

**COLUMBUS STATE COMMUNITY COLLEGE**

**Financial Statements as of and for the  
Years Ended June 30, 2009 and 2008**

**And**

**Report of Federal Awards in Accordance With  
OMB Circular A133 for the  
Year Ended June 30, 2009**







Mary Taylor, CPA  
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, 2008 through June 30, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 5, 2010

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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, 2009 and 2008, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Columbus State Community College as of June 30, 2009 and 2008, 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 15, 2009, 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, 2009, 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.

*Farms & Company, LLC*

October 15, 2009  
Columbus, Ohio



**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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**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, 2008; and financial activity for the fiscal year July 1, 2008 through June 30, 2009, with selected comparative information for the fiscal year ended June 30, 2008, and June 30, 2007, 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, 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.

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**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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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 2009, primarily the result of record enrollments, good returns on investments, increased 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 \$14 million, a 31% increase over 2008. Enrollment increased by 8.2% full-time equivalents (FTEs) over 2008, with a corresponding increase of \$3.6 million, or 6.4%, in tuition revenue, net of scholarship allowances. While enrollment headcount is typically highest in autumn quarter, with declines in winter and spring, spring quarter 2009’s headcount broke the record set in winter 2009, which had broken the enrollment record set in autumn 2008, with spring enrollment at nearly 24,500.

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 third year in a row, tuition remained at \$79 per credit hour for Columbus State, while state subsidy for higher education was increased to stem the trend of rising tuition rates. This resulted in an increase of \$5 million, 9.2%, over FY 2008 in the State Share of Instruction (SSI) received by Columbus State in 2009.

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. FY2009 was the first 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 FY09 budget was balanced at 3.8%.
- 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 impacts the state’s ability to pay the College appropriated subsidies. The Board allocated funds in November 2007 to meet this standard, and allocated additional funds from 2008 net income as prescribed by the Principles.
- The College yielded unrestricted investment income of \$3.8 million. While this amount was \$1.6 million or nearly 30% less than 2008, no budget adjustments were necessary to cover this decrease in investment income because, per the Principles, investment income is allocated from net income, not budgeted as an operating revenue.
- Strategic allocations of general fund net income realized for the period ended June 30, 2008 were recommended by the President and approved by the Board of Trustees as follows:

○ Budget/Tuition Stabilization	\$ 2,500,000
○ Delaware Campus Operations	2,500,000
○ Energy Efficiency/Sustainability	2,000,000
○ Health Care Self-Insurance Escrow	1,500,000
○ Health Care HSA Incentive	1,295,259
○ PERFORMs	250,000

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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Financial Accountability

Senate Bill 6 of the 122<sup>nd</sup> 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 fourth year in a row, Columbus State earned a composite score of 5.0 for 2008, the highest degree of fiscal strength for each ratio and the highest composite score that can be earned. For the eleven 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 progressed or was completed in 2009. The most significant of these projects continues to be the Delaware Campus. After nearly 7 years, starting with a Feasibility Study in 2002, groundbreaking took place in July 2008, with opening expected in autumn 2010. The total project budget is nearly \$25 million, of which \$20.7 million has been appropriated in State of Ohio capital improvement bills. The balance of the project will be funded by local funds allocated by the Board and with capital appropriations remaining from the construction of the Center for Workforce Development. The 2009 increase over 2008 in net assets invested in capital assets of over \$18 million includes approximately \$10.6 million expended on construction of the first building, Academic E, on the Delaware Campus.

In FY 2006, a committee, the Columbus Campus Planning Committee, reviewed and reaffirmed remaining projects from a 2002 facilities plan, and considered new initiatives for space vacated by tenants who moved into the new Bookstore/Retail Complex and the Center for Workforce Development. The Committee reconvened in FY2008 to review progress on the work and fine-tune the remaining work. An updated plan with over a dozen individual projects aimed at increasing effectiveness and efficiency of college functions and services was approved by the President. Most of the projects are completed, and others are near completion. Key projects included space expansion for the College's distance learning program to enhance the College's ability to further develop and administer on-line programs (339 Cleveland Avenue) and permanent space for the College's Department of Public Safety (Delaware Hall). Funding for the various projects in the updated plan included State of Ohio capital appropriations and local capital allocations, including 2003 bond proceeds available as a result of the Discovery Exchange and Child Development Center being completed under budget.

Approved as part of the recommendations of the Committee's plan included space in Delaware Hall vacated by the old bookstore, and adjacent space. The Department of Public Safety now occupies space designed for its programs that was formerly occupied by the bookstore. Additionally, this renovated space served to consolidate warehouse space for IT and Physical Plant, update the fitness center to benefit Student Athletics, and consolidate and update space for the Massage Therapy and Sports and Exercise Sciences programs. The renovation was completed in August of 2009, at a project cost of \$4.9 million, with a \$4.7 million allocation appropriated in the State of Ohio capital improvements bill and \$175,000 from local funds.

Another project recommended by the Columbus Campus Planning Committee, first affirmed in a 2002 Facilities Move Plan, was the Eibling Hall 1<sup>st</sup> Floor Renovation. In this project, 8,500 square feet were renovated to move Disability Services from the second floor of Franklin Hall to the first floor of Eibling Hall, where it will not only be located in an area of campus where several student services reside, making it easier for students to address administrative tasks, it will also make it much more accessible, convenient and safe for students and employees. The total project was completed at approximately \$900,000 and was funded by State of Ohio capital funds. The renovation was completed and Disability Services relocated to its new space in spring 2009.

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**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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**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.

**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, 2009. 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 16 and in the separately issued Foundation financial statements and audit report.

Certain items have been reclassified for the year ended June 30, 2008 to conform to classifications used for the year ended June 30, 2009.

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, 2009 and 2008**

*Statement of Net Assets (in thousands)*

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
<b>Assets</b>					
Current assets	\$ 151,018	\$ 132,361	\$ 18,657	\$ 119,343	\$ 13,018
Non-current assets					
Capital assets	154,193	139,671	14,522	139,692	(21)
Other	2,068	1,434	634	2,299	(865)
Total assets	<u>307,279</u>	<u>273,466</u>	<u>33,813</u>	<u>261,334</u>	<u>12,132</u>
<b>Liabilities</b>					
Current Liabilities					
Deferred revenue	14,776	12,492	2,284	11,207	1,285
Accounts payable	10,555	7,621	2,934	9,419	(1,798)
Other current liabilities	1,782	1,701	81	2,180	(479)
Non-current liabilities					
Long-term debt	14,910	16,620	(1,710)	17,710	(1,090)
Annuities payable	2,124	2,195	(71)	2,261	(66)
Other	846	684	162	642	42
Total liabilities	<u>44,993</u>	<u>41,313</u>	<u>3,680</u>	<u>43,419</u>	<u>(2,106)</u>
<b>Net Assets</b>					
Invested in capital assets	147,420	128,952	18,468	124,410	4,542
Restricted	131	64	67	2	62
Unrestricted	114,735	103,137	11,598	93,503	9,634
Total net assets	<u>\$ 262,286</u>	<u>\$ 232,153</u>	<u>\$ 30,133</u>	<u>\$ 217,915</u>	<u>\$ 14,238</u>

Assets

As of June 30, 2009, current assets totaled \$151.0 million compared to \$132.4 million in fiscal year 2008, and \$119.3 million in 2007. Year-to-year increases amounted to 14.1% and 10.9% in 2009 and 2008, respectively. Most of the increases are the result of increased net assets that have been invested and continued positive returns on investments as a result of favorable rates for longer maturities. Cash, cash equivalents and investments increased by \$13.5 million and \$13.9 million in 2009 and 2008, respectively, while the increase in unrestricted net assets was \$11.6 million and \$9.6 million in each of those years. Additionally, accounts receivable are up substantially as 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 is also recorded for construction costs

Total assets as of June 30, 2009, were \$307.3 million compared to \$273.5 million in fiscal year 2008, a 12.4% increase. The increase, \$33.8 million, is largely the result of increased net assets, \$30.1 million as later discussed under revenues, including capital additions, primarily from capital appropriations for Academic E on the Delaware Campus.

