

COLUMBUS STATE COMMUNITY COLLEGE

**Financial Report With Additional Information
For The Years Ended June 30, 2010 and 2009**





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Columbus State Community College, Franklin County, prepared by Parns & Company, LLC for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 11, 2011

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COLUMBUS STATE COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

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, and its discretely presented component unit, as of June 30, 2010 and 2009, and the related statements of revenues, 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 audits 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 business-type activities and the discretely presented component unit of the Columbus State Community College as of June 30, 2010 and 2009, and the respective 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 14, 2010, 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The Management's Discussion and Analysis presented on pages 3 through 15 is not a required part of the basic 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 the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2010, 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 basic financial statements of Columbus State Community College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Parms & Company, LLC

October 14, 2010
Columbus, Ohio

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Columbus State Community College’s Annual Report presents management’s discussion and analysis (“MD&A”) of the College’s financial position as of June 30, 2010; and financial activity for the fiscal year July 1, 2009 through June 30, 2010, with selected comparative information for the fiscal year ended June 30, 2009, and June 30, 2008, when appropriate. This discussion should be read in conjunction with the accompanying financial statements and notes herein.

ABOUT THE COLLEGE

Columbus State Community College is Ohio’s largest two-year institution of higher education in enrollment, and third largest among all state colleges and universities. As an access institution, the College provides higher education that is high-quality, affordable, and convenient.

The College opened in 1963 as the Columbus Area Technician School in the basement of Central High School and served 67 students. In 1965, it was re-chartered as the Columbus Technical Institute (CTI) to serve students in a four-county service district. CTI established itself in Aquinas Hall at the College’s current Spring Street location. In 1987, the College was re-chartered as Columbus State Community College in order “to provide additional educational opportunities to area residents.”

As a comprehensive community college, Columbus State has a strong commitment to technical education, offering the Associate of Applied Science and the Associate of Technical Studies degree programs in business, health, human services, public service, and engineering technologies to prepare graduates for immediate employment. The transfer programs, Associate of Arts and Associate of Science, meet the majority of freshman and sophomore course requirements of bachelor’s degree programs offered by four-year colleges and universities throughout the state. Specific transfer agreements with area colleges and universities have also been developed.

The College supports a four-county service district that includes Delaware, Franklin, Madison and Union Counties. A partnership with Ohio University has also been developed to offer classes in Pickaway County. In addition to the downtown Columbus campus, the College offered its first classes at its new Delaware Campus beginning Autumn quarter 2010. Additionally, Columbus State operates ten Off-Campus Centers throughout central Ohio. These suburban centers allow students to take courses closer to where they live and work. The College’s on-line programs allow many students to take classes from their homes, library or wherever it is convenient.

ABOUT THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges and Universities, issued in June and November 1999. The College reports as a special purpose government engaged solely in “business type activities” under GASB Statement No. 34.

In addition to this MD&A, a full set of financial statements, complete with notes, is presented in the next section of this annual report, including:

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

These statements include the College, its Auxiliaries, and the Columbus State Community College Development Foundation.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

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 known 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.

FINANCIAL HIGHLIGHTS AND TRENDS

Financial Sustainability

Despite a severe economic recession, the College’s financial health remained sound in 2010, primarily the result of record enrollments, state support, and prudent planning and budgeting guided by resource planning principles authorized by the Board of Trustees in November 2007. Net assets, before capital appropriations, increased by nearly \$8.5 million. Enrollment increased by 18.3% full-time equivalents (FTEs) over 2009, with a corresponding increase of \$6.0 million, or 10.0%, in tuition revenue, net of scholarship allowances. Historically autumn quarter enrollment was highest, with declines in winter and spring. However, a new trend has emerged in the past couple years with autumn, winter and spring showing comparable enrollments. These three quarters during the 2009-2010 academic year had enrollments within a range of 35 students, with spring enrollment at 28,504.

In enacting the FY2008-2009 biennial budget for the State of Ohio, tuition was frozen for two years for all institutions at the rate that each was charging its students in FY2007. For the fourth year in a row, tuition remained at \$79 per credit hour for Columbus State. State Share of Instruction (SSI) for Ohio colleges and universities was increased by 1.8% in FY10 over FY09 to stem the trend of rising tuition rates. The formula for distributing SSI is heavily reliant on enrollment, and because of Columbus State’s growth, the college received \$3.0 million or 5.0% over the FY2009 SSI allocation. In FY10, SSI included what was formerly allocated in two line items, State Share of Instruction and Access Challenge.

Resource Planning Principles

In November 2007, the Board authorized Resource Planning Principles (“the Principles”) to provide guidance for planning the College’s operating budget and to align the College’s unrestricted resources with its programmatic priorities. FY2010 was the second year for those principles to be applied, with results as follows:

- The Principles call for balancing proposed general fund budgets, initial and revised, within a positive margin of 1 – 2%. Based on higher enrollment than initially budgeted, the revised FY10 budget was balanced at 5.1%.
- The Principles further call for maintaining an unrestricted Budget/Tuition Stabilization account in an amount at least equal to 10% of the prior year general fund revenues. The purpose of this account is to minimize the potential impact of unanticipated fluctuations in enrollment and/or the state’s economy, which could impact the state’s ability to pay the College appropriated subsidies. The Board allocated funds in November 2007 to meet this standard, and has exceeded the minimum allocation each year.
- During a continued recession, the College yielded unrestricted investment income of \$1.1 million. While this amount was \$2.7 million or nearly 71.0% less than 2009, no budget adjustments were necessary to cover any this decrease in investment income because, per the Principles, investment income is allocated as net income, not as an operating revenue.
- Strategic allocations of general fund net income realized for the period ended June 30, 2009 were recommended by the President and approved by the Board of Trustees as follows:

○ Budget/Tuition Stabilization	\$ 4,020,499
○ Delaware Campus Operations	3,000,000
○ Capital Improvements and Land Acquisition	2,750,000
○ Technology Initiatives	1,600,000
○ PERFORMs	250,000

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

Financial Accountability

Credit Rating Upgrade. In late June 2010, Standard & Poor's ("S&P") upgraded the College's credit rating from A to A+, and its outlook from Stable to Positive. Among other things, S&P cited strong enrollment growth, strong operating performance over time, and expense flexibility as bases for the rating upgrades. The State of Ohio's continued support for higher education as a policy priority was also recognized in the rating analysis.

Composite Score. Senate Bill 6 of the 122nd General Assembly, enacted into law in 1997, was designed to increase financial accountability of state colleges and universities by using a standard set of measures, using year-end audited financial statements, to monitor the fiscal health of each institution. Three ratios are calculated, from which a summary score, termed the composite score, is determined, which is the primary indicator of fiscal health. The three ratios calculated, and the respective weight of each in determining the composite score, are as follows:

- Viability Ratio – 30%
- Primary Reserve Ratio – 50%
- Net Income Ratio – 20%

For the fifth year in a row, Columbus State earned a composite score of 5.0 for FY 2009, the highest degree of fiscal strength for each ratio and the highest composite score that can be earned. For the twelve (12) years that these measures have been reported, Columbus State has averaged a composite score of 4.8.

Capital Additions and Improvements

Work on several capital projects was initiated, progressed or completed in 2010.

The most significant of these projects was the Delaware Campus, which officially opened July 7, 2010 after a ribbon-cutting and dedication on June 28, 2010. The campus hosted its first classes in Autumn 2010. After nearly eight (8) years, starting with a Feasibility Study in 2002, groundbreaking took place in July 2008. The project budget totaled nearly \$25 million, of which \$20.7 million was appropriated in State of Ohio capital improvement bills. The balance of the project was funded by local funds allocated by the Board and with capital appropriations remaining from the construction of the Center for Workforce Development. All costs reported as construction in progress at June 30, 2009 are now categorized within fixed assets as building, improvements, machinery and equipment as of June 30, 2010.

In 2010 renovation began on Columbus Hall which houses the college's Educational Resource Center. Funds appropriated in the FY2009-2010 capital legislation totaling \$5,470,913 are being used for the project which will be completed by Autumn Quarter 2011.

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 only the quality of the College's financial condition.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

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, 2010. The total amount of assets minus liabilities equals net assets. These net assets are categorized as follows:

- Invested in Capital Assets, Net of Related Debt
- Restricted – Nonexpendable (permanent endowment funds of the College and Foundation)
- Restricted – Expendable (primarily amounts for specified construction projects)
- Unrestricted

The *Statement of Revenues, Expenses and Changes in Net Assets* shows the revenues earned and expenses incurred during the year, and the net increase/decrease in net assets. 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.

The Columbus State Community College Development Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services and facilities of the College. 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 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. There are also separately issued financial statements for the Foundation. Operating results are not included in this Management Discussion and Analysis. Additional information regarding the Foundation is included in Note 17 and in the separately issued Foundation financial statements and audit report.

