

COLUMBUS STATE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF OHIO

ANNUAL REPORT
Franklin County
Single Audit

June 30, 2004 and 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Columbus State Community College
550 East Spring Street
Columbus, Ohio 43216

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 15, 2004

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COLUMBUS STATE COMMUNITY COLLEGE
Columbus, Ohio

ANNUAL REPORT
June 30, 2004 and 2003

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COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Columbus State Community College's Annual Report presents management's discussion and analysis of the College's financial position as of June 30, 2004; and financial activity for the fiscal year July 1, 2003 through June 30, 2004, with selected comparative information for the fiscal year ended June 30, 2003, and June 30, 2002 when appropriate. This discussion should be read in conjunction with the accompanying financial statements and notes herein.

WHAT IS BEING PRESENTED

This section includes the following statements, and for illustrative purposes, various graphs, charts, and other narratives.

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

A full set of financial statements, complete with notes, is presented in the next section of this annual report. They include the College, its Auxiliaries, and the Columbus State Community College Development Foundation.

Management's discussion and analysis is focused on the primary institution and its auxiliaries.

It is management's intention to discuss significant financial data based upon currently know facts, decisions and conditions that have already occurred. There are factors, however, that may impact future periods, which are considered in the last section of this discussion.

ABOUT THE COLLEGE

Mission

The mission of Columbus State Community College is to provide quality educational programs that meet the lifelong learning needs of its community. Through its dynamic curriculum and commitment to diverse learners, the College will serve as a catalyst for creating and fostering linkages among the community, business and educational institutions. The College will proactively respond to the changing needs of our community and its role in the global economy through the use of instructional and emerging technologies.

History

On September 30, 1963, the Columbus Area Technical School (the forerunner to Columbus State Community College) held its first class in the basement of Columbus Ohio's Central High School. Total enrollment was 67 students. The College's 2003-2004 academic year enrollment (40 years later) surpassed 23,000 students.

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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During this 40 year period, over 350,000 people have walked through the College's doors, with over 25,000 earning college degrees. In the past four decades the College has grown from a few dozen students into an educational and economic force dedicated to serving the job training, workforce development, and higher education needs of central Ohio.

The average Columbus State Community College student is 27 years of age, female (58%), and takes an average of nine credit hours of courses (twelve hours being a full-time load). Columbus State Community College students come from many different cultural, ethnic and socioeconomic backgrounds; representing over 65 different countries.

Columbus State Community College offers approximately 57 approved Associate Degree Programs ranging from Accounting to Veterinary Technology. A multitude of certificate programs, non-credit offerings, and specialized training options are also offered.

FINANCIAL HIGHLIGHTS

➤ Enrollment growth

Enrollment in 2004 increased to 23,297 or 4.8%. Since 1997, Columbus State's enrollment has grown 42.7%. Preliminary indications are that a slight enrollment decline may occur in fiscal year 2005. Enrollment-related expenses are managed with increases or decreases in the use of part-time faculty (adjuncts) who are employed on a quarter-by-quarter basis.

➤ Revenues increase

Operating revenues increased to \$79.2 million a 10.7% increase over fiscal year 2003. This increase was driven by a 6.1% increase in tuition rates and a 6.7% increase in financial aid monies received from external funding sources, such as federal and state government. State appropriations (tuition subsidy for Ohio residents) increased to \$46.7 million; a \$3.0 million (6.8%) increase over 2003.

➤ Sale of general receipts bonds

To take advantage of historically low interest rates, prepare for continued uncertainties in state of Ohio funding, preserve cash, and realize approximately \$140,000 in savings by refinancing its fiscal year 1993 bonds, the College issued \$17.1 million in general receipts bonds to be used as follows:

- \$3.4 million refunding Series 1993 bonds
 - \$7 million of a new retail complex, which will include the College's bookstore and other auxiliary services.
 - \$3 million child care facility in a major academic building currently under construction; and
 - \$3.4 million for various building projects.
 - \$.3 million, other
-

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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➤ Upgraded credit rating

Prior to issuing its debt, the college improved its credit rating with Moody's Investors Service from A2 to A1, and Standard and Poor's Rating Service from A- to A.

➤ Second Campus

On May 27, 2004, the Columbus State Community College Board of Trustees set aside \$4.7 million for the purchase of land in Delaware County, Ohio, approximately 25 miles north of downtown Columbus, Ohio. The balance of the funds needed to purchase the land, \$936,000, came from State capital appropriations. The land purchase is in response to an extensive study presented to the Board in November, 2002 that urged the purchase of land in Delaware County at which a second campus could be built. Delaware County, Ohio, is the 16th fastest growing county in the country and the fastest growing county in the state.

➤ Other Approved Projects

The College's Board of Trustees continued its practice of allocating resources within its annual operating budget for asset acquisition, renovations and upgrades, including:

- \$2.6 million for computers, furniture and instructional equipment.
- \$2.5 million for capital improvements
- \$.5 million for additional expenditures related to its ongoing administrative and academic software implementation.

OTHER FACTORS TO CONSIDER

There are many indicators of quality in higher education institutions, including but not limited to student retention rates, job placement statistics, salary ranges of recent graduates, and the appearance and condition of physical plant facilities. Financial statements assess primarily the quality of the college's financial condition.

FINANCIAL STATEMENTS

The *Statement of Net Assets* details all College holdings (assets) such as cash, investments, accounts receivable, land and buildings; and liabilities including payments due to vendors, and short and long-term debt, as of June 30, 2004.

The total amount of assets minus liabilities equals net assets. These net assets are categorized as restricted in use by outside sources, or unrestricted for general use.

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

The *Statement of Revenues, Expenses and Changes in Net Assets* show the revenues earned and expenses incurred during the year, and the resulting gain or loss. This statement is prepared under the accrual basis of accounting whereby revenues and expenditures are recognized when the service is provided and the resource(s) is/are used. This principle called the "matching concept" is best demonstrated in the college's collection of student tuition. For example, most tuition is collected within the first eight days of each academic quarter, yet the revenue is distributed evenly over the three-month period to match the expenditures (resources) used to generate the revenue.

The *Statement of Cash Flows* presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing and investment activities. The *Statement of Cash Flows* shows the sources and uses of the college's cash. The *Statement of Cash Flows* also helps readers assess: a) the college's ability to generate future cash flows, b) the college's ability to meet obligations as they become due, and c) the college's need for external financing.