Capital assets such as land, buildings, machinery and equipment remain the largest asset group at \$154.2 million (50.2%), followed by cash and investments of \$133.4 million (43.4%); and inventory and other assets at \$19.7 million (6.4%). Each asset group is comparable to its proportion of total assets in 2008, with inventory and other assets having the largest change, increasing from 5.1% of total assets in 2008 to 6.4% in 2009. This shift is the result of accounts receivable increasing by \$5.8 million, or 41.6%, due to higher tuition receivable attributed to higher enrollment and receivables related to state capital appropriations as discussed above. While net capital assets increased by \$14.5 million, or 10.4%, its percentage of assets decreased from 51.1% to 50.2%, as larger increases were realized in cash and investments, 11.3%, and in inventory and other assets, 41.6%, over 2008.

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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Liabilities

As of June 30, 2009, the College's current liabilities were \$27.1 million, compared to \$21.8 million in 2008. Of the total, \$14.8 million was deferred revenue (summer quarter tuition revenues related to fiscal year 2009 and credit bank), \$10.6 million was accounts payable and \$1.8 million was short-term debt. As noted in the discussion of assets, accounts payable was nearly \$3 million higher in 2009 as a result of construction liabilities for Academic E. Accounts payable also includes higher receipts for Stafford loans that were not yet applied to student accounts receivables or returned to the loan servicer. Deferred revenue increased by \$2.3 million, 18.3%, over 2008, a direct result of higher enrollment for summer quarter 2009, which was 17% higher, as of June 30, 2009, than the same point in 2008.

Non-current liabilities as of June 30, 2009, were \$17.9 million consisting of \$14.9 million in long-term debt (revenue bonds), \$2.1 million in annuities payable, and other long-term liabilities of \$0.8 million. By comparison, non-current liabilities as of June 30, 2008 were \$19.5 million consisting of \$16.2 million in bonds payable, \$2.2 million in annuities payable, and \$0.7 million in long-term liabilities.

Total liabilities as of June 30, 2009 were \$45.0 million compared to \$41.3 million in fiscal year 2008. The \$3.7 million change is attributed to the \$2.9 million increase in accounts payable and \$2.3 million increased in deferred revenue noted above, offset by the reduction in long-term debt resulting from \$1.6 million debt service paid during 2009.

Net Assets

Net assets increased by \$30.1 million in 2009, compared to the increase of \$14.2 million in 2008. Increases totaling \$34.0 million were noted in most revenue areas, both operating and non-operating, including: tuition and fees (\$3.6 million); state appropriations, including capital appropriations (\$17.7 million); grants and contracts, including Pell (\$10.6 million); and auxiliary enterprises (\$2.1 million). Investment income decreased substantially as a result of lower short-term rates, particularly in STAROhio, and maturing securities reinvested at lower rates (\$1.6 million decrease, nearly 30%). Expenses increased by \$17.5 million, 11.6%, with the most significant increases occurring in Instruction (\$4.8 million); scholarships and fellowships (\$8.2 million); institutional support (\$1.1 million); and auxiliary enterprises (\$1.4 million).

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>2007</u>	<u>Difference</u>
<b>OPERATING REVENUES</b>					
Student tuition and fees (net of scholarship allowances of \$13.3, \$11.8, and \$11.3 million in 2009, 2008, and 2007, respectively)	\$ 60,173	\$ 56,536	\$ 3,636	\$ 53,468	\$ 3,068
Federal, state, and private grants and contracts	14,524	12,299	2,226	11,592	707
Auxiliary enterprises	13,522	11,404	2,118	10,298	1,106
Other	168	58	109	665	(607)
Total operating revenues	88,387	80,297	8,089	76,023	4,274
<b>OPERATING EXPENSES</b>					
Educational and general	125,124	117,383	7,741	108,734	8,649
Scholarships and fellowships	25,323	17,131	8,191	14,212	2,919
Auxiliary enterprises	12,730	11,311	1,419	10,342	969
Depreciation expense	5,103	4,936	167	4,480	456
Total operating expenses	168,280	150,761	17,519	137,768	12,993
Operating income (loss)	(79,893)	(70,464)	(9,430)	(61,745)	(8,719)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
State appropriations	60,147	55,084	5,062	53,099	1,985
Pell Grant Revenue	30,505	22,125	8,380	19,112	3,013
Investment income (net of expense)	3,826	5,487	(1,661)	4,102	1,385
Other non-operating revenues	(605)	(1,556)	950	(1,626)	70
Net non-operating revenues	93,873	81,140	12,732	74,687	6,453
Income before capital appropriations	13,980	10,676	3,302	12,942	(2,266)
Capital appropriations and gifts	16,153	3,562	12,591	2,139	1,423
Increase in net assets	30,133	14,238	15,893	15,081	(843)
Net assets, beginning of year	232,153	217,915	14,238	202,834	15,081
Net assets, end of year	\$ 262,286	\$ 232,153	\$ 30,131	\$ 217,915	\$ 14,238

**Revenues**

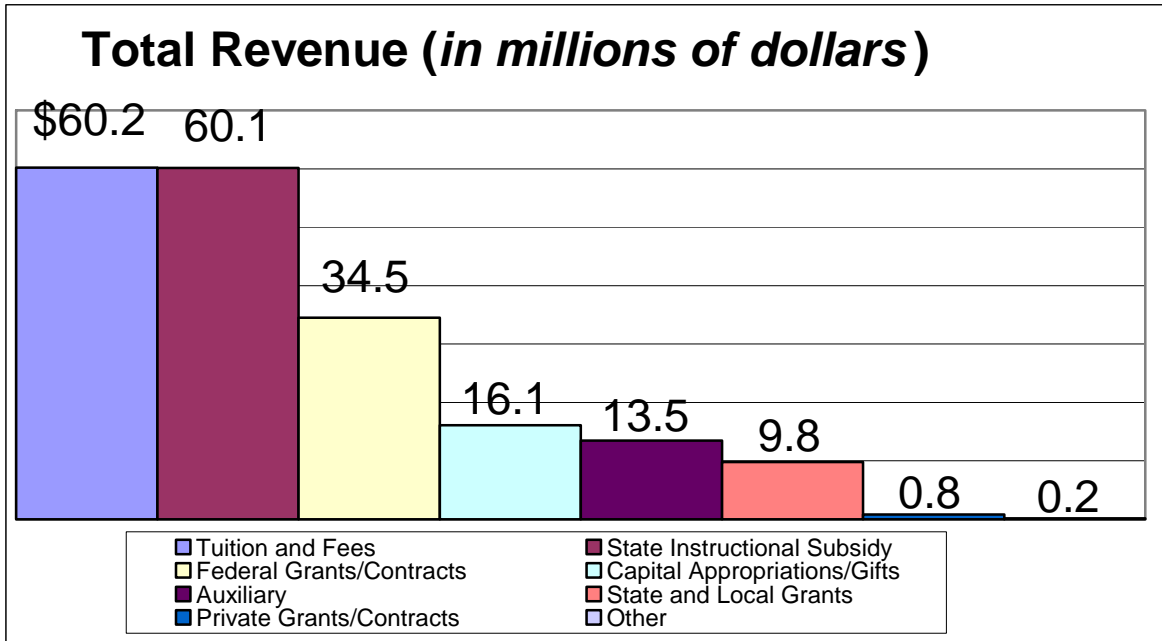
Total fiscal year 2009 revenues totaled \$195.2 million compared to \$161.1 million in fiscal year 2008. The most significant areas of increase were \$12.6 million more in capital appropriations than in 2008 (primarily for construction of Academic E on the Delaware Campus and renovation of the first floor of Eibling Hall); \$8.4 million in Pell grant revenue (the result of increased enrollment, more Pell eligible students, and higher maximum Pell awards); \$5.1 million increase in state appropriations; \$3.6 million in student tuition and fees (due to higher enrollment), \$2.2 million in state, local and private grants and contracts; and \$2.1 million in auxiliary enterprises.