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

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

Statement of Net Assets (in thousands)

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>2008</u>	<u>Difference</u>
Assets					
Current assets	\$ 161,741	\$ 151,018	\$ 10,723	\$ 132,361	\$ 18,657
Non-current assets					
Capital assets	161,287	154,193	7,094	139,671	14,522
Other	2,688	2,068	620	1,434	634
Total assets	<u>325,716</u>	<u>307,279</u>	<u>18,437</u>	<u>273,466</u>	<u>33,813</u>
Liabilities					
Current Liabilities					
Deferred revenue	16,243	14,776	1,467	12,492	2,284
Accounts payable	9,940	10,555	(615)	7,621	2,934
Other current liabilities	1,220	1,782	(562)	1,701	81
Non-current liabilities					
Long-term debt	13,690	14,910	(1,220)	16,620	(1,710)
Annuities payable	-	2,124	(2,124)	2,195	(71)
Other	990	846	144	684	162
Total liabilities	<u>42,083</u>	<u>44,993</u>	<u>(2,910)</u>	<u>41,313</u>	<u>3,680</u>
Net Assets					
Invested in capital assets	157,428	147,420	10,008	128,952	18,468
Restricted	82	131	(49)	64	67
Unrestricted	126,123	114,735	11,388	103,137	11,598
Total net assets	<u>\$ 283,633</u>	<u>\$ 262,286</u>	<u>\$ 21,347</u>	<u>\$ 232,153</u>	<u>\$ 30,133</u>

As of June 30, 2010, current assets totaled \$161.7 million compared to \$151.0 million in fiscal year 2009, and \$132.4 million in 2008. Year-to-year increases amounted to 7.1% and 14.1% in 2010 and 2009, respectively. These increases are directly related to the increases in net assets before capital appropriations of \$8.5 million and \$14.0 million, respectively. Cash, cash equivalents and investments increased by \$23.2 million and \$12.8 million in 2010 and 2009, respectively, while other current assets decreased by \$12.5 million in 2010 and increased by \$5.8 million in 2009. The 2010 decrease in other current assets is primarily due to a decrease in accounts receivable of \$12.1 million, which resulted from the ability to access federal funds for Pell grants awarded for summer quarter 2010 in June 2010. Prior to 2010, these funds could not be accessed prior to July 1 of the new financial aid year which left a large amount of receivables for summer quarter outstanding each June 30. The 2009 increase in accounts receivable over 2008 was a result of summer quarter 2009 registrations, which were 17% higher than summer quarter 2008 as of June 30, and higher receivables recorded for state capital appropriations related to construction in process, Academic E at Delaware Campus. A corresponding liability was also recorded for construction costs.

Total assets as of June 30, 2010, were \$325.7 million compared to \$307.3 million in fiscal year 2009, a 6.0% increase. The increase, \$18.4 million, is largely the result of the \$10.7 million increase in current assets discussed above, and a \$7.1 million increase in capital assets related to the completion of the first academic building on the Delaware Campus, Moeller Hall (formerly Academic E), and renovation of an existing building for administrative offices. The majority of the increase in capital assets was funded by state capital appropriations.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

Capital assets such as land, buildings, machinery and equipment remain the largest asset group at \$161.3 million (49.5%), followed by cash and investments of \$157.2 million (48.3%); and inventory and other assets at \$7.2 million (2.2%). Capital assets are comparable to its proportion of total assets at June 30, 2009. Cash and investments, as a percentage of total assets, has increased by nearly 5 percentage points, while inventory and other assets has decreased by 4.2 points. This shift from inventory and other assets to cash and investments is due to the significant decrease in accounts receivable resulting from the receipt of Pell grant funds before June 30.

Liabilities

As of June 30, 2010, the College's current liabilities were \$27.4 million, compared to \$27.1 million in 2009. Of the total, \$16.2 million was deferred revenue (summer quarter tuition revenues related to fiscal year 2011, credit bank, and deferred revenues related to grants and contracts), \$9.9 million was accounts payable and \$1.2 million was short-term debt. Deferred revenues and credit bank increased by \$1.5 million, 9.9%, over 2009, a direct result of higher enrollment for summer quarter 2010, for which was 13% higher as of June 30, 2010, than the same point in 2009. This increase in current liabilities was somewhat offset by \$600,000 decreases in both accounts payable (5.8%) and other current liabilities (31.5%). The decrease in other current liabilities represents the change in the amortization schedules of outstanding bond obligations with principal due in 2011 nearly \$500,000 less than 2010.

Non-current liabilities as of June 30, 2010 were \$14.7 million consisting of \$13.7 million in long-term debt (revenue bonds) and other long-term liabilities of \$1.0 million. By comparison, non-current liabilities as of June 30, 2009 were \$17.9 million consisting of \$14.9 million in bonds payable, \$2.1 million in annuities payable, and \$0.9 million in long-term liabilities. In 2010, trust obligations were restructured to effect the termination of related leases and annuities payable.

Total liabilities as of June 30, 2010 were \$42.1 million compared to \$45.0 million in fiscal year 2009. The \$2.9 million change is primarily attributed to the \$3.2 million reduction in noncurrent liabilities representing \$1.7 million debt service paid during 2010 and the termination of leases resulting from the restructuring of trust obligations.

Net Assets

Net assets increased by \$21.3 million in 2010, compared to the increase of \$30.1 million in 2009. Increases totaling \$30.9 million were noted in revenue areas, both operating and non-operating, including: grants and contracts, including Pell (\$24.0 million); tuition and fees (\$6.0 million); and auxiliary enterprises (\$2.4 million). Investment income decreased substantially as a result of lower short-term rates, particularly in STAROhio, and maturing securities reinvested at lower rates (\$2.7 million decrease, nearly 71%). Expenses increased by \$32.1 million, 19.1%, with the most significant increases occurring in scholarships and fellowships (\$15.7 million); instruction (\$7.2 million); institutional support (\$4.0 million); and auxiliary enterprises (\$2.2 million).

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

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

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>2008</u>	<u>Difference</u>
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of \$21.1, \$13.3, and \$11.8 million in 2010, 2009, and 2008, respectively)	\$ 66,180	\$ 60,173	\$ 6,007	\$ 56,536	\$ 3,637
Federal, state, and private grants and contracts	13,578	14,524	(946)	12,299	2,225
Auxiliary enterprises	15,951	13,522	2,429	11,404	2,118
Other	182	168	14	58	110
Total operating revenues	<u>95,891</u>	<u>88,387</u>	<u>7,504</u>	<u>80,297</u>	<u>8,090</u>
OPERATING EXPENSES					
Educational and general	138,498	125,124	13,374	117,383	7,741
Scholarships and fellowships	41,027	25,323	15,704	17,131	8,192
Auxiliary enterprises	14,921	12,730	2,191	11,311	1,419
Depreciation expense	5,917	5,103	814	4,936	167
Total operating expenses	<u>200,363</u>	<u>168,280</u>	<u>32,083</u>	<u>150,761</u>	<u>17,519</u>
Operating income (loss)	<u>(104,472)</u>	<u>(79,893)</u>	<u>(24,579)</u>	<u>(70,464)</u>	<u>(9,429)</u>
NON-OPERATING REVENUES (EXPENSES)					
State appropriations	62,808	60,147	2,661	55,084	5,063
Pell Grant Revenue	54,470	30,505	23,965	22,125	8,380
Investment income (net of expense)	1,111	3,826	(2,715)	5,487	(1,661)
Other non-operating revenues	(5,463)	(605)	(4,858)	(1,556)	951
Net non-operating revenues	<u>112,926</u>	<u>93,873</u>	<u>19,053</u>	<u>81,140</u>	<u>12,733</u>
Income before capital appropriations	<u>8,454</u>	<u>13,980</u>	<u>(5,526)</u>	<u>10,676</u>	<u>3,304</u>
Capital appropriations and gifts	12,893	16,153	(3,260)	3,562	12,591
Increase in net assets	21,347	30,133	(8,786)	14,238	15,895
Net assets, beginning of year	262,286	232,153	30,133	217,915	14,238
Net assets, end of year	<u>\$ 283,633</u>	<u>\$ 262,286</u>	<u>\$ 21,347</u>	<u>\$ 232,153</u>	<u>\$ 30,133</u>

