CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2017 and 2016

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

Dave Yost • Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Lane
Springfield, Ohio 45501

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, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

November 14, 2017

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

TABLE OF CONTENTS

This page intentionally left blank.

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

14 East Main Street, Suite 500, Springfield, Ohio 45502
P. 937.399.2000 | F. 937.399.5433 | cshco.com

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, 2017 and 2016, 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, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10) and the schedules of the College's proportionate share of the net pension liability (page 42) and College contributions (page 43) 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 13, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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 13, 2017

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, 2017.

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.

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.

FINANCIAL AND OTHER COLLEGE HIGHLIGHTS

- Net position invested in capital assets (net of related debt) decreased by $481,000 (1.4%) due to decreased activity in capitalized items. The PAC roof was replaced and the digital wall in the Hollenbeck Bayley Conference Center was replaced; no other building or renovations occurred.

- Expendable restricted net position increased by $47,000 (1.5%) due to refinancing of TLC bond. The premium on the bond increased.

- Unrestricted net position (exclusive of pension adjustments) increased by $902,000 (9.0%) as a result of a surplus from operations in the Educational and General Fund and Auxiliary Enterprise Funds. Unrestricted net position (including pension adjustments) decreased by $826,000 (3.4%).

- Student tuition and fees revenue (net of scholarship allowances) increased by $170,000 (1.8%). Gross tuition and fees revenue decreased by $2.1 million (12.3%). Scholarship allowances were down by $2.3 million (29.2%) because of lower amounts of Federal financial aid received (Pell) by traditional students, which were partially offset by increases in CCP, slight decrease in Tuition Challenge allowances for traditional students and an increase in Workforce Development (30%). Bad debt expense decreased $96,000 (38%).

- Net accounts receivable increased by $639,000 (11.7%). Student receivables net of allowance for doubtful accounts increased $270,000. College Credit Plus (CCP) receivables decreased by $224,000; Federal Student Loan receivables increased by $50,000; PELL receivables increased by $152,000. The allowance for doubtful accounts was increased by $163,000.

- Federal grants and contracts decreased by $864,000 (34.5%) mainly due to the receipt of the National Science Foundation Precision Tech grant ($108,000) and decrease in the Department of Labor TAACCCT grant ($944,000).

- Nongovernmental grants and contracts increased by $50,000 (25.7%) primarily due receiving the new College Completion grant ($34,000).

- Auxiliary enterprises revenue, in total, decreased by $375,000 (27.1%). Bookstore revenues (net of scholarship allowances) decreased $368,000 (44.9%) with gross revenue down $831,000 (21.7%). This is because of the launch of the new virtual bookstore eCampus for the summer term and restricted scholarship aid for books was down $463,000 (15.4%). Parking revenues increased $1,600 (2.8%). Commercial Transportation Training Center revenues decreased $8,000 (1.6%) due to a decrease in enrollment.

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 the total assets and deferred outflows of resources, less the 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, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
	(all dollar amounts in thousands)		
Current assets	$ 18,647	$ 18,173	$ 17,524
Noncurrent assets	48,050	48,397	47,785
Total Assets	66,697	66,570	65,309
Deferred outflows of resources	8,532	3,839	2,541
Current liabilities	4,080	3,698	3,614
Noncurrent liabilities	57,597	50,486	46,625
Total Liabilities	61,677	54,184	50,239
Deferred outflows of resources	695	2,108	5,630
Net position			
Net investment in capital assets	33,974	34,456	33,272
Restricted			
Nonexpendable	250	250	250
Expendable	3,248	3,200	3,674
Unrestricted	(24,615)	(23,789)	(25,215)
Total Net Position	$ 12,857	$ 14,117	$ 11,981

A review of the summary indicates a relatively strong financial position as of June 30, 2017. Total net position decreased $1.3 million primarily due to the offset of an increase in current assets (accounts receivable), decrease in capital assets and unrestricted net position. This occurred because of steady enrollment while scholarship allowances for CCP students increase and an increase in operating expenses. These were somewhat offset by a decrease in Federal Grants (PELL) and increase in salary and benefits.

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 (exclusive of net pensions) 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, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 9,522	$ 9,352	$ 8,502
Grants and contracts	2,299	3,131	2,097
Auxiliary enterprises	1,007	1,382	1,316
Other	1,171	1,058	1,040
Total	13,999	14,923	12,955
Operating expenses	38,145	36,498	37,465
Operating loss	(24,146)	(21,575)	(24,510)
Nonoperating revenues (expenses)			
State appropriations	13,422	12,411	11,694
Federal grants	9,211	10,155	11,488
Investment income	95	50	30
Other	(717)	(348)	13
Interest expense	(471)	(547)	(578)
Capital appropriations	1,049	1,661	343
Capital grants	297	329	471
Total	22,886	23,711	23,461
Increase (decrease) in net position	(1,260)	2,136	(1,049)
Net position beginning of year	14,117	11,981	13,030
Net position end of year	$ 12,857	$ 14,117	$ 11,981

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 2.2% in fiscal year 2017 (the budget was based on a decrease of 0.63%). Student fees were not increased for FY 2017. 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

