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

ANNUAL REPORT
Franklin County
Single Audit

June 30, 2002

Auditor of State
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Board of Trustees
Columbus State Community College
550 East Spring Street
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We have reviewed the Independent Auditor's Report of the Columbus State Community College, Franklin County, prepared by Crowe, Chizek and Company LLP, for the audit period July 1, 2001 through June 30, 2002. 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

January 22, 2003

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COLUMBUS STATE COMMUNITY COLLEGE
Columbus, Ohio

ANNUAL REPORT
June 30, 2002

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Columbus State Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the college's financial position as of June 30, 2002; and financial activity for the fiscal year July 1, 2001 through June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

The College's financial statements as of June 30, 2002, and for the period July 1, 2001 through June 30, 2002 present a strong financial condition. Net assets increased from $132 million to $147 million, an increase of $15 million, or 11.4%. This increase was due primarily to two factors; revenues generated by increased enrollment, and state funding received for the construction of the new "Center for Learning and Technology".

Operating expenditures totaled $104.3 million resulting in an operating loss of ($42.1 million). This operating loss is the result of classifying approximately $42 million in state appropriation revenues (instructional subsidy) as non-operating revenues. This is a mandated change under GASB 35 for all public colleges and universities, which is discussed more thoroughly in the "Using The Annual Report" section below. Operating expense includes $3.1 million in depreciation expense, which is also a mandated accounting change.

Student headcount for the academic year increased from 17,244 to 19,549 students (Spring 01 to Spring 02), an increase of 13.37%. This resulted in increased tuition and fee revenue of $6.8 million. It is important to note that although student derived revenues increased $6.8 million; the corresponding state instructional subsidies increased a disproportionate $.7 million.

The remainder of the increase in net assets was attributed to capital appropriations from the State of Ohio for the college's building and renovation program. Funds paid to contractors by the state of Ohio are considered income to the college since it is the direct beneficiary, and ownership resides with the college.

Lastly, it is noteworthy that the college funded (local funds) $3 million in capital equipment, $2.4 million in construction and renovation, and $5 million for the purchase of a new administrative computing system.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements prepared in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis, for Public Colleges and Universities.* These statements are presented in a different format using different accounting principles than prior years financial statements. The purpose of the GASB 35 Statement was to make college and university reports more comprehensive and easier to understand and use. Some of the significant changes are: a) presentation of the college as a whole as opposed to its relative parts, b) preparation and presentation of a Cash Flow Statement outlining the college's sources and uses of cash, c) the calculation and recording of depreciation expense, d) a different representation of revenues received from the State of Ohio, and e) reduction of tuition revenues by the amount of campus-based financial aid and the amount of federal and state grant monies used to pay student tuition.

The following activities are included in the financial statements:

> <u>Primary Institution (College)</u> – Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.
>
> <u>Component Unit (Development Foundation)</u> – The foundation is a separate legal entity. Although legally separate, this "component unit" is important because the Primary Institution provides accounting oversight

Management's discussion and analysis is focused on the Primary Institution. One of the most important questions asked about the College's finances is whether the College is better off as a result of the year's activities? One key to answering this question is to look at the financial statements of the College. The College's net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets indicate improvement or erosion of the College's financial condition, when considered in conjunction with non-financial facts such as enrollment and levels and condition of facilities.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The Governmental Accounting Standards Board Statement No. 35 requires state appropriations to be classified as non-operating revenues. Accordingly, the College will generate an operating loss prior to the addition of non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability, is the College' ability to meet its financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital, financing, and investing activities.

Statement of Net Assets
The purpose of the Statement of Net Assets is to show the financial condition of the college at a particular moment in time (June 30, 2002). It provides the user with a "snapshot" of the college's economic resources (assets), obligations (liabilities), and the accumulated residual (net assets) over time. These economic resources and obligations are further broken down into current and non-current status to demonstrate the liquidity of each.