Revenues

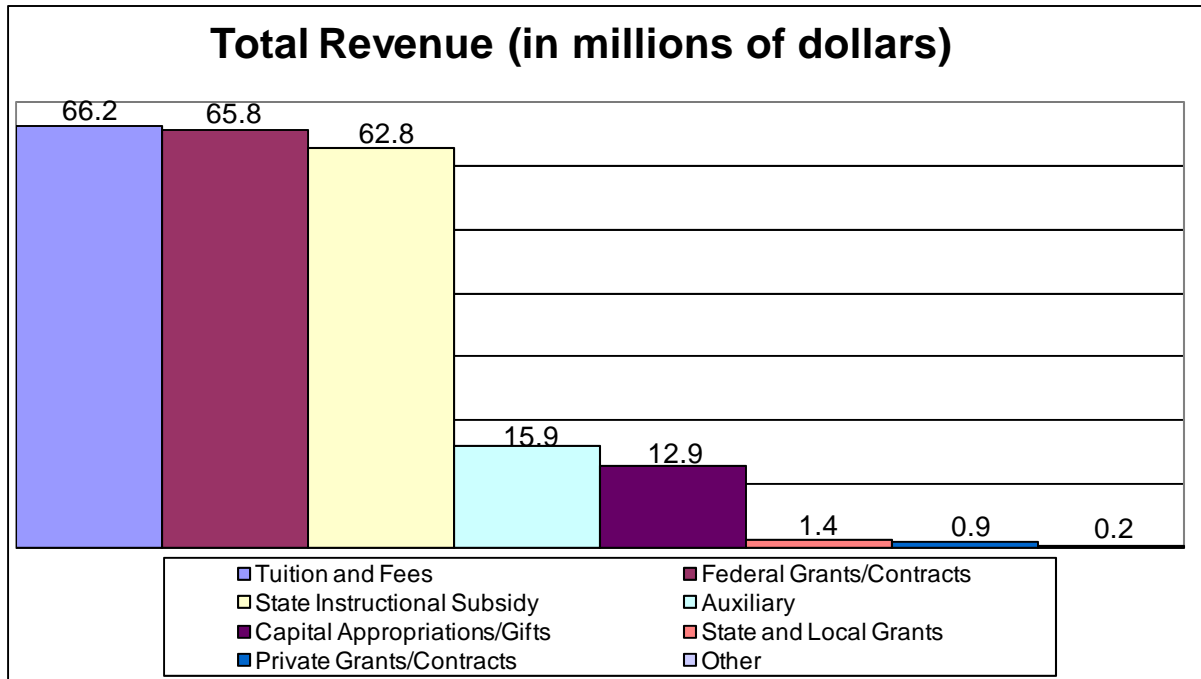
Total fiscal year 2010 revenues totaled \$226.1 million compared to \$195.2 million in fiscal year 2009. The most significant areas of change were \$24.0 million more in Pell grant revenue (the result of increased enrollment, more Pell eligible students, and higher maximum Pell awards); \$6.0 million more in student tuition and fees (due to higher enrollment); \$2.7 million in increased state appropriations; \$2.4 million more in auxiliary enterprises; and \$3.3 million less in capital appropriations than in 2009 (primarily for construction of Academic E on the Delaware Campus which was nearing completion in FY2010, hence, cost declined).

The majority of College revenues come from three sources: 1) State instructional subsidy (\$62.8 million), 2) Student tuition and fees (\$66.2 million), and 3) Federal, state, and private grants and contracts, including Pell grant revenue (\$68.0 million).

Of \$67.1 million in federal and state grants and contracts, 81.9% are awarded to students through the federal Pell grant programs. These funds are used for student tuition (\$21.1 million) and education-related expenses.

The major sources of College revenues for fiscal year 2010 are presented below.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

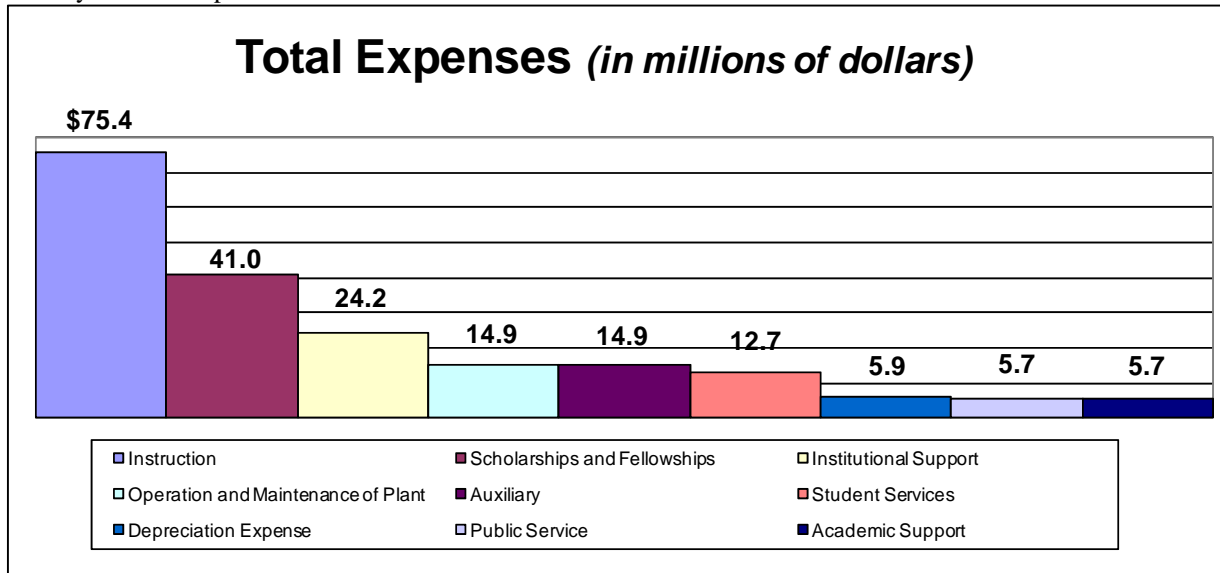


Expenses

Fiscal year 2010 expenses totaled \$200.4 million as compared to \$168.3 million in fiscal year 2009, an increase of \$32.1 million. Of this increase, approximately \$7.2 million is attributable to increases in instruction, the result of record-breaking enrollment increases and continued statewide emphasis placed on education and workforce development. This increase in instruction, 10.6%, is directly proportional to the increased enrollment, 18.3%. Scholarships and Fellowships increased by over \$15.7 million, also due to higher enrollment and higher maximum awards available to Pell grant recipients, as evidenced by the \$24.0 million increase in Pell grant revenue. Expenses for the bookstore, an auxiliary enterprise, increased by \$2.2 million, directly proportional to the increase in bookstore revenues, also resulting from higher enrollment.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

Fiscal year 2010 expenditures are shown below:



Statement of Cash Flows (in thousands)

Net cash provided (used) by:	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operation activities	(\$82,468)	(\$77,763)	(\$64,612)
Non capital financing activities	112,743	90,851	76,511
Capital financing activities	(7,547)	(3,412)	(3,459)
Investing activities	(14,114)	(20,324)	(6,278)
Net increase/(decrease)in cash	8,614	(10,648)	(2,162)
Cash-beginning of year	789	11,437	9,275
Cash-end of year	\$ 9,403	\$ 789	\$ 11,437

Ending cash balances for fiscal years 2008 through 2010 were \$11.4 million, \$0.8 million, and \$9.4 million, respectively. Each month, cash flow projections are evaluated to determine when funds can be invested to maximize investment earnings (typically, at the beginning of each quarter when tuition and fees are paid, funds are transferred to STAROhio), or when funds should be transferred back for operations (usually during the latter part of each quarter). Cash balances at June 30, 2010 were higher due to funds for Pell being drawn down before July 1 for the first time due to a change in Department of Education regulation and these and other funds from tuition, fees and direct loans were held for excess financial aid refunds to be issued in early July and not transferred to STAROhio until July. Cash balances were considerably lower at June 30, 2009 due to the transfer of higher cash balances resulting from summer quarter tuition and fees receipts to STAROhio before year-end; this investment had not been made until early July in prior years.

Major sources of cash in 2010 were State appropriations of \$62.8 million, tuition and fees of \$66.2 million, and gifts, grants, and contracts totaling \$68.0 million.

The most significant uses of cash were payments for salaries and benefits of \$109.9 million, payments to suppliers of \$40.0 million, \$41.0 million disbursed for student scholarships and financial aid, and \$13.3 million for the purchase of capital assets.

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

Budgets

College policy requires the Board of Trustees to approve an operational budget before June 30 for the fiscal year that begins July 1, 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. As discussed earlier, in addition to College policy, the preparation of general fund operating budgets is guided by the Board-adopted Resource Planning Principles.

Columbus State takes a balanced, practical approach to budgeting. Revenues are based upon reasonable enrollment projections and tuition rates approved by the Board of Trustees, providing a solid budget parameter on this revenue calculation, and estimates of subsidy allocations provided by the Ohio Board of Regents. By board policy, the College engages in a mid-year budget adjustment. 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.

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

*Columbus State Community College
Budget Comparisons – Budget to Actual
FY 10 (in thousands)*