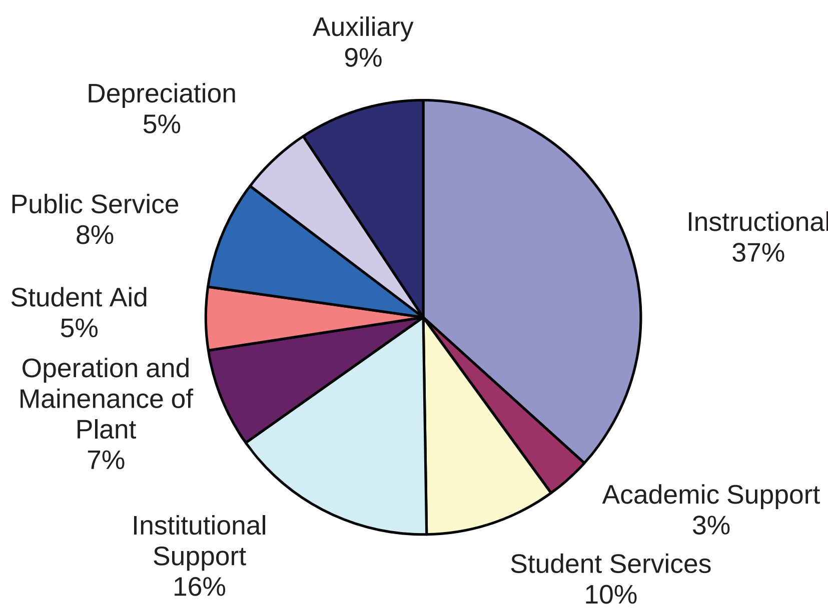
Fiscal Year	Gross Tuition	State Operating Appropriations	Net State Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2000	4,964,992	6,069,435	1.22
2010	12,626,366	9,367,573	0.74
2011	14,417,217	9,938,577	0.69
2012	15,137,415	9,404,245	0.62
2013	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
2017	15,169,101	13,164,123	0.87

In FY 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. In 2017, that figure dropped to $0.87. In FY 2017, gross tuition exceeds state appropriations by $2.0 million.

Clark State did receive the second highest increase in state support due to completion numbers in FY 2017. The increase in state support helps offset the flat tuition rate. 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 8.1% in FY 2017. Net student tuition and fees increased 1.8% from $9.4 million in FY 2016 to $9.5 million in FY 2017. 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, 2017:



The increase in expenses in FY 2017 was the result of:

- Increases in functional categories of instructional 7.1%, academic support 27.0%, public support 21.3%, student services 10.6% and institutional support 1.9%. These increases are due to a large number of upper management retirements, new filled positions, IT initiatives and more available training courses provided by Workforce Development.

- Decreases in operation and maintenance of plant 5.4%, student aid 0.6%, depreciation 0.7% and auxiliary enterprises 9.2%. These decreases are due to reduction in improvements to buildings, fewer capitalized items and lower cost of textbooks sales due to conversion to the virtual bookstore, eCampus.

The following table shows a comparison of total operating expenses per FTE for FY 2017 and FY 2016. Total operating expenses per FTE student increased by $720 during FY 2017.

	2017	2016	Difference	Change
Total operating expenses	$ 38,144,995	$ 36,497,794	$ 1,647,201	4.51%
FTE Enrollment	3,596	3,691	(95)	-2.57%
Total operating expenses per FTE	$ 10,608	$ 9,888	$ 719	7.27%

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, 2017. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2017, 2016 and 2015:

	2017	2016	2015
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (20,378)	$ (21,105)	$ (22,625)
Noncapital financing activities	22,059	22,229	23,195
Capital and related financing activities	(491)	(1,871)	(4,434)
Investing activities	(428)	(532)	(220)
Net increase/(decrease) in cash and cash equivalents	762	(1,279)	(4,084)
Cash and cash equivalents			
Beginning of year	10,485	11,764	15,848
End of year	$ 11,247	$ 10,485	$ 11,764

Cash and cash equivalents increased by $.8 million primarily as a result of a decrease in capital spending and decrease in Pell grants for FY 2017, which offset the increase in state appropriations

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 and to 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 2017 Statement of Net Position is $44.2 million.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $47.2 million invested in capital assets net of accumulated depreciation of $39.5 million at June 30, 2017. Depreciation expense for the year ended June 30, 2017, was $2.0 million compared to $2.1 million in FY 2016. A summary of net capital assets for the years ended June 30, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
		(all dollar amounts in thousands)	
Land, leasehold improvements and infrastructure	$ 3,975	$ 4,153	$ 3,666
Building	41,105	41,902	42,350
Furniture and equipment	1,852	2,016	1,384
Library books and publications	107	101	121
Vehicles	173	74	76
Construction in progress	-	-	27
Total capital assets, net	47,212	48,246	47,624

Capital projects during FY 2017 included replacing the Performing Arts Center (PAC) roof and repairing the digital wall in the Hollenbeck Bayley Conference Center. Five semi-truck and trailers were purchased for the Commercial Transportation Training Center. See Note 5 of the financial statements for additional details.