The majority of College revenues come from three sources: 1) State instructional subsidy (\$60.1 million), 2) Student tuition and fees (\$60.2 million), and 3) Federal, state, and private grants and contracts, including Pell grant revenue (\$45.0 million).

Of \$44.2 million in federal and state grants and contracts, 86.7% are awarded to students through the federal Pell grant and State of Ohio instructional grant programs. These funds are used for student tuition (\$13.3 million) and education-related expenses.

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

The major sources of College revenues for fiscal year 2009 are presented below.



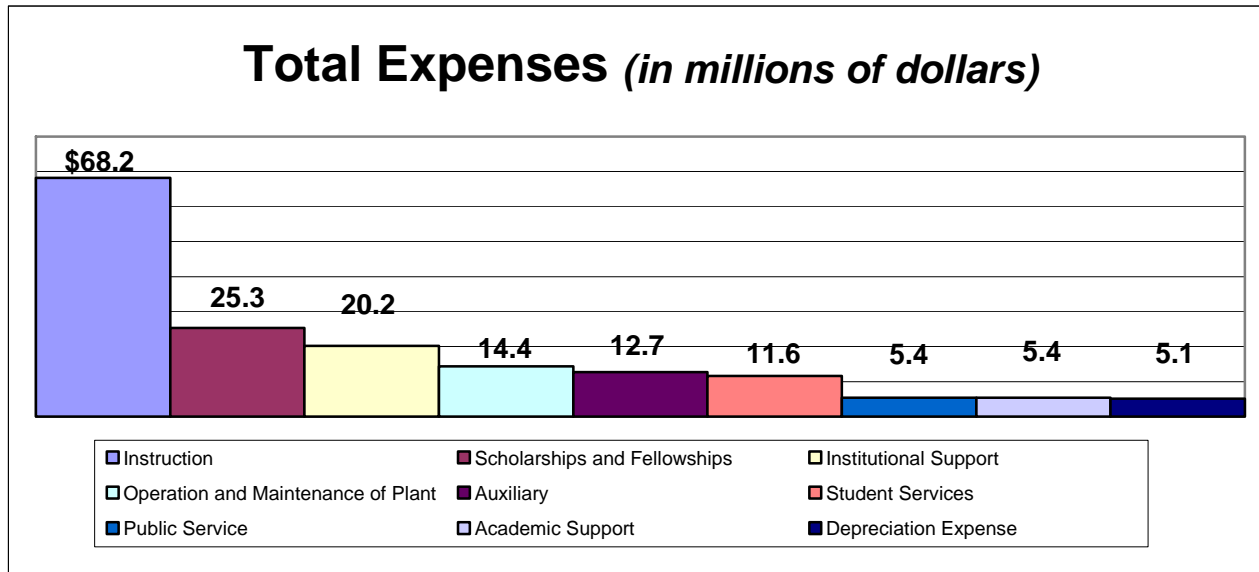
Expenses

Fiscal year 2009 expenses totaled \$168.3 million as compared to \$150.8 million in fiscal year 2008, an increase of \$17.5 million. Of this increase, approximately \$4.8 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, 7.6%, is directly proportional to the increased enrollment, 8.2%. Scholarships and Fellowships increased by over \$8.1 million due to higher enrollment and higher maximum awards available to Pell grant recipients, as evidenced by the \$8.4 million increase in Pell Grant Revenue. Expenses for the bookstore, an auxiliary enterprise, also increased by \$1.5 million, directly proportional to the increase in bookstore revenues, resulting from higher enrollment.



**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

Fiscal year 2009 expenditures are shown below:



*Statement of Cash Flows (in thousands)*

Net cash provided (used) by:	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operation activities	(\$77,763)	(\$64,612)	(\$57,058)
Non capital financing activities	90,851	76,511	71,581
Capital financing activities	(3,412)	(3,459)	(6,450)
Investing activities	(20,324)	(6,278)	(5,634)
Net increase/(decrease)in cash	(10,648)	2,162	(2,439)
Cash-beginning of year	11,437	9,275	6,836
Cash-end of year	\$ 789	\$ 11,437	\$ 9,275

Ending cash balances for fiscal years 2007 through 2009 were \$9.3 million, \$11.4 million, and \$0.8 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 STAR Ohio), or when funds should be transferred back for operations (usually during the latter part of each quarter). 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 has not been made until early July in prior years.

Major sources of cash in 2009 were State appropriations of \$60.1 million, tuition and fees of \$60.2 million, and gifts, grants, and contracts totaling \$45.1 million.

The most significant uses of cash were payments for salaries and benefits of \$99.4 million, payments to suppliers of \$38.5 million, \$25.3 million disbursed for student scholarships and financial aid, and \$19.6 million for the purchase of capital assets.

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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 09 (in thousands)*