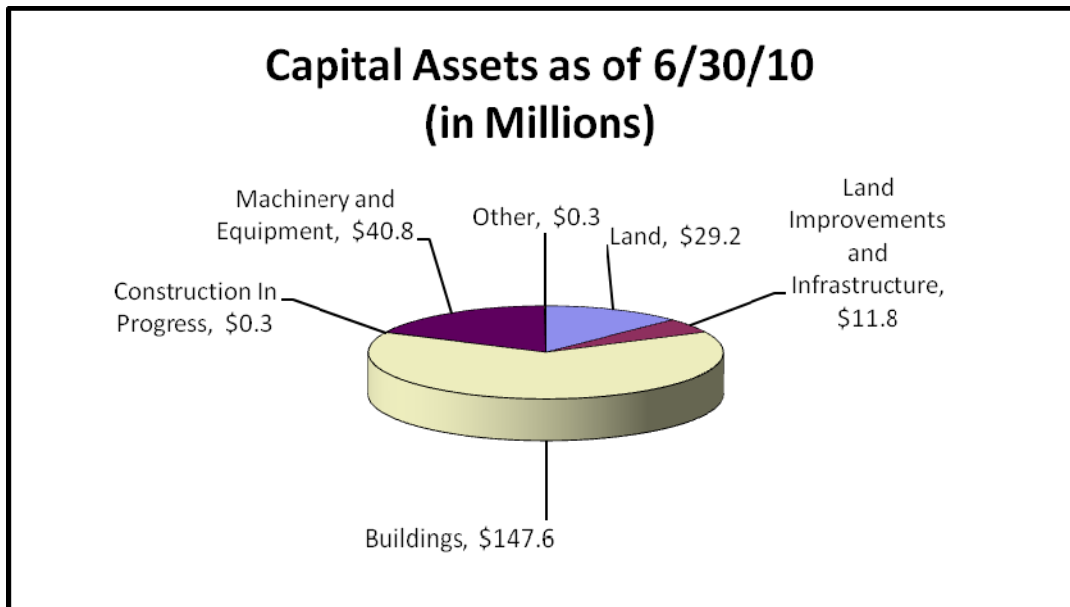
<u>Budgeted Operations</u>	Original	Revised	Percent		Percent
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>% Change</u>	<u>Actual</u>	<u>% Change</u>
College	\$134,897	\$147,108	9.05%	\$151,548	3.02%
Auxiliary	13,553	14,577	7.56%	15,951	9.43%
Total Revenues	<u>\$148,450</u>	<u>\$161,685</u>	8.92%	<u>\$167,499</u>	3.60%
 <u>Expenditures</u>					
College	\$133,544	\$139,557	4.50%	\$138,178	-0.99%
Auxiliary	13,553	14,527	7.19%	14,921	2.71%
Total Expenditures	<u>\$147,097</u>	<u>\$154,084</u>	4.75%	<u>\$153,099</u>	-0.64%
Net Revenues	<u>\$1,353</u>	<u>\$7,601</u>	461.79%	<u>\$14,400</u>	89.45%

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

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.

The chart below illustrates the College’s capital assets (by classification) as of June 30, 2010.



As of June 30, 2010, the College had recorded \$230.0 million in capital assets and \$68.7 million in accumulated depreciation, for a total of \$161.3 million in net capital assets. A detailed summary of additions, deletions, and depreciation of assets can be found in Note 4 – Capital Assets.

Debt

As of June 30, 2010, the College had \$14.91 million of outstanding debt as follows:

<i>(in millions)</i>		
General Receipts Bonds:	2007	\$ 4.785
General Receipts Bonds	2003	<u>\$ 10.125</u>
Total		\$ 14.910

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

FACTORS IMPACTING FUTURE PERIODS

State Support and Enrollment

There are two factors that typically impact the budget for the College: state support and enrollment.

The structural deficit in the State of Ohio's budget for the FY12-13 biennium is projected to be between \$4 billion and \$8 billion. In FY 2010-2011, the State's biennial budget is balanced with American Recovery and Investment Act (ARRA or federal stimulus) funds, and other one-time revenues. The ARRA funds on which the State Share of Instruction is balanced includes approximately 16% in one-time federal monies. If the economy does not recover sufficiently to fill the gap left by the one-time federal monies, commensurate reductions to higher education may be necessary. Additionally, in September 2010, the College was advised that \$4.1 million of its projected FY2011 subsidy will be deferred and considered in the context of FY12-13 budget planning.

The second factor related to state support is the potential for change in gubernatorial and legislative leadership resulting from the November elections which may in turn lead to policy and funding changes that may impact higher education.

A third factor related to state support is the inter-relatedness of community colleges' enrollment and student success. Because the pool of funds available for the two-year sector is constant, and the formula is primarily enrollment-based, an institution has to grow in enrollment at a rate higher than the sector average to earn new subsidy dollars, all other things being equal. Additionally, beginning in 2011, performance funding is allocated as part of the formula used for subsidy distribution across community colleges. Points are earned on various measures including number of students who complete developmental education courses, earn defined number of credit hours, earn degrees, or transfer to a 4-year institution.

Tuition and Enrollment

In 2010, the Board of Trustees approved a 3.5% increase in tuition for the winter and spring quarters, thereby increasing tuition from \$79 per quarter credit hour to \$81.75, as permitted in the final version of the budget legislation enacted in mid-July 2009. The waiver was subsequently approved by the Chancellor of the Ohio Board of Regents. In March 2010, the Board extended the tuition waiver through 2011 (ending June 30, 2011), again with the Chancellor's approval. This increase will allow the college to have a higher base upon which future tuition adjustment decisions are made, as necessary, to sustain its ability to continue serving its growing enrollment. The waiver has allowed the college to charge the same tuition and fees for five consecutive years making education as affordable as possible for its students.

Enrollment has increased each year for the past five years, over 25.3% just in the past two years. Not only has the economic crisis and significant job losses led individuals to seek new skills and careers, it is also causing them to make different choices in the pursuit of higher education, leading them to select community colleges over higher priced alternatives. While indications are that enrollment will continue to grow, the college takes a prudent approach by budgeting prior year growth into its base, but it does not budget new growth in the current climate of fiscal uncertainty to mitigate the risk of spending at a level that may not be sustainable if state support is cut or enrollment does not grow or takes an unexpected dip.

Delaware Campus

Construction was completed in June 2010 on the first academic center at the Delaware Campus. The Business Plan for the start-up of the campus, including proposed course offerings, initial staffing, and initial budget models were approved by the Board of Trustees in September 2009. Several committees engaged in the work, from the initial planning phase for the Delaware Campus through operational/implementation that has been occurring since the Business Plan was adopted. The first classes to be offered at the Campus began September 22, 2010. Initial enrollment was projected at approximately 900 (unduplicated headcount) and 500 full-time equivalents for the first two years. Registration for the first quarter of classes was near 90% of initial projections as of the date of this report. Coupled with tuition and fees, allocations from the Delaware Campus Operations start-up account are providing the revenues needed to operate the campus in its initial years until the campus can be financially self-

**COLUMBUS STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009**

sustaining, projected after FY 2012. The College made a commitment to develop its Delaware campus as a "green" campus, and has designed the first building on that campus to meet Leadership in Energy and Environmental Design (LEED) standards. The first building is expected to meet at least the silver level of LEEDs certification.

Quarters to Semesters

In 2008, the Chancellor of the University System of Ohio presented a ten year strategic plan that resulted in those institutions still operating under the quarter system to change to a semester system with a goal of having a common calendar for all public higher education institutions and also facilitating transfer between those institutions. Columbus State is among thirteen two-year institutions that will participate in this change, along with approximately four four-year universities. In May 2009 the Board of Trustees approved the conversion from quarters to semesters starting in the fall of 2012, which aligns with the date targeted by The Ohio State University, Ohio University, and other community colleges and universities. An initial allocation of \$1.0 million was authorized by the Board to begin the conversion process, of which approximately \$500,000 was used for planning purposes. In September 2010, the Board of Trustees approved an implementation budget not to exceed \$6.0 million.

This conversion entails the review of over 2,400 courses and 268 programs. Additionally, the review involves over 500 unique on-line courses, setting up a transition plan for students, changing administrative processes such as registration, financial aid awarding and transmittal, and fee payment. Additionally, the technological interface and support of college operations must be updated to respond to a semester calendar. A steering committee is directing the work of the conversion and a project leader has been appointed to oversee its implementation.

Implementation of Energy Efficiency Plan

In December 2006, the Ohio General Assembly enacted H.B. 251, a law that specifies a variety of State energy efficiency requirements, including, among other things, the development of a fifteen-year master plan for phasing in energy efficiency and conservation projects, working toward a reduction in on- and off-campus energy consumption by at least 20% by the end of the fiscal year ended 2014 compared to the baseline year of 2004. This Energy Efficiency Plan, dated October 2008, was approved by the Board of Trustees in November 2008 and submitted to the Ohio Board of Regents before the required December 31, 2008 deadline. The Board of Trustees allocated a total of \$4.0 million of the total \$6.0 million that the projects in the Plan are projected to cost. Aspects of the Plan will be funded within budgets approved for various renovation projects, for example, the Educational Resource Center that is currently being renovated using State capital improvement funds, and will include energy efficiency measures called for in the Plan.

For the second consecutive year, the college has seen reductions in its energy consumption. In 2009, energy consumption was reduced by three percent (3%) over 2008, and consumption was further reduced in 2010 over 2009 by almost eight percent (8%). These reductions are especially noteworthy given significant enrollment increases.