Debt

The College had $12.9 million of bonds and notes payable at June 30, 2017. Interest rates range from 2.0% to 4.0% and mature in 2035 and 2032, respectively. See Note 6 of the financial statements for additional details.

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 2017 include:

- Create Pre-COMPASS Workshops
- Align Admissions, Advising and Career Services
- Create 15-30 and 60-hours pathways
- Develop a 2-year master schedule of courses
- 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

Clark State Community College
Statements of Net Position
June 30, 2017 and 2016

Assets		2017	2016
Current assets			
Equity in pooled cash and cash equivalents	$	11,247,350	10,485,531
Investments		1,041,199	1,312,774
Accounts receivable, net		6,099,559	5,460,881
Prepaid expenses		163,283	385,452
Inventory		85,083	527,996
Employee loans receivable		10,933	-
Total current assets		18,647,407	18,172,634
Noncurrent assets			
Investments		794,351	-
Capital assets, net		47,211,999	48,245,982
Deferred charges		43,525	151,262
Total noncurrent assets		48,049,875	48,397,244
Total assets		66,697,282	66,569,878
Deferred outflows of resources			
Pensions		8,532,175	3,839,342
Total deferred outflows of resources		8,532,175	3,839,342
Liabilities			
Current liabilities			
Accounts payable		1,292,989	942,066
Bonds and notes payable, current portion		710,000	670,000
Interest payable		157,684	166,667
Wages payable		1,439,486	1,322,043
Accrued payroll and tax liabilities		16,390	335,801
Unearned revenue		306,553	111,566
Unclaimed funds		157,050	150,392
Total current liabilities		4,080,152	3,698,535
Noncurrent liabilities			
Bonds and notes payable, less current portion		12,530,672	13,120,000
Deposits held in trust for others		275,374	222,329
Accrued compensated absences		543,792	729,743
Net pension liability		44,246,751	36,413,588
Total noncurrent liabilities		57,596,589	50,485,660
Total liabilities		61,676,741	54,184,195
Deferred inflows of resources			
Pensions		695,322	2,107,616
Total deferred inflows of resources		695,322	2,107,616
Net position			
Net investment in capital assets		33,974,742	34,455,982
Restricted			
Nonexpendable		250,000	250,000
Expendable		3,247,838	3,200,607
Unrestricted (deficit)		(24,615,186)	(23,789,180)
Total net position	$	12,857,394	14,117,409

See accompanying notes to financial statements.

Assets		2017	2016
Cash and cash equivalents	$	234,599	177,565
Investments		18,236,093	16,423,782
Accounts receivable, Clark State Community College		-	42,886
Pledges receivable		1,627,034	1,383,583
Student loans receivable, net of allowance for doubtful loans of $79,752 in 2017 and $59,913 in 2016		102,477	95,868
Other receivables		6,200	-
Prepaid expenses		7,065	534
	$	20,213,468	18,124,218
Liabilities and Net assets			
Liabilities			
Accounts payable	$	134,982	-
Accounts payable, Clark State Community College		85,438	-
Wages payable		4,572	9,102
		224,992	9,102
Net assets			
Unrestricted		451,064	491,353
Temporarily restricted		9,978,253	8,554,010
Permanently restricted		9,559,159	9,069,753
		19,988,476	18,115,116
	$	20,213,468	18,124,218

See accompanying notes to financial statements.

		2017	2016
Operating revenues			
Student tuition and fees, net of scholarship allowance of $5,496,742 in 2017 and $7,764,105 in 2016	$	9,521,813	9,351,904
Federal grants and contracts		1,644,573	2,509,054
State and local grants and contracts		408,600	426,303
Nongovernmental grants and contracts		245,969	195,697
Auxiliary enterprises			
Bookstore, net of scholarship allowance of $2,542,184 in 2017 and $3,005,355 in 2016		452,079	820,243
Parking		59,419	57,809
Truck driving		495,312	503,591
Other operating revenues		1,171,048	1,058,045
Total operating revenues		13,998,813	14,922,646
Operating expenses			
Educational and general			
Instructional		14,007,070	13,084,611
Academic support		1,251,403	985,015
Student services		3,717,795	3,362,954
Institutional support		5,892,532	5,783,247
Operation and maintenance of plant		2,811,445	2,972,212
Student aid		1,784,088	1,795,089
Public service		3,086,612	2,545,132
Depreciation expense		2,045,399	2,059,908
Auxiliary enterprises		3,548,651	3,909,626
Total operating expenses		38,144,995	36,497,794
Operating loss		(24,146,182)	(21,575,148)
Nonoperating revenues (expenses)			
State appropriations		13,421,950	12,411,575
Federal grants revenue		9,211,232	10,155,153
Investment income		94,698	49,744
Other nonoperating items		(717,553)	(348,381)
Interest expense		(470,574)	(546,566)
Net nonoperating revenues (expenses)		21,539,753	21,721,525
Gain (loss) before other revenues, expenses, gains, or losses		(2,606,429)	146,377
Capital appropriations		1,049,143	1,661,197
Capital grants and gifts		297,271	329,180
Total other revenues, expenses, gains, or losses		1,346,414	1,990,377
Change in net position		(1,260,015)	2,136,754
Net position - beginning of year		14,117,409	11,980,655
Net position - end of year	$	12,857,394	14,117,409

