CLARK STATE COMMUNITY COLLEGE

Financial Statements

June 30, 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

Dave Yost · Auditor of State

Board of Trustees
Clark State Community College
570 East Leffel Road
Springfield, Ohio 44501

We have reviewed the *Independent Auditors' Report* of Clark State Community College, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2017 through June 30, 2018. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Resolved Under Audit

Joshua Foster was employed by Clark State Community College as a Success Coach at the rate of $20.43 per hour, with a start date of July 17, 2017. However, Mr. Foster's pay rate was erroneously entered as $23.43 and he received pay at this rate for all 26 pay periods in state fiscal year 2018, resulting in an overpayment of $6,240. Upon notification of this error, the College entered into a repayment agreement with Mr. Foster, whereby he will repay the amount owed over an 18 month period through payroll deductions, beginning with the October 26, 2018 pay date,

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery Resolved for public monies illegally expended is hereby issued against Joshua Foster in the amount of $6,240 and in favor of Clark State Community College.

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. Clark State Community College is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 27, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Clark State Community College
Springfield, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Clark State Community College (the "College"), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, 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, 2018, 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.

Emphasis of Matters
As discussed in Note 2, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of the net pension liability and pension contributions, and the schedules of net OPEB liabilities and OPEB contributions, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 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 15, 2018

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, 2018.

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) increased by $956,000 (2.8%) due to increased activity in capitalized items. In 2018 the Brinkman Education Center fourth floor and lobby were remodeled, safety and security projects were installed, updates and remodels were made at the Performing Arts Center and renovations began at Rhodes Hall.

- Unrestricted net position (exclusive of pension adjustments) increased by $45,000 (0.4%) as a result of a surplus from operations in the Educational and General Fund which was offset by a decrease in Auxiliary Enterprise Funds and Reserve spending. Unrestricted net position (including pension adjustments) increased by $11.1 million (31.3%).

- Student tuition and fees revenue (net of scholarship allowances) decreased by $843,000 (8.8%). Gross tuition and fees revenue decreased by $894,000 (6.0%). Scholarship allowances were down by $51,000 (0.9%). These decreases are a result of lower enrollment in 2018.

- Net accounts receivable decreased by $290,000 (4.8%). Student receivables net of allowance for doubtful accounts increased $163,000. College Credit Plus (CCP) receivables increased by $47,000; The decrease in accounts receivable is mainly due to a decrease in credit memos of $227,000. In 2017 there was a large credit memo balance due for the bookstore as books were returned to transition to the virtual bookstore, eCampus. Those credit memos were collected on, reducing our credit memo balance for 2018.

- Nongovernmental grants and contracts decreased by $81,000 (32.7%). Federal grants and contracts decreased by $20,000 (1.2%). Total state and local grants and contracts decreased by $32,000 (8.0%). There were some notable changes to grants and contracts this year. This is the last year of our multi-million-dollar grant, TAACCCT. A Cyber Security grant with the NSF expired last year but was replaced by several new Cyber Security grants. Workforce picked up a new grant for $81,000. There was a decrease in our State Fire Marshall grant of $66,000.

- Auxiliary enterprises revenue, in total, decreased by $63,000 (6.3%). Bookstore revenues (net of scholarship allowances) decreased $203,000 (44.8%) with gross revenue down $2.6 million (87.4%). This is because of the launch of the new virtual bookstore eCampus which began in the summer of 2017. This is the first full year with eCampus. Parking revenues decreased $900 (1.6%). Commercial Transportation Training Center revenues increased $140,000 (28.3%) due to an increase 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, 2018 and 2017 is as follows:

	2018	Revised 2017	Change
	(all dollar amounts in thousands)		
Current assets	$ 19,377	$ 18,647	$ 730
Noncurrent assets	48,576	48,050	526
Total Assets	67,953	66,697	1,256
Deferred outflows of resources	8,463	8,600	(137)
Current liabilities	5,191	4,080	1,111
Noncurrent liabilities	53,539	68,650	(15,111)
Total Liabilities	58,730	72,730	(14,000)
Deferred inflows of resources	3,693	695	2,998
Net position			
Net investment in capital assets	34,931	33,974	957
Restricted			
Nonexpendable	250	250	-
Expendable	3,281	3,248	33
Unrestricted	(24,469)	(35,600)	11,131
Total Net Position	$ 13,993	$ 1,872	$ 12,121

For fiscal year 2018, the College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). Many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

A review of the summary indicates a relatively strong financial position as of June 30, 2018. Total net position increased $12.1 million primarily due to GASB 68 and GASB 75. Net position increased $1.2 million (exclusive of pension adjustments). This is primarily due to new construction projects in 2018.

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. Net investment in capital assets had a slight increase (2.8%).