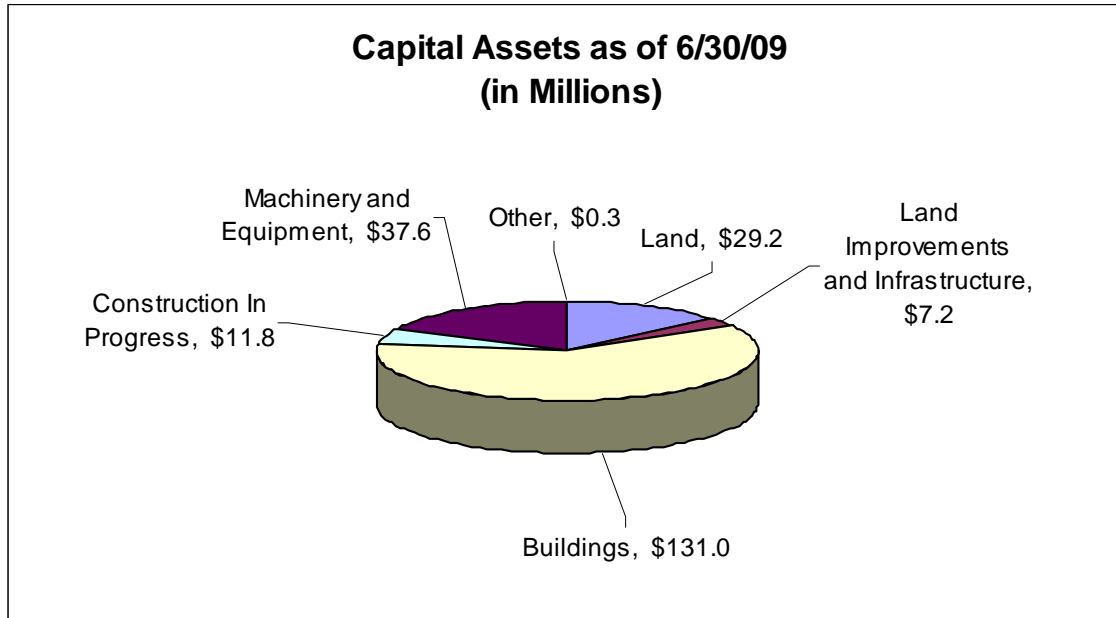
<u>Budgeted Operations</u>	Original	Revised	Percent		Percent
Revenues	Budget	Budget	% Change	Actual	% Change
College	\$127,116	\$132,117	3.93%	\$138,331	4.70%
Auxiliary	<u>12,774</u>	<u>12,691</u>	-0.65%	<u>13,522</u>	6.55%
Total Revenues	\$139,890	\$144,808	3.52%	\$151,853	4.87%
 <u>Expenditures</u>					
College	\$125,883	\$126,636	0.60%	\$124,770	-1.47%
Auxiliary	<u>12,480</u>	<u>12,657</u>	1.42%	<u>12,730</u>	0.58%
Total Expenditures	\$138,363	\$139,293	0.67%	\$137,500	-1.29%
Net Revenues	<u>\$1,527</u>	<u>\$5,515</u>	261.17%	<u>\$14,353</u>	160.25%

Capital Assets

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

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

The chart below illustrates the College’s capital assets (by classification) as of June 30, 2009.



As of June 30, 2009, the College had recorded \$217.2 million in capital assets and \$63 million in accumulated depreciation, for a total of \$154.2 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, 2009, the College had \$16.62 million of outstanding debt as follows: *(in millions)*

General Receipts Bonds:	2007	\$ 5.375
General Receipts Bonds	2003	<u>\$ 11.245</u>
Total		\$ 16.620

**FACTORS IMPACTING FUTURE PERIODS**

*State Support and Enrollment*

There are two factors that typically impact the budget for the College: state support and enrollment. In the area of state support, there are also three major factors that will undoubtedly impact future state support. The more immediate concern is the current biennium budget for the State of Ohio, which was balanced in mid-July 2009 with American Recovery and Investment Act (ARRA or federal stimulus) funds, and with anticipated revenues from video slot machines. The Ohio Supreme Court has since ruled that opponents be allowed to bring a referendum against the slot machines, effectively removing over \$800 million from the state’s 2010 – 2011 budget. Funding for higher education was left relatively intact throughout the previous biennium, despite several rounds of budget reductions. While other options are being discussed to rebalance the state’s budget, it is unknown if funding for higher education can be maintained at the levels appropriated. The second factor related to state support is that, as indicated above, the state’s biennial budget is balanced with ARRA funds. While these funds allowed the state to maintain funding for institutions of higher education at levels at least equal to the prior two years, thereby saving jobs, these funds are one-time monies and create a “stimulus cliff” by the end of the biennium, leaving approximately 20% of the college’s funding from the state at risk if the economy has not recovered and state revenues rebounded substantially.

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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The third factor potentially impacting this biennium is a decision that has yet to be made regarding FY11 state subsidy that focuses on the level of guarantee that will be built into the funding formula for state colleges and universities. This decision may well impact institutions with significant enrollment growth, like Columbus State, by causing some of its funding to be shifted to non-growth institutions in the interest of their stability.

For the next fiscal year, 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 Board of Trustees also approved a waiver of this increase, subject to approval by the Chancellor of the Ohio Board of Regents for winter and spring quarters. 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. This waiver will also allow the college to hold its tuition and fees flat for the fourth consecutive year making education as affordable as possible for its students.

Enrollment has increased each year for the past four years, over 10% 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 were to take an unexpected dip.

#### *Delaware Campus*

Over the next year, construction is scheduled to be completed on the first building on the Delaware Campus, with planned opening in the 2010 – 2011 academic year. 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 have been engaged from the initial planning phase for the Delaware Campus through current implementation planning for next year's opening. While actual enrollment may be more or less, initial enrollment has been projected at approximately 900 (unduplicated headcount) and 500 full-time equivalents for the first two years. Coupled with tuition and fees, allocations from the Delaware Campus Operations start-up account will provide the revenues needed to operate the campus in its initial years until the campus can be financially self-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 should minimally meet 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 be initiating this change, along with approximately four four-year universities. 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. This conversion will entail the review of over 2,100 courses in addition to 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 will have to be updated to respond to a semester calendar. A steering committee has been formed to direct the work of this conversion and will engage additional committees and resources to address the many aspects of a project of this magnitude. Columbus State will also participate in statewide collaborations with other institutions engaged in the conversion to semesters. The Board of Trustees also approved an initial allocation of \$1 million to support this initiative with the understanding that additional funds will likely be necessary to complete the conversion. The steering committee will present a plan and timeline to the Board of Trustees no later than January 2010.

**COLUMBUS STATE COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009 and 2008**

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*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 has 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 will be renovated using State capital improvement funds, and will include energy efficiency measures called for in the Plan.

# COLUMBUS STATE COMMUNITY COLLEGE

## STATEMENTS OF NET ASSETS As of June 30, 2009 and 2008

	2009		2008	
	Columbus State	Component Unit	Columbus State	Component Unit
	Community College	Development Foundation	Community College	Development Foundation
<b>ASSETS</b>				
Current Assets				
Cash	\$ 788,646	\$ 498,468	\$ 11,436,872	\$ 299,929
Investments	130,806,345	3,549,665	107,309,069	4,191,880
Accounts, Loans and Pledges Receivable	16,789,410	355,031	11,389,234	458,824
Inventories	1,873,992	-	1,595,665	-
Other Assets	759,453	-	628,973	-
Total Current Assets	151,017,846	4,403,164	132,359,813	4,950,633
Noncurrent Assets				
Cash and Cash Equivalent	-	-	2,901	-
Investments	1,801,635	-	1,145,921	-
Other Noncurrent Assets	265,716	-	286,299	-
Capital Assets, Net	154,193,242	-	139,670,660	-
Total Noncurrent Assets	156,260,593	-	141,105,781	-
<b>TOTAL ASSETS</b>	<b>307,278,439</b>	<b>4,403,164</b>	<b>273,465,594</b>	<b>4,950,633</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable and Accrued Liabilities	10,554,650	42,079	7,620,657	127,597
Annuities Payable, Current Portion	71,645	-	65,500	-
Long-term Debt, Current Portion	1,710,000	-	1,635,000	-
Deferred Revenue	14,776,278	-	12,492,066	-
Total Current Liabilities	27,112,573	42,079	21,813,223	127,597
Noncurrent Liabilities				
Annuities Payable, Long-term Portion	2,123,800	-	2,195,445	-
Long-term Liabilities	845,658	-	683,922	-
Long-term debt, Long-term Portion	14,910,000	-	16,620,000	-
Total Noncurrent Liabilities	17,879,458	-	19,499,367	-
<b>TOTAL LIABILITIES</b>	<b>44,992,031</b>	<b>42,079</b>	<b>41,312,590</b>	<b>127,597</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	147,420,623	-	128,952,358	-
Restricted				
Nonexpendable	-	3,304,126	-	3,268,701
Expendable	130,956	1,706,577	63,613	1,655,964
Unrestricted	114,734,829	(649,618)	103,137,033	(101,629)
<b>TOTAL NET ASSETS</b>	<b>\$ 262,286,408</b>	<b>\$ 4,361,085</b>	<b>\$ 232,153,004</b>	<b>\$ 4,823,036</b>