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS

As of June 30, 2010 and 2009

	2010		2009	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
ASSETS				
Current Assets				
Cash	\$ 9,402,821	\$ 468,498	\$ 788,646	\$ 498,468
Investments	145,389,981	4,281,112	130,806,345	3,549,665
Accounts, Loans and Pledges Receivable	4,653,177	153,950	16,789,410	355,031
Inventories	1,920,883	-	1,873,992	-
Other Assets	373,781	-	759,453	-
Total Current Assets	161,740,643	4,903,560	151,017,846	4,403,164
Noncurrent Assets				
Investments	2,442,874	-	1,801,635	-
Other Noncurrent Assets	245,134	-	265,716	-
Capital Assets, Net	161,286,744	-	154,193,242	-
Total Noncurrent Assets	163,974,752	-	156,260,593	-
TOTAL ASSETS	325,715,395	4,903,560	307,278,439	4,403,164
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	9,940,004	19,967	10,554,650	42,079
Annuities Payable, Current Portion	-	-	71,645	-
Long-term Debt, Current Portion	1,220,000	-	1,710,000	-
Deferred Revenue	16,242,813	-	14,776,278	-
Total Current Liabilities	27,402,817	19,967	27,112,573	42,079
Noncurrent Liabilities				
Annuities Payable, Long-term Portion	-	-	2,123,800	-
Long-term Liabilities	989,963	-	845,658	-
Long-term debt, Long-term Portion	13,690,000	-	14,910,000	-
Total Noncurrent Liabilities	14,679,963	-	17,879,458	-
TOTAL LIABILITIES	42,082,780	19,967	44,992,031	42,079
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	157,427,188	-	147,420,623	-
Restricted				
Nonexpendable	-	3,423,265	-	3,304,126
Expendable	82,470	1,732,855	130,956	1,706,577
Unrestricted	126,122,957	(272,527)	114,734,829	(649,618)
TOTAL NET ASSETS	\$ 283,632,615	\$ 4,883,593	\$ 262,286,408	\$ 4,361,085

The accompanying notes are an integral part of these financial statements.

COLUMBUS STATE COMMUNITY COLLEGE

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009**

	2010		2009	
	<u>Columbus State Community College</u>	<u>Component Unit Development Foundation</u>	<u>Columbus State Community College</u>	<u>Component Unit Development Foundation</u>
REVENUES				
Operating Revenues				
Student Tuition and Fees (Net of Scholarship Allowances of \$21,084,760 in 2010 and \$13,349,350 in 2009)	\$ 66,180,387	\$ -	\$ 60,172,580	\$ -
Federal Grants and Contracts	11,294,223	-	3,975,806	-
State and Local Grants and Contracts	1,407,629	-	9,765,914	-
Private Grants and Contracts	876,046	687,733	782,660	1,028,855
Sales and Services of Educational Departments	36,598	-	45,246	-
Auxiliary Enterprises				
Bookstore	14,238,907	-	11,780,742	-
Other	1,712,484	-	1,741,035	-
Other Operating Revenues	145,569	-	123,286	-
Total Operating Revenues	95,891,843	687,733	88,387,269	1,028,855
EXPENSES				
Operating Expenses				
Educational and General				
Instruction and Departmental Research	75,407,398	-	68,196,787	-
Public Service	5,712,418	-	5,393,154	-
Academic Support	5,658,776	-	5,369,265	-
Student Services	12,691,627	-	11,624,415	-
Institutional Support	24,170,008	388,864	20,159,906	568,421
Operation and Maintenance of Plant	14,858,046	-	14,380,154	-
Scholarships and Fellowships	41,026,768	222,669	25,322,623	295,305
Depreciation Expense	5,917,157	-	5,102,961	-
Auxiliary Enterprises				
Bookstore	13,271,843	-	11,038,982	-
Other	1,649,345	-	1,691,339	-
Total Operating Expense	200,363,386	611,533	168,279,586	863,726
Operating Income (Loss)	(104,471,543)	76,200	(79,892,317)	165,129
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	62,807,692	-	60,146,746	-
Unrestricted Investment Income (Net of Investment Expense)	1,108,395	387,349	3,809,292	(572,998)
Restricted Investment Income (Net of Investment Expense)	2,282	58,959	16,770	(54,082)
Interest on Capital Asset Related Debt	(654,737)	-	(770,297)	-
Pell Grant	54,469,538	-	30,505,028	-
Other Nonoperating Revenue (Expense)	(4,808,520)	-	165,053	-
Net Nonoperating Revenues	112,924,650	446,308	93,872,592	(627,080)
Income Before Other Revenues, Expenses, Gains, or Losses	8,453,107	522,508	13,980,275	(461,951)
Capital Appropriations	12,893,100	-	16,153,129	-
Increase in Net Assets	21,346,207	522,508	30,133,404	(461,951)
NET ASSETS				
Net Assets-Beginning of Year	262,286,408	4,361,085	232,153,004	4,823,036
Net Assets-End of Year	\$ 283,632,615	\$ 4,883,593	\$ 262,286,408	\$ 4,361,085

The accompanying notes are an integral part of these financial statements.

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	2010		2009	
	<u>Columbus State Community College</u>	<u>Component Unit Development Foundation</u>	<u>Columbus State Community College</u>	<u>Component Unit Development Foundation</u>
	CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	\$ 69,934,607	\$ -	\$ 62,702,150	\$ -
Grants, Gifts and Contracts	23,454,435	646,159	8,861,732	688,366
Payments to Suppliers	(42,037,664)	(168,321)	(38,755,145)	(209,656)
Payments for Salaries and Benefits	(108,898,322)	-	(98,957,158)	-
Payments for Scholarships	(41,026,768)	(222,669)	(25,322,623)	(295,305)
Auxiliary Enterprise Receipts	15,923,403	-	13,538,893	-
Other Receipts (Payments)	182,167	-	168,532	-
Net Cash Provided By (Used In) Operating Activities	(82,468,142)	255,169	(77,763,619)	183,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Appropriations	62,807,692	-	60,146,746	-
Pell Grant	54,469,538	-	30,505,028	-
Nonoperating Payments to Suppliers	(4,533,921)	-	199,701	-
Net Cash Provided By Noncapital Financing Activities	112,743,309	-	90,851,475	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital Appropriations	10,298,646	-	18,718,936	-
Purchases of Capital Assets	(13,285,258)	-	(19,660,194)	-
Principle Paid on Debt	(3,905,445)	-	(1,700,500)	-
Interest Paid on Capital Debt	(654,737)	-	(770,297)	-
Net Cash Used In Capital Financing Activities	(7,546,794)	-	(3,412,055)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Bond Proceeds Released From Restricted Cash	-	-	2,901	-
Sale (Purchases) of Investments	(15,224,875)	(557,653)	(24,152,990)	396,317
Income on Investments	1,110,677	272,513	3,826,062	(381,182)
Net Cash Provided By (Used In) Investing Activities	(14,114,198)	(285,140)	(20,324,027)	15,135
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,614,175	(29,971)	(10,648,226)	198,540
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	788,646	498,469	11,436,872	299,929
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,402,821	\$ 468,498	\$ 788,646	\$ 498,469
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Loss	\$ (104,471,543)	\$ 76,200	\$ (79,892,317)	\$ 165,129
Adjustments to Reconcile Net Operating Loss to Net Cash				
Provided (Used) By Operating Activities:				
Depreciation Expense	5,917,157	-	5,102,961	-
Changes in Assets and Liabilities:				
Receivables, net	12,136,233	201,081	(5,400,173)	103,794
Other Assets	359,363	-	(388,224)	-
Accounts Payable & Accrued Liabilities	2,124,113	(22,112)	529,922	(85,518)
Deferred Revenue	1,466,535	-	2,284,212	-
Net Cash Provided By (Used In) Operating Activities	\$ (82,468,142)	\$ 255,169	\$ (77,763,619)	\$ 183,405

The accompanying notes are an integral part of these financial statements.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Columbus State Community College (the College) is part of the University System of Ohio 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. The financial statements present the financial position and results of operations of the College along with the Columbus State Community College Development Foundation, as a component unit of the College.

Columbus State Community College Development Foundation, Inc. (the 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 by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units.

The College operates under the direction of a nine member Board of Trustees who are appointed by the Governor with the advice and consent of the Ohio Senate. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed treasurer is the custodian of funds and is responsible for the fiscal control of the resources of the College.

The College was organized principally to offer educational programs beyond high school, normally not exceeding two years in duration, and leading to the award of an associate degree. The College offers programs in the liberal arts and sciences, technical training, and adult and continuing education, as outlined in Ohio Revised Code (ORC) Section 3358.01.

Basis of Accounting

The financial statements of the College have been prepared using the economic resource 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by provider have been met. 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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities, issued in June and November 1999. The College reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34. GASB Statements No. 34 and 35, and subsequent statements establish 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.

- 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.

It is the College's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The financial statement presentation required by GASB Statement Nos. 34 and 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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

GASB Pronouncements

During the fiscal year ended June 30, 2010, the provisions of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, and GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, became effective. These statements were considered by management but not found to have any impact on the current financial reporting or disclosures of the College. GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions will become effective for periods beginning after June 15, 2010. The provisions of this Statement are not expected to have a significant impact on the financial reporting or disclosures of the College. Additionally, GASB Statement No. 57, OPEB (Other Postemployment Benefit) Measurements by Agent Employers and Agent Multiple-Employer Plans, effective for periods beginning after June 15, 2011, and GASB Statement No. 59, Financial Instruments Omnibus, effective for periods beginning after June 15, 2010, were issued during the fiscal year ended June 30, 2010. Management has not yet determined the impact, if any, that implementation of these Statements will have on the College's financial reporting or disclosures.

Management 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 periods. Actual results could differ from those estimates. Management estimates primarily relate to collectibility of receivables and compensated absences.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The College makes investments in accordance with the Board of Trustees' policy, which conforms to the authority granted in the ORC. The purchase of specific investment instruments is at the discretion of the College's Treasurer within these policy guidelines. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are reported at fair value.

Accounts Receivables

At June 30, 2010 and 2009, accounts receivable consist primarily of student tuition and fees, and intergovernmental grants and contracts.