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, 2018 and 2017 is as follows:

	2018	2017	Change
	(all dollar amounts in thousands)		
Operating revenues			
Student tuition and fees, net	$ 8,679	$ 9,522	$ (843)
Grants and contracts	2,166	2,299	(133)
Auxiliary enterprises	944	1,007	(63)
Other	1,285	1,171	114
Total	13,074	13,999	(925)
Operating expenses	25,652	38,145	(12,493)
Operating loss	(12,578)	(24,146)	11,568
Nonoperating revenues (expenses)			
State appropriations	14,417	13,422	995
Federal grants	8,895	9,211	(316)
Investment income	179	95	84
Other	(281)	(717)	436
Interest expense	(436)	(471)	35
Capital appropriations	1,747	1,049	698
Capital grants	177	297	(120)
Total	24,698	22,886	1,812
Increase (decrease) in net position	12,120	(1,260)	13,380

Information necessary to restate 2017 activity for implementation of GASB 75 was not available (OPEB expense) and therefore 2017 amounts have not been fully revised due to GASB 75 implementation.

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 3.5% in fiscal year 2018. Student fees were not increased for FY 2018. 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 college's success in the appropriation model based on student success and completion.

State Operating Appropriations per Dollar of Gross Tuition

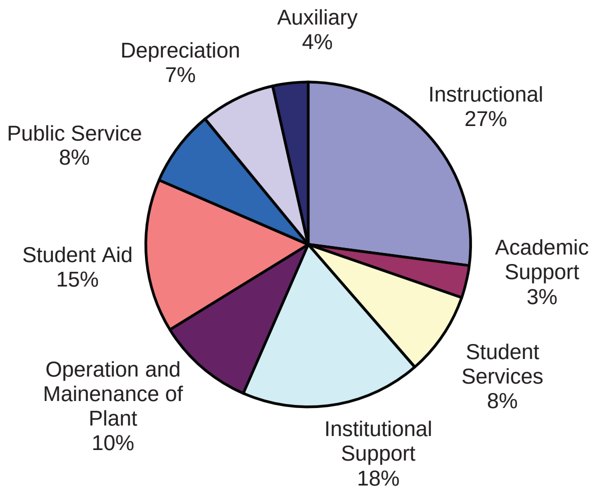
Fiscal Year	Gross Tuition	State Operating Appropriations	Appropriations per Dollar of Gross Tuition
1980	$ 1,144,925	$ 2,160,717	$1.89
1990	2,781,764	4,491,168	1.61
2000	4,964,992	6,069,435	1.22
2010	12,626,366	9,367,573	0.74
2011	14,417,217	9,938,577	0.69
2012	15,137,415	9,404,245	0.62
2013	16,680,297	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
2018	14,124,922	13,804,624	0.98

In FY 1980, the State contributed $1.89 to Clark State for every dollar of gross tuition. As of 2018, that figure has dropped to $0.98. In FY 2018, gross tuition exceeds state appropriations by approximately $320,000.

Clark State did receive the second highest increase in state support due to completion numbers in FY 2018. 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 7.4% in FY 2018. Net student tuition and fees decreased 8.8% from $9.5 million in FY 2017 to $8.7 million in FY 2018.

The following is a graphic illustration of expenses by function for the year ended June 30, 2018:



The decrease in expenses in FY 2018 was primarily the result of pension and OPEB adjustments. Exclusive of the pension and OPEB adjustments, are the following expense increases and decreases:

- Increases in functional categories of instructional 0.9%, student services 2.6% and institutional support 6.0%, operation and maintenance of plant 6.6%, and student aid 119.6%. Student aid expense increased as the College contracted with a 3d party for the sale of textbooks during the year and therefore book purchases made with student financial aid are no longer shown as a deduction from auxiliary services revenue. These expenses are now being reported as an expense of the College. Other increases include personnel changes and IT maintenance contracts.

- Decreases in academic support 2.2%, public support 8.8%, depreciation 6.6% and auxiliary enterprises 64.9%. These decreases are due to reduction in improvements to buildings, and lower cost of textbooks sales due to conversion to the virtual bookstore, eCampus. Even though our capital improvements increased this year, our largest improvement, renovation to Rhodes Hall is Construction in Progress which will not be depreciated until the following year.

The following table shows a comparison of total operating expenses per FTE for FY 2018 and FY 2017. Total operating expenses per FTE student decreased by $3,226 during FY 2018.

	2018	2017	Difference	Change
Total operating expenses	$ 25,652,074	$ 38,144,995	$ (12,492,921)	-32.75%
FTE Enrollment	3,475	3,596	(121)	-3.36%
Total operating expenses per FTE	$ 7,382	$ 10,608	$ (3,226)	-30.41%

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, 2018. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2018 and 2017:

	2018	2017	Change
	(all dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (21,743)	$ (20,378)	$ (1,365)
Noncapital financing activities	23,030	22,059	971
Capital and related financing activities	(843)	(491)	(352)
Investing activities	(62)	(428)	366
Net change in cash and cash equivalents	382	762	(380)
Cash and cash equivalents			
Beginning of year	11,248	10,486	762
End of year	$ 11,630	$ 11,248	$ 382

Cash and cash equivalents increased by $382,000 primarily as a result of an increase in state appropriations.

