COLUMBUS STATE COMMUNITY COLLEGE

Financial Report With Additional Information
For The Years Ended June 30, 2005 and 2004

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Auditor of State
Betty Montgomery

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

We have reviewed the *Independent Auditor's Report* of the Columbus State Community College, Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2004 through June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 28, 2005

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COLUMBUS STATE COMMUNITY COLLEGE

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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 of the College's financial position as of June 30, 2005; and financial activity for the fiscal year July 1, 2004 through June 30, 2005, with selected comparative information for the fiscal year ended June 30, 2004, and June 30, 2003 when appropriate. This discussion should be read in conjunction with the accompanying financial statements and notes herein.

WHAT IS BEING PRESENTED

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

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

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

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

It is management's intention to discuss significant financial data based upon currently 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.

ABOUT THE COLLEGE

Mission

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

History

On September 30, 1963, the Columbus Area Technical School (the forerunner to Columbus State Community College) held its first class in the basement of Columbus, Ohio's Central High School. Total enrollment was 67 students. The College's 2004-2005 academic year enrollment (over 40 years later) averaged nearly 21,000 students.

The Columbus State Community College student is typically 20-24 years of age, female (58%), and takes an average of nine credit hours of courses (twelve hours being a full-time load). Columbus State Community College students come from many different cultural, ethnic and socioeconomic backgrounds; representing over 65 different countries.

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

FINANCIAL HIGHLIGHTS

- Enrollment decline

  After several consecutive years of growth — 42.7% from 1997 through 2004 — enrollment in credit courses in during the 2004-2005 academic year decreased by approximately 6.0% over the previous year, to just below 21,000. The economy and personal reasons contributed to the dip, as well as the fact that in the previous year the College had its largest graduating class in its history. Other community colleges experienced similar declines. Enrollment-related expenses are managed with increases or decreases in the use of part-time faculty (adjuncts) who are employed on a quarter-by-quarter basis, and through other careful budget considerations.

- Revenues increase

  Operating revenues increased to $84.1 million, a 6.1% increase over fiscal year 2004. This net increase was driven by a 5.8% increase in tuition rates, and a twofold increase in financial aid monies received from state and local grants and contracts. While enrollment was lower, the increase in state grants, in particular, increased substantially due to the impact of implementing a new enterprise system that presented challenges in fiscal year 2004, delaying the application of Ohio Instructional Grants for summer quarter 2004; therefore, fiscal year 2005 had five quarters of aid applied while fiscal year 2004 had only three quarters. Additionally, individual grant awards were higher in fiscal year 2005. State appropriations (tuition subsidy for Ohio residents) increased to $54 million; a $7.3 million (15.6%) increase over 2004. Because the State Share of Instruction ("SSI") is paid in arrears, calculated using prior year enrollments, during a year of decreased enrollment, the College yielded subsidy earnings based on two of its highest enrollment years. Access Challenge subsidy is paid two years in arrears. Conversely, in future years, as enrollment rebounds, the College will have to manage its expenses within subsidy allocations based on current lower enrollments. With this in mind, current operating expenses were $123.6 million, just a 1.2% increase over fiscal year 2004.

- Second Campus

  In September, 2004, Columbus State Community College purchased 108 acres of land in Delaware County, approximately 25 miles north of downtown Columbus, Ohio, to establish a second campus to enhance services to a growing population in its four-county service district. Delaware County, Ohio, is the 11th fastest growing county in the country and the fastest growing county in the state. In early February 2005, the State's Fiscal Year 2005-06 Capital Appropriations Bill was enacted, and included a $19.7 million allocation for a first building on the Delaware Campus. Like its Columbus campus, the Delaware campus will grow over a period of decades, as demand grows, and as funds are available to build new buildings.

- Investments

  In February 2005, the College began investing in securities pursuant to the investment policy adopted by the Board in July 2004. This new investment policy allows the College to earn interest income in excess of STAR Ohio and Certificates of Deposits, while maintaining a portion of its portfolio in STAR Ohio that can be readily accessed for current operations. As of June 30, 2005, nearly 59% of the College's portfolio was invested in STAR Ohio and Treasury Bills, with the balance in federal agencies. Investment earnings for fiscal year 2005 were approximately $1.5 million, or 112% higher than in fiscal year 2004. Higher earnings are attributed to a diversified approach to investing and higher market rates. Bond proceeds and Auxiliary Services monies are now realizing investment income well beyond that earned when these funds were held in interest-bearing checking accounts. It is important to note that among the safeguards that the College has in place regarding its investments, investment assets are held by a custodial bank, a third party responsible for holding and accounting for the College's securities, rather than having its assets held directly by its investment advisors and/or brokers.

- Sustainability

  In planning its current year operating budget, a process that occurred during the 2004-05 fiscal year, "sustainability" was the key guiding principle in preparing the budget, given the State of Ohio's declining financial support per full-time equivalent student since Fiscal Year 2000. Two key sustainability initiatives included a Voluntary Early Retirement Incentive Program approved by the Board of Trustees in March 2005, and a health care cost containment initiative.

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, 2005.

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

The ***Statement of Revenues, Expenses and Changes in Net Assets*** show 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.