Condensed versions of the financial statements are presented below, along with a brief analysis of the financial information contained therein.

Statement of Net Assets (in thousands)

	<u>2004</u>	<u>2003</u>	<u>Difference</u>	<u>2002</u>	<u>Difference</u>
Assets					
Current assets	\$76,804	\$72,879	\$3,925	\$70,994	\$1,885
Non-current assets					
Capital assets	110,414	106,506	3,908	104,700	1,806
Other	15,018	2,456	12,562	1,953	503
Total assets	<u>202,236</u>	<u>181,841</u>	<u>20,395</u>	<u>177,647</u>	<u>4,194</u>
Liabilities					
Current liabilities					
Deferred revenue	10,663	10,309	354	8,589	1,720
Accounts payable	8,649	6,676	1,973	6,741	(65)
Other current liabilities	1,451	941	510	871	70
Non-current liabilities					
Long term debt	22,700	10,535	12,165	11,456	(921)
Annuities payable	2,467	2,472	(5)	2,446	26
Other	450	436	15	518	(82)
Total liabilities	<u>46,380</u>	<u>31,369</u>	<u>15,012</u>	<u>30,621</u>	<u>748</u>
Net Assets					
Invested in capital assets	96,064	93,860	2,204	92,150	1,710
Restricted	4,194	5,022	(829)	4,075	947
Unrestricted	55,598	51,590	4,008	50,800	790
Total net assets	<u>\$155,856</u>	<u>\$150,472</u>	<u>\$5,383</u>	<u>\$147,025</u>	<u>\$3,447</u>

Assets

As of June 30, 2004, current assets totaled \$76.8 million compared to \$72.8 million in fiscal year 2003, and \$71 million in 2002. Year-to-year increases equaled 5.5% in 2004 and 2.5% in 2003 respectively.

Total assets as of June 30, 2004, were \$202.2 million compared to \$181.8 million in fiscal year 2003, a 11.2% increase.

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Capital assets such as land, buildings, machinery and equipment are the largest asset group at \$110.4 million (54.6%), followed by cash and investments of \$80.4 million (39.7%); and inventory and other assets at \$11.4 million (5.7%).

The high percentage (40%) of cash and investments in relation to total assets is affected by the \$11.8 million in unspent bond proceeds at June 30, 2004.

Liabilities

As of June 30, 2004, the College's current liabilities were \$20.8 million compared to \$17.9 million in 2003. Of that total, \$10.3 million was deferred revenue (summer quarter tuition revenues related to fiscal year 2005), \$8.7 million in accounts payable and \$1.4 million of short-term debt.

Non-current liabilities as of June 30, 2004, were \$25.6 million consisting of \$22.7 million in long term debt (revenue bonds), \$2.4 million in annuities payable, and other long-term liabilities of \$.50 million. By comparison non-current liabilities as of June 30, 2003 were \$13.4 million consisting of \$10.5 million in bonds payable, \$2.5 million in annuities payable, and \$.4 million in long term liabilities.

Total liabilities as of June 30, 2004 were \$46.4 million compared to \$31.3 million in fiscal year 2003. The increase is primarily due to the \$13.7 million net increase in long term debt (bonds payable).

Net Assets

Net assets increased by \$5.4 million in 2004 and \$3.4 million in 2003. The 2004 and 2003 increases are considerably lower than a \$14.7 million increase in fiscal year 2002 due to the receipt in 2002 of \$11.8 million for the construction of an academic building, the Center for Technology and Learning. Funds received from the state of Ohio for the construction and renovation of buildings and other capital assets are treated as income to the College which directly increases net assets.

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)

OPERATING REVENUES	<u>2004</u>	<u>2003</u>	<u>Difference</u>	<u>2002</u>	<u>Difference</u>
Student tuition and fees (net of scholarship allowances of \$10.5 million in 2004 and \$11.0 million in 2003 and \$9.8 million in 2002)	\$44,133	\$38,469	\$5,664	\$33,448	\$5,021
Federal, state, and private grants and contracts	23,721	22,237	1,484	17,296	4,491
Auxiliary enterprises	10,642	10,313	329	8,498	1,815
Other	711	545	166	1,270	(725)
Total operating revenues	79,207	71,564	7,643	60,512	11,052
OPERATING EXPENSES					
Educational and general	98,901	92,651	6,250	84,182	8,469
Scholarships and fellowships	9,820	7,891	1,929	6,588	1,303
Auxiliary enterprises	9,872	9,542	330	7,804	1,738
Depreciation expense	3,483	3,274	209	3,156	118
Total operating expenses	122,076	113,358	8,718	101,730	11,628
Operating income (loss)	(42,869)	(41,794)	(1,075)	(41,218)	(576)
NON-OPERATING REVENUES (EXPENSES)					
State appropriations	46,687	43,692	2,995	42,059	1,633
Investment income (net of expense)	700	848	(148)	1,390	(542)
Other non-operating expenses	(719)	(647)	(72)	(697)	50
Net non-operating revenues	46,668	43,893	2,775	42,752	1,141
Income before capital appropriations	3,797	2,099	1,698	1,534	565
Capital appropriations	1,587	1,347	240	13,119	(11,772)
Increase in net assets	5,384	3,446	1,938	14,654	(11,208)
Net assets beginning	150,472	147,025	3,447	132,371	14,654
Net assets end of year	\$155,856	\$150,472	\$5,385	\$147,025	\$3,447

REVENUES

Total fiscal year 2004 revenues equaled \$127.5 million compared to \$116.6 million in fiscal year 2003. Significant areas of increase were \$5.7 million in student tuition and fees, and \$3 million in state appropriations.