GASB STATEMENT NO. 68

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize its proportionate share of the net pension liability and to more comprehensively measure the annual costs of pension benefits. For Clark State the net pension liability reflected on the FY 2018 Statement of Net Position is $32.1 million.

GASB STATEMENT NO. 75

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB),* during fiscal year 2018, the College was required to recognize its OPEB liability for the first time, and to more comprehensively measure the annual costs of its post employment benefits other than pensions. The net OPEB liability is the College's proportionate share of the net OPEB liability related to its participation in the Public Employee Retirement System (PERS) or State Teachers Retirement Systems (STRS). Due to a lack of historical information available from the systems, the adoption of GASB Statement No. 75 resulted only in changes to the Statements of Net Position at June 30, 2018 and the Statement of Changes in Net Position for the year then ended. At July 1, 2017, the beginning net OPEB liability recognized by the College was $11,053,055. At June 30, 2018, the College recognized a net OPEB liability of $9,092,220. See Note 2 to the financial statements for more detailed information on the adoption of GASB Statement No. 75.

CAPITAL ASSETS AND DEBT

Capital Assets

The College had $47.9 million invested in capital assets net of accumulated depreciation of $41.2 million at June 30, 2018. Depreciation expense for the year ended June 30, 2018, was $1.9 million compared to $2.0 million in FY 2017. A summary of net capital assets for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017	Change
	(all dollar amounts in thousands)		
Land, leasehold improvements and infrastructure	$ 4,158	$ 3,975	$ 183
Building	40,134	41,105	(971)
Furniture and equipment	2,106	1,852	254
Library books	103	107	(4)
Vehicles	112	173	(61)
Construction in progress	1,248	-	1,248
Total capital assets, net	47,861	47,212	649

Capital projects during FY 2018 included replacing the Performing Arts Center (PAC) dimmer, upgrades to the Brinkman Educational Center (BEC) lobby and fourth floor, a safety and security project for the entire campus and the beginning stages of renovations to Rhodes Hall. See Note 6 of the financial statements for additional details.

Debt

The College had $12.5 million of bonds and notes payable at June 30, 2018. Interest rates range from 1.5% to 6.17% and mature in 2035 and 2032, respectively. See Note 7 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. The College accomplished most of these goals early and embarked on a new strategic plan in the Spring of 2018.

Objectives institutionalized during FY 2018 from the old plan include:

- First Year Experience Course (FYE) implementation
- Develop a Prior Learning Assessment (PLA) process
- Create academic pathways and articulations that are responsive to workforce needs
- Restructure and redesign developmental education
- Enhance academic support services in the classroom through the development of Supplemental Instruction (SI) program
- Enhance the reach and effectiveness of tutoring services through a Block Tutoring Collaborative

The new goals that will be implemented over the next 3-5 years are:

- Develop and strengthen quality, innovative academic programs
- Increase enrollment, student success, retention, and completion
- Facilitate a culture that recognizes, embraces, and reflects the diversity of the communities we serve
- Cultivate effective communication strategies and collaboration within the college
- Promote collaboration with our diverse communities, businesses and industries

Clark State Community College
Statement of Net Position
June 30, 2018

Assets		
Current assets		
Equity in pooled cash and cash equivalents	$	11,629,592
Investments		1,400,046
Accounts receivable, net		5,809,295
Prepaid expenses		449,243
Inventory		77,712
Employee loans receivable		10,657
Total current assets		19,376,545
Noncurrent assets		
Investments		675,982
Capital assets, net		47,860,668
Deferred charges		39,383
Total noncurrent assets		48,576,033
Total assets		67,952,578
Deferred outflows of resources		
OPEB		291,227
Pension		8,172,219
Total deferred outflows of resources		8,463,446
Liabilities		
Current liabilities		
Accounts payable		2,642,953
Bonds and notes payable, current portion		730,000
Interest payable		154,284
Wages payable		1,308,459
Unearned revenue		193,249
Unclaimed funds		161,578
Total current liabilities		5,190,523
Noncurrent liabilities		
Bonds and notes payable, less current portion		11,779,693
Deposits held in trust for others		50,566
Accrued compensated absences		483,660
Net OPEB liability		9,092,220
Net pension liability		32,133,141
Total noncurrent liabilities		53,539,280
Total liabilities		58,729,803
Deferred inflows of resources		
OPEB		1,337,824
Pension		2,355,213
Total deferred inflows of resources		3,693,037
Net position		
Net investment in capital assets		34,930,969
Restricted		
Nonexpendable		250,000
Expendable		3,281,018
Unrestricted (deficit)		(24,468,803)
Total net position	$	13,993,184

See accompanying notes to financial statements.