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, 2009 and 2008

	2009		2008	
	Columbus State	Component Unit	Columbus State	Component Unit
	<u>Community College</u>	<u>Development Foundation</u>	<u>Community College</u>	<u>Development Foundation</u>
<b>REVENUES</b>				
Operating Revenues				
Student Tuition and Fees (Net of Scholarship Allowances of \$13,349,350 in 2009 and \$11,789,885 in 2008)	\$ 60,172,580	-	\$ 56,536,318	-
Federal Grants and Contracts	3,975,806	-	4,280,526	-
State and Local Grants and Contracts	9,765,914	-	7,441,472	-
Private Grants and Contracts	782,660	1,028,855	576,740	710,245
Sales and Services of Educational Departments	45,246	-	20,323	-
Auxiliary Enterprises				
Bookstore	11,780,742	-	9,867,245	-
Other	1,741,035	-	1,536,838	-
Other Operating Revenues	123,286	-	37,808	-
<b>Total Operating Revenues</b>	<b>88,387,269</b>	<b>1,028,855</b>	<b>80,297,270</b>	<b>710,245</b>
<b>EXPENSES</b>				
Operating Expenses				
Educational and General				
Instruction and Departmental Research	68,196,787	-	63,363,417	-
Public Service	5,393,154	-	5,162,834	-
Academic Support	5,369,265	-	5,034,176	-
Student Services	11,624,415	-	11,074,237	-
Institutional Support	20,159,906	568,421	19,025,187	461,979
Operation and Maintenance of Plant	14,380,154	-	13,723,827	-
Scholarships and Fellowships	25,322,623	295,305	17,131,485	340,797
Depreciation Expense	5,102,961	-	4,935,826	-
Auxiliary Enterprises				
Bookstore	11,038,982	-	9,556,559	-
Other	1,691,339	-	1,753,512	-
<b>Total Operating Expense</b>	<b>168,279,586</b>	<b>863,726</b>	<b>150,761,060</b>	<b>802,776</b>
<b>Operating Income (Loss)</b>	<b>(79,892,317)</b>	<b>165,129</b>	<b>(70,463,790)</b>	<b>(92,531)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Appropriations	60,146,746	-	55,084,275	-
Unrestricted Investment Income (Net of Investment Expense)	3,809,292	(572,998)	5,415,995	(173,969)
Restricted Investment Income (Net of Investment Expense)	16,770	(54,082)	70,629	(35,577)
Interest on Capital Asset Related Debt	(770,297)	-	(729,600)	-
Pell Grant	30,505,028	-	22,125,275	-
Other Nonoperating Revenue (Expense)	165,053	-	(826,975)	-
<b>Net Nonoperating Revenues</b>	<b>93,872,592</b>	<b>(627,080)</b>	<b>81,139,599</b>	<b>(209,546)</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>13,980,275</b>	<b>(461,951)</b>	<b>10,675,809</b>	<b>(302,077)</b>
Capital Appropriations	16,153,129	-	3,562,300	-
<b>Increase in Net Assets</b>	<b>30,133,404</b>	<b>(461,951)</b>	<b>14,238,109</b>	<b>(302,077)</b>
<b>NET ASSETS</b>				
Net Assets-Beginning of Year	232,153,004	4,823,036	217,914,895	5,125,113
<b>Net Assets-End of Year</b>	<b>\$ 262,286,408</b>	<b>\$ 4,361,085</b>	<b>\$ 232,153,004</b>	<b>\$ 4,823,036</b>

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, 2009 and 2008

	2009		2008	
	Columbus State	Component Unit	Columbus State	Component Unit
	Community College	Development Foundation	Community College	Development Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and Fees	\$ 62,702,150	-	\$ 57,572,810	-
Grants, Gifts and Contracts	8,861,732	688,366	11,099,460	746,666
Payments to Suppliers	(38,755,145)	(209,656)	(35,572,017)	(398,936)
Payments for Salaries and Benefits	(98,957,158)	-	(92,043,313)	-
Payments for Scholarships	(25,322,623)	(295,305)	(17,131,485)	(340,797)
Auxiliary Enterprise Receipts	13,538,893	-	11,404,083	-
Other Receipts (Payments)	168,532	-	58,131	-
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(77,763,619)</b>	<b>183,405</b>	<b>(64,612,331)</b>	<b>6,933</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State Appropriations	60,146,746	-	55,084,275	-
Pell Grant	30,505,028	-	22,125,275	-
Nonoperating Payments to Suppliers	199,701	-	(698,967)	-
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>90,851,475</b>	<b>-</b>	<b>76,510,583</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital Appropriations	18,718,936	-	3,562,300	-
Purchases of Capital Assets	(19,660,194)	-	(4,656,588)	-
Principle Paid on Debt	(1,700,500)	-	(1,634,883)	-
Interest Paid on Capital Debt	(770,297)	-	(729,600)	-
<b>Net Cash Used In Capital Financing Activities</b>	<b>(3,412,055)</b>	<b>-</b>	<b>(3,458,771)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Bond Proceeds Released From Restricted Cash	2,901	-	39,499	-
Sale (Purchases) of Investments	(24,152,990)	396,317	(11,804,122)	(184,716)
Income on Investments	3,826,062	(381,182)	5,486,624	200,639
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(20,324,027)</b>	<b>15,135</b>	<b>(6,277,999)</b>	<b>15,923</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,648,226)</b>	<b>198,540</b>	<b>2,161,482</b>	<b>22,856</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>11,436,872</b>	<b>299,929</b>	<b>9,275,390</b>	<b>277,073</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 788,646</b>	<b>\$ 498,469</b>	<b>\$ 11,436,872</b>	<b>\$ 299,929</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>				
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Loss	(79,892,317)	165,129	(70,463,790)	(92,531)
Adjustments to Reconcile Net Operating Loss to Net Cash				
Provided (Used) By Operating Activities:				
Depreciation Expense	5,102,961	-	4,935,826	-
Changes in Assets and Liabilities:				
Receivables, net	(5,400,173)	103,794	1,288,588	36,421
Other Assets	(388,224)	-	484,940	-
Accounts Payable & Accrued Liabilities	529,922	(85,518)	(2,142,330)	63,043
Deferred Revenue	2,284,212	-	1,284,435	-
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(77,763,619)</b>	<b>183,405</b>	<b>(64,612,331)</b>	<b>6,933</b>

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, 2009 and 2008

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### 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 ORC Section 3358.01.