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenues and other support					
Campaign contributions	$ 89,484	469,088	373,060	931,632	167,613
Foundation contributions	25	169,920	116,346	286,291	311,093
Interest	1,573	437,592	-	439,165	381,554
Net realized and unrealized (losses) gains on investments	67,427	1,326,590	-	1,394,017	(243,205)
Miscellaneous	6,152	22,890	-	29,042	43,731
Net assets released from restrictions	1,001,837	(1,001,837)	-	-	-
Total revenues and other support	1,166,498	1,424,243	489,406	3,080,147	660,786
Expenses					
Programs	952,256	-	-	952,256	682,835
Management and general	76,954	-	-	76,954	72,192
Fundraising	177,577	-	-	177,577	148,751
Total expenses	1,206,787	-	-	1,206,787	903,778
Change in net assets	(40,289)	1,424,243	489,406	1,873,360	(242,992)
Net assets at beginning of year	491,353	8,554,010	9,069,753	18,115,116	18,358,108
Net assets at end of year	$ 451,064	9,978,253	9,559,159	19,988,476	18,115,116

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.

Clark State Community College
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Tuition and fees	$ 8,726,249	7,727,371
Grants, gift and contracts	2,651,015	3,406,176
Payments for goods and services	(9,756,261)	(10,490,001)
Payment for utilities	(1,018,414)	(858,556)
Payments to employees	(16,479,098)	(16,697,700)
Payments for benefits	(5,362,834)	(5,003,467)
Payments for scholarships and fellowships	(1,420,533)	(1,642,752)
Loans issued to students and employees	(10,933)	-
Collection of loans to students and employees	-	1,503
Auxiliary enterprise charges		
Bookstore	452,079	820,243
Parking	59,419	57,809
Truck driving	495,312	503,591
Other receipts	1,285,443	1,070,936
Net cash from operating activities	(20,378,556)	(21,104,847)
Cash flows from noncapital financing activities		
State appropriations	13,421,950	12,411,575
Federal grants revenue	9,211,232	10,155,153
Other nonoperating items	(574,301)	(337,808)
Net cash from noncapital financing activities	22,058,881	22,228,920
Cash flows from capital financing activities		
Purchase of capital assets	(676,305)	(2,661,751)
Proceeds from issuance of bonds	5,781,652	-
Principal paid on defeased bonds	(5,650,000)	-
Payments for bond issuance costs	(131,652)	-
Principal paid on notes and bonds	(660,000)	(650,000)
Interest paid on notes and bonds	(500,537)	(549,774)
Capital appropriations	1,049,143	1,661,197
Capital grants and gifts proceeds	297,271	329,180
Net cash from capital financing activities	(490,428)	(1,871,148)
Cash flow from investing activities		
Net change in investments	(522,776)	(581,579)
Income on investments	94,698	49,744
Net cash from investing activities	(428,078)	(531,835)
Net change in cash and cash equivalents	761,819	(1,278,910)
Cash and cash equivalents, beginning of year	10,485,531	11,764,441
Cash and cash equivalents, end of year	$ 11,247,350	10,485,531

(continued)

See accompanying notes to financial statements.

		2017	2016
Reconciliation of net operating loss to net cash from operating activities			
Operating loss	$	(24,146,182)	(21,575,148)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense		2,045,399	2,059,908
Provision for bad debts		156,886	252,989
Changes in assets, deferred outflows, liabilities and deferred inflows:			
Accounts receivable		(795,564)	(1,624,533)
Inventory		442,913	49,246
Prepaid expenses		222,169	(25,579)
Loans receivable		(10,933)	1,503
Other assets		107,737	9,001
Deferred outflows		(4,692,833)	(1,297,715)
Accounts payable		4,212	(185,214)
Wages payable		117,443	205,731
Accrued payroll and tax liabilities		(319,411)	(9,202)
Unearned revenue		194,987	22,133
Unclaimed funds		6,658	3,890
Deposits held in trust for others		53,045	34,112
Net pension liability		7,833,163	4,438,734
Deferred inflows		(1,412,294)	(3,522,269)
Compensated absences		(185,951)	57,566
Net cash from operating activities	$	(20,378,556)	(21,104,847)

Noncash transactions:

Capital assets of $411,345 and $64,634 for fiscal years 2017 and 2016 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Adoption of New Standard: For the year ended June 30, 2017, the College implemented the provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statement No. 80 amends the GASB Statement No. 14 blending requirements for the financial statement presentation of component units of all state and local governments. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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.

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. Cash and cash equivalents include cash and money market funds, stated at cost, which approximates fair value.

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:

Classification	Life
Buildings	45 years
Infrastructure	20 - 40 years
Furniture and equipment	5 - 20 years
Library books	10 years
Vehicles	3 - 6 years

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

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

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

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

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

Deposits Held in Trust for Others: Deposits held in trust for others in the amount of $275,374 and $222,239 at June 30, 2017 and 2016, 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 non-operating revenues in the accompanying financial statements.