Clark State Community College Foundation
Statement of Financial Position
June 30, 2018

Assets		
Cash and cash equivalents	$	389,873
Investments		19,595,626
Accounts receivable, Clark State Community College		13,958
Pledges receivable		1,343,054
Student loans receivable, net of allowance for doubtful loans of $80,256		83,413
Other receivables		1,270
Prepaid expenses		20,164
	$	21,447,358
Liabilities and Net assets		
Liabilities		
Accounts payable	$	3,830
Wages payable		4,516
		8,346
Net assets		
Unrestricted		525,833
Temporarily restricted		10,989,427
Permanently restricted		9,923,752
		21,439,012
	$	21,447,358

See accompanying notes to financial statements.

Clark State Community College
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2018

Operating revenues	
Student tuition and fees, net of scholarship allowance of $5,445,612	$ 8,679,310
Federal grants and contracts	1,624,941
State and local grants and contracts	376,022
Nongovernmental grants and contracts	165,429
Auxiliary enterprises	
Bookstore, net of scholarship allowance of of $126,957	249,592
Parking	58,479
Truck driving	635,570
Other operating revenues	1,284,861
Total operating revenues	13,074,204
Operating expenses	
Educational and general	
Instructional	6,945,274
Academic support	827,946
Student services	2,130,794
Institutional support	4,600,318
Operation and maintenance of plant	2,480,087
Student aid	3,918,424
Public service	1,939,400
Depreciation expense	1,908,705
Auxiliary enterprises	900,126
Total operating expenses	25,651,074
Operating loss	(12,576,870)
Nonoperating revenues (expenses)	
State appropriations	14,416,765
Federal grants revenue	8,894,724
Investment income	178,660
Other nonoperating items	(280,957)
Interest expense	(435,675)
Net nonoperating revenues (expenses)	22,773,517
Gain before other revenues, expenses, gains, or losses	10,196,647
Capital appropriations	1,747,093
Capital grants and gifts	177,167
Total other revenues, expenses, gains, or losses	1,924,260
Change in net position	12,120,907
Net position - beginning of year, restated	1,872,277
Net position - end of year	$ 13,993,184

See accompanying notes to financial statements.

Clark State Community College Foundation
Statement of Activities and Change in Net Assets
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support				
Campaign contributions	$ 4	252,045	283,545	535,594
Foundation contributions	14,105	252,108	81,048	347,261
Interest	2,648	463,844	-	466,492
Net realized and unrealized gains on investments	45,771	871,443	-	917,214
Miscellaneous	3,036	113,846	-	116,882
Net assets released from restrictions	942,112	(942,112)	-	-
Total revenues and other support	1,007,676	1,011,174	364,593	2,383,443
Expenses				
Programs	834,746	-	-	834,746
Management and general	93,537	-	-	93,537
Fundraising	4,624	-	-	4,624
Total expenses	932,907	-	-	932,907
Change in net assets	74,769	1,011,174	364,593	1,450,536
Net assets at beginning of year	451,064	9,978,253	9,559,159	19,988,476
Net assets at end of year	$ 525,833	10,989,427	9,923,752	21,439,012

See accompanying notes to financial statements.

Cash flows from operating activities	
Tuition and fees	$ 8,636,176
Grants, gift and contracts	2,386,486
Payments for goods and services	(8,585,732)
Payment for utilities	(977,513)
Payments to employees	(16,643,397)
Payments for benefits	(5,235,878)
Payments for scholarships and fellowships	(3,560,990)
Collection of loans to students and employees	276
Auxiliary enterprise charges	
Bookstore	249,592
Parking	58,479
Truck driving	635,570
Other receipts	1,293,531
Net cash from operating activities	(21,743,400)
Cash flows from noncapital financing activities	
State appropriations	14,416,765
Federal grants revenue	8,894,724
Other nonoperating items	(280,957)
Net cash from noncapital financing activities	23,030,532
Cash flows from capital financing activities	
Purchase of capital assets	(1,597,278)
Principal paid on notes and bonds	(730,979)
Interest paid on notes and bonds	(439,075)
Capital appropriations	1,747,093
Capital grants and gifts proceeds	177,167
Net cash from capital financing activities	(843,072)
Cash flow from investing activities	
Net change in investments	(240,478)
Income on investments	178,660
Net cash from investing activities	(61,818)
Net change in cash and cash equivalents	382,242
Cash and cash equivalents, beginning of year	11,247,350
Cash and cash equivalents, end of year	$ 11,629,592

See accompanying notes to financial statements.

Reconciliation of net operating loss to net cash from operating activities	
Operating loss	$ (12,576,870)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	1,908,705
Provision for bad debts	333,398
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	(43,134)
Inventory	7,371
Prepaid expenses	(285,960)
Loans receivable	276
Other assets	4,142
Deferred outflows	136,667
Accounts payable	389,868
Wages payable	(131,027)
Accrued payroll and tax liabilities	(16,390)
Unearned revenue	(113,304)
Unclaimed funds	4,528
Deposits held in trust for others	(224,808)
Net pension liability	(12,113,610)
Net OPEB liability	(1,960,835)
Deferred inflows	2,997,715
Compensated absences	(60,132)
Net cash from operating activities	$ (21,743,400)

Noncash transactions:

Capital assets of $1,371,441 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 is 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, 2018, the College implemented the provisions of GASB Statement No. 75 and No. 85. GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 requires 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 implementation of this pronouncement required a restatement of net position as reported June 30, 2017 (Note 2).