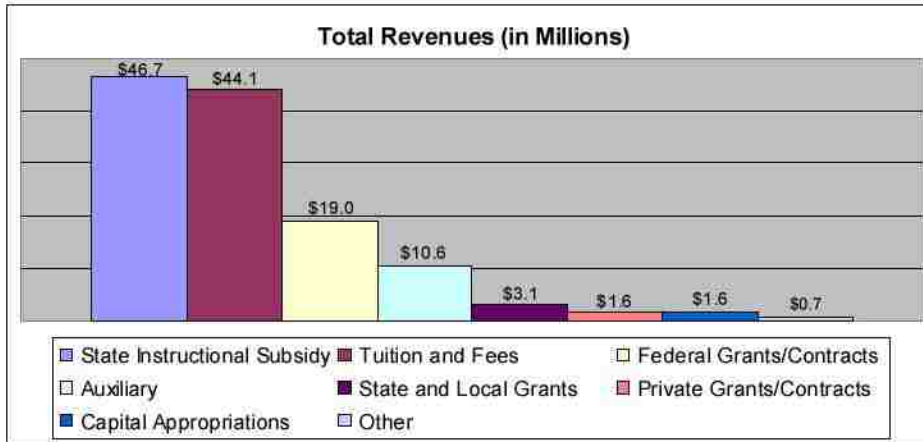
The majority of College revenues come from three sources: 1) State instructional subsidy (\$46.7 million), 2) Student tuition and fees (\$44.1 million), and 3) Federal, state, and private grants and contracts (\$23.7 million).

Of the 23.7 million (compared to \$22.2 million in 2003) in federal, state and private grants and contracts, 93% are awarded to students through the federal Pell grant and State of Ohio instructional grant programs. These funds are used for student tuition (\$10.5 million) and education-related expenses.

Other significant revenue sources are: Auxiliary enterprises (\$10.6 million), and State capital appropriations used for construction, renovation and maintenance of facilities (\$1.6 million).

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

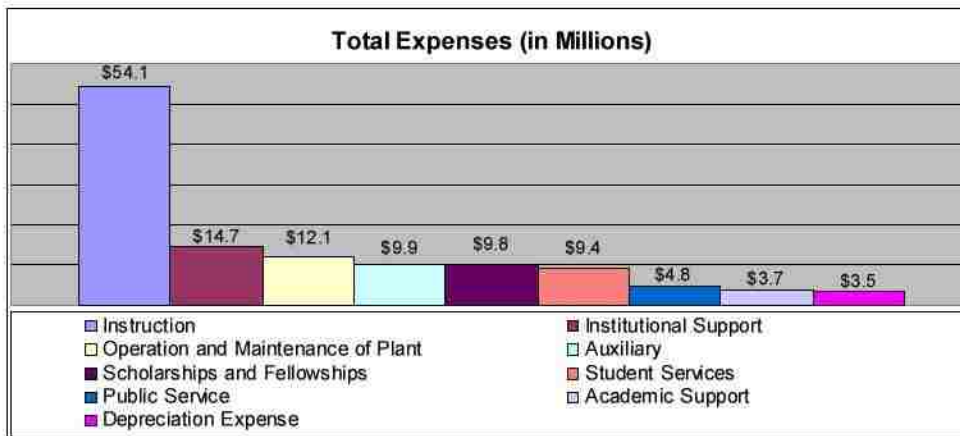
The major sources of College revenues for fiscal year 2004 are presented below.



EXPENSES

Fiscal year 2004 expenses totaled \$122.1 million as compared to \$113.4 million in fiscal year 2003. The most significant increase was \$6 million in educational and general expenses which is directly related to enrollment growth. Salaries and benefits represent the main area of increase.

Fiscal year 2004 expenditures are show below:



COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Statement of Cash Flows

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net cash provided (used) by:			
Operation activities	(\$40,811)	(\$35,773)	(\$34,643)
Non capital financing activities	47,361	42,810	43,328
Capital financing activities	7,305	(5,706)	(4,949)
Investing activities	(11,131)	(47,927)	2,902
Net increase in cash	<u>2,724</u>	<u>(46,596)</u>	<u>6,637</u>
Cash-beginning of year	9,945	56,541	49,904
Cash-end of year	<u>\$12,669</u>	<u>\$9,945</u>	<u>\$56,541</u>

Ending cash balances for fiscal years 2002 through 2004 were \$56.5 million, \$9.9 million, and \$12.7 million respectfully.

The \$46.6 million decrease in cash in 2003 was the result of converting short-term certificates of deposit (considered to be cash) to the State Treasury Asset Recovery Fund or STAROHIO (considered to be investments).

Major sources of cash in 2004 were State appropriations of \$45.8 million, tuition and fees of \$43.8 million, gifts, grants; contracts totaling \$21.6 million, and \$11.6 million net proceeds from the issuance of debt.

The most significant uses of cash were payments for salaries and benefits of \$74.3 million, payments to suppliers of \$33.4 million, and \$7.4 million for the purchase of capital assets.

BUDGETS

College policy requires the Board of Trustees approve an operational budget before June 30 of the preceding fiscal year, and only the Board of Trustees shall have authority to allocate funds for expenses not included in the approved operating budget. The operating budget focuses on revenues and expenses produced from daily operations as well as budgeted expenditures for capital improvements, equipment, and debt service.

Columbus State takes a conservative approach to budgeting. Revenues are based upon conservative enrollment projections and pre-determined tuition rates. Mission and goals, together with current and predicted economic environment and local conditions, all factor into the development of expense budgets. Expenses are constrained by budgeted revenues.

State instructional subsidy revenues are treated as operating revenues for budget purposes as they are heavily weighted on enrollment.

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Budgeted and actual results for College and Auxiliaries operations are presented below.

*Columbus State Community College
Budget Comparisons - Budget to Actual
FY 04 (in thousands)*