Condensed Statement of Net Assets (in thousands)

Assets		
Current assets	$	70,994
Noncurrent assets		
Capital assets		104,700
Other noncurrent assets		1,953
Total assets		177,647
Liabilities		
Current liabilities		
Deferred revenue		8,589
Accounts payable		3,549
Other current liabilities		4,174
Noncurrent liabilities		
Revenue bonds		11,345
Annuities payable		2,446
Other noncurrent Liabilities		518
Total liabilities		30,621
Net Assets		
Invested in capital assets (net of debt)		92,150
Restricted		4,076
Unrestricted		50,800
Total net assets	$	147,026

Assets

A review of the Statement of Net Assets as of June 30, 2002 shows that the college continues to build upon its firm financial foundation. Total assets were $177.6 million, the greatest part being Capital Assets comprised of land, buildings, and equipment ($104.7 million). Current assets equaled $71.0 million. Current assets are an indication of an entity's liquidity, or its ability to raise cash to meet current obligations. Another measure of this sort is the "current ratio" which is derived by dividing an entity's current assets by its current liabilities. The college's current ratio at June 30, 2002 was 4.35.

Liabilities

Current liabilities total $16.3 million, with over one half ($8.5 million) being deferred revenue. Even though the college receives most of its tuition revenue before the academic quarter begins, the revenues are deferred and recognized in the period in which the corresponding services are rendered. This enables a matching of revenues with the resources (expenditures) used to obtain them. Non-current liabilities consist primarily of principal owed on revenue bonds ($11.3 million) issued to purchase land and the construction of the college's parking garage on that land.

Net Assets

Net assets for the period increased by approximately $15 million as a result of enrollment growth and funds received from the state of Ohio for capital improvements.

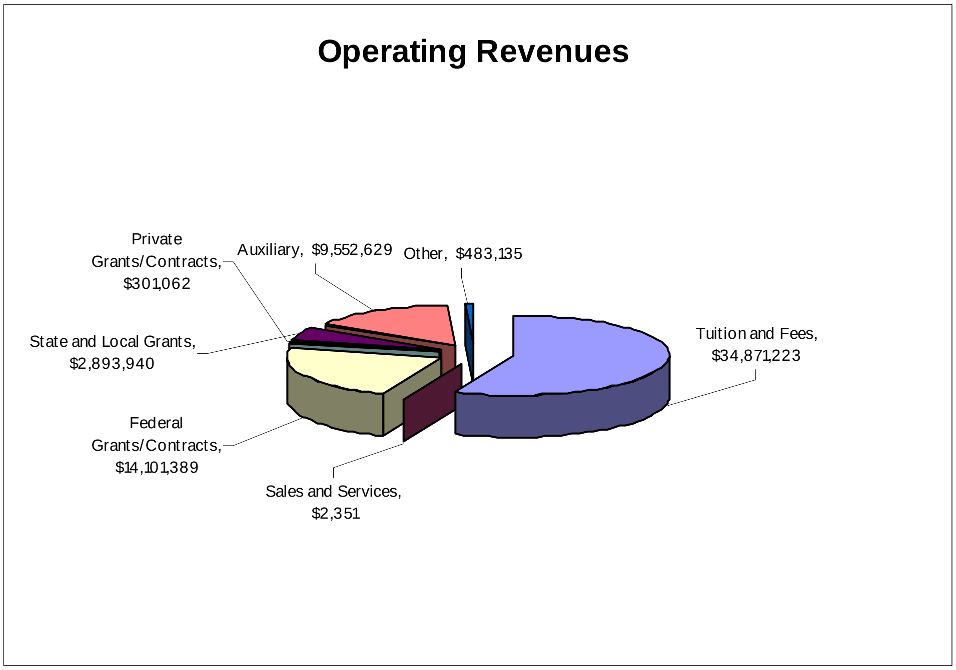
The Statement of Revenues, Expenditures, and Changes in Net Assets