GASB 85, *Omnibus 2017,* addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

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 acquisition 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.

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 and OPEB as explained in Notes 9 and 10.

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 OPEB plans and are reported on the statement of net position (See Notes 9 and 10).

Pensions/Other Postemployment Benefits (OPEB): For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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 $50,566 at June 30, 2018, 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.

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

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

For fiscal year 2018, the College implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from* (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$12,857,394
Adjustments:	
Net OPEB Liability	(11,053,055)
Deferred Outflow – Payments Subsequent to Measurement Date	67,938
Restated Net Position June 30, 2017	$1,872,277

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

NOTE 3 – EQUITY IN POOLED CASH AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). 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. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

As of June 30, 2018, the carrying amount of the College's deposits was $1,111,223, which does not include $4,370 in petty cash. The bank balance was $1,471,758 at June 30, 2018. Of the 2018 bank balance, $970,281 was covered by federal depository insurance, $382,073 was collateralized in both the College's name and the financial institution's name, and $119,404 was secured with letters of credit for the benefit of the College.

Investments: At June 30, 2018, the College had amounts on deposit with STAR Ohio, totaling $10,513,999, 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, 2018, 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	$ 1,605,176	$ 929,194	$ 675,982	$ -
US treasury notes	470,852	470,852	-	-
Star Ohio	10,513,999	10,513,999	-	-
	$ 12,590,027	$ 11,914,045	$ 675,982	$ -

The College's investments include $470,852 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 4 – 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, 2018:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Negotiable certificates of deposit	$ 1,605,176	$ 1,605,176	$ -	$ -
US treasury notes	470,852	470,852	-	-
Total	$ 2,076,028	$ 2,076,028	$ -	$ -

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 5 – RECEIVABLES

Receivables at June 30, 2018 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, 2018:

Student charges	$ 5,410,373
Room rental	12,798
Post secondary	518,108
Customized training services	125,383
Sponsored billings	196,859
Intergovernmental	1,873,997
Miscellaneous	376,935
	8,514,453
Less allowance for possible collection losses	(2,705,158)
Accounts receivable, net	$ 5,809,295

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2018:

	July 1, 2017 Balance	Additions	Retirements	Transfers	June 30, 2018 Balance
Cost					
Land	$ 2,441,928	$ -	$ -	$ -	$ 2,441,928
Infrastructure	4,484,446	-	-	-	4,484,446
Buildings	69,995,300	485,557	-	-	70,480,857
Leasehold improvements	717,016	287,848	-	-	1,004,864
Furniture and equipment	7,811,761	519,343	(88,582)	-	8,242,522
Library books	465,605	17,072	(4,243)	-	478,434
Vehicles	768,199	-	(105,364)	-	662,835
Construction in progress	-	1,247,552	-	-	1,247,552
	86,684,255	2,557,372	(198,189)	-	89,043,438
Accumulated depreciation					
Infrastructure	$ 3,577,117	$ 54,556	$ -	$ -	$ 3,631,673
Buildings	28,890,264	1,456,621	-	-	30,346,885
Leasehold improvements	90,443	51,059	-	-	141,502
Furniture and equipment	5,959,995	265,252	(88,582)	-	6,136,665
Library books	358,745	21,169	(4,243)	-	375,671
Vehicles	595,692	60,046	(105,364)	-	550,374
	39,472,256	1,908,703	(198,189)	-	41,182,770
Capital assets, net	$ 47,211,999	$ 648,669	$ -	$ -	$ 47,860,668

NOTE 7 – LONG-TERM OBLIGATIONS

The College's long-term obligations at June 30, 2018 consisted of the following:

	Revised Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	$ 12,905,000	$ -	$ 710,000	$ 12,195,000	$ 730,000
Bond premium	335,672	-	20,979	314,693	-
Net pension liability:					
SERS	18,140,166	-	3,923,996	14,216,170	-
STRS	26,106,585	-	8,189,614	17,916,971	-
Total net pension liability	44,246,751	-	12,113,610	32,133,141	-
Net OPEB liability:					
SERS	6,881,973	-	732,493	6,149,480	-
STRS	4,171,082	-	1,228,342	2,942,740	-
Total net OPEB liability	11,053,055	-	1,960,835	9,092,220	-
Deposits held in trust for others	275,374	-	224,808	50,566	-
Compensated absences	543,792	42,699	102,831	483,660	-
Total long-term liabilities	$ 69,359,644	$ 42,699	$ 15,133,063	$ 54,269,280	$ 730,000

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

The College has covenanted it will ensure sufficient general receipts at all times sufficient to, at least, pay debt service charges on the General Receipt Bonds when due. The total principal and interest remaining to be paid at June 30, 2018 was $5,578,334. Principal and interest paid during fiscal year 2018 and total general receipts were $557,713 and $10,907,812, 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
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	225,000	84,563	309,563
2024-2028	1,245,000	282,063	1,527,063
2029-2033	1,430,000	98,656	1,528,656
	$ 4,650,000	$ 928,334	$ 5,578,334