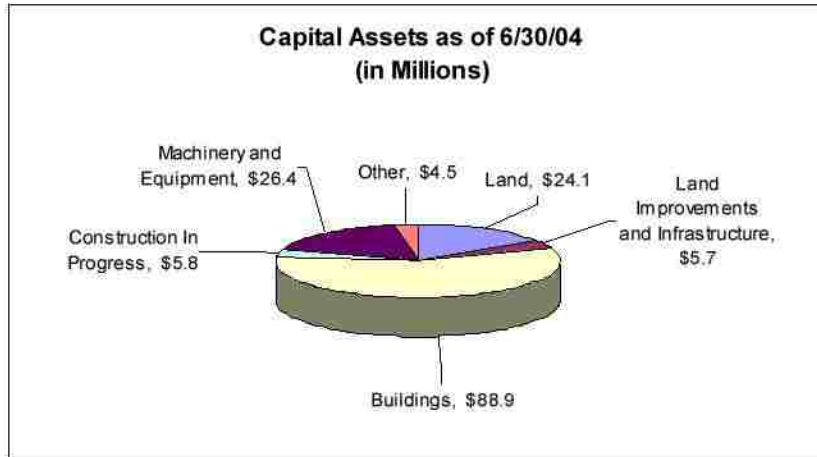
	Original	Revised	Percent		Percent
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Difference</u>	<u>Actual</u>	<u>Difference</u>
College	\$102,563	\$103,839	1.25%	\$102,118	-1.66%
Auxiliary	10,297	10,429	1.29%	10,642	2.05%
Total Revenues	\$112,860	\$114,268	1.25%	\$112,760	-1.32%
 <u>Expenditures</u>					
College	\$102,456	\$103,496	1.00%	\$98,388	-4.94%
Auxiliary	9,624	9,908	2.95%	9,872	-0.37%
Total Expenditures	\$112,080	\$113,404	1.20%	\$108,260	-4.54%
 Net Revenues	 \$780	 \$864	 1.07%	 \$4,500	 520.84%

Capital Assets

Capital assets consist of land, land improvements, infrastructure (roads, underground utilities, etc.), buildings, equipment, vehicles, library books, as well as buildings under construction. Capital assets are recorded at "cost" at the time of acquisition. This acquisition cost is allocated over the useful life of the asset and recorded as depreciation expense.

COLUMBUS STATE COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2004 and 2003

The chart below illustrates the College's capital assets (by classification) as of June 30, 2004.



As of June 30, 2004 the College had recorded \$155.4 million in capital assets and \$45 million in accumulated depreciation, for a total of \$110.4 million in net capital assets. A detailed summary of additions, deletions, and depreciation of assets can be found in Note 4 - Capital assets, net.

Debt

As of June 30, 2004 the College had \$24.1 million of outstanding debt as follows:

General Receipts Bonds:	2003	\$ 16.1
<u>General Receipts Bonds</u>	1997	<u>\$ 8.0</u>
Total		\$ 24.1

FACTORS IMPACTING FUTURE PERIODS

State appropriations

The most significant economic issue for Columbus State Community College and other state of Ohio higher education institutions has been the prolonged downturn in the state's economy and revenue collections.

Two statewide revenue issues called for conservative state subsidy planning for fiscal year 2005. Having sustained budget cuts every year since fiscal year 2000 because revenues did not materialize as estimated, it is prudent for the College to be prepared for a cut in fiscal year 2005 in addition to the one already implemented by Executive Order, given continued economic uncertainties at the state level. Additionally, the College is mindful of the following:

COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Potential sales tax repeal.

The one cent sales tax is scheduled to sunset in June 2005. If it is not extended as a permanent one cent sales tax increase, the State of Ohio will lose approximately \$1.6 billion in revenues annually.

- Structural imbalance in state's fiscal year 2005 budget.

The State of Ohio's fiscal year 2005 General Revenue Fund is balanced on \$1.2 billion in one-time revenues, i.e., revenue that will not continue into the subsequent biennium. This issue will not impact fiscal year 2005, but will impact the fiscal year 2006 - 2007 state budget.

The estimated \$2.8 billion annual impact of these issues represents approximately 11% of the State's annual General Revenue Fund budget. Higher Education represents approximately 10% of the annual General Revenue Fund budget (\$2.5 billion). If Columbus State Community College has to sustain a 10% cut to its state subsidy allocation in a given fiscal year, the College would lose approximately \$5 million annually in state subsidy.

Enrollment

Over the past three years, the College's headcount enrollment has grown by an average of 9.3% per year. While the enrollment has climbed steadily, the College in Autumn 2003 maximized its capacity on main campus for high demand courses. For this reason, the fiscal year 2005 operating budget assumes a conservative growth in enrollment of 1%. Two new off-campus sites were opened in Autumn 2004. The enrollment assumption in the annual budget is evaluated mid-year when the College has a more accurate sense of its enrollment for 2004 - 2005.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees
Columbus State Community College
Columbus, Ohio

We have audited the accompanying statements of net assets of Columbus State Community College (the College), a component unit of the State of Ohio, as of June 30, 2004 and 2003 and the statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements of the College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) on pages 1 through 11 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.


Crowe Chizek and Company LLC

Columbus, Ohio
October 13, 2004

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2004 and 2003

	2004		2003	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 12,669,175	\$ 449,579	\$ 9,945,306	\$ 198,239
Investments	52,968,958	3,365,818	53,417,158	3,060,918
Notes, loans and accounts receivable, net	8,731,677	19,674	7,730,109	1,037
Inventory	2,098,352		1,606,456	
Other current assets	336,199		180,147	
Total current assets	<u>76,804,361</u>	<u>3,835,071</u>	<u>72,879,176</u>	<u>3,260,194</u>
NONCURRENT ASSETS				
Cash and cash equivalents	11,811,949		201,128	
Investments	2,922,340		2,254,831	
Capital assets, net	110,414,074		106,505,642	
Other noncurrent assets	283,674		-	
Total noncurrent assets	<u>125,432,037</u>	<u>-</u>	<u>108,961,601</u>	<u>-</u>
TOTAL ASSETS	<u>202,236,398</u>	<u>3,835,071</u>	<u>181,840,777</u>	<u>3,260,194</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	8,648,569	18,530	6,675,562	56,350
Annuities payable	45,739		40,933	
Deferred revenue	10,662,914		10,309,274	
Long term debt-current portion	1,405,000	18,530	899,658	
Total current liabilities	<u>20,762,242</u>	<u>18,530</u>	<u>17,925,427</u>	<u>56,350</u>
NONCURRENT LIABILITIES				
Annuities payable	2,467,464		2,472,289	
Long term liabilities	450,625		436,093	
Long term debt	22,700,000		10,535,000	
Total noncurrent liabilities	<u>25,618,089</u>	<u>-</u>	<u>13,443,382</u>	<u>-</u>
TOTAL LIABILITIES	<u>46,380,331</u>	<u>18,530</u>	<u>31,368,809</u>	<u>56,350</u>
NET ASSETS				
Invested in capital assets, net of related debt	96,094,175		93,860,151	
Restricted	-	3,610,331	-	2,985,859
Nonspendable	4,195,420		5,021,671	
Expendable	55,598,472	206,230	51,590,146	217,986
Unrestricted	155,856,067	3,816,551	150,471,968	3,203,845
TOTAL NET ASSETS	<u>\$ 155,856,067</u>	<u>\$ 3,816,551</u>	<u>\$ 150,471,968</u>	<u>\$ 3,203,845</u>