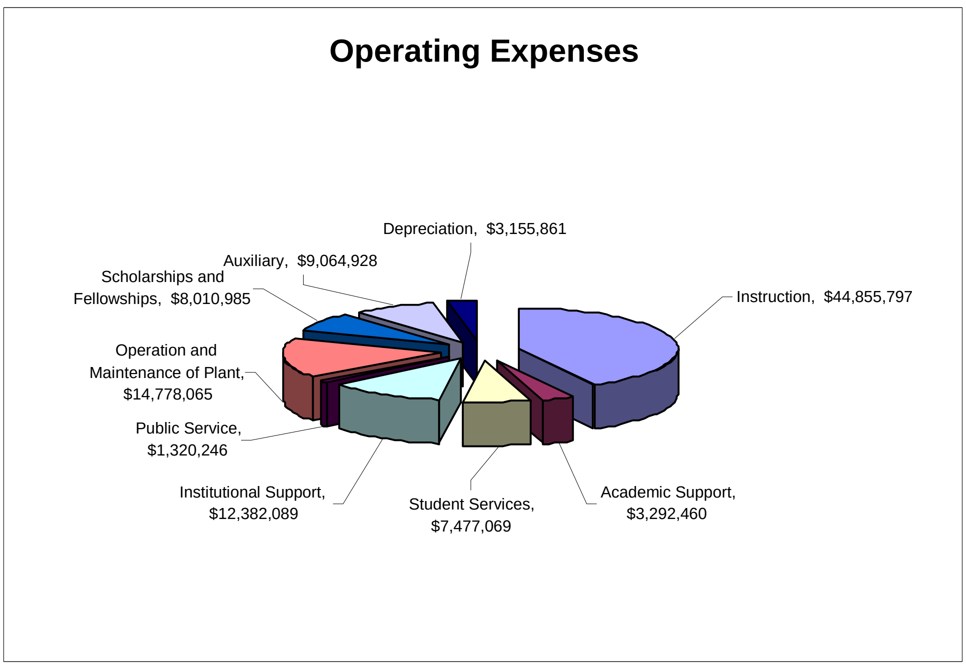
The Statement of Revenues, Expenditures, and Changes in Net Assets serves a different purpose than the Statement of Net Assets. This financial statement shows the college's operating results over a given period of time (July 1, 2001 through June 30, 2002).

The significant elements of revenues and expenses are normally presented. The difference between income and expense is the amount by which the net assets increase or decrease for the period presented.

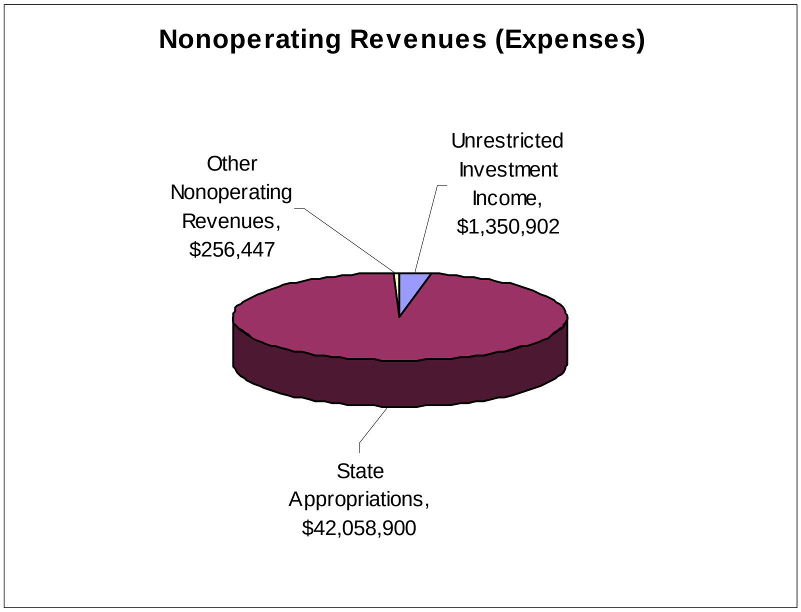
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $8,359)	$ 34,871
Federal, state, and private grants and Contracts	17,296
Auxiliary enterprises	9,552
Other	486
Total operating revenues	62,205
OPERATING EXPENSES	
Educational and general	84,105
Scholarships and fellowships	8,011
Auxiliary enterprises	9,065
Depreciation expense	3,156
Total operating expenses	104,337
Operating income (loss)	(42,132)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	42,059
Investment income (net of expense)	1,351
Other nonoperating revenues	256
Net nonoperating revenues	43,666
Income before capital appropriations	1,534
Capital appropriations	13,119
Total nonoperating revenues	56,785
Increase in net assets	14,654
Net assets-beginning or year (as adjusted)	132,371
Net assets-end of year	$ 147,025





The college's operating revenue comes almost entirely from three sources: a) Student tuition and fees ($34.9 million), b) Federal, state, and private grants and contracts ($17.3 million), and Auxiliary enterprises ($9.5 million).