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
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	350,000	359,434	(125,802)	583,632
2024-2028	1,930,000	1,502,377	(525,832)	2,906,545
2029-2033	2,335,000	875,992	(306,597)	2,904,395
2034-2036	1,645,000	155,021	(54,257)	1,745,764
	$ 7,545,000	$ 4,490,626	$ (1,571,718)	$ 10,463,908

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, 2018:

Vacation	$	400,778
Sick leave		63,079
Faculty banked leave		19,803
Total	$	483,660

NOTE 8 – 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 Department of Higher Education.

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 Department of Higher Education. Upon completion of a facility, the Department of Higher Education 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 Department of Higher Education 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 9 – 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 as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017*
Full benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $1,061,954 for fiscal year 2018. Of this amount $40,438 is reported in accrued payroll and tax liabilities.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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, 12% of the 14%-member rate goes to the DC Plan and 2% 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. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $1,101,538 for fiscal year 2018. Of this amount $41,898 is reported in accrued payroll and tax liabilities.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

The net pension liability was measured as of June 30, 2017, 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

		SERS		STRS		Total
Proportionate Share of the Net Pension Liability	$	14,216,170	$	17,916,971	$	32,133,141
Proportion of the Net Pension Liability		0.2379363%		0.0754233%		
Change in Proportion		-0.0099114%		-0.0025696%		
Pension Expense	$	(736,550)	$	(7,192,721)	$	(7,929,271)
Deferred Outflows of Resources						
Differences between expected and actual experience	$	611,814	$	691,869	$	1,303,683
Change in assumptions		735,129		3,918,640		4,653,769
Change in College's proportionate share and difference in employer contributions		51,275		-		51,275
College contributions subsequent to the measurement date		1,061,954		1,101,538		2,163,492
	$	2,460,172	$	5,712,047	$	8,172,219
Deferred Inflows of Resources						
Difference between expected and actual experience	$	-	$	(144,404)	$	(144,404)
Net difference between projected and actual earnings on pension plan investments		(67,481)		(591,280)		(658,761)
Change in the College's proportionate share and difference in employer contributions		(608,446)		(943,602)		(1,552,048)
	$	(675,927)	$	(1,679,286)	$	(2,355,213)

$2,163,492 reported as deferred outflows of resources at June 30, 2018 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in future years as follows:

		SERS		STRS		Total
Fiscal Year Ending June 30:						
2019	$	341,516	$	539,917	$	881,433
2020		623,018		1,344,263		1,967,281
2021		89,165		886,290		975,455
2022		(331,408)		160,753		(170,655)
	$	722,291	$	2,931,223	$	3,653,514

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, 2017, 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	2.50 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 asset class 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%	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 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 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 19,728,349	$ 14,216,170	$ 9,598,595

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions for the fiscal year and applied to all periods included in the measurement:

Assumptions	**July 1, 2017 Valuation**	**July 1, 2016 Valuation and prior**
Inflation	2.50 percent	2.75 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return, Including inflation	7.45 percent, net of investment expenses	7.75 percent. net of investment expenses
Payroll increases	3.00 percent	3.50 percent per annum compounded annually for the next two years, 4.00 percent thereafter
Cost-of-living adjustments	0 percent effective July 1, 2017	2 percent simple for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally, using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and best estimates of geometric real rates of return for each major asset class and are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 25,683,368	$ 17,916,971	$ 11,374,945

Alternative Retirement Programs

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative College employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The College board of trustees adopted such a plan effective April 1999.

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.50 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The College's contributions to ARPs for the year ended June 30, 2018 was $100,920, which is equal to the required contribution for the year.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is reported in salaries, wages and fringe benefits payable.

<u>Plan Description - School Employees Retirement System</u>

Health Care Plan
The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage.

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. 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.

For fiscal year 2018, this amount was $23,700. Statutes provide that 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 2018, the College's surcharge obligation was $80,023, which is reported in salaries, wages and fringe benefits payable.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund, which equaled $121,355 for fiscal year 2018 for the College.

Plan Description - State Teachers Retirement System

Health Care Plan
The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate Share of net OPEB Liability	$ 6,149,480	$ 2,942,740	$ 9,092,220
Proportion of net OPEB Liability	0.229138651%	0.075423317%	
Change in proportion	-0.012302748%	-0.002569613%	
OPEB Expense (negative)	$ 192,650	$ (917,595)	$ (724,945)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 169,872	$ 169,872
College contributions subsequent to the measurement date	121,355	-	121,355
	$ 121,355	$ 169,872	$ 291,227
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$ (16,240)	$ (125,780)	$ (142,020)
Change in assumptions	(583,555)	(237,048)	(820,603)
Change in the College's proportionate share and difference in employer contributions	(257,410)	(117,791)	(375,201)
	$ (857,205)	$ (480,619)	$ (1,337,824)