#### 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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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 No. 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.

**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.

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.

**GASB Pronouncements**

During the fiscal year ended June 30, 2009, the provisions of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation, and GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, 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.

The following summarizes recent GASB Statements issued which will become effective in subsequent financial statement reporting years:

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, effective for periods beginning after June 15, 2009.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for periods beginning after June 15, 2009.

GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, effective for periods beginning after June 15, 2010.

Management does not expect GASB Statement No. 51 or No. 53 to have a significant impact on the financial reporting of the College. The provisions of GASB Statement No. 54 are expected to have a significant impact on the financial reporting of the College. Management will determine and make the necessary reclassifications for prior periods presented with reporting periods after the effective date of this Statement to ensure conformity and consistency with these provisions for all comparative periods.

**Cash and Cash Equivalents**

The College's 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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Investments**

The College makes investments in accordance with the Board of Trustees' policy, which conforms to the authority granted in the Ohio Revised Code. 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, 2009 and 2008, 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.

**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, 2009 and 2008.

**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. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

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, 2009 and 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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.

**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.

**Other Significant Accounting Policies**

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

**Previous Year's Financial Information**

Certain reclassifications have been made to the 2008 comparative information to conform to the 2009 presentation.

**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.

*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 deposit policy for custodial credit risk. At June 30, 2009 and 2008, \$479,102 and \$200,000, respectively, of the bank balance was covered by federal deposit insurance and the remaining portion \$4,026,607 and \$13,975,957, 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 \$39,644,224, and \$30,862,609 in Star Ohio investments as of June 30, 2009 and 2008, 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.

The following summarizes the market value of investments at June 30, 2009 and 2008:

Description	Fair Value	
	<u>2009</u>	<u>2008</u>
Star Ohio	\$ 39,644,224	\$ 30,862,609
U.S. Government Obligations	5,720,311	-
U.S. Agency Obligations	<u>87,243,445</u>	<u>77,592,381</u>
Total	<u>\$132,607,980</u>	<u>\$108,454,990</u>

**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 2 - Cash, Cash Equivalents And Investments** (Continued)

*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, 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>	-	-
Total	<u>\$132,607,980</u>	<u>\$99,733,811</u>	<u>\$32,874,169</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2008, 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	\$30,862,609	\$30,862,609	\$ -	\$ -	\$ -
U.S. Gov't Obligations			-	-	-
U.S. Agency Obligations	<u>77,592,381</u>	<u>37,661,782</u>	<u>39,930,599</u>	-	-
Total	<u>\$108,454,990</u>	<u>\$68,524,391</u>	<u>\$39,930,599</u>	<u>\$ -</u>	<u>\$ -</u>

*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, 2009, are as follows:

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

The credit ratings of the College's interest-bearing investments at June 30, 2008 are as follows:

<b>Credit Rating (S&amp;P/Moody)</b>	<b>Total</b>	<b>STAR OHIO</b>	<b>U.S. Government Obligations</b>	<b>U.S. Agency Obligations</b>
AAA/Aaa	<u>\$108,454,990</u>	<u>\$30,862,609</u>	<u>\$ -</u>	<u>\$77,592,381</u>
Total	<u>\$108,454,990</u>	<u>\$30,862,609</u>	<u>\$ -</u>	<u>\$77,592,381</u>

**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 2 - Cash, Cash Equivalents And Investments** (Continued)

*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, 2009 and 2008:

<b>Type</b>	<b>Percent of Total</b>	
	<b>2009</b>	<b>2008</b>
STAR Ohio	29.90%	28.46%
Treasury Bills	4.31%	
Government Agencies	65.79%	71.54%
	100.00%	100.00%

*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, 2009 and 2008, the College's investments in treasury bills and government agency securities were held in custody by a counterparty on behalf of the College.

**Note 3 - Pledges, Grants and Accounts Receivable**

<b><u>2009</u></b>	<b><u>Gross Receivable</u></b>	<b><u>Allowance</u></b>	<b><u>Net Receivable</u></b>
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>
<b><u>2008</u></b>	<b><u>Gross Receivable</u></b>	<b><u>Allowance</u></b>	<b><u>Net Receivable</u></b>
Students' and other	\$ 9,439,183	(5,533,145)	\$ 3,906,038
Pledge		-	
Grants and contracts	<u>7,483,196</u>	<u>-</u>	<u>7,483,196</u>
Total	<u>\$16,922,379</u>	<u>(5,533,145)</u>	<u>\$11,389,234</u>

**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 4 - Capital Assets**

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

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
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>

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Land	\$29,674,722	-	-	\$29,674,722
Works of Art	286,500	-	-	286,500
Construction in Progress	<u>442,035</u>	<u>771,853</u>	<u>(36,360)</u>	<u>1,177,528</u>
Total cost of nondepreciable capital assets	30,403,257	771,853	(36,360)	31,138,750
Buildings	121,930,266	2,496,137	-	124,426,403
Improvements other than buildings	6,536,672	191,260	-	6,727,932
Moveable equip, furniture and library books	<u>34,682,274</u>	<u>1,619,513</u>	<u>(860,792)</u>	<u>35,440,995</u>
Total cost of depreciable capital assets	<u>163,149,212</u>	<u>4,306,910</u>	<u>(860,792)</u>	<u>166,595,330</u>
Total cost of capital assets	193,552,469	5,078,763	(897,152)	197,734,080
Less accumulated depreciation				
Buildings	28,874,635	2,696,475	-	31,571,110
Improvement other than buildings	942,946	325,153	-	1,268,099
Moveable equip, furniture & library books	<u>24,042,897</u>	<u>1,914,198</u>	<u>(732,884)</u>	<u>25,224,211</u>
Total accumulated depreciation	<u>53,860,478</u>	<u>4,935,826</u>	<u>(732,884)</u>	<u>58,063,420</u>
Capital assets, net	<u>\$139,691,991</u>	<u>142,937</u>	<u>(164,268)</u>	<u>\$139,670,660</u>

**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 5 - Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Payable to vendors and contractors	\$6,379,411	\$ 3,686,041
Accrued expenses, primarily payroll and vacation leave	4,528,850	4,141,706
Employee withholdings and deposits payable to third parties	<u>492,047</u>	<u>476,832</u>
Total accounts payable and accrued liabilities	<u>\$11,400,308</u>	<u>\$8,304,579</u>
Current portion	<u>\$10,554,650</u>	<u>\$7,620,657</u>
Noncurrent portion	<u>\$ 845,658</u>	<u>\$ 683,922</u>

**Note 6 - Long Term Debt**

Long-term debt as of June 30, 2009 and 2008 is summarized as follows:

	<u>Balance June 30, 2008</u>	<u>New Debt</u>	<u>Reduction</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Series 2003 bonds with interest rates ranging from 2.0% to 4.5% due serially through 2023	\$12,335,000	-	(1,090,000)	11,245,000	1,120,000	10,125,000
Series 2007 bonds with interest rates ranging from 4.0% to 4.25% due serially through 2017	5,920,000	-	(545,000)	5,375,000	590,000	4,785,000
Annuity Obligation	<u>2,260,945</u>	<u>-</u>	<u>(65,500)</u>	<u>2,195,445</u>	<u>71,645</u>	<u>2,123,800</u>
Total Bonds & Annuities	\$20,515,945	-	(1,700,500)	\$18,815,445	\$1,781,645	\$17,033,800
Compensated Absences	<u>2,975,569</u>	<u>284,287</u>	<u>-</u>	<u>3,259,856</u>	<u>2,414,198</u>	<u>845,658</u>
Total Long-Term Liabilities	<u>\$23,491,514</u>	<u>284,287</u>	<u>(1,700,500)</u>	<u>\$22,075,301</u>	<u>4,195,843</u>	<u>\$17,879,458</u>