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

Statements of Net Assets (in thousands)

	2005	2004	Difference	2003	Difference
Assets					
Current assets	$ 96,314	$ 76,804	$ 19,510	$ 72,879	$ 3,925
Non-current assets					
Capital assets	130,069	110,414	19,655	106,506	3,908
Other	3,621	15,018	(11,397)	2,456	12,562
Total assets	230,004	202,236	27,768	181,841	20,395
Liabilities					
Current Liabilities					
Deferred revenue	10,647	10,663	(16)	10,309	354
Accounts payable	10,365	8,648	1,717	6,676	1,972
Other current liabilities	1,500	1,451	49	941	510
Non-current liabilities					
Long-term debt	21,250	22,700	(1,450)	10,535	12,165
Annuities payable	2,375	2,467	(92)	2,472	(5)
Other	762	451	311	436	15
Total liabilities	46,899	46,380	519	31,369	15,011
Net Assets					
Invested in capital assets	110,615	96,064	14,551	93,860	2,204
Restricted	3,737	4,193	(456)	5,022	(829)
Unrestricted	68,753	55,599	13,154	51,590	4,009
Total net assets	$ 183,105	$ 155,856	$ 27,249	$ 150,472	$ 5,384

Assets

As of June 30, 2005, current assets totaled $96.3 million compared to $76.8 million in fiscal year 2004, and $72.9 million in 2003. Year-to-year increases equaled 25.4%and 5.4% in 2005 and 2004, respectively. Most of the increase in 2005 is the result of a shift from non-current assets, bond proceeds received in 2004 that were held in plant funds as of June 30, 2004, to current assets, fiscal year 2004 proceeds that were invested during fiscal year 2005; these investments are recorded under current funds. Additionally, receivables amounting to $1.7 million were recorded for state capital appropriations related to construction in progress. A corresponding liability was also recorded for these construction costs.

Total assets as of June 30, 2005, were $230.0 million compared to $202.2 million in fiscal year 2004, a 13.7% increase. The increase, $27.8 million, is largely the result of increased state subsidy and capital appropriations, as further discussed below for *Net Assets.*

Capital assets such as land, buildings, machinery and equipment are the largest asset group at $130.1 million (56.5%), followed by cash and investments of $86.1 million (37.5%); and inventory and other assets at $13.8 million (6.0%). The make-up of assets is comparable to 2004, within 2 percentage points, for each of these asset groups.

Liabilities

As of June 30, 2005, the College's current liabilities were $22.5 million, comparable to $20.7 million in 2004. Of that total, $10.6 million was deferred revenue (summer quarter tuition revenues related to fiscal year 2006), $10.3 million in accounts payable and $1.45 million of short-term debt. Most of the increase from 2004 is due to approximately $1.7 million in payables related to construction in progress. As these amounts will actually be paid by the state, a receivable is also recorded in this amount.

Non-current liabilities as of June 30, 2005, were $24.4 million consisting of $21.25 million in long term debt (revenue bonds), $2.4 million in annuities payable, and other long-term liabilities of $0.80 million. By comparison, non-current liabilities as of June 30, 2004 were $25.6 million consisting of $22.7 million in bonds payable, $2.5 million in annuities payable, and $.5 million in long-term liabilities.

Total liabilities as of June 30, 2005 were $46.9 million compared to $46.4 million in fiscal year 2004, a 1.1% increase.

Net Assets

Net assets increased by $27.2 million in 2005 and $5.4 million in 2004. The 2005 increase is considerably higher than last year due to 2005 receipts from the State of Ohio for the construction of an academic building, Academic Center D. Funds received in 2005, capital appropriations, exceeded 2004 by more than $11.5 million. Funds received from the State of Ohio for the construction and renovation of buildings and other capital assets are treated as income to the College, directly impacting net assets. Additionally, as discussed under Financial Highlights, increases from 2004 were noted in operating revenues ($4.6 million), state subsidy calculated and paid on an in-arrears basis ($7.3 million), and investment income ($0.80 million), while expenses were flat.

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

	2005	2004	Difference	2003	Difference
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of $9.6 million in 2005 and $10.5 million in 2004)	$ 45,736	$ 44,133	$ 1,603	$ 38,469	$ 5,664
Federal, state, and private grants and contracts	27,582	23,721	3,861	22,237	1,484
Auxiliary enterprises	9,992	10,642	(650)	10,313	329
Other	740	710	30	545	165
Total operating revenues	84,050	79,206	4,844	71,564	7,642
OPERATING EXPENSES					
Educational and general	99,206	98,901	305	92,651	6,250
Scholarships and fellowships	11,523	9,820	1,703	7,891	1,929
Auxiliary enterprises	9,277	9,872	(595)	9,542	330
Depreciation expense	3,565	3,483	82	3,274	209
Total operating expenses	123,571	122,076	1,495	113,358	8,718
Operating income (loss)	(39,521)	(42,870)	3,349	(41,794)	(1,076)
NON-OPERATING REVENUES (EXPENSES)					
State appropriations	53,976	46,687	7,289	43,692	2,995
Investment income (net of expense)	1,480	700	780	848	(148)
Other non-operating revenues	(1,779)	(719)	(1,060)	(647)	(72)
Net non-operating revenues	53,677	46,668	7,009	43,893	2,775
Income before capital appropriations	14,156	3,798	10,358	2,099	1,699
Capital appropriations	13,093	1,587	11,506	1,347	240
Increase in net assets	27,249	5,385	21,864	3,446	1,939
Net assets, beginning of year	155,856	150,471	5,385	147,025	3,446
Net assets, end of year	$ 183,105	$ 155,856	$ 27,249	$ 150,471	$ 5,385