$121,355 reported as deferred outflows of resources related to OPEB at June 30, 2018 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (308,757)	$ (62,273)	$ (371,030)
2020	(308,757)	(62,273)	(371,030)
2021	(235,631)	(62,273)	(297,904)
2022	(4,060)	(62,273)	(66,333)
2023	-	(30,828)	(30,828)
2024	-	(30,827)	(30,827)
	$ (857,205)	$ (310,747)	$ (1,167,952)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 consider the employee's entire career with the employer and 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, 2017, are presented below:

Investment Rate of Return	7.50 percent net of investment expenses, including inflation
Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.92 percent
Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	2.98 percent
Measurement Date	3.63 percent
Medical Trend Assumption:	
Pre-Medicare	7.50 percent to 5.00 percent
Medicare	5.50 percent to 5.00 percent

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 long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%), or one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	$ 7,426,279	$ 6,149,480	$ 5,137,928

The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing (to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
College's proportionate share of the net OPEB liability	$4,989,842	$6,149,480	$7,684,280

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Blended discount rate of return	4.13 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Health care cost trends	6 percent to 11 percent initially, 4.50 percent ultimate
Cost-of-living adjustments	0 percent effective July 1, 2017

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the College's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 3,950,581	$ 2,942,740	$ 2,146,216

	1% Decrease In Trend Rates	Current Trend Rate	1% Increase In Trend Rates
College's proportionate share of the net OPEB liability	$ 2,044,489	$ 2,942,740	$ 4,124,924

NOTE 11 – 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, 2018 are as follows:

Year Ending June 30,	
2019	$ 60,000
2020	60,000
2021	60,000
2022	60,000
2023	60,000
2024-2028	300,000
2029-3033	300,000
2034-2036	150,000
	$ 1,050,000

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, 2018 are as follows:

Year Ending June 30,	
2019	$ 7,178
2020	7,178
2021	7,178
	$ 21,534

NOTE 12 – 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 13 – 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)	$ 100,000,000	$ 25,000
Crime – Employee Dishonesty and Forgery/Alteration	500,000	None
Crime – Theft, Disappearance and Destruction of Money and Securities (on premises or away)	100,000	None
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

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 14 – 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 the 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% to the present value of future cash flows, for the year ended June 30, 2018.

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

One year or less	$ 466,124
Between one and five years	945,636
	1,411,760
Discount and allowance	(68,706)
Net Pledges	$ 1,343,054

Foundation investments are stated at fair value, with changes in market value being recognized as gains and losses during the period in which they occur. Fair value of investments held by the Foundation is summarized as follows:

Equity funds	$ 9,809,257
Bond funds	6,825,580
Money market account and other	2,960,789
	$ 19,595,626

During the year ended June 30, 2018, the Foundation distributed $174,948 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

	Balance as of June 30, 2018	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments:				
Privately held funds:				
U.S. Equity	$ 7,136,345	-	7,136,345	-
International equity	949,849	-	949,849	-
Emerging markets	429,179	-	429,179	-
Fixed income:				
Intermediate term	592,200	-	592,200	-
Core bonds	5,238,310	-	5,238,310	-
Credit	134,743	-	134,743	-
Opportunistic	746,904	-	746,904	-
Distressed debt	113,117	-	113,117	-
Diversifying strategies	1,294,190	-	1,294,190	-
Total privately held funds	16,634,837	-	16,634,837	-
U.S. Government agency	24,487	-	24,487	-
Corporate bonds	196,757	-	196,757	-
Common stock	394,061	394,061	-	-
Mutual funds:				
Large cap	1,000,626	1,000,626	-	-
Mid cap	368,645	368,845	-	-
Short-term bonds	247,663	247,663	-	-
Intermediate-term bonds	321,648	321,648		
Foreign large cap	209,268	209,268	-	-
REIT	14,661	14,661	-	-
High yield bond	94,180	94,180	-	-
Total Mutual Funds	2,256,691	2,256,891	-	-
Money market accounts	88,793			
Total investments	$ 19,595,626			

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio					
College's Proportion of the Net Position Liability	0.2379363%	0.2478477%	0.2528097%	0.2485750%	0.2485750%
College's Proportionate Share of the Net Pension Liability	$ 14,216,170	$ 18,140,166	$ 14,425,567	$ 12,580,239	$ 14,781,957
College's Covered Payroll	$ 7,911,800	$ 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 Payroll	179.68%	223.48%	189.46%	174.17%	207.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
College's Proportion of the Net Position Liability	0.07542332%	0.07799293%	0.07955987%	0.07973625%	0.07973625%
College's Proportionate Share of the Net Pension Liability	$ 17,916,971	$ 26,106,585	$ 21,988,021	$ 19,394,615	$ 23,102,739
College's Covered Payroll	$ 8,239,779	$ 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 Payroll	217.44%	290.53%	267.86%	240.03%	288.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the College's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

School Employees Retirement System of Ohio
Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