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
JUNE 30, 2004 and 2003

	2004		2003	
	Columbus Community College	Component Unit Development Foundation	Columbus Community College	Component Unit Development Foundation
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$10,479,592 in 2004 and \$11,045,687 in 2003)	\$ 44,132,574		\$ 36,468,861	
Federal grants and contracts	19,040,107		18,041,348	
State and local grants and contracts	3,083,832		3,723,830	
Private grants and contracts	1,597,401	\$ 649,797	471,693	\$ 507,984
Sales and services of educational departments	21,661		2,542	
Auxiliary enterprises				
Bookstore	10,119,747		9,824,485	
Other	522,142		488,763	
Other operating revenues	688,854		542,310	(5,996)
Total operating revenues	<u>79,206,318</u>	<u>649,797</u>	<u>71,563,832</u>	<u>501,988</u>
EXPENSES				
Operating Expenses				
Educational and general				
Instruction and departmental research	54,164,574		48,154,155	
Public service	4,797,824		4,812,278	
Academic support	3,677,761		3,624,251	
Student services	9,380,301		9,083,136	
Institutional support	14,740,442	198,719	15,760,640	154,947
Operation and maintenance of plant	12,140,408		11,215,827	
Scholarships and fellowships	9,820,532	171,255	7,890,524	
Depreciation expense	3,482,948		3,274,434	194,620
Auxiliary enterprises				
Bookstore	9,305,642		8,959,381	
Other	566,402		582,462	
Total operating expenses	<u>122,076,634</u>	<u>369,974</u>	<u>113,357,088</u>	<u>349,567</u>
Operating income (loss)	<u>(42,870,316)</u>	<u>279,823</u>	<u>(41,793,256)</u>	<u>152,421</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	46,686,995		43,691,970	
Unrestricted investment income (Net of investment expense)	670,966	332,883	822,020	285,372
Restricted investment income (Net of investment expense)	28,584		26,662	
Interest on capital asset related debt	(718,888)		(647,991)	
Net nonoperating revenues	<u>46,667,656</u>	<u>332,883</u>	<u>43,892,661</u>	<u>285,372</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>3,797,340</u>	<u>612,706</u>	<u>2,099,405</u>	<u>437,793</u>
Capital appropriations	<u>1,586,759</u>	<u>-</u>	<u>1,347,083</u>	<u>-</u>
Increase (decrease) in net assets	<u>5,384,099</u>	<u>612,706</u>	<u>3,446,488</u>	<u>437,793</u>
NET ASSETS				
Net assets- beginning of year	<u>150,471,968</u>	<u>3,203,845</u>	<u>147,025,480</u>	<u>2,766,052</u>
Net assets- end of year	<u>\$ 155,856,067</u>	<u>\$ 3,816,551</u>	<u>\$ 150,471,968</u>	<u>\$ 3,203,845</u>

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004 and 2003

	2004		2003	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 43,879,287	\$ 631,160	\$ 38,563,504	\$ 507,984
Grants, gifts and contracts	21,571,595		20,405,373	
Payments to suppliers	(33,429,809)		(29,521,397)	
Payments for salaries and benefits	(74,287,897)	(198,719)	(69,813,835)	(125,329)
Scholarships	(9,820,332)	(209,084)	(6,678,937)	(194,620)
Auxiliary enterprise receipts				
Bookstore	10,043,119		10,019,233	
Other	522,142		489,183	
Sales and service of educational	21,661		2,542	
Other receipts (payments)	688,854		761,601	
Net cash from operating activities	<u>(40,811,380)</u>	<u>223,357</u>	<u>(35,772,733)</u>	<u>(5,996)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	45,825,705		43,459,563	
Agency and loan program receipts and disbursements, net	1,534,833		(649,924)	
Net cash provided by noncapital financing activities	<u>47,360,538</u>	<u>-</u>	<u>42,809,639</u>	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital appropriations	2,745,218		917,814	
Proceeds from capital debt	16,485,000		-	
Purchases of capital assets	(7,291,380)		(5,079,923)	
Principal paid on capital debt and leases	(3,814,638)		(895,559)	
Interest paid on capital debt and leases	(718,889)		(647,991)	
Net cash from financing activities	<u>7,305,292</u>	<u>-</u>	<u>(5,705,659)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Bond proceeds invested in restricted cash	(11,596,694)		(304,900)	
Sales and (purchases) of investments	(233,435)		(304,900)	
Income on investments	699,548	332,883	993,684	(561,898)
Net cash provided by investing activities	<u>(11,130,581)</u>	<u>27,983</u>	<u>(47,926,629)</u>	<u>(285,372)</u>
NET INCREASE IN CASH	<u>2,723,869</u>	<u>251,340</u>	<u>(46,595,381)</u>	<u>(94,478)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,945,306</u>	<u>198,239</u>	<u>56,540,687</u>	<u>292,717</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 12,669,175</u>	<u>\$ 449,579</u>	<u>\$ 9,945,306</u>	<u>\$ 198,239</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (42,870,316)	\$ 279,823	\$ (41,793,256)	\$ 152,421
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	3,482,948	-	3,274,434	
Changes in assets and liabilities:				
Receivables net	(2,833,301)	(18,637)	1,129,556	29,627
Other assets	(931,621)	-	(26,638)	
Accounts payable and accrued liabilities	1,987,270	(37,829)	(77,362)	
Deferred revenue	353,640		1,720,533	
Net cash provided (used) by operating activities	<u>\$ (40,811,380)</u>	<u>\$ 223,357</u>	<u>\$ (35,772,733)</u>	<u>\$ 182,048</u>

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Columbus State Community College (the College) is part of the State of Ohio higher education system and was chartered as the Columbus Technical Institute. In 1986, the College was established as a college district by the Ohio Board of Regents. On July 1, 1987, the College was granted a provisional charter as a state community college, which was made permanent on September 10, 1993. As such, the College is one of the state-supported colleges and universities in Ohio. The College is a component unit of the primary reporting entity of the State of Ohio.