**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 6 - Long-Term Debt (Continued)**

Principal and interest amounts on bonds and annuity 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>
2010	1,781,645	854,236	2,635,881
2011	1,298,365	790,016	2,088,381
2012	1,350,717	736,339	2,087,056
2013	1,403,757	680,449	2,084,206
2014	1,467,552	620,946	2,088,498
2015-2019	6,721,431	2,109,878	8,831,309
2020 – 2024	4,343,873	746,439	5,090,312
2025 – 2028	<u>448,105</u>	<u>87,149</u>	<u>535,254</u>
Total	<u>\$18,815,445</u>	<u>\$6,625,452</u>	<u>\$25,440,897</u>

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

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 under operating leases, which have ending dates ranging through August 2013. Future minimum lease payments under operating leases at June 30, 2009, are as follows:

2010	802,348
2011	738,402
2012	474,081
2013	<u>55,467</u>
	<u>\$2,070,298</u>

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**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 \$3,259,856 and \$2,975,569 as of June 30, 2009 and 2008, 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 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.

**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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**Note 9 - Retirement Plans (Continued)**

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 31<sup>st</sup> 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.

**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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**Note 9 - Retirement Plans (Continued)**

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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teacher 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, 2008, 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, 2009, 2008, and 2007 were \$6,074,141, \$5,647,778, and \$5,118,714, 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 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371, by calling toll-free (888)227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% 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, 2009, 2008, and 2007 were \$4,459,783, \$4,173,968, and \$3,869,135, 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](http://www.ohsers.org) under Forms and Publications.

**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 2009 and 2008, the College's contributions were \$28,714 and \$26,897, respectively for STRS and \$37,243 and \$26,846, respectively for SERS.

**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.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

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**Note 10 - Other Postemployment Benefits (Continued)**

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, 2009, 2008, and 2007. 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, 2009, 2008, and 2007 were \$433,867, \$403,413, and \$365,622, 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 2009 was \$96.40; 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 2009, the actuarially required allocation was .75%. The College contributions for the years ended June 30, 2009, 2008, and 2007, were \$238,915, \$202,734, and \$187,928, 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.

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, 2009, the health care allocation was 4.16%. 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 2009, 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, 2009, 2008, and 2007 were \$1,773,841, \$1,406,183 and \$1,318,401.

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](http://www.ohsers.org) under Forms and Publications.

COLUMBUS STATE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

**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. The College has an agreement with Wells Fargo, a risk management and brokerage company, to aid in this area. 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.

**Note 12 - Capital Projects Commitments**

At June 30, 2009 and 2008, the College was committed to future capital expenditures as follows:

	<u>2009</u>	<u>2008</u>
Contractual commitments		
Aquinas Hall Boiler		25,000
Delaware Hall Renovation	150,000	175,000
Delaware Campus	<u>3,000,000</u>	<u>4,200,000</u>
Total future project costs	<u>\$3,150,000</u>	<u>\$4,400,000</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 \$53,632 and \$46,240, as of June 30, 2009 and 2008.

**Note 14 - Pending Litigation**

At June 30, 2009, 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 - Operating Expenses By Natural Classification**

The College's operating expenses by natural classification were as follows for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Salaries and wages	\$ 79,044,628	\$ 74,265,733
Employee benefits	20,314,889	18,183,778
Utilities	3,407,104	3,201,897
Supplies and other services	35,087,381	33,042,341
Depreciation	5,102,961	4,935,826
Student scholarships and financial aid	<u>25,322,623</u>	<u>17,131,485</u>
Total Expenses	<u>\$168,279,586</u>	<u>\$150,761,060</u>

**COLUMBUS STATE COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008**

**Note 16 - 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 business 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

As of June 30, 2009, the Foundation had bank cash carrying value of \$513,677, which was exposed to custodial credit risk. These funds were managed by the College and covered under the College's bank collateral agreement.

Investments

The Foundation's investments are stated at fair 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, 2009:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Equity Funds	\$ 2,765,369	\$ 2,638,950	\$ 2,985,939	\$ 3,111,907
Fixed Income Funds	<u>910,029</u>	<u>910,715</u>	<u>1,085,777</u>	<u>1,079,973</u>
Total Investments	<u>\$ 3,675,398</u>	<u>\$ 3,549,665</u>	<u>\$ 4,071,716</u>	<u>\$ 4,191,880</u>

Promises to Give

Unconditional promises to give consist of the following as of June 30, 2009 and 2008:

		2009	2008
Outstanding pledges at year end		\$354,095	\$ 450,909
Less: Discounts and allowance for uncollectible pledges		<u>(361)</u>	<u>(5,688)</u>
Unconditional promises to give, net		<u>\$353,734</u>	<u>\$445,221</u>
As of June 30, 2009	Gross	Allowance/	Net
Amounts due to be received in:	<u>Amount</u>	<u>Discount</u>	<u>Amount</u>
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>
As of June 30, 2008	Gross	Allowance/	Net
Amounts due to be received in:	<u>Amount</u>	<u>Discount</u>	<u>Amount</u>
Less than one year	\$210,909	-	\$210,909
One to five years	<u>240,000</u>	<u>(5,688)</u>	<u>234,312</u>
Total	<u>\$450,909</u>	<u>(5,688)</u>	<u>\$445,221</u>

**COLUMBUS STATE COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

	CFDA #	Pass Through Number	Expenditures
<b>US DEPARTMENT OF EDUCATION</b>			
<i>Direct Recipient</i>			
Student Financial Aid Cluster:			
FSEOG	84.007		\$ 389,165
FFEL	84.032		49,678,580
Work Study	84.033		310,328
Academic Competitiveness Grants	84.375		32,601
Federal Pell Grant	84.063		27,306,609
Total Student Financial Aid Cluster			77,717,283
TRIO Cluster			
TRIO Upward Bound	84.047		321,217
TRIO Student Support Services	84.042		238,950
TRIO Talent Search	84.044		222,774
Total TRIO Cluster			782,941
Child Care Access Means Parents in School	84.335		153,315
Business and International Education Projects	84.153		13,212
<i>Passed through State of Ohio Department of Education</i>			
Career and Technical Education - Basic Grants to States	84.048	20-C2	332,510
Career and Technical Education - Basic Grants to States	84.048		275
Tech Prep Education	84.243	3E-00	340,227
Twenty -First Century Community Learning Centers	84.287	3Y20	281,171
<i>Passed through Columbus Public Schools</i>			
Teacher Quality Enhancement Grants	84.336		91,018
<b>Total Department of Education</b>			<b>79,711,952</b>
<b>US DEPARTMENT OF LABOR</b>			
<i>WIA Cluster</i>			
<i>Passed through Central Ohio Workforce Investment Corporation</i>			
WIA Adult Program	17.258		187,048
WIA Youth Activities	17.259		172,137
ARRA - WIA Youth Activities	17.259		27,628
<i>Passed through Ohio Department of Jobs and Family Services</i>			
WIA Adult Programs	17.258		176,282
<i>Passed through Franklin County Jobs and Family Services</i>			
WIA Adult Programs	17.258		68,141
Total WIA Cluster			631,236
<i>Passed through Central Ohio Workforce Investment Corporation</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207		50,830
<i>Passed through Ohio Department of Jobs and Family Services</i>			
Trade Adjustment Assistance	17.245		102,266
<b>Total Department of Labor</b>			<b>784,332</b>