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

Joint Venture: In conjunction with Springfield-Clark Career Technology Center ("CTC"), the College participated in creating a separate 501(c)(3) organization that operated a child day care facility. Clark State Community College operated as the Center's fiscal agent through December 31, 2016. As of January 1, 2017, operations were transferred to Miami Valley Child Development Center (MVCDC). A formula had 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 2017 and 2016. Financial information can be obtained by writing Early Childhood Education Center c/o Clark State Community College at 570 East Leffel Lane, Springfield, Ohio 45505.

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

NOTE 2 – 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, 2017 and 2016, the carrying amount of the College's deposits was $1,238,031 and $1,872,080, respectively. The bank balance was $1,968,350 at June 30, 2017. Of the 2017 bank balance, $1,019,117 was covered by federal depository insurance, $621,773 was collateralized in both the College's name and the financial institution's name, and $327,460 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2017 and 2016, the College had amounts on deposit with STAR Ohio, with fair values of $10,009,319 and $8,613,451, 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 managed by the State Treasurer's office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

As of June 30, 2017, 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	$ 1,375,289	$ 580,938	$ 794,351	$ -
US treasury notes	460,261	460,261	-	-
Star Ohio	10,009,319	10,009,319	-	-
	$ 11,844,869	$ 11,050,518	$ 794,351	$ -

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	-	-
	$ 9,926,225	$ 9,344,436	$ 581,789	$ -

The College's investments include $460,261 and $490,361 for 2017 and 2016, 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, 2017 and 2016:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Assets				
Negotiable certificates of deposit	$ 1,375,289	$ 1,375,289	$ -	$ -
US treasury notes	460,261	460,261	-	-
Total	$ 1,835,550	$ 1,835,550	$ -	$ -
June 30, 2016				
Assets				
Negotiable certificates of deposit	$ 822,413	$ 822,413	$ -	$ -
US treasury notes	490,361	490,361	-	-
Total	$ 1,312,774	$ 1,312,774	$ -	$ -

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio; therefore, they are not included in the tables above. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. 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, 2017 and 2016 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:

	2017	2016
Student charges	$ 5,151,385	$ 4,881,120
Room rental	15,109	41,078
College Credit Plus (formerly Post Secondary)	470,910	694,453
Customized training services	173,153	73,995
Sponsored billings	245,960	227,032
Intergovernmental	2,142,127	1,661,155
Miscellaneous	509,613	328,064
	8,708,257	7,906,897
Less allowance for possible collection losses	(2,608,698)	(2,446,016)
Accounts receivable, net	$ 6,099,559	$ 5,460,881

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2017:

	July 1, 2016 Balance	Additions	Retirements	Transfers	June 30, 2017 Balance
Cost					
Land	$ 2,441,928	$ -	$ -	$ -	$ 2,441,928
Infrastructure	4,484,446	-	-	-	4,484,446
Buildings	69,310,318	684,982	-	-	69,995,300
Leasehold improvements	717,016	-	-	-	717,016
Furniture and equipment	7,820,335	133,654	(142,228)	-	7,811,761
Library books	436,740	28,995	(130)	-	465,605
Vehicles	592,814	175,385	-	-	768,199
	85,803,597	1,023,016	(142,358)	-	86,684,255

	July 1, 2016 Balance	Additions	Retirements	Transfers	June 30, 2017 Balance
Accumulated depreciation					
Infrastructure	$ 3,436,714	$ 140,403	$ -	$ -	$ 3,577,117
Buildings	27,407,922	1,482,342	-	-	28,890,264
Leasehold improvements	53,776	36,667	-	-	90,443
Furniture and equipment	5,804,638	285,985	(130,628)	-	5,959,995
Library books	336,241	22,634	(130)	-	358,745
Vehicles	518,324	77,368	-	-	595,692
	37,557,615	2,045,399	(130,758)	-	39,472,256
Capital assets, net	$ 48,245,982	$ (1,022,383)	$ (11,600)	$ -	$ 47,211,999

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

	July 1, 2015 Balance	Additions	Retirements	Transfers	June 30, 2016 Balance
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)	-
	83,130,547	2,691,750	(18,700)	-	85,803,597

	July 1, 2015 Balance	Additions	Retirements	Transfers	June 30, 2016 Balance
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
	35,505,834	2,059,908	(8,127)	-	37,557,615
Capital assets, net	$ 47,624,713	$ 631,842	$ (10,573)	$ -	$ 48,245,982

NOTE 6 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2017 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	$ 13,790,000	$ 5,425,000	$ 6,310,000	$ 12,905,000	$ 710,000
Bond premium	-	356,652	20,980	335,672	-
Net pension liability:					
SERS	14,425,567	3,714,599	-	18,140,166	-
STRS	21,988,021	4,118,564	-	26,106,585	-
Total net pension liability	36,413,588	7,833,163	-	44,246,751	-
Deposits held in trust for others	222,329	53,045	-	275,374	-
Compensated absences	729,743	72,717	258,668	543,792	-
Total long-term liabilities	$ 51,155,660	$ 13,740,577	$ 6,589,648	$ 58,306,589	$ 710,000

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	$ 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	31,974,854	4,438,734	-	36,413,588	-
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	$ 47,275,248	$ 4,539,827	$ 659,415	$ 51,155,660	$ 670,000

In June 2006, the College issued $8,175,000 of General Receipts Bonds, Series 2006, to pay a portion of the costs of the Sara T. Landess Technology and Learning Center. These bonds are special obligations of the College. Principal and interest on the bonds are payable solely from the pledged general receipts of the College. The bonds are not obligations of the State of Ohio, are not general obligations of the College, and the full faith and credit of the College is not pledged to their payment. Bondholders have no right to have excises or taxes levied by the Ohio General Assembly.