State Teachers Retirement System of Ohio
Change in plan assumptions. For 2017 changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

Schedule of College Contributions - Pension
Last Nine Fiscal Years (1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio									
Contractually Required Contribution	$ 1,061,954	$ 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	(1,061,954)	(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 Payroll	$ 7,866,326	$ 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 Payroll	13.50%	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	$ 1,101,538	$ 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	(1,101,538)	(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 Payroll	$ 7,868,129	$ 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 Payroll	14.00%	14.00%	14.00%	14.04%	13.28%	14.73%	14.54%	14.00%	12.63%

(1) Information prior to 2010 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

	2017	2016
School Employees Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.2291387%	0.2414414%
College's Proportionate Share of the Net OPEB Liability	$ 6,149,480	$ 6,881,973
College's Covered Payroll	$ 7,911,800	$ 8,117,207
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	77.73%	84.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.07542332%	0.07799293%
College's Proportionate Share of the Net OPEB Liability	$ 2,942,740	$ 4,171,082
College's Covered Payroll	$ 8,239,779	$ 8,985,871
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	35.71%	46.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full-ten year trend is compiled.

Notes to Schedule:

School Employees Retirement System of Ohio
Change in assumption. Amounts reported for fiscal year 2017 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
2017 Measurement Period	3.56%
2016 Measurement Period	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
2017 Measurement Period	3.63%
2016 Measurement Period	2.98%

State Teachers Retirement System of Ohio
Change in assumption. For fiscal year 2017 the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (OPEB), and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2017 the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

	2018	2017	2016
School Employees Retirement System of Ohio			
Contractually Required Contribution (2)	$ 121,355	$ 67,938	$ 80,442
Contributions in Relation to the Contractually Required Contribution	(121,355)	(67,938)	(80,442)
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 7,866,326	$ 7,911,800	$ 8,117,207
Contributions as a Percentage of College Covered Payroll	1.54%	0.86%	0.99%
State Teachers Retirement System of Ohio			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 7,868,129	$ 8,239,779	$ 8,985,871
Contributions as a Percentage of College Covered Payroll	0.00%	0.00%	0.00%

(1) - Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) - Includes Surcharge

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	Vice President for Business Affairs
Kathleen Nelson	Interim Controller

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

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Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Rural Development Cooperative Agreement Program	RD-RB-16-29	10.890	1,600
Total U.S. Department of Agriculture			1,600
U.S. Department of Education			
Title IV Program			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	P007A173254	84.007	$ 238,835
Federal Work-Study Program	P033A173254	84.033	136,407
Federal Pell Grant Program	P063P172557	84.063	8,894,724
Federal Direct Student Loans	P268K182557	84.268	11,839,845
Total Student Financial Aid Cluster			21,109,811
TRIO Cluster:			
TRIO Student Support Services	P042A150877	84.042	242,430
Total TRIO Cluster			242,430
Total Title IV Program			21,352,241
Title I Program			
Passed through the Ohio Department of Education:			
Career and Technical Education - Basic Grants to States (Vocational Education)	VO48A160035	84.048	155,453
Career and Technical Education - Basic Grants to States (Secondary Career-Technical Alignment Initiative)	PO5259	84.048	1,700
Total Title I Program			157,153
Adult Basic and Literacy Education Program			
Adult Education - Basic Grants to States	V002A170036	84.002	139,251
Total Adult Basic and Literacy Education Program			139,251
Total U.S. Department of Education			21,648,645
U.S. Department of Health and Human Services			
Passed through the Clark County Department of Job and Family Services:			
Temporary Assistance for Needy Families	N/A	93.558	88,769
Foster Care - Title IV-E	N/A	93.658	56,291
Total U.S. Department of Health and Human Services			145,060
U.S. Department of Justice			
Passed through the Ohio Department of Youth Services:			
Juvenile Justice and Delinquency Prevention - Allocation to States	2015-JJ-DMC-2007	16.540	3,882
Total U.S. Department of Justice			3,882
U.S. Department of Labor			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	TC265041460/A39	17.282	518,670
Total U.S. Department of Labor			518,670
National Science Foundation			
Education and Human Resources (Cybersecurity)	1204553	47.076	64,009
Education and Human Resources (Integrating Agriculture and Geo-Sciences)	1601512	47.076	98,094
Total National Science Foundation			162,103
National Security Agency			
Information Security Grants	H98230-17-1-0345	12.902	18,303
Total National Security Agency			18,303
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,498,263

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, 2018. 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, if any, 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, 2018.

The College has elected not 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, 2018, 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.

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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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, 2018, 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 15, 2018, wherein we noted the College adopted the provisions of GASB Statement No. 75.

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 15, 2018

CLARK SCHAEFER HACKETT
CPAs & Advisors

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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, 2018. 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 of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2018.

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 15, 2018

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

Section IV – Summary of Prior Audit Findings and Questioned Costs

None noted

Dave Yost • Auditor of State

CLARK STATE COMMUNITY COLLEGE

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 8, 2019

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