Net non-operating revenues totaled $43.7 million, consisting of $42.0 million in state appropriations. The college also received $13.1 million in capital appropriations not shown in the chart above.

The college has elected not to restate prior periods for purposes of providing comparative data for this Management's Discussion and Analysis. However, in future years, when prior period information is available a comparative analysis will be presented.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the College during the period. The Statement of Cash Flows also helps readers of the financial statement assess: a) the College's ability to generate future net cash flows, b) the College's ability to meet obligations as they become due, and c) the College's need for external financing.

Condensed Statement of Cash Flows
(in thousands)

Net cash provided (used) by:		
Operation activities	$	(35,557)
Non capital financing activities		43,328
Capital financing activities		(4,035)
Investing activities		1,475
Net increase in cash		5,211
Cash-beginning of year		58,283
Cash-end of year	$	63,494

The College's cash and cash equivalents increased $5.2 million due to the positive flow of cash provided by non-capital financing activities of $43.3 million (includes state instructional subsidy), and investing activities, $1.4 million, offset by capital financing activities of ($4 million) and operating activities ($35.6 million).

Major sources of funds included in operating activities are student tuition and fees of $37.6 million, and grants and contracts of $16.7 million. The largest cash payments for operating activities were to employees, $65.7 million, and vendors and suppliers, $26.0 million. The largest cash receipt in the non-operating activities group is the appropriation from the state of Ohio of $42.0 million.

Operating Budget

The college's original fiscal year 2002 budget was prepared in March 2001. The revised budget was prepared and approved by the College's Board of Trustees in January of 2002.

COLUMBUS STATE COMMUNITY COLLEGE
REVISED OPERATING BUDGET

	Original FY 02 BUDGET	Revised FY 02 BUDGET	INCREASE (DECREASE)	PERCENT CHANGE
REVENUES				
APPROPRIATIONS				
Instructional subsidies	$37,214,746	$36,012,239	($1,202,507)	-3.23%
Access challenge	5,963,634	5,605,816	(357,818)	-6.00
Jobs challenge	251,836	297,743	45,907	18.23
Total appropriation revenue	43,430,216	41,915,798	(1,514,418)	-3.49
STUDENT				
TUITION	33,755,803	38,392,909	4,637,106	13.74
FEES	1,757,084	1,740,586	(16,498)	-0.94
SPECIAL COURSES	780,000	405,821	(374,179)	-47.97
Total student revenues	36,292,887	40,539,316	4,246,429	11.70
CONTRACTED SERVICES	378,262	437,009	58,747	15.53
OTHER				
INTEREST	2,901,573	1,896,340	(1,005,233)	-34.64
MISCELLANEOUS	434,093	407,059	(27,034)	-6.23
Total other	3,335,666	2,303,399	(1,032,267)	-30.95
TOTAL REVENUES	83,437,031	85,195,522	1,758,491	2.11
EXPENDITURES				
LEARNING SYSTEMS	42,507,397	43,188,493	681,096	1.58
LIBRARY	1,207,820	1,211,934	4,114	0.34
GENERAL	5,517,173	5,598,244	81,071	1.45
INFORMATION SVS	5,347,564	5,313,267	(34,297)	-0.65
STUDENT SERVICES	6,730,785	6,814,727	83,942	1.23
PLANT & SAFETY	8,214,083	8,325,967	111,884	1.34
ADMINISTRATION	3,982,976	3,988,012	5,036	0.13
CONTINGENCY	3,000,000	3,000,000		0.00
Salary adjustments		579,802	579,802	100.00
Enc. for F/T faculty salary adj.		247,366	247,366	100.00
Sub total	76,507,798	78,267,812	1,760,014	2.25
TRANSFER - EQUIP.	3,000,000	3,000,000		0.00
TRANSFER - DEBT SVR.	1,400,000	1,400,000		0.00
TRANSFER – CAP. IMPR.	2,500,000	2,500,000		0.00
TOTAL EXPENDITURES AND TRANSFERS	83,407,798	85,167,812	1,760,014	
NET OPERATING REVENUE	$ 29,233	$ 27,710	$ (1,523)	