Columbus State Community College Development Foundation, Inc. (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 amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

b. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed the by Governmental Accounting Standards Board (GASB).

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* 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 assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable* - Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the permanent endowment funds of the College and Foundation.

Expendable - Net assets whose use by the College 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 net assets principally represent amounts for specified capital construction projects.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING Policies
(Continued)

- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

c. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA). BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

d. Capital Assets

Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of \$5,000 or more and having an estimated useful life of greater than one year, is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10 - 50 years buildings and fixed equipment, 15 years for library books and 4 - 10 years for equipment.

e. Inventories

Inventories are comprised of text books and educational material sold by the book store and are stated at cost (first-in, first-out, or average cost).

f. Investments

Investments are stated at fair value based on market values or dealer quotes.

g. Operating Activities

The College defines operating activities, as reported on the Statement of Revenues, Expenses, and Changes in Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and good received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Revenue

Deferred revenue as of June 30, 2004 and 2003 is comprised primarily of unearned summer school tuition and fees.

i. Scholarship Allowance

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 assets. 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.

j. Use of Estimates

The preparation of financial statements in conformity with 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. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

k. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and accompanying notes. Certain items have been reclassified for the year ended June 30, 2003 to conform to classifications used for the year ended June 30, 2004.

Note 2 - Cash, Cash Equivalents, and Investments

In accordance with Statement No. 3 of the Government Accounting Standards Board, cash deposits are categorized to give an indication of the level of risk assumed by the College. The categories are as follows:

Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.

Category 3 - Uncollateralized.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004 and 2003

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2004:

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Balance per Bank Risk Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
\$ 24,481,124	\$ 25,471,320	\$ 300,000	\$ 25,171,320	\$ --

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand and deposits in transit). Of the total cash in bank accounts, \$25,471,320 was held in demand accounts.

For the purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories follow:

- Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.
- Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.
- Category 3 - Investments that are uninsured and unregistered, with the securities held by the broker or dealer, or by its trust department or agent, but not in the College's name.

The College's investments (current and noncurrent) are with STAR Ohio. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry forms.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 3 - NOTES, LOANS AND ACCOUNTS RECEIVABLE

Notes, loans and accounts receivable as of June 30, 2004 and 2003 are as follows:

<u>2004</u>	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Student's and other Reimbursement receivable - grants and contracts	\$ 6,279,770	\$ 2,232,342	\$ 4,047,428
	<u>4,684,249</u>		<u>4,684,249</u>
	<u>\$ 10,964,019</u>	<u>\$ 2,232,342</u>	<u>\$ 8,731,677</u>
 <u>2003</u>			
Student's and other Reimbursement receivable - grants and contracts	\$ 6,025,673	\$ 1,694,089	\$ 4,331,584
	<u>3,398,525</u>	<u>-</u>	<u>3,398,525</u>
	<u>\$ 9,424,198</u>	<u>\$ 1,694,089</u>	<u>\$ 7,730,109</u>

NOTE 4 - CAPITAL ASSETS, NET

Capital asset as of June 30, 2004 and 2003 are summarized as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions and Transfers</u>	<u>Balance June 30, 2004</u>
Land	\$ 24,111,024	\$ -	\$ -	\$ 24,111,024
Buildings	87,568,185	1,337,462	-	88,905,647
Improvements other than Buildings	5,493,927	248,018	-	5,741,945
Moveable equipment, furniture and library books	30,450,690	1,008,948	(517,192)	30,942,446
Construction in progress	<u>908,858</u>	<u>4,874,815</u>	<u>-</u>	<u>5,783,673</u>
	148,532,684	7,469,243	(517,192)	155,484,735
Accumulated Depreciation	<u>42,027,042</u>	<u>3,482,948</u>	<u>(439,329)</u>	<u>45,070,661</u>
Capital assets, net	<u>\$ 106,505,642</u>	<u>\$ 3,986,295</u>	<u>\$ (77,863)</u>	<u>\$ 110,414,074</u>

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at of June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Payable to vendors and contractors	\$ 4,880,510	\$ 2,527,494
Accrued expenses, primarily payroll and vacation leave	2,477,835	3,284,847
Employee withholdings and deposits payable to third parties	<u>1,740,850</u>	<u>1,299,314</u>
	<u>\$ 9,009,195</u>	<u>\$ 7,111,655</u>
Current	\$ 8,648,570	\$ 6,675,562
Non Current	450,625	436,093

In addition, the College has annuity obligations related to previously received gifts that require payments to beneficiaries during their life, totaling \$266,328 annually.

NOTE 6 - LONG-TERM DEBT

Long-term debt as of June 30, 2004 and 2003 is summarized as follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>New Debt</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Series 1993 Bonds with interest rates ranging from 3.95% to 5% due serially through 2010	\$ 3,330,000	\$ -	\$ (3,330,000)	\$ -	\$ -	\$ -
Series 1997 bonds with interest rates ranging from 3.95% to 5.75% due serially through 2016	8,015,000	-	(395,000)	7,620,000	400,000	7,220,000
Series 2003 bonds with interest rates ranging from 2.0% to 4.5% due serially through 2023	-	17,160,000	(675,000)	16,485,000	1,005,000	15,480,000
Capital leases	<u>89,658</u>	<u>-</u>	<u>(89,658)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,434,658</u>	<u>\$ 17,160,000</u>	<u>\$ (4,489,658)</u>	<u>\$ 24,105,000</u>	<u>\$ 1,405,000</u>	<u>\$ 22,700,000</u>

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 6 - LONG-TERM DEBT (Continued)

Principal maturities and interest on bonds, and capital leases for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,405,000	\$ 868,306	\$ 2,273,306
2006	1,450,000	977,854	2,427,854
2007	1,510,000	930,904	2,440,904
2008	1,575,000	878,123	2,453,123
2009	1,590,000	819,560	2,409,650
Thereafter	<u>16,575,000</u>	<u>10,637,127</u>	<u>27,212,127</u>
Total	<u>\$ 24,105,000</u>	<u>\$ 15,111,873</u>	<u>\$ 39,216,874</u>

The bonds are serviced by the general receipts of the College, except for receipts expressly excluded as stated in the trust indentures dated April 1, 1997 and December 1, 2003.