Inventory

Inventories consist principally of text books, educational materials and other merchandise sold by the bookstore and are stated at cost on the first-in-first-out (FIFO) basis.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Capital Assets

Capital assets with a unit cost of over \$5,000, and all library books, are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Expenditures for construction in progress are capitalized as incurred. Interest expense related to construction is capitalized net of interest income earned on resources set aside for this purpose. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the life of the structure are capitalized. Routine maintenance and repairs are charged to expense as incurred. Depreciation of capital assets is computed using the straight-line method over the estimated useful life of the respective asset, generally 20 years for land improvements, 10-50 years for buildings and fixed equipment, 15 years for library books and 4 - 10 years for equipment. Depreciation expense is not allocated to the functional expenditure categories.

Deferred Revenue

Deferred revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as June 30, 2010 and 2009.

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 goods and services received. Nearly all of the College's expenses are from exchange transactions. All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, pell grant revenues, investment income, and gifts in accordance with GASB Statement No. 35. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship and Allowances and Student Aid

The College participates in federally funded Pell Grants, SEOG Grants, and Federal Family Education Loan programs. The College also piloted a group of students under the Direct Loan Program in spring quarter in preparation for legislative changes resulting in all loans coming directly from the US Department of Education under the Direct Loan Program effective July 1, 2010; no further FFELP loans will be made after this date. Federal programs are subject to an annual U.S. Office of Management and Budget Revised OMB Circular A-133 audit.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, is provided to students as awarded by third parties and is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

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 stated charges 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.

Pensions

A pension cost provision is recorded when the related payroll is accrued and the obligation is incurred.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and accompanying notes.

Note 2 - Cash, Cash Equivalents And Investments

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the College to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure. Noncurrent cash and investments on the statement of net assets represent capital component funds received from the State of Ohio, held for debt service on long-term debt and long-term capital projects.

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a formal deposit policy for custodial credit risk. At June 30, 2010 and 2009, \$500,000 and \$479,102, respectively, of the bank balance was covered by federal deposit insurance and the remaining portion \$10,805,165 and \$4,026,607, respectively, were uninsured but collateralized by pools of securities pledged by the depository bank and held in the name of the bank.

The College held \$53,582,851 and \$39,644,224 in STAR Ohio investments as of June 30, 2010 and 2009, respectively. STAR Ohio is an external investment pool and is considered a cash equivalent under GASB Statement No. 9. Oversight of the pool is through the Ohio Treasurer of State. The fair values of the College's position in the pool are the same as the value of their pool shares.

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

The following summarizes the value of investments at June 30, 2010 and 2009:

Description	Fair Value	
	<u>2010</u>	<u>2009</u>
STAR Ohio	\$ 53,582,851	\$ 39,644,224
U.S. Government Obligations	9,895,006	5,720,311
U.S. Agency Obligations	<u>84,354,998</u>	<u>87,243,445</u>
Total	<u>\$ 147,832,855</u>	<u>\$ 132,607,980</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the College's investment policy limits investment portfolio maturities to five years or less.

As of June 30, 2010, the College had the following investments and maturities:

	Investment Maturities (in years)				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
STAR Ohio	\$ 53,582,851	\$ 53,582,851	\$ -	\$ -	\$ -
U.S. Gov't Obligations	9,895,006	9,895,006	-	-	-
U.S. Agency Obligations	<u>84,354,998</u>	<u>50,208,147</u>	<u>34,146,851</u>	<u>-</u>	<u>-</u>
Total	<u>\$147,832,855</u>	<u>\$113,686,004</u>	<u>\$34,146,851</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2009, the College had the following investments and maturities:

	Investment Maturities (in years)				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
STAR Ohio	\$39,644,224	\$39,644,224	\$ -	\$ -	\$ -
U.S. Gov't Obligations	5,720,311	5,720,311	-	-	-
U.S. Agency Obligations	<u>87,243,445</u>	<u>54,369,276</u>	<u>32,874,169</u>	<u>-</u>	<u>-</u>
Total	<u>\$132,607,980</u>	<u>\$99,733,811</u>	<u>\$32,874,169</u>	<u>\$ -</u>	<u>\$ -</u>

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

Credit Risk. The College's investments, as stated above were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's rating service has assigned STAR Ohio an AAAM money market rating.

The credit ratings of the College's interest-bearing investments at June 30, 2010, are as follows:

Credit Rating (S&P/Moody's)	Total	STAR OHIO	U.S. Government Obligations	U.S. Agency Obligations
AAA/Aaa	\$147,832,855	\$53,582,851	\$ 9,895,006	\$84,354,998
Unrated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$147,832,855</u>	<u>\$53,582,851</u>	<u>\$ 9,895,006</u>	<u>\$84,354,998</u>

The credit ratings of the College's interest-bearing investments at June 30, 2009 are as follows:

Credit Rating (S&P/Moody's)	Total	STAR OHIO	U.S. Government Obligations	U.S. Agency Obligations
AAA/Aaa	\$132,607,980	\$39,644,224	\$ 5,720,311	\$87,243,445
Unrated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$132,607,980</u>	<u>\$39,644,224</u>	<u>\$ 5,720,311</u>	<u>\$ 87,243,445</u>

Concentration of Credit Risk. The College places limits on the amount that may be invested in any one issuer. The following table includes the percentage of the total for each investment type held by the College at June 30, 2010 and 2009:

Type	Percent of Total	
	<u>2010</u>	<u>2009</u>
STAR Ohio	36.25%	29.90%
Treasury Bills	6.69%	4.31%
Government Agencies	<u>57.06%</u>	<u>65.79%</u>
	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either a counterparty or the counterparty's trust department or agent but not in the government's name. As of June 30, 2010 and 2009, the College's investments in treasury bills and government agency securities were held in custody by a counterparty on behalf of the College.

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

Note 3 - Pledges, Grants and Accounts Receivable

<u>2010</u>	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Students' and other	\$11,011,127	\$(8,989,653)	\$2,021,474
Grants and contracts	<u>2,631,703</u>	<u>-</u>	<u>2,631,703</u>
Total	<u>\$13,642,830</u>	<u>\$(8,989,653)</u>	<u>\$4,653,177</u>
<u>2009</u>	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Students' and other	\$10,740,800	(7,062,942)	\$ 3,677,858
Grants and contracts	<u>13,111,552</u>	<u>-</u>	<u>13,111,552</u>
Total	<u>\$23,852,352</u>	<u>(7,062,942)</u>	<u>\$16,789,410</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
Land	\$29,235,190	-	-	\$29,235,190
Works of Art	286,500	-	-	286,500
Construction in Progress	<u>11,760,410</u>	<u>332,915</u>	<u>(11,760,410)</u>	<u>332,915</u>
Total cost of nondepreciable capital assets	41,282,100	332,915	(11,760,410)	29,854,605
Buildings	130,971,831	16,568,031	-	147,539,862
Improvements other than buildings	7,256,082	4,563,463	-	11,819,545
Moveable equip, furniture and library books	<u>37,633,588</u>	<u>3,581,259</u>	<u>(471,739)</u>	<u>40,743,108</u>
Total cost of depreciable capital assets	<u>175,861,501</u>	<u>24,712,753</u>	<u>(471,739)</u>	<u>200,102,515</u>
Total cost of capital assets	217,143,601	25,045,668	(12,232,149)	229,957,120
Less accumulated depreciation				
Buildings	34,390,750	3,101,625	-	37,492,375
Improvement other than buildings	1,599,563	370,923	-	1,970,486
Moveable equip, furniture & library books	<u>26,960,046</u>	<u>2,444,608</u>	<u>(197,139)</u>	<u>29,207,515</u>
Total accumulated depreciation	<u>62,950,359</u>	<u>5,917,156</u>	<u>(197,139)</u>	<u>68,670,376</u>
Capital assets, net	<u>\$154,193,242</u>	<u>\$19,128,512</u>	<u>\$(12,035,010)</u>	<u>\$161,286,744</u>

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Land	\$29,674,722	-	(439,532)	\$29,235,190
Works of Art	286,500	-	-	286,500
Construction in Progress	<u>1,177,528</u>	<u>10,582,882</u>	<u>-</u>	<u>11,760,410</u>
Total cost of nondepreciable capital assets	31,138,750	10,582,882	(439,532)	41,282,100
Buildings	124,426,403	6,545,428	-	130,971,831
Improvements other than buildings	6,727,932	528,150	-	7,256,082
Moveable equip, furniture and library books	<u>35,440,995</u>	<u>2,443,265</u>	<u>(250,672)</u>	<u>37,633,588</u>
Total cost of depreciable capital assets	<u>166,595,330</u>	<u>9,516,843</u>	<u>(250,672)</u>	<u>175,861,501</u>
Total cost of capital assets	197,734,080	20,099,725	(690,204)	217,143,601
Less accumulated depreciation				
Buildings	31,571,110	2,819,640	-	34,390,750
Improvement other than buildings	1,268,099	331,464	-	1,599,563
Moveable equip, furniture & library books	<u>25,224,211</u>	<u>1,951,879</u>	<u>(216,044)</u>	<u>26,960,046</u>
Total accumulated depreciation	<u>58,063,420</u>	<u>5,102,983</u>	<u>(216,044)</u>	<u>62,950,359</u>
Capital assets, net	<u>\$139,670,660</u>	<u>\$14,996,742</u>	<u>\$(474,160)</u>	<u>\$154,193,242</u>