In July 2016, the College issued $5,425,000 of General Receipts Refunding Bonds, Series 2016 to refund all outstanding maturities of the General Receipts Bonds, Series 2006. The net proceeds of $131,652 were used to pay issuance costs and $5,703,561 was deposited with the trustee to pay principal and interest on the Series 2006 bonds when called for redemption on August 22, 2016. The advance refunding resulted in an economic gain with a net present value of $767,997 as the total debt service payments decreased by $905,256.

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, 2017 was $6,136,047 Principal and interest paid during fiscal year 2017 and total general receipts were $500,129 and $11,699,671, respectively.

The interest is payable semi-annually each June 1 and December 1, beginning December 1, 2016, and ending December 1, 2032. The principal is payable annually each December 1 beginning December 1, 2016, and ending December 1, 2032. The interest rates range from 2.0% to 4.0%. The bonds are payable as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 410,000	$ 147,713	$ 557,713
2019	420,000	135,263	555,263
2020	430,000	122,513	552,513
2021	445,000	109,388	554,388
2022	455,000	95,888	550,888
2023-2027	1,205,000	328,413	1,533,413
2028-2032	1,395,000	132,369	1,527,369
2033	300,000	4,500	304,500
	$ 5,060,000	$ 1,076,047	$ 6,136,047

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

Year Ending June 30,	Principal	Interest	Discount/ Subsidy	Total
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	335,000	377,175	(132,011)	580,164
2023-2027	1,865,000	1,605,770	(562,019)	2,908,751
2028-2032	2,245,000	1,014,956	(355,235)	2,904,721
2033-2036	2,150,000	272,097	(95,234)	2,326,863
	$ 7,845,000	$ 4,921,649	$ (1,721,330)	$ 11,045,319

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:

		2017		2016
Vacation	$	405,844	$	400,246
Sick leave		118,145		309,694
Faculty Banked Leave		19,803		19,803
Total	$	543,792	$	729,743

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 2017 and 2016 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 years ending June 30, 2017 and 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal years 2017 and 2016, there was no employer contribution rate allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $1,107,652 and $1,136,409 for fiscal years 2017 and 2016, respectively. Of this amount $76,775 and $78,768 is reported in accrued payroll and tax liabilities in 2017 and 2016, 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 will be 2.2% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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, 11% of the 12% member rate goes to the DC Plan and 1% goes the DB Plan. Member contributions to the DC Plan 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 5 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 Statement No. 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 reached 14% on July 1, 2016. For fiscal years ended June 30, 2017 and 2016, plan members were required to contribute 14% and 13% of their annual covered salary, respectivley. 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 2017 and 2016 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $1,153,569 and $1,258,022 for fiscal years 2017 and 2016, respectively. Of this amount $44,072 and $42,869 is accrued at year end for fiscal years 2017 and 2016.

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, 2017 and 2016 was measured as of June 30, 2016 and 2015, 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 2017 and 2016:

Fiscal Year 2017	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 18,140,166	$ 26,106,585	$ 44,246,751
Proportion of the Net Pension Liability	0.2478477%	0.0779929%	
Change in Proportion	-0.0049620%	-0.0015669%	
Pension Expense	$ 2,013,492	$ 1,975,765	$ 3,989,257
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 244,668	$ 1,054,832	$ 1,299,500
Net difference between projected and actual earnings on pension plan investments	1,496,301	2,167,547	3,663,848
Change in assumptions	1,210,955	-	1,210,955
Change in College's proprotionate share and difference in employer contributions	96,651	-	96,651
College contributions subsequent to the measurement date	1,107,652	1,153,569	2,261,221
	$ 4,156,227	$ 4,375,948	$ 8,532,175
Deferred Inflows of Resources			
Change in the College's proportionate share and difference in employer contributions	$ 246,490	$ 448,832	$ 695,322

Fiscal Year 2016	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 14,425,567	$ 21,988,021	$ 36,413,588
Proportion of the Net Pension Liability	0.2528097%	0.0795599%	
Change in Proportion	-0.0042347%	-0.0001764%	
Pension Expense	$ 971,478	$ 1,041,703	$ 2,013,181
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 232,278	$ 1,002,376	$ 1,234,654
Change in College's proprotionate share and difference in employer contributions	210,257	-	210,257
College contributions subsequent to the measurement date	1,136,409	1,258,022	2,394,431
	$ 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 and difference in employer contributions	-	48,295	48,295
	$ 477,966	$ 1,629,650	$ 2,107,616