At the sole option of the College, the Series 1997 and 2003 bonds maturing on or after December 1, 2007 and June 1, 2014, respectively, are subject to prior redemption, in whole on any date or in part (in integral multiples of \$5,000). The following summarizes redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
Series 1997	
12/1/2007 to 11/30/2008	101%
12/1/2008 and thereafter	100%
<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
Series 2003	
6/1/2014 and thereafter	100%

The Series 1997 bonds maturing on December 1, 2016 and the Series 2003 maturing on June 1, 2020 and June 1, 2023, in the aggregate principal amount of \$4,205,000 and \$5,335,000, respectively (the "Term Bonds"), are also subject to mandatory sinking-fund redemption in part by lot pursuant to the terms of the First Supplement Trust Agreement.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004 and 2003

NOTE 6 - LONG-TERM DEBT (Continued)

The mandatory sinking fund redemptions will occur at a redemption price equal to 100% of the principal amount redeemed plus interest accrued to the redemption date, without premium, and according to the following schedules:

<u>Year</u>	<u>Series 1997</u>	<u>Series 1997</u>
2011	\$ 610,000	
2012	640,000	
2013	680,000	
2014	715,000	
2015	760,000	
2016	800,000	
2018		\$ 800,000
2019		830,000
2020		870,000
2021		905,000
2022		945,000
2023		985,000

Term bonds redeemed other than by mandatory redemption, or purchases for cancellation, may be credited against the applicable mandatory redemption requirements.

The College had certain lease agreements in effect for data processing and other equipment, with a carrying value of approximately \$551,000 as of June 30, 2004 and 2003, which are considered capital leases. These agreements had ending dates ranging through March 2005 and had imputed interest rates ranging from 4.8% to 5.0%. The accumulated depreciation at June 30, 2004 and 2003 on these leases was approximately \$430,000 and \$348,000.

The College also leases classroom space for its off-campus sites under operating leases, which have ending dates ranging through December 2005. Future minimum lease payments under operating leases at June 30, 2004 are as follows:

2005	\$ 487,908
2006	<u>168,954</u>
	<u>\$ 656,862</u>

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 7 - RETIREMENT PLANS

The College's faculty is covered by State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the School Employees Retirement System of Ohio (SERS). These retirement programs are statewide cost sharing multiple employer defined benefit pension plans. They provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by State statute. STRS and SERS issue separate, publicly available financial reports that include financial statements and required supplementary information. The SERS report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853. The STRS report may be obtained by calling 1-800-365-3469.

The Ohio Revised Code provides STRS and SERS statutory authority for employee and employer contributions. The required, actuarially-determined contribution rates for plan members and the College for 2003 (date of most recent information available) were 10% and 14% covered payroll, for STRS respectively, and 10% and 14% of covered payroll for SERS, respectively.

The College's contributions, which represent 100% of the required contributions, for the year ended June 30, 2004 and for each of the two preceding years is as follows:

	STRS Annual Required <u>Contributions</u>	SERS Annual Required <u>Contributions</u>
2004	\$ 5,084,454	\$ 3,407,886
2003	4,718,149	3,115,968
2002	4,262,588	2,707,195

Alternative Retirement Plan: The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 3.5% for STRS and 0% for SERS. The College has implemented the alternative retirement plan. In fiscal year 2002, the College's contributions were \$14,308 for STRS and \$0 for SERS. In fiscal year 2003 the College's contributions were \$13,038 for STRS and \$0 for SERS. In fiscal year 2004, the College's contributions were \$17,307 for STRS and \$0 for SERS.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 7 - RETIREMENT PLANS (Continued)

In addition to the retirement benefits described above, STRS and SERS provide post-retirement health care benefits. STRS and SERS provide comprehensive health care benefits to retirees with 10 or more years of qualifying service credit and offer coverage to their dependents on a deduction basis. Coverage includes hospitalization, medical expenses, prescription drugs and reimbursement of monthly Medicare premiums. STRS and SERS determine the amount, if any, of the associated health care cost that will be absorbed by STRS and SERS. Under Ohio law, medical costs paid from the funds of STRS and SERS are included on the employer contribution rate. Through June 30, 2003 (date of most recent information available), STRS currently allocated 4.5% of covered payroll to fund the health care program for retirants. Through June 30, 2002 (date of most recent information available), SERS currently allocated 5.83% of covered payroll to fund the health care program for retirants.

NOTE 8 - COMPENSATED ABSENCES

The College follows the policy of accruing sick leave liability. The College accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the "vesting method" which is set forth in GASB Statement No. 16, *Accounting for Compensated Absences*. Under the vesting method, the College calculates the probability that groups of employees will become eligible to receive termination payments. These probability ratios are then applied by the College to the accumulated leave balance for that current group of College employees. The College also records an estimated vacation accrued.

As of June 30, 2004 and 2003 the estimated accrued vacation and sick leave liability was approximately \$2,478,000 and \$2,311,000, respectively.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Salaries and wages	\$ 63,262,436	\$ 56,174,783
Employee benefits	15,149,232	13,667,716
Utilities	2,238,898	2,216,220
Supplies and other services	28,122,788	27,198,694
Depreciation	3,482,948	3,274,434
Student scholarships and financial aid	9,820,332	6,678,937
	<u>\$ 122,076,634</u>	<u>\$ 109,210,784</u>

NOTE 10 - RISK MANAGEMENT

The College uses a number of methods to assess and reduce risk of operations. Risk management programs like driver training, professional certifications, safety training in the use of equipment, first aid training like cardio-pulmonary resuscitation (CPR) and the like are conducted to inhibit injury and reduce the result thereof. The College has an agreement with Acordia, a risk management and brokerage company, to aid in this area. The College procures various insurance coverage for property damage, crime, general liability, liquor liability, golf club management liability, and automobile insurance. Coverage amounts vary in terms of peril insured against. The College has not had a significant reduction in coverage from the prior year. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

NOTE 11 - STATE SUPPORT

The College is a state-assisted institution of higher education that receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based on a formula devised by the Ohio Board of Regents adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides the funding for and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents. Such facilities are reflected as buildings or construction in progress in the accompanying balance sheet.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 11 - STATE SUPPORT (Continued)

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

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the Treasurer of State of Ohio.