Note 5 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Payable to vendors and contractors	\$ 4,922,802	\$ 6,379,411
Accrued expenses, primarily payroll and vacation leave	5,327,659	4,528,850
Employee withholdings and deposits payable to third parties	<u>679,506</u>	<u>492,047</u>
	<u>\$10,929,967</u>	<u>\$11,400,308</u>
Current	<u>\$ 9,940,004</u>	<u>\$10,554,650</u>
Noncurrent	<u>\$ 989,963</u>	<u>\$ 845,658</u>

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

Note 6 - Long Term Debt

Long-term debt as of June 30, 2010 and 2009 is summarized as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>New Debt</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Series 2003 bonds with interest rates ranging from 2.0% to 4.5% due serially through 2023	\$11,245,000	-	\$(1,120,000)	\$10,125,000	\$ 615,000	\$ 9,510,000
Series 2007 bonds with interest rates ranging from 4.0% to 4.25% due serially through 2017	5,375,000	-	(590,000)	4,785,000	605,000	4,180,000
Annuity Obligation	<u>2,195,445</u>	<u>-</u>	<u>(2,195,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds & Annuities	\$18,815,445	-	\$(3,905,445)	\$14,910,000	\$1,220,000	\$13,690,000
Compensated Absences	<u>3,259,856</u>	<u>588,375</u>	<u>-</u>	<u>3,848,231</u>	<u>2,858,268</u>	<u>989,963</u>
Total Long- Term Liabilities	<u>\$22,075,301</u>	<u>\$588,375</u>	<u>\$(3,905,445)</u>	<u>\$18,758,231</u>	<u>\$4,078,268</u>	<u>\$14,679,963</u>

Principal and interest amounts on bonds obligations for the next five years and thereafter are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	1,220,000	602,054	1,822,054
2012	1,265,000	555,729	1,820,729
2013	1,310,000	507,879	1,817,879
2014	1,365,000	457,171	1,822,171
2015	1,415,000	403,531	1,818,531
2016-2020	5,500,000	1,232,820	6,732,820
2021 – 2023	<u>2,835,000</u>	<u>258,750</u>	<u>3,093,750</u>
Total	<u>\$14,910,000</u>	<u>\$4,017,934</u>	<u>\$18,927,934</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, 2007, and December 1, 2003.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

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

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
Series 2003	
06/01/2014 and thereafter	100%

The Series 2003 maturing June 1, 2020, and June 1, 2023, in the aggregate principal amount of \$5,335,000, (the "Term Bonds"), are subject to mandatory sinking-fund redemption in part by lot pursuant to the terms of the First Supplement Trust Agreement. The Series 2007 bonds are not subject to redemption prior to maturity.

Mandatory Redemption. 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 2003</u>
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 also leases classroom space for its off-campus sites and equipment under operating leases, which have ending dates ranging through 2015. Lease expense charged to operations was \$2,056,772 and \$1,717,655, during 2010, and 2009, respectively. Future minimum lease payments under operating leases at June 30, 2010, are as follows:

2011	\$ 1,055,780
2012	861,162
2013	446,212
2014	313,602
2015	<u>313,602</u>
	<u>\$2,990,358</u>

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Note 7 - Compensated Absences

College faculty and support staff accrue vacation benefits. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the College. The amount of sick leave benefit payable at retirement is one-fourth of the value of the accrued but unused sick leave up to a maximum of 320 hours.

The College accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as 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 Appendix C, Example 5 of GASB Statement No. 16, Accounting for Compensated Absences. Under the vesting method, the College calculates the probability factor that employees will meet retention and eligibility requirements.

The liability for the cost of vacation and sick leave benefits is approximately \$3,848,231 and \$3,259,856 as of June 30, 2010 and 2009, respectively.

Note 8 - State Support

The College is a state-assisted institution of higher education and receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon 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 for the College. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Such facilities are capitalized by the College as buildings (upon completion) or as construction in progress until completion and turn over to the College by the Ohio Board of Regents. Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the 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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

Note 9 - Retirement Plans

State Teachers Retirement System (STRS)

The College's faculty is covered by the State Teachers Retirement Systems of Ohio (STRS). Substantially all other employees are covered by the School Employees Retirement System (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 Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and the employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on the years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% instead of 2.2%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The College's contributions, which represent 100% of the required contribution, for the years ended June 30, 2010, 2009, and 2008 were \$6,772,777, \$6,074,141, and \$5,647,778, respectively. Member and employer contributions actually made for DC and Combined Plan participants are available upon written request.

STRS issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2009 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free (888)227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

School Employees Retirement System of Ohio (SERS)

Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$4,825,959, \$4,459,783, and \$4,173,968, respectively, which equaled the required contributions each year.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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 and the School Employees Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 3.5% for STRS and 6% for SERS. The College has implemented the alternative retirement plan. In fiscal years 2010, 2009 and 2008, the College's contributions were \$31,292, \$28,714 and \$26,897, respectively for STRS and \$49,812, \$37,243 and \$26,846, respectively for SERS.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

Note 10 - Other Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan, both the State Teachers Retirement System (STRS) and the School Employees Retirement System of Ohio (SERS) administers postemployment benefit plans. Both STRS and SERS issue publicly available, stand-alone financial reports, See Note 9.

State Teachers Retirement System (STRS)

Pursuant to 3307 of the Revised Code, the STRS Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, 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. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. The 14% employer contribution is the maximum rate established under Ohio law. The College's post-employment health care contributions for the years ended June 30, 2010, 2009, and 2008 were \$483,770, \$433,867, and \$403,413, respectively.

School Employees Retirement System of Ohio (SERS)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The College contributions for the years ended June 30, 2010, 2009, and 2008, were \$261,982, \$238,915, and \$202,734, respectively, which equaled the required contributions for each year.

Health Care Plan

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

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to the Health Care Fund for the years ended June 30, 2010, 2009, and 2008 were \$639,406, \$1,773,841, and \$1,662,582, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Note 11 - 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 results thereof. Such programs are administered internally, contracted externally, or coordinated through partnerships with other public entities. Also, the College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. 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.

COLUMBUS STATE COMMUNITY COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009**

Note 12 - Capital Projects Commitments

At June 30, 2010 and 2009, the College was committed to future capital expenditures as follows:

	<u>2010</u>	<u>2009</u>
Contractual commitments		
Delaware Hall Renovation	-	\$ 150,000
Delaware Campus	-	3,000,000
Parking Capacity	\$ 440,000	-
Union Hall Renovation	<u>15,200,000</u>	<u>-</u>
Total future project costs	<u>\$ 15,640,000</u>	<u>\$ 3,150,000</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 \$514,684 and \$53,632, as of June 30, 2010 and 2009.

Note 14 - Pending Litigation

At June 30, 2010, 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.

Note 15 - Contingency

The College is the beneficiary of a potential cash refund related to the purchase of the annuity to fund a charitable gift annuity the College received in prior years. During fiscal year 2010, the College purchased an annuity to fund the obligation. The policy provides that the College will receive a refund of any premium payment in excess of the obligations paid by the policy if all annuitants are deceased. The College paid \$3,484,254 in premiums during 2010 to fund the annuity.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

Note 16 - Operating Expenses By Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 87,070,914	\$ 79,044,628
Employee benefits	22,813,676	20,314,889
Utilities	3,522,402	3,407,104
Supplies and other services	40,012,469	35,087,381
Depreciation	5,917,157	5,102,961
Student scholarships and financial aid	<u>41,026,768</u>	<u>25,322,623</u>
	<u>\$200,363,386</u>	<u>\$168,279,586</u>

Note 17 - Component Unit Disclosures

The following disclosures relate to the Columbus State Community College Development Foundation, Inc. (the Foundation). Copies of the Foundation's separately issued financial statements can be obtained by contacting the Foundation's office.

Organization

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue and recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

Cash, Cash Equivalents and Investments

The Foundation's cash is included in the College's consolidated cash, which is insured by the FDIC up to \$250,000, as of June 30, 2010. Uninsured cash funds held by the bank are subject to a collateral agreement covering all public funds held by the bank. As of June 30, 2010 and 2009, the Foundation had bank balances of \$456,677 and \$513,677, respectively.