$2,261,221 reported as deferred outflows of resources at June 30, 2017 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 693,433	$ 395,975	$ 1,089,408
2019	692,355	395,975	1,088,330
2020	986,172	1,227,723	2,213,895
2021	430,125	753,874	1,183,999
	$ 2,802,085	$ 2,773,547	$ 5,575,632

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc Cola	3.00 percent
Investment Rate of Return	7.50 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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 for fiscal year 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	10.00%	5.00%
Multi-Assets Strategies	15.00%	3.00%
Total	100.00%	

The target allocation and best estimates of arithmetic real rates of return for each major assets class for fiscal year 2015 are summarized in the following table:

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 and 7.75 percent for fiscal years 2016 and 2015, respectively. 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 7.50 and 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 (6.50 and 6.75 percent), or one percentage point higher (8.50 and 8.75 percent) than the current rate for fiscal years 2016 and 2015, all respectively..

Fiscal Year 2017	1% Decrease (6.50%)	Discount Rate (7.5%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 24,016,450	$ 18,140,166	$ 13,221,473

Fiscal Year 2016	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 20,003,077	$ 14,425,567	$ 9,728,843

Change in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates
- Mortality among disabled members was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016 and 2015 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 both the June 30, 2016 and June 30, 2015 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 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, 2016 and 2015. 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, 2016 and 2015.

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%)
Fiscal Year 2017			
College's proportionate share of the net pension liability	$ 34,693,530	$ 26,106,585	$ 18,862,990
Fiscal Year 2016			
College's proportionate share of the net pension liability	$ 30,543,020	$ 21,988,021	$ 14,753,494

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's NPL is expected to be significant.

Alternative Retirement Programs

The College's contributions to ARPs for the year ended June 30, 2017, 2016 and 2015, were $97,838, $115,442 and $92,668 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, 2017, 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 2017, the minimum compensation level was established at $23,500. 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, 2017, 2016, and 2015 were $67,938, $80,442 and $96,223, 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 2017, 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, 2017, 2016, and 2015 were $0, $0 and $82,297, 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, 2017 are as follows:

Year Ending June 30,	
2018	$ 60,000
2019	60,000
2020	60,000
2021	60,000
2022	60,000
2023-2027	300,000
2028-2032	300,000
2033-2036	210,000
	$ 1,110,000

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, 2017 are as follows:

Year Ending June 30,	
2018	$ 7,178
2019	7,178
2020	7,178
2021	7,178
	$ 28,712

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

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

Coverage	Amount	Deductible
Building, Contents, Computer Equipment, including Equipment Breakdown (Boiler and Machinery) (per occurrence)	$ 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 2.84% and 2.30%, respectively, to the present value of future cash flows, for the years ended June 30, 2017 and 2016.

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

	2017	2016
One year or less	$ 441,274	$ 289,249
Between one and five years	1,245,923	1,014,334
Longer than five years	-	125,000
	1,687,197	1,428,583
Discount and allowance	(60,163)	(45,000)
Net Pledges	$ 1,627,034	$ 1,383,583

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:

	2017	2016
Equity funds	$ 9,288,728	$ 7,805,279
Bond funds	6,206,033	6,116,195
Money market account and other	2,741,332	2,502,308
	$ 18,236,093	$ 16,423,782

During the years ended June 30, 2017 and 2016, the Foundation distributed $295,714 and $234,665, 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, 2017

	Balance as of June 30, 2017	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	$ 1,885,681	-	1,885,681	-
Large cap	6,886,194	-	6,886,194	-
International equity	887,312	-	887,312	-
Emerging markets	378,332	-	378,332	-
Core bonds	4,545,433	-	4,545,433	-
Credit	68,046	-	68,046	-
Opportunistic	694,063	-	694,063	-
Distressed debt	149,700	-	149,700	-
Total privately held funds	15,494,761	-	15,494,761	-
Corporate bonds	150,018	-	150,018	-
Common stock	394,424	394,424	-	-
Mutual funds:				
Large cap	952,375	952,375	-	-
Mid cap	334,370	334,370	-	-
Short-term bonds	278,319	278,319	-	-
Intermediate-term bonds	326,999	326,999		
Foreign large cap	98,652	98,652	-	-
REIT	14,981	14,981	-	-
High yield bond	98,320	98,320	-	-
Total Mutual Funds	2,104,016	2,104,016	-	-
Money maket accounts	92,874			
Total investments	$ 18,236,093			

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	-
International equity	458,150	-	458,150	-
Emerging markets	229,075	-	229,075	-
Directional strategies	1,036,865	-	1,036,865	-
Core bonds	2,953,859	-	2,953,859	-
Global bonds	482,263	-	482,263	-
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	-	-
Money maket accounts	138,146			
Total investments	$ 16,423,782			