NOTE 12 - CAPITAL PROJECTS COMMITMENTS

At June 30, 2004 and 2003, the College was committed to future capital expenditures as follows:

	<u>2004</u>	<u>2003</u>
Contractual commitments		
Human Patient Simulator Lab	\$ 248,000	\$ --
Aquinas Hall	412,000	412,000
North Sixth Street	209,000	1,700,000
Union Hall Labs	500,000	540,000
Westerville Expansion	<u>--</u>	<u>677,000</u>
Total future project costs	<u>\$ 1,369,000</u>	<u>\$ 3,329,000</u>

NOTE 13 - ENCUMBRANCES

Encumbrances are contractual commitments made by the College for the purchase of goods and services. However, as of the balance sheet date, such goods have not been delivered or services rendered. Encumbrances (excluding amounts for Board allocations) were \$647,894 and \$688,908 as of June 30, 2004 and 2003.

NOTE 14 - PENDING LITIGATION

At June 30, 2004, there were several lawsuits and claims pending against the College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

COLUMBUS STATE COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004 and 2003

NOTE 15 - COMPONENT UNIT DISCLOSURES

The following disclosures relate to the Columbus State Community College Development Foundation.

As of June 30, 2004 cash deposits are categorized as follows:

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Balance per Bank Risk Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
\$ 449,579	\$ 460,559	\$ 100,000	\$ 349,579	\$ --

Foundation investments are stated at market value, with changes in market value being recognized as gains and losses during the period in which they occur.

The following summarizes the carrying value and fair value of investments for the Foundation at June 30, 2004 and 2003 and are all Category 1 investments:

<u>2004</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Money market funds	\$ 104,010	\$ 104,010	\$ 104,010
Common and preferred stock	1,573,651	2,000,362	2,000,362
Bonds due within one year	195,478	196,192	196,192
Bonds due beyond one year	<u>1,084,735</u>	<u>1,065,254</u>	<u>1,065,254</u>
Total investments	<u>\$ 2,957,874</u>	<u>\$ 3,365,818</u>	<u>\$ 3,365,818</u>
<u>2003</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Money market funds	\$ 48,167	\$ 48,174	\$ 48,174
Common and preferred stock	1,533,869	1,807,220	1,807,220
Bonds due beyond one year	<u>1,173,726</u>	<u>1,205,524</u>	<u>1,205,524</u>
Total investments	<u>\$ 2,755,762</u>	<u>\$ 3,060,918</u>	<u>\$ 3,060,918</u>

During the years ended June 30, 2004 and 2003, the Foundation made distributions of approximately \$171,000 and \$195,000 respectively to or on behalf of the College for both restricted and unrestricted purposes.

SUPPLEMENTAL INFORMATION

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2004

<u>Federal Grantor Agency/Pass-Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Number</u>	<u>Disbursements</u>
<u>U.S. Department of Education</u>			
Student financial aid cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 451,645
Federal Family Education Loans (Note 2)	84.032		23,735,394
Federal Work Study Program	84.033		492,970
Federal Pell Grant Program	84.063		<u>16,355,845</u>
Total student financial aid cluster			41,035,854
TRIO cluster			
TRIO	84.047		278,096
Student Support Services	84.042A		<u>208,413</u>
Total TRIO cluster			486,509
Title III Grant	84.031A		459,186
Passed through State Department of Education:			
Vocational Education - Basic Grants to States	84.048	20-C2	394,085
Technical Preparation Grant	84.243	3E-00	367,430
Summer Food Service Program for Children	10.559		5,204
WIA Adult Program (passed through State Department of Education)	17.258		19,806
WIA Youth Activities	17.259		<u>228,389</u>
Total WIA cluster			<u>248,195</u>
Total U.S. Department of Education			42,996,463

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2004

Federal Grantor Agency/Pass-Through <u>Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Number</u>	<u>Disbursements</u>
National Science Foundation: Education and Human Resources	47.076		128,536
Child Care Access Means Parents in School	84.335		29,463
U.S. Department of Health & Human Services: Temporary Assistance to Needy Families	93.558		<u>29,917</u>
Total Federal assistance			<u>\$ 43,184,379</u>

COLUMBUS STATE COMMUNITY COLLEGE
FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2004

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

NOTE 2 - OUTSTANDING LOANS

The College does not make Federal Family Education Loans (FFELs). The amount presented represents the value of new FFELs awarded during the year as follows:

Federal Stafford Loans	\$ 12,316,540
Federal Unsubsidized Stafford Loans	11,091,935
Federal PLUS Loans	<u>326,919</u>
Total FFELs	<u>\$ 23,735,394</u>

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2004

1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Columbus State Community College for the year ended June 30, 2004.
- b. An unqualified opinion was issued to Columbus State Community College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There was one audit findings required to be disclosed under OMB Circular A-133 Section 510(a). See Finding 03-01.
- e. Major Programs Identified:

Student Financial Assistance Cluster:
Federal Supplemental Educational Opportunity Grant
Federal Family Education Loan
Federal Work Study Program
Federal Pell Grant Program

- f. The dollar threshold used to distinguish between Type A and Type B programs was \$583,844.
 - g. The auditee was considered to be a low-risk auditee.
2. Findings related to financial statements that are required to be reported in accordance with GAGAS:
- None.
3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a):
- None.

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2004

4. SUMMARY OF PRIOR YEAR FINDINGS

Finding 03-01 - Return of funds procedures (34 CFR section 668).

During the performance of our student file review procedures we discovered that two students out of 56 tested had withdrawn without the College calculating the return of funds.

Status: Corrective action has been taken.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Columbus State Community College
Columbus, Ohio

We have audited the financial statements of Columbus State Community College (College) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of Columbus State Community College in a separate letter dated October 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that we have reported to the management of Columbus State Community College in a separate letter dated October 13, 2004.

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



Crowe Chizek and Company LLC

Columbus, Ohio
October 13, 2004



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

Board of Trustees
Columbus State Community College
Columbus, Ohio

Compliance

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

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

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that we have reported to the management of Columbus State Community College in a separate letter dated October 13, 2004.

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



Crowe Chizek and Company LLC

Columbus, Ohio
October 13, 2004



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**COLUMBUS STATE COMMUNITY COLLEGE
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**