Investments

The Foundation's investments are stated at market value, with changes in the market value being recognized as gains and losses during the period in which they occur. Market value is determined by market quotations. Investment earnings from endowment investments are credited to temporarily restricted funds and spent in compliance with donor restrictions placed on earnings. Investment earnings of non-endowment investments are recorded as unrestricted earnings and expended at the discretion of the Foundation's board. The following summarizes the cost and fair value of investments of the Foundation at June 30, 2010 and 2009:

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

	2010		2009	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Closed End Equity Funds	\$3,199,992	3,256,616	\$2,765,369	\$2,638,950
Common Stocks/Options	824,092	785,028	709,343	705,370
Preferred Stocks/Options	<u>208,966</u>	<u>239,468</u>	<u>200,686</u>	<u>205,345</u>
Total Investments	<u>\$4,233,050</u>	<u>4,281,112</u>	<u>\$3,675,398</u>	<u>\$3,549,665</u>

Promises to Give

Unconditional promises to give consist of the following as of June 30, 2010 and 2009:

	2010	2009
Outstanding pledges at year end	\$152,750	\$354,095
Less: Discounts and allowance for uncollectible pledges	<u>(97)</u>	<u>(361)</u>
Unconditional promises to give, net	<u>\$152,653</u>	<u>\$353,734</u>

As of June 30, 2010:

	Gross Amount	Allowance/ Discount	Net Amount
Amounts due to be received in:			
Less than one year	\$ 94,750	-	\$ 94,750
One to five years	<u>58,000</u>	<u>(97)</u>	<u>57,903</u>
Total	<u>\$152,750</u>	<u>(97)</u>	<u>\$152,653</u>

As of June 30, 2009:

	Gross Amount	Allowance/ Discount	Net Amount
Amounts due to be received in:			
Less than one year	\$224,095	-	\$224,095
One to five years	<u>130,000</u>	<u>(361)</u>	<u>129,639</u>
Total	<u>\$354,095</u>	<u>(361)</u>	<u>\$353,734</u>

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

	CFDA #	Pass Through Number	Expenditures
US DEPARTMENT OF EDUCATION			
<i>Direct Recipient</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 601,068
Federal Family Education Loans	84.032		71,971,718
Federal Direct Student Loans	84.268		6,568,342
Federal Work Study Program	84.033		527,118
Academic Competitiveness Grants	84.375		66,350
Federal Pell Grant Program	84.063		60,940,884
Total Student Financial Aid Cluster			140,675,480
TRIO Cluster			
TRIO Upward Bound	84.047		271,114
TRIO Student Support Services	84.042		292,509
TRIO Talent Search	84.044		229,202
Total TRIO Cluster			792,825
Child Care Access Means Parents in School	84.335		240,877
Higher Education Institutional Aid	84.031A		68,223
<i>Passed through State of Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	84.048	20-C2	364,107
Career and Technical Education - Basic Grants to States	84.048		2,472
Tech Prep Education	84.243	3E-00	206,078
Twenty-First Century Community Learning Centers	84.287	3Y-20	267,779
<i>Passed through Ohio Board of Regents</i>			
ARRA State Fiscal Stabilization - Education State Grants, Recovery Act	84.394		8,903,032
<i>Passed through Columbus Public Schools</i>			
Teacher Quality Enhancement Grants	84.336		2,882
Total Department of Education			151,523,755
US DEPARTMENT OF LABOR			
Department of Labor Employment Training Administration:			
ARRA Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275		1,527
WIA Cluster			
<i>Passed through Central Ohio Workforce Investment Corporation</i>			
WIA Adult Program	17.258		178,129
ARRA WIA Adult Program and Dislocated Workers	17.258		112,603
WIA Youth Activities	17.259		253,022
ARRA - WIA Youth Activities	17.259		164,306
<i>Passed through Franklin County Jobs and Family Services</i>			
WIA Adult Programs	17.258		128,799
Total WIA Cluster			836,859

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

	CFDA #	Pass Through Number	Expenditures
<i>Passed through Central Ohio Workforce Investment Corporation</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207		56,490
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Trade Adjustment Assistance	17.245		124,378
Total Department of Labor			1,019,254
 DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Franklin County Jobs and Family Services</i>			
Temporary Assistance for Needy Families	93.558		161,091
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Refugee and Entrant Assistance_State Administered Programs	93.566		78,549
Family and Community Violence Prevention Program	93.91		131,662
Total Department of Health and Human Services			371,302
 SMALL BUSINESS ADMINISTRATION			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	59.037		453,007
 VETERANS BENEFITS ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		138,534
 DEPARTMENT OF TRANSPORTATION			
<i>Passed through Public Utilities Commission of Ohio</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		22,400
 DEPARTMENT OF AGRICULTURE			
<i>Passed through State Department of Education</i>			
Summer Food Service Program for Children	10.559		8,326
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps	94.006		121,822
 NATIONAL SCIENCE FOUNDATION			
<i>Passed through OSURF</i>			
Mathematical and Physical Sciences	47.049		33,050
Education and Human Resources	47.076		36,496
ARRA Trans-NSF Recover Act Research Support	47.082		3,438
Office of Cyberinfrastructure	47.080		19,792
Total National Science Foundation			92,776
 U.S. Department of State - Bureau of Educational and Cultural Affairs			
<i>Passed through CCID</i>			
Academic Exchange Programs - Undergraduate Programs	19.009		86,740
 TOTAL FEDERAL AWARD EXPENDITURES			 \$ 153,837,916

COLUMBUS STATE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - Significant Accounting Policies

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 College's financial statements.

Note 2 - Federal Family Education Loan Program

The amount included on the schedule of expenditures of federal awards for Federal Family Education Loans (FFEL) represents new loans advanced during the fiscal year ended June 30, 2010. The College is not a direct lender of FFELs. The amount represents the value of new FFELs awarded and disbursed to the College's students during the year as follows:

Federal Subsidized Stafford Loans	42,416,305
Federal Unsubsidized Stafford Loans	29,109,415
Federal PLUS Loans	<u>445,998</u>
Total FFELs	<u>\$71,971,718</u>

Note 3 – Federal Direct Student Loan Program

The College became a direct lender for the Federal Direct Student Loan program during 2010 and began disbursing loans to students during the Spring of 2010. The following represents direct loans disbursed prior to June 30, 2010:

Direct Student Loans	\$ <u>6,568,342</u>
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**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
Columbus State Community College

We have audited the financial statements of Columbus State Community College (the College), a component unit of the State of Ohio, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-01). 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.

Compliance and Other Matters

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 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters which we reported to management of the College in a separate letter dated October 14, 2010.

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, we express no opinion on it.

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

Parms & Company, LLC

October 14, 2010
Columbus, Ohio

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Columbus State Community College

Compliance

We have audited Columbus State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2010. 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's management. 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 of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The College's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Perms & Company, LLC

October 14, 2010
Columbus, Ohio

**COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010**

Section I. Summary of Auditor's Results

A. Financial Statements:

1. Type of auditor's report issued: UNQUALIFIED
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes ___ No
3. Noncompliance material to financial statements noted? ___ Yes X No

B. Federal Awards:

1. Internal control over major programs:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified that are Not considered to be material weakness(es)? ___ Yes X No
2. Type of auditor's report issued on compliance for major programs: UNQUALIFIED
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes X No
4. Identification of major programs by program name (CFDA Number(s)):
 - Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.063, 84.268 and 84.375)
 - ARRA State Fiscal Stabilization – Education State Grants, Recovery Act (84.394)
5. Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,258,987
6. Auditee qualified as low-risk auditee? X Yes ___ No

**COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended June 30, 2010**

Section II. Financial Statement Findings

Finding 2010-01

IT CHANGE MANAGEMENT SYSTEM

Criteria

Request for program changes, system changes and maintenance (including changes to system software) should be standardized, logged into the change management system, have the approval of the change documented, and should be subject to formal change management procedures.

Condition

A population of changes made to the Datatel system was not available. Additionally, the support documenting the modifications were adequately authorized, tested and approved were not always maintained.

Cause

A design flaw was identified in that a population of changes made to the Datatel system was not available.

Effects

The control was deemed ineffective. Given the number of functional experts outside of IT with access to make modifications and the lack of documentation, there is a risk of changes being made to the enterprise resource planning system (ERP) that negatively impact the business and/or financial statements.

Recommendation

We recommend a formal process be implemented to ensure all impacted parties are aware of modifications and to ensure those modifications are appropriately tested and approved. All corresponding documentation should be maintained.

Management's Response

The College disagrees with the auditors' description of this item as a design flaw. With the implementation of the Datatel Colleague system beginning in 2002, the College moved from an environment fully controlled by the Information Technology Division to one that is decentralized with more responsibilities in the units where the work is done. Under this structure, there are clearly identified Module Custodians that have responsibility for each module, which includes modification to rules and queries. These Module Custodians rely on the referenced functional experts to assist in testing and documentation. Given the complex nature of the environment and the limited IT resources available, operating in this manner is critical to the day-to-day operations of the College. It is not clear that the auditors consulted with any Module Custodians to support the conclusions stated. Also supporting this structure is a Colleague Quality Assurance team that consists of the functional experts for all modules. This group meets regularly on quality assurance issues. Module Custodians are kept informed by their functional expert representatives on this team and meets with the Quality Assurance Team periodically. The College went through a formal process to establish this team, including modifications to the position descriptions of individuals on the team to make quality assurance a formal part of their job responsibilities, and some individuals positions were reclassified accordingly. This Team will work with IT's Change Management team in the next few months to identify where processes might be enhanced.

Section III. Federal Award Findings and Questioned Costs

No findings.

Section IV. Summary of Prior Audit Findings

Finding 2009-01 – Financial Statement Reconciliations

This finding has been adequately addressed by management.

Finding 2009-02 Student Account Record Access

This finding has been adequately addressed by management.

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Dave Yost • Auditor of State

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
JANUARY 25, 2011**