Budget increases (decreases) in dollars and percent are shown. Significant changes were as follows:

Budgeted revenues from the State of Ohio (mainly instructional subsidy) were cut by $1.5 million as a result of a slowing economy and state budget cuts to higher education. Budgeted student based revenues (tuition and fees) were increased by $4.2 million, the result of increased enrollment. Budgeted interest revenue was reduced by $1 million as a result of steadily decreasing interest rates. Other revenue adjustments were insignificant. Budgeted expenditures increased from $83.4 million to $85.1 million, or $1.7 million. Noted increases occurred in the educational and general areas and salary and benefits adjustments overall. Educational and general budgeted expenditures increased by $.7 million (enrollment related). Budgeted salaries were increased by $600,000 for administration and staff, and $250,000 for faculty.

COLUMBUS STATE COMMUNITY COLLEGE
OPERATIONAL BUDGET COMPARISON
FOR THE TWELVE MONTHS ENDED JUNE 30, 2002

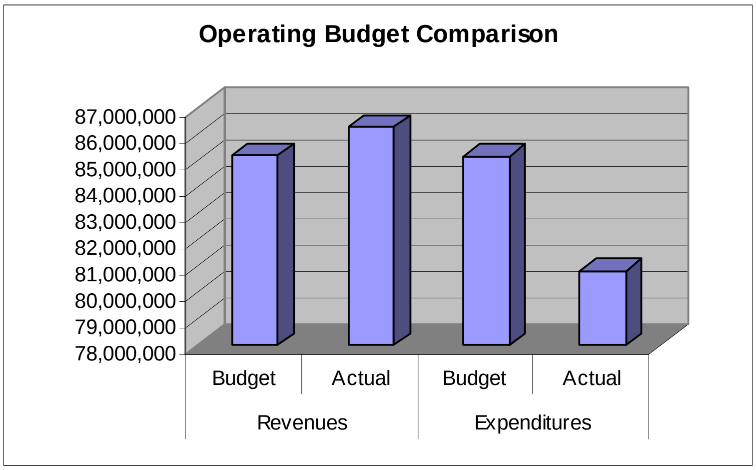
	Revised Budget	Revised Budget Twelve Month	Actual to Date	Variance Favorable (Unfavorable) Amount	Percent
Revenues					
Appropriations					
Subsidy	$36,012,239	$36,012,239	$36,012,239		-
Access Challenge	5,605,816	5,605,816	5,605,816		-
Student Support Services			143,102	$ 143,102	-
Jobs Challenge	297,743	297,743	297,743		-
	41,915,798	41,915,798	42,058,900	143,102	0.3%
Student					
Tuition	38,392,909	38,392,909	40,014,684	1,621,775	4.2%
Fees	1,740,586	1,740,586	1,749,208	8,622	0.5
Special courses	405,821	405,821	429,415	23,594	5.8
	40,539,316	40,539,316	42,193,307	1,653,991	4.1
Contracted Services					
Net	437,009	437,009	201,066	(235,943)	-54.0
	437,009	437,009	201,066	(235,943)	-54.0
Other					
Interest	1,896,340	1,896,340	1,350,902	(545,438)	-28.8
Miscellaneous	407,059	407,059	485,486	78,427	19.3
	2,303,399	2,303,399	1,836,388	(467,011)	-20.3
Total revenues	85,195,522	85,195,522	86,289,661	1,094,139	1.3
Expenditures					
Learning Systems	43,188,493	43,188,493	45,243,129	(2,054,636)	-4.8
Library	1,234,417	1,234,417	1,219,372	15,045	1.2
General *	5,702,104	5,702,104	5,325,126	376,978	6.6
Information Technology	5,411,842	5,411,842	4,939,154	472,688	8.7
Student Services	6,941,160	6,941,160	6,242,947	698,213	10.1
Operation and maintenance of plant	8,480,432	8,480,432	7,614,137	866,295	10.2
Administration	4,061,998	4,061,998	3,337,214	724,784	17.8
Contingency	3,000,000	3,000,000		3,000,000	-
Encumbrance for faculty salary adj.	247,366	247,366		247,366	-
	78,267,812	78,267,812	73,921,079	4,346,733	5.6
Transfer for equip. and replacement	3,000,000	3,000,000	3,000,000		-
Transfer for debt service	1,400,000	1,400,000	1,400,000		-
Transfer for capital improvements	2,500,000	2,500,000	2,500,000		-
Total expenditures & transfers	85,167,812	85,167,812	80,821,079	4,346,733	5.1
Operational revenues	$ 27,710	$ 27,710	$ 5,468,582	$ 5,440,872	