Revenues

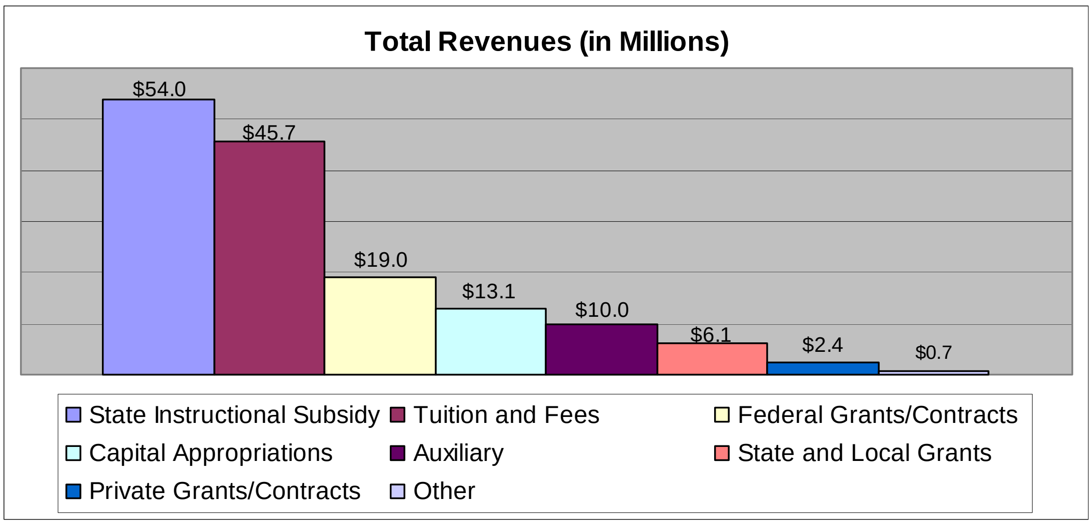
Total fiscal year 2005 revenues equaled $150.8 million compared to $127.5 million in fiscal year 2004. Significant areas of increase were $1.6 million in student tuition and fees; $3.9 million in federal, state and private grants and contracts; $7.3 million in state appropriations; and $11.5 million in capital appropriations.

The majority of College revenues come from three sources: 1) State instructional subsidy ($54.0 million), 2) Student tuition and fees ($45.7 million), and 3) Federal, state, and private grants and contracts ($27.6 million).

Of $25.2 million in federal and state grants and contracts, 84% are awarded to students through the federal Pell grant and State of Ohio instructional grant programs. These funds are used for student tuition ($9.6 million) and education-related expenses.

Other significant revenue sources are: Auxiliary enterprises ($10.0 million), and State capital appropriations used for construction, renovation and maintenance of facilities ($13.1 million).

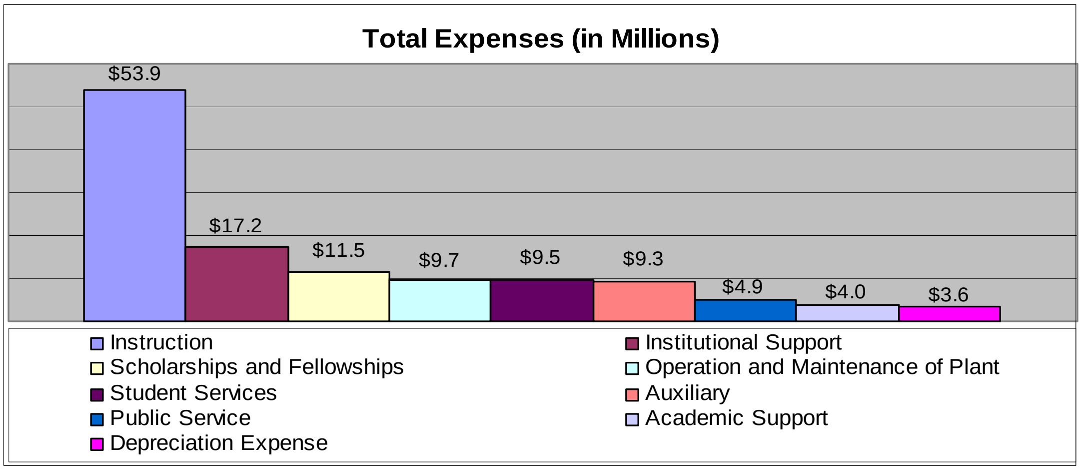
The major sources of college revenues for fiscal year 2005 are presented below.



Expenses

Fiscal year 2005 expenses totaled $123.6 million as compared to $122.1 million in fiscal year 2004. While activity for the year was flat compared to the prior year, 1.2% increase, the most significant increase was $2.5 million in Institutional Support, while Operation and Maintenance of Plant decreased by $2.4 million. The increase in Institutional Support is the result of a change in budget responsibility, where costs for temporary services and personal business leave were previously charged to the individual cost centers, but are now centrally charged to Human Resources. The decrease in Operations and Maintenance of Plant is due to more capitalized assets in fiscal year 2005. In 2005, total expenditures in this area were $7.7 million, of which $6.8 million were capitalized, leaving $0.9 million in expense. By contrast, 2004 expenditures were $6.0 million, of which only $2.4 million were required to be capitalized, leaving $3.6 million in expense.

