Yes
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

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

CFDA# 17.282 – Trade Adjustment Assistance Community College and Career Training Grant

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

Finding 2016-001

Federal Program Information:	Federal Direct Student Loans, CFDA No. 84.268
Criteria:	The aggregate unpaid principal amount of all Direct Subsidized Loans and Subsidized Federal Stafford Loans made to a student but excluding the amount of capitalized interest may not exceed the following: (1) \$23,000 in the case of any student who has not successfully completed a program of study at the undergraduate level. (2) \$65,500 in the case of a graduate or professional student, including loans for undergraduate study.
Condition:	One student in a sample of forty was awarded a Federal Subsidized Direct Loan in excess of the aggregate limit.
Questioned Costs:	Questioned costs for the over-award was \$2,090.
Context:	In a sample of forty students receiving Title IV funds, one student was over-awarded and over-disbursed a subsidized Federal Subsidized Direct Loan during the year that resulted in the student exceeding the aggregate loan limit.
Cause/Effect:	A student was flagged with an Unusual Enrollment History code. This code prevented the ISIR from passing through the automated packaging process and required a manual review and award. The student's NSLDS history was not updated on the active ISIR at the time of the award to reflect a loan that was disbursed for 2015 summer semester. As a result, a Subsidized Direct Loan was awarded in excess of the student's aggregate loan limit.
Recommendation:	We recommend implementing policies and establishing monitoring procedures governing the awarding process to ensure Direct Loans are awarded in accordance with federal guidelines.
Management Response:	The College agrees with the finding and has implemented appropriate procedures. Please refer to the College's corrective action plan presented on page 65.

Finding 2016-002

Federal Program Information:	Federal Direct Student Loans, CFDA No. 84.268
Criteria:	34 CFR 685.203 (j) – Maximum loan amounts. In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended less – (1) The student's estimated financial assistance for that period; and (2) In the case of Direct Subsidized Loan, the borrower's expected family contribution for that period.
Condition:	One student in a sample of forty was over-awarded Federal Direct Loans.
Questioned Costs:	Questioned costs for the over-award was \$543.
Context:	In a sample of forty students receiving Title IV funds, one student was over-awarded and over-disbursed Title IV aid based on incorrect cost of attendance (COA).
Cause/Effect:	The summer semester awarding is a separate process apart from that of the standard academic year. Students' COA for summer semester is calculated at a two-month COA rather than a standard four-month COA. The processor did not make the proper adjustment to the COA prior to making the award. An automated monitoring process is not currently in place to verify that COA amounts were adjusted properly. As a result, Direct Loans were not awarded in accordance with Federal guidelines.
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.
Management Response:	The College agrees with the finding and has implemented appropriate procedures. Please refer to the College's corrective action plan presented on page 65.

Finding 2016-003

Federal Program Information:	Pell Grant, CFDA No. 84.063
Criteria:	For the federal Pell Grant program, institutions use the payment and disbursement schedules provided each year by the U.S. Department of Education for determining award amounts (Title 34, CFR, Section 690.62). Those schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students.
Condition:	For one student in a sample of forty, the College incorrectly calculated and awarded a Pell Grant.
Questioned Costs:	Questioned costs for the over-award was \$606.

Context:	In a sample of forty students receiving Title IV funds, one student was over-awarded and over-disbursed a Pell grant.
Cause/Effect:	Pell grants are awarded through an automated process. The College's financial aid software automatically adjusts Pell award amounts to coincide with the schedules provided by the Department of Education and the student enrollment status and COA. The system incorrectly calculated the Pell award amount, which resulted in an over-award of \$606 in Pell grant funds.
Recommendation:	We recommend implementing policies and establishing monitoring procedures governing the awarding process to ensure Pell Grants calculated by the financial aid software are awarded in accordance with federal guidelines.
Management Response:	The College agrees with the finding and has implemented appropriate procedures. Please refer to the College's corrective action plan presented on page 65.

None Reported in Prior Year

Finding 2016-001: Federal Direct Student Loans (Aggregate Loan Limits)

Contact Person: Kathy Klay, Director of Financial Aid

Corrective Action: The Financial Aid Office will implement a detailed process of verifying awards for students who received loans in the summer semester and who have been awarded for the subsequent award year. We will create saved lists to track and verify enrollment in prior semesters that fall into the previous award year.

Completion Date: Immediately.

Finding 2016-002: Federal Direct Student Loans

Contact Person: Kathy Klay, Director of Financial Aid

Corrective Action: The Financial Aid Office will take measures to ensure that a student with a loan for less than an academic year properly adjusts the student EFC. The EFC field included on the disbursement roster report will also be reviewed to ensure that it is reflecting the proper EFC at the time of disbursement.

Completion Date: Immediately.

Finding 2016-003: Pell Grant

Contact Person: Kathy Klay, Director of Financial Aid

Corrective Action: The Financial Aid Office will monitor the Colleague system to ensure that system errors are identified and corrected in a timely manner.

Completion Date: Immediately.



At Clark Schaefer Hackett, we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

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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
NOVEMBER 15, 2016**