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013
School Employees Retirement System of Ohio				
College's Proportion of the Net Position Liability	0.2478477%	0.2528097%	0.2485750%	0.2485750%
College's Proportionate Share of the Net Pension Liability	$ 18,140,166	$ 14,425,567	$ 12,580,239	$ 14,781,957
College's Covered-Employee Payroll	$ 8,117,207	$ 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	223.48%	189.46%	174.17%	207.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio				
College's Proportion of the Net Position Liability	0.07799293%	0.07955987%	0.07973625%	0.07973625%
College's Proportionate Share of the Net Pension Liability	$ 26,106,585	$ 21,988,021	$ 19,394,615	$ 23,102,739
College's Covered-Employee Payroll	$ 8,985,871	$ 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	290.53%	267.86%	240.03%	288.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Schedule of College Contributions
Last Eight Fiscal Years (1)

	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio								
Contractually Required Contribution	$ 1,107,652	$ 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	(1,107,652)	(1,136,409)	(1,127,765)	(1,035,838)	(1,095,878)	(1,085,613)	(981,090)	(957,953)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 7,911,800	$ 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%	14.00%	14.81%	14.34%	15.41%	15.80%	14.00%	13.76%
State Teachers Retirement System of Ohio								
Contractually Required Contribution	$ 1,153,569	$ 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	(1,153,569)	(1,258,022)	(1,152,759)	(1,072,749)	(1,177,487)	(1,053,938)	(960,790)	(866,744)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 8,239,779	$ 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%	14.00%	14.04%	13.28%	14.73%	14.54%	14.00%	12.63%

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

SUPPLEMENTAL INFORMATION

Legal Counsel
James D. Miller

Attorney General's Office

30 E. Broad Street, 15th Floor

Columbus, OH 43215

Name	Title
Jo Alice Blondin, Ph.D.	President
Larry Wakefield	Interim Vice President for Business Affairs
Kyle Fuchs	Controller

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

This page intentionally left blank.

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Revenues	Expenditures
U.S. Department of Education				
Title IV Program				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant	P007A163254	84.007	$ 248,227	$ 248,227
College Work Study	P033A163254	84.033	165,552	165,552
Pell Grant	P063P162557	84.063	9,211,232	9,211,232
Federal Direct Student Loans	P268K172557	84.268	13,527,186	13,527,186
Total Student Financial Aid Cluster			23,152,197	23,152,197
TRIO Support Services				
TRIO Student Support Services	P042A150877	84.042	229,222	229,222
Total TRIO Support Services			229,222	229,222
Total Title IV Program			23,381,419	23,381,419
Title I Program				
Secondary Career-Technical Alignment Initiative	PO5259	84.048	750	750
Vocational Education	VO48A160035	84.048	134,048	134,048
Total Title I Program			134,798	134,798
Adult Basic and Literacy Education Program				
ABLE-English Literacy/Civics Education Grant	V002A160036	84.002	3,276	3,276
ABLE-Ohio Hi-Point	V002A160036	84.002	146,798	146,798
Total Adult Basic and Literacy Education Program			150,074	150,074
Total U.S. Department of Education			23,666,291	23,666,291
U.S. Department of Health and Human Services				
Passed through the Clark County Department of Job and Family Services:				
ProtectOhio	N/A	93.658	36,159	36,159
Temporary Assistance for Needy Families	N/A	93.558	89,379	89,379
Total U.S. Department of Health and Human Services			125,538	125,538
U.S. Department of Justice				
Passed through the Ohio Department of Youth Services				
Title II Formula Grant Program	2015-JJ-DMC-2007	16.540	24,256	24,256
Total U.S. Department of Justice			24,256	24,256
U.S. Department of Labor				
Trade Adjustment Assistance Comm. College and Career Training	TC265041460/A39	17.282	429,352	429,352
Total U.S. Department of Labor			429,352	429,352
National Science Foundation				
Cyber Pro: Professional Development Pathways…Cybersecurity	1204553	47.076	152,791	152,791
Precision Technologies: Integrating Agriculture and Geo-Sciences	1601512	47.076	108,309	108,309
Total National Science Foundation			261,100	261,100
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 24,506,537	$ 24,506,537

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, 2017. 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, to 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 subreceipients during the year ended June 30, 2017.

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, 2017, 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, 2017, 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 13, 2017.

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.

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 13, 2017

CLARK SCHAEFER HACKETT
CPAs & Advisors

14 East Main Street, Suite 500, Springfield, Ohio 45502
P. 937.399.2000 | F. 937.399.5433 | cshco.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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 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, 2017. 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, 2017.

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 the College's internal control over compliance.

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

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 13, 2017

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

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

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2016-001: Federal Direct Student Loans (Aggregate Loan Limits), CFDA No. 84.268

Condition: 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.

Recommendation: We recommend implementing policies and establishing monitoring procedures governing the awarding process to ensure Direct Loans are awarded in accordance with federal guidelines.

Current Status: Corrected. No similar findings were noted in the 2017 audit.

Finding 2016-002: Federal Direct Student Loans, CFDA No. 84.268

Condition: One student was over-awarded and over-disbursed Title IV aid based on incorrect cost of attendance (COA).

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

Current Status: Partially corrected. We noted similar findings as discussed in the management letter.

Finding 2016-003: Pell Grants, CFDA No. 84.063

Condition: One student was over-awarded and over-disbursed a Pell grant.

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.

Current Status: Corrected. No similar findings were noted in the 2017 audit.

This page intentionally left blank.

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 28, 2017