Fiscal year 2005 expenditures are shown below:



Statements of Cash Flows *(in thousands)*

Net cash provided (used) by:	2005	2004	2003
Operation activities	($37,508)	($40,811)	($35,773)
Non capital financing activities	53,835	47,361	42,810
Capital financing activities	(12,859)	7,305	(5,706)
Investing activities	(2,427)	(11,131)	(47,927)
Net increase in cash	1,041	2,724	(46,596)
Cash-beginning of year	12,669	9,945	56,541
Cash-end of year	$13,710	$12,669	$9,945

Ending cash balances for fiscal years 2003 through 2005 were $9.9 million, $12.7 million, and $13.7 million, respectfully. Cash balances have remained relatively consistent over this period. 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).

Major sources of cash in 2005 were State appropriations of $54.0 million, tuition and fees of $46.8 million, and gifts, grants; contracts totaling $24.4 million.

The most significant uses of cash were payments for salaries and benefits of $81.2 million, payments to suppliers of $26.8 million, and $21.9 million for the purchase of capital assets.

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.

Columbus State takes a balanced, practical approach to budgeting. Revenues are based upon reasonable enrollment projections, 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 (subsidy allocations are finalized and approved by the Regents generally in November). 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.

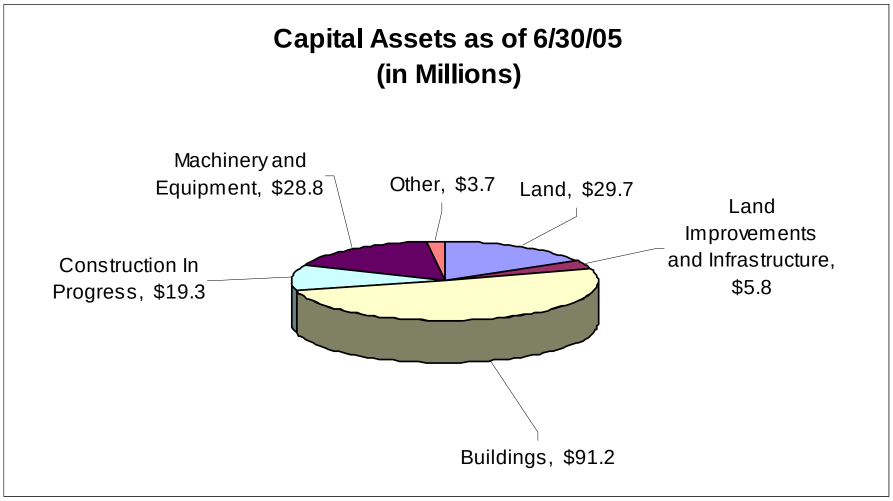
Columbus State Community College
Budget Comparisons – Budget to Actual
FY 05 (in thousands)

Budgeted Operations	Original Budget	Revised Budget	% Change	Actual	% Change
Revenues	Original Budget	Revised Budget	Percent Difference	Actual	Percent Difference
College	$110,606	$106,867	-3.38%	$110,918	3.79%
Auxiliary	11,358	10,012	-11.85%	9,991	-0.21%
Total Revenues	$121,964	$116,879	-4.17%	$120,909	3.45%
Expenditures					
College	$110,174	$106,565	-3.28%	$102,751	-3.58%
Auxiliary	10,917	9,967	-8.70%	9,277	-6.92%
Total Expenditures	$121,091	$116,532	-3.76%	$112,028	-3.87%
Net Revenues	$873	$347	-60.25%	$8,881	2459.37%

Capital Assets

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

The chart below illustrates the College's capital assets (by classification) as of June 30, 2005.



As of June 30, 2005, the College had recorded $178.5 million in capital assets and $48.4 million in accumulated depreciation, for a total of $130.1 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, 2005 the College had $22.7 million of outstanding debt as follows:

General Receipts Bonds:	2003	$15.5
General Receipts Bonds	1997	$ 7.2
Total		$22.7

FACTORS IMPACTING FUTURE PERIODS

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

Enrollment directly affects the formula for calculating the State Share of Instruction (SSI) and Access Challenge allocations. Because subsidy allocations are made in arrears, the decline in this year's enrollment will impact the FY06 SSI allocation, and the FY07 Access Challenge allocation. The State's FY06-07 operating budget legislation calls for a 97% "Stop Loss" guarantee, a funding guarantee for institutions that did not experience enrollment growth. This means that in FY06, the College is guaranteed 97% of its FY05 SSI allocation.

For FY07, several line items were aggregated into the SSI and the Higher Education Funding Study Council is charged with reviewing all aspects of higher education funding. The Council will issue a report of its activities, findings and recommendations to the Governor, Speaker of the House of Representatives, and the President of the Senate by May 31, 2006. The Ohio Board of Regents is also conducting a comprehensive review of the SSI formula and of the Access, Jobs and Success Challenge allocations. The potential for a change in formula distributions for the second year of the biennium will yield an unprecedented level of uncertainty for planning the College's FY07 operating budget.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Columbus State Community College
Columbus, Ohio

We have audited the accompanying statement 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, 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The financial statements of the College as of June 30, 2004, were audited by other auditors whose report dated October 13, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides 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, 2005, and the respective results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 14, 2005, 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. 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 1 through 11 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, 2005, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Columbus State Community College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Parms & Company, LLC

October 14, 2005
Columbus, Ohio

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
As of June 30, 2005 and 2004