**COLUMBUS STATE COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

	<u>CFDA #</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through Franklin County Jobs and Family Services</i>			
Temporary Assistance for Needy Families	93.558		407,171
Refugee and Entrant Assistance_State Administered Programs	93.566		144,543
<b>Total Department of Health and Human Services</b>			<b>551,714</b>
<b>SMALL BUSINESS ADMINISTRATION</b>			
<i>Passed through Ohio Department of Development</i>			
Small Business Development Center	59.037		401,217
<b>VETERANS BENEFITS ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS</b>			
Vocational Rehabilitation for Disabled Veterans	64.116		250,820
<b>DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through Public Utilities Commission of Ohio</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		11,770
<b>DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through State Department of Education</i>			
Summer Food Service Program for Children	10.559		6,788
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
AmeriCorps	94.006		116,871
<b>NATIONAL SCIENCE FOUNDATION</b>			
<i>Passed through OSURF</i>			
Mathematical and Physical Sciences	47.049		28,050
Education and Human Resources	47.076		6,624
Office of Cyberinfrastructure	47.080		8,038
<b>Total National Science Foundation</b>			<b>42,712</b>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>\$ 81,878,176</b>

**COLUMBUS STATE COMMUNITY COLLEGE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

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**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 represents new loans advanced during the fiscal year ended June 30, 2009. The College is not a direct lender of Federal Family Education Loans (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	\$29,844,817
Federal Unsubsidized Stafford Loans	19,269,411
Federal PLUS Loans	<u>564,352</u>
Total FFELs	<u>\$49,678,580</u>

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

Board of Trustees  
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, 2009, and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described as 2009-1 and 2009-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

#### 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 that we reported to management of the College in a separate letter dated October 15, 2009.

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, accordingly, 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 15, 2009  
Columbus, Ohio

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

Board of Trustees  
Columbus State Community College

Compliance

We have audited the compliance of Columbus State Community College, a component unit of the State of Ohio, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Columbus State Community 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 Columbus State Community College's management. Our responsibility is to express an opinion on Columbus State Community 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 Columbus State Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Columbus State Community College's compliance with those requirements.

In our opinion, Columbus State Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of Columbus State Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Columbus State Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the entity's internal control over compliance 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 noncompliance with the type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with the type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

October 15, 2009  
Columbus, Ohio

**COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**Section I. Summary of Auditor's Results**

**A. *Financial Statements:***

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

**B. *Federal Awards:***

- |    |  |                     |
|----|--|---------------------|
| 1. | Internal control over major programs:  |                     |
|    | a. Material weakness(es) identified?   | ___ Yes <u>X</u> No |
|    | b. Significant deficiency(ies) identified that are Not considered to be material weakness(es)?   | ___ Yes <u>X</u> No |
| 2. | Type of auditor's report issued on compliance for major programs:  | <u>UNQUALIFIED</u>  |
| 3. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   | ___ Yes <u>X</u> No |
| 4. | Identification of major programs by program name (CFDA Number(s)):   |                     |
|    | <ul style="list-style-type: none"> <li>• Student Financial Assistance Cluster (84.007, 84.032, 84.033, 84.375 and 84.063)</li> <li>• Workforce Investment Act Cluster (17.258, 17.259 and 17.260)</li> </ul> |                     |
| 5. | Dollar threshold used to distinguish between Type A and Type B programs:   | \$ <u>965,988</u>   |
| 6. | Auditee qualified as low-risk auditee?   | <u>X</u> Yes ___ No |

**COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2009-01**

**FINANCIAL STATEMENT ACCOUNT RECONCILIATIONS**

Criteria

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

Condition

There are several financial statement accounts for which account reconciliations were either not performed or were performed but corrective action was not taken on the reconciling items. As a consequence items requiring adjustment to the financial statement balances were not made on a timely basis.

Cause

Differences between general ledger balances and supporting subsidiary detail have not been consistently reviewed corrected on a timely basis. There have been some account reconciliations performed where differences were known but corrective action has not been taken. Other account reconciliation differences were only determined in conjunction with the audit process.

Effects

There were several accounts for which the subsidiary detail did not agree with the general ledger balances. The net effect of these reconciliation differences was \$258,226 in overstatement of net assets, which had a reported value of \$262,286,408 as of June 30, 2009. Although, there were individual differences where the reported general ledger balances were both overstated and understated.

Recommendation

We recommend corrective action be performed to ensure proper reconciliation procedures are performed and appropriate corrective action taken.



**COLUMBUS STATE COMMUNITY COLLEGE**  
**SECTION II - SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2009-01 (Continued)**

Client Response

Management is in the process of restructuring several of the processes and personnel within the responsible areas of Business Services to appropriately prepare reconciliations in a timely manner and monitor the related follow-up and corrections. This restructuring will include some dedicated personnel for payroll and related accounts due to the significance of this activity to the overall financial statements. While reconciliations were not prepared in a timely manner, financial statements are reviewed in detail on a monthly basis by the Chief Financial Officer along with administrators in Business Services, and any significant or unexpected fluctuations from budget or prior periods are fully investigated and documented to insure understanding of variances. Appropriate corrections are made as necessary.

**Finding 2009-02**

**STUDENT ACCOUNT RECORD ACCESS**

Criteria

Effective internal control requires the proper design and implementation of accounting procedures to ensure transactions are properly initiated, authorized and recorded in accordance with management's intended purpose.

Condition

Several employees have access to a specific data entry function that allows unrestricted modification or input to student account records. We found certain employees within Business Services (Cashier's Office, Student Accounting, and Grants and Loans) and Public Safety departments have access to this system application.

Cause

The data entry function is necessary for inputting activity on students' accounts under particular circumstances, thus requiring access by staff to conduct such input. Staff access concurrently provides staff with the capability of overriding or altering records without authorization. We noted existing controls that informally limit use or require supervisory authorization for inputting data through the application. However, staff can execute an unauthorized change to a student account at any time, without supervisory knowledge or authorization.

**COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2009-02 (Continued)**

Effects

The application function allows an individual to create charges and credits to student accounts which can override existing controls and change transactional records. There is also the possibility for individual to initiate improper transactions.

Recommendation

The College should have controls implemented, which limits or monitors use of overrides. We recommend that the College review and evaluate controls surrounding this matter to strengthen controls that may limit or monitor the override capabilities afforded by this data entry function

Client Response

Management will take appropriate steps to review and evaluate controls surrounding this matter. This evaluation will include consultation with Information Technology to determine if user activity logs can be produced if the system module has no other review or approval functionality available without adverse impact on the workflow or workload.

**COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**Section III. Federal Award Findings and Questioned Costs**

No findings.

**COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2009**

**The prior audit report contained no audit findings and no questioned costs.**



**Mary Taylor, CPA**  
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 19, 2010**