	2005		2004	
ASSETS	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
Current Assets:				
Cash	$ 13,709,875	$ 317,849	$ 12,669,175	$ 449,579
Investments	69,069,875	3,436,762	52,968,958	3,365,818
Accounts, Loans and Pledges Receivable	11,827,048	581,740	8,731,677	19,674
Inventories	1,564,210	-	2,098,352	-
Other Assets	142,781	-	336,199	-
Total Current Assets	96,313,789	4,336,351	76,804,361	3,835,071
Noncurrent Assets				
Cash and Cash Equivalent	207,379	-	11,811,949	-
Investments	3,149,923	-	2,922,340	-
Other Noncurrent Assets	263,521	-	283,674	-
Capital Assets, Net	130,069,483	-	110,414,074	-
Total Noncurrent Assets	133,690,306	-	125,432,037	-
TOTAL ASSETS	**230,004,095**	**4,336,351**	**202,236,398**	**3,835,071**
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	10,364,930	24,860	8,648,569	18,520
Annuitites Payable, Current Portion	50,052	-	45,759	-
Long-term Debt, Current Portion	1,450,000	-	1,405,000	-
Deferred Revenue	10,646,933	-	10,662,914	-
Total Current Liabilities	22,511,915	24,860	20,762,242	18,520
Noncurrent Liabilities:				
Annuitities Payable, Long-term Portion	2,375,575	-	2,467,464	-
Long-term Liabilities	761,665	-	450,625	-
Long-term debt, Long-term Portion	21,250,000	-	22,700,000	-
Total Noncurrent Liabilities	24,387,240	-	25,618,089	-
TOTAL LIABILITIES	**46,899,155**	**24,860**	**46,380,331**	**18,520**
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	110,614,640	-	96,064,175	-
Restricted:				
Nonexpendable	-	2,828,207	-	2,418,028
Expendable	3,736,736	1,350,504	4,193,420	1,192,303
Unrestricted	68,753,564	132,780	55,598,472	206,220
TOTAL NET ASSETS	**$ 183,104,940**	**$ 4,311,491**	**$ 155,856,067**	**$ 3,816,551**

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, 2005 and 2004

	2005		2004	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
REVENUES				
Operating Revenues:				
Student tution and fees (net of scholarship allowances of $9,561,515 in 2005 and $10,479,592 in 2004)	$ 45,735,524	-	$ 44,132,574	-
Federal grants and contracts	19,038,012	-	19,040,107	-
State and local grants and contracts	6,125,079	-	3,083,832	-
Private grants and contracts	2,418,862	1,329,914	1,597,401	649,797
Sales and services of educational departments	4,857	-	21,661	-
Auxillary enterprises				-
Bookstore	9,642,503	-	10,119,747	-
Other	348,619	-	522,142	-
Other operating revenues	736,842	-	688,854	-
Total operating revenues	**84,050,298**	**1,329,914**	**79,206,318**	**649,797**
EXPENSES				
Operating Expenses:				
Educational and general				
Instruction and departmental research	53,891,078	-	54,164,574	-
Public service	4,870,364	-	4,797,824	-
Academic support	3,984,100	-	3,677,761	-
Student services	9,518,642	-	9,380,301	-
Institutional support	17,245,524	345,603	14,740,442	198,719
Operation and maintenance of plant	9,696,491	-	12,140,408	-
Scholarships and Fellowships	11,523,099	582,103	9,820,332	171,255
Depreciation Expense	3,565,534	-	3,482,948	-
Auxiliary enterprises				
Bookstore	8,703,235	-	9,305,642	-
Other	573,528	-	566,402	-
Total operating expense	**123,571,595**	**927,706**	**122,076,634**	**369,974**
Operating income (loss)	**(39,521,297)**	**402,208**	**(42,870,316)**	**279,823**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	53,975,799	-	46,686,995	-
Unrestricted investment income (Net of investment expense)	1,415,288	22,423	670,965	332,883
Restricted investment income (Net of investment expense)	65,174	70,309	28,584	-
Interest on capital asset related debt	(1,057,529)	-	(718,888)	-
Other non operating revenue (expense)	(721,821)	-	-	
Net nonoperating revenues	**53,676,911**	**92,732**	**46,667,656**	**332,883**
Income (loss) before other revenues, expenses, gains, or losses	14,155,614	494,940	3,797,340	612,706
Capital appropriations	13,093,259	-	1,586,759	-
Increase (decrease) in net assets	**27,248,873**	**494,940**	**5,384,099**	**612,706**
NET ASSETS				
Net assets-beginning of year	155,856,067	3,816,551	150,471,968	3,203,845
Net assets-end of year	**$ 183,104,940**	**$ 4,311,491**	**$ 155,856,067**	**$ 3,816,551**

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, 2005 and 2004

	2005		2004	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	$ 46,836,978	$ -	$ 43,879,287	$ -
Grants, Gifts and Contracts	24,434,866	767,848	21,571,595	631,160
Payments to Suppliers	(26,773,670)	(359,263)	(33,429,809)	(198,719)
Payments for Salaries and Benefits	(81,211,077)	-	(74,287,897)	
Payments for Scholarships	(11,523,099)	(562,103)	(9,820,332)	(209,084)
Auxiliary Enterprise Receipts	9,991,122	-	10,565,261	
Other Receipts (Payments)	736,840	-	710,515	-
Net Cash Provided (Used) by Operating Activities	**(37,508,040)**	**(153,518)**	**(40,811,380)**	**223,357**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Appropriations	53,975,799	-	45,825,705	-
Agency and Loan Program Receipts, net	-	-	1,534,833	-
Nonoperating Payments to Suppliers	(141,106)	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	**53,834,693**	**-**	**47,360,538**	**-**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital Appropriations	11,998,353	-	2,745,218	-
Proceeds from New Debt	-	-	16,485,000	-
Purchases of Capital Assets	(22,307,074)	-	(7,391,380)	-
Principle Paid on Debt	(1,492,596)	-	(3,814,658)	-
Interest Paid on Capital Debt	(1,057,529)	-	(718,888)	-
Net Cash Provided (Used) by Capital Financing Activities	**(12,858,846)**	**-**	**7,305,292**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES				
Bond Proceeds Invested in Restricted Cash	-	-	(11,596,694)	-
Sales and (Purchases) of Investments	(3,907,569)	(449,443)	(233,435)	(304,900)
Income on Investments	1,480,462	471,231	**699,548**	332,883
Net Cash Provided (Used) by Investing Activities	**(2,427,107)**	**21,788**	**(11,130,581)**	**27,983**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,040,700**	**(131,730)**	**2,723,869**	**251,340**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**12,669,175**	**449,579**	**9,945,306**	**198,239**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 13,709,875**	**$ 317,849**	**$ 12,669,175**	**$ 449,579**
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Gain (Loss)	(39,521,297)	402,208	(42,870,316)	279,823
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) By Operating Activities:				
Depreciation Expense	3,565,534	-	3,482,948	-
Changes in Assets and Liabilities:				
Receivables, net	(2,034,511)	(562,066)	(2,833,301)	(18,637)
Other Assets	464,039	-	(931,621)	-
Accounts Payable & Accrued Liabilites	34,176	6,340	1,987,270	(37,829)
Deferred Revenue	(15,981)	-	353,640	-
Net Cash Provided (Used) by Operating Activities	**(37,508,040)**	**(153,518)**	**(40,811,380)**	**223,357**

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Note 1 - Summary of Significant Accounting Policies (Continued)

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquistion, construction or improvement of those assets.

- Restricted:
  - *Nonexpendable* - Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the permanent endowment funds of the College and Foundation.
  - *Expendable* - Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These net assets principally represent amounts for specified capital construction projects.

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

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

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.

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. Cash equivalents include the College's investment in the STAR Ohio fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

The College makes investments in accordance with the Board of Trustees' policy, which conforms with 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, 2005 and 2004, 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. Certain assets purchased through capital leases have been capitalized and included as part of equipment in the accompanying financial statements. 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, 2005 and 2004.

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, 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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. Certain items have been reclassified for the year ended June 30, 2004 to conform to classifications used for the year ended June 30, 2005.

Note 2 - Cash, Cash Equivalents And Investments

Statement No. 3 as amended by Statement No. 40 of the Government 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. As of June 30, 2005, $11,837,779 of the College's bank balance of $15,925,252 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the College's name	$15,725,252

As of June 30, 2005, the College had the following investments and maturities:

Investment Fund	Fair Value	Cost	Average Days to Maturity
STAR Ohio/Operating	$ 22,656,374	$ 22,656,374	1
STAR Ohio/Plant Fund	3,149,923	3,149,923	1
CSCC Operating Fund	35,373,111	35,115,576	97.2
Bond Proceeds	8,524,906	8,488,683	268
Auxiliary Services	2,515,484	2,510,928	123
	$ 72,219,798	$ 71,921,484	83.48

The weighted average days to maturity of the investments is 83 days.

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.

Currently, the longest pool within the investment portfolio is the Bond Proceeds pool. These funds are longer in maturity structure due to the forecasted liability schedule associated with the project.

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 AAA money market rating.

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, 2005:

Note 2 - Cash, Cash Equivalents And Investments (continued)

Type	% of Total
STAR Ohio	35.73%
Treasury Bills	22.56%
Government Agencies	41.65%
Cash Equivalents	0.06%
	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, 2005, 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 - Notes, Loans and Accounts Receivable

2005	Gross Receivable	Allowance	Net Receivable
Student's and other	$ 6,261,727	(3,326,875)	$ 2,934,852
Reimbursement receivables - grants and contracts	8,892,196	-	8,892,196
Total	$15,153,923	(3,326,875)	$ 11,827,048
2004			
Student's and other	$ 6,279,770	(2,232,342)	$ 4,047,428
Reimbursement receivables - grants and contracts	4,684,249	-	4,684,249
Total	$10,964,019	(2,232,342)	$ 8,731,677

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2005 and 2004, was as follows:

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Land	$24,111,024	$5,563,698	-	$29,674,722
Construction in Progress	5,783,673	13,554,912	-	19,338,585
Total cost of nondepreciable capital assets	29,894,697	19,118,610	-	49,013,307
Buildings	88,905,647	2,835,576	(543,951)	91,197,272
Improvements other than buildings	5,741,945	31,035	-	5,772,980
Moveable equipment, furniture and library books	30,942,446	2,033,225	(475,625)	32,500,046
Total cost of depreciable capital assets	125,590,038	4,899,836	(1,019,576)	129,470,298
Total cost of capital assets	155,484,735	24,018,446	(1,019,576)	178,483,605
Less accumulated depreciation				
Buildings	22,692,501	1,944,577	(177,837)	24,459,241
Improvement other than buildings	322,145	76,373	-	398,518
Moveable equipment, furniture and library books	22,056,015	1,544,584	(44,236)	23,556,363
Total accumulated depreciation	45,070,661	3,565,534	(222,073)	48,414,122
Capital assets, net	$110,414,074	20,452,912	(797,503)	$130,069,483

Note 5 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2005 and 2004 are as follows:

	2005	2004
Payable to vendors and contractors	$ 6,214,200	$ 4,880,509
Accrued expenses, primarily payroll and vacation leave	3,737,579	2,477,835
Employee withholdings and deposits payable to third parties	1,174,816	1,740,850
	$ 11,126,595	$ 9,099,194
Current	$ 10,364,930	$ 8,648,569
Noncurrent	761,665	450,625

Note 6 - Long Term Debt

Long-term debt as of June 30, 2005 and 2004 is summarized as follows:

	Balance June 30, 2004	New Debt	Reduction	Balance June 30, 2005	Current Portion	Noncurrent Portion
Series 1997 bonds with interest rates ranging from 3.95 to 5.75%, due serially through 2016	$ 7,620,000	-	(400,000)	$7,220,000	$430,000	$6,790,000
Series 2003 bonds with interest rates ranging from 2.0% to 4.5% due serially through 2023	16,485,000	-	(1,005,000)	15,480,000	1,020,000	14,460,000
Annuity Obligation	2,513,223	-	(87,596)	2,425,627	50,052	2,375,575
Total	$26,618,223	-	(1,492,596)	$25,125,627	$1,500,052	$23,625,575

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

Years Ended June 30,	Principal	Interest	Total
2006	$ 1,500,052	1,092,140	$ 2,592,192
2007	1,564,747	1,043,115	2,607,862
2008	1,634,883	984,646	2,619,529
2009	1,655,500	924,781	2,580,281
2010	1,741,644	856,350	2,597,994
2011 - 2015	6,982,565	3,330,434	10,312,999
2016 - 2020	6,299,884	1,680,223	7,980,107
2021 - 2025	3,395,717	518,337	3,914,054
2026 - 2030	350,668	50,774	401,442
Total	$ 25,125,660	$10,480,800	$ 35,606,460

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

At the sole option of the College, the Series 1997 and 2003 bonds maturing on or after December 1, 2007 and June 1, 2014, respectively, are subject to prior redemption, in whole on any date or 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:

Note 6 - Long-Term Debt (Continued)

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

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

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:

Year	Series 1997	Series 2003
2011	$ 610,000	
2012	640,000	
2013	680,000	
2014	715,000	
2015	760,000	
2016	800,000	
2018		$ 800,000
2019		830,000
2020		870,000
2021		905,000
2022		945,000
2023		985,000

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

The College also leases classroom space for its off-campus sites under operating leases, which have ending dates ranging through August 2007. Future minimum lease payments under operating leases at June 30, 2005 are as follows:

2006	$ 790,536
2007	336,619
2008	40,667
	$1,167,822

Note 8 - 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 $2,976,000 and $2,478,000 as of June 30, 2005 and 2004, respectively.

Note 9 - 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 on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn 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 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 10 - Retirement Plans

Public Employees Retirement System (OPERS)

The College's faculty is covered by 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 and SERS issue separate, publicly-available financial reports that include financial statements and required supplementary information. The SERS report may be obtained by writing SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5833. The STRS report may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

The Revised Code of Ohio (ORC) provides STRS and SERS statutory authority for employee and employer contributions. The required, actuarially-determined contribution rates for plan members and the College for 2004 (date most recent information available) were 10% and 14% of covered payroll, for STRS, respectively, and 10% and 14% of covered payroll for SERS, respectively.

The College's contributions, which represent 100% of the required contribution, for the years ended June 30, 2005 and each of the two preceding years was as follows:

	STRS Annual Required Contribution	SERS Annual Required Contribution
2005	$ 5,029,599	$ 3,611,640
2004	5,084,454	3,407,886
2003	4,718,149	3,115,968

Alternative Retirement Plan: The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 3.5% for STRS and 0% for SERS. The College has implemented the alternative retirement plan. In fiscal year 2005, the College's contributions were $20,509 for STRS and $0 for SERS. In fiscal year 2004, the College's contributions were $17,307 for STRS and $0 for SERS.

Note 11 - Other Postemployment Benefits

Public Employees Retirement System (OPERS)

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12. "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers." A portion of each employer's contribution to OPERS is set aside for funding of post retirement health care. The ORC provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll; 5.0% was the portion that was used to fund health care for the year. The ORC provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS

State Teachers Retirement System (STRS)

STRS Ohio provides access to health care benefits for retirees who participate in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $2.8 billion on June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were $352,301,000. There were 108,294 eligible benefit recipients.

Note 12 - 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 Acordia, 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 13 - Capital Projects Commitments

At June 30, 2005 and 2004, the College was committed to future capital expenditures as follows:

	2005	2004
Contractual commitments		
Child Development Center	$2,300,000	$ -
Retail Complex	7,500,000	-
Human Patient Simulator Lab	-	248,000
Acquinas Hall	-	412,000
North Sixth Street	-	209,000
Union Hall Labs	-	500,000
Total future project costs	$9,800,000	$1,369,000

Note 14 - 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 $575,264 and $647,894, as of June 30, 2005 and 2004.

Note 15 - Pending Litigation

At June 30, 2005, 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 16 - Operating Expenses By Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2005 and 2004:

	2005	2004
Salaries and wages	$ 64,503,577	$ 63,262,436
Employee benefits	16,589,464	15,149,232
Utilities	2,494,429	2,238,898
Supplies and other services	24,895,492	28,122,788
Depreciation	3,565,534	3,482,948
Student scholarships and financial aid	11,523,099	9,820,332
	$123,571,595	$122,076,634

Note 16 - Component Unit Disclosures

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

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 discussed in Note 2, Statement No. 3 as amended by Statement No. 40 of the Government Accounting Standards Board requires the disclosure of essential risk information about deposits and investments. As of June 30, 2005, the Foundation had bank cash carrying value of $451,616, which was exposed to custodial credit risk. These funds were uninsured but collateralized with the collateral held by the pledging bank's trust department but not in the College's name.

Investments

The Foundations investments are stated at market value, with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the cost and fair value of investments of the Foundation at June 30, 2005:

	Cost	Fair Value	Rating
Cash	$ 22,964	$ 22,964	N/A
Fixed Income Securities	1,374,544	1,401,250	BBBf
Equity Securities	1,987,349	2,012,548	N/A
	$ 3,384,857	$ 3,436,762	

Custodial Credit Risk: The Foundation's investments are in closed-end mutual funds maintained by its broker. The securities owned by the mutual fund is maintained by the broker. These investments are exposed to custodial credit risk as provided for by paragraph 9 of Statement 40. As of June 30, 2005, $2,936,762 of the Foundation's investments were uninsured and not registered in the name of the Foundation.

Credit Risk. The Foundation's fixed income securities, as stated above were rated BBBf by Standard & Poor. Investments in equity securities were not rated.

Concentration of Credit Risk. The Foundation limits the amount that is invested in any type of investment security. All investments were purchased and held through one fund manager at June 30, 2005.

Interest Rate Risk: The investments in the closed-end mutual funds did not expose the Foundation to significant interest rate risk.

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

	CFDA #	Pass Through Entity Number	Disbursements
US DEPARTMENT OF EDUCATION			
Direct Recipient			
Student Financial Aid Cluster:			
FSEOG	84.007		$ 657,637
FFEL	84.032		24,064,452
Work Study	84.033		147,157
Federal Pell Grant	84.063		16,312,328
			41,181,574
Title III			
Title III Grant	84.031A		111,601
TRIO Cluster			
Upward Bound	84.047		278,259
Student Support Services	84.042A		318,002
Total TRIO Cluster			596,261
Passed Through State Department of Education			
Vocational Education	84.048	20-C2	258,688
Technical Prep Grant	84.243	3E-00	363,753
Summer Food Service Program for Children	10.559		5,505
21st Century	84.287		323,072
WIA ADULT PROGRAM	17.258		1,855
WIA Youth Activities	17.259		138,420
Total WIA Cluster			140,275
Total U.S. Department of Education			42,980,729
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Franklin County Department of Jobs and Family Services			
Temporary Assistance for Needy Families	93.558		630,116
HOUSING AND URBAN DEVELOPMENT			
	N/A		240,000
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076		78,169
TOTAL FEDERAL AWARD EXPENDITURES			**$ 43,929,014**

COLUMBUS STATE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Note 1 Significant Accounting Policies

The accompanying schedule 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, 2005. 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	$ 13,818,948
Federal Unsubsidized Stafford Loans	9,787,014
Federal PLUS Loans	458,490
Total FFELs	$ 24,064,452

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Columbus State Community College

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, 2005, and have issued our report thereon dated October 14, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

However, we noted certain matters involving the internal control over financial reporting, which we have reported to management of the College in a separate letter dated October 14, 2005.

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.

Parms & Company, LLC

October 14, 2005
Columbus, Ohio

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2005. 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, 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

Parms & Company, LLC

October 14, 2005
Columbus, Ohio

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

Section I. Summary of Auditor's Results

A. *Financial Statements*:

1. Type of auditor's report issued: UNQUALIFIED

2. Internal control over financial reporting:
   a. Material weakness(es) identified? ___Yes _X_No

   b. Reportable condition(s) identified that are not considered to be material weakness(es)? ___Yes _X_No

3. Noncompliance material to financial statements noted? ___Yes _X_No

B. *Federal Awards:*

1. Internal control over major programs:
   a. Material weakness(es) identified? ___Yes _X_No

   b. Reportable condition(s) identified that are not considered to be material weakness(es)? ___Yes _X_No

2. Type of auditor's report issued on compliance for major programs: UNQUALIFIED

3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___Yes _X_No

4. Identification of major programs by program name (CFDA Number(s)):

   - Student Financial Assistance Cluster (84.007, 84.032, 84.033 and 84.063)
   - TRIO Cluster (84.047 and 84.042A)
   - Temporary Assistance for Needy Families (93.558)

5. Dollar threshold used to distinguish between Type A and Type B programs: $ 595,937

6. Auditee qualified as low-risk auditee? _X_Yes ___No

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended June 30, 2005

Section II. Financial Statement Findings

No findings.

Section III. Federal Award Findings and Questioned Costs

No findings.

Section IV. Summary of Prior Audit Findings

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

Auditor of State
Betty Montgomery

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COLUMBUS STATE COMMUNITY COLLEGE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 30, 2005