* General includes Facilities Planning, Human Resources, Office Services, Development Office, Alumni Office, Grants Office, Marketing and Communications, and Telephone Information Center.

The Operational Budget Comparison presents revised projected revenues and expenditures as compared to actual revenues and expenditures.

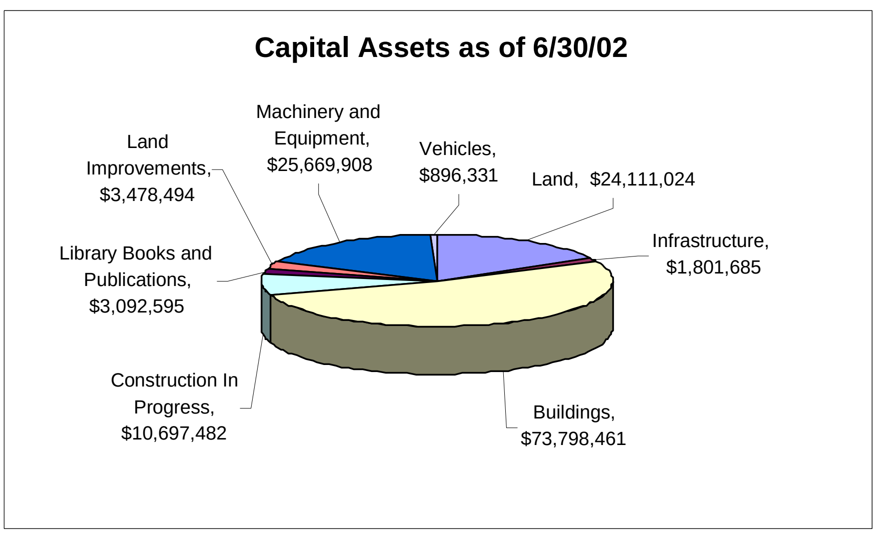
State appropriation revenue of $42.0 million slightly exceeded budgeted state revenue of $41.9 million by $143,000 for a total of .3%. Student revenue of $42.2 million exceeded budgeted student revenues of $40.5 million by $1.6 million. Interest revenues in the amount of $1.4 million fell short of the budgeted $1.9 million by $.5 million, a 28.8% negative variance (all attributed to lower interest rates).

Actual expenditures were $80.8 million compared to budgeted expenditures of $85.1 million, a variance of $4.3 million or 5.1%. The majority of the variance (69%) occurred due to a budgeted contingency provision of $3 million in the event of reduced state funding. Actual educational and general expenditures of $4.5 million exceeded budgeted expenditures of $43.2 million by $2 million or 4.78% due to increased faculty expenditures directly related to increased enrollment.



Capital Assets

As of June 30, 2002 the college had recorded $143.6 million in capital assets and $38.7 million in accumulated depreciation, for a total of $104.7 million in net capital assets. Additions to capital assets during the year totaled approximately $15 million including approximately $9 million towards construction of its new Center for Learning and Technology. The College also purchased $1.9 million in land as part of its continuing effort to acquire real estate that is critical to the development and expansion to the College.



Debt

As of June 30, 2002 the college had debt outstanding of $12.3 million as follows:

General Receipts Bonds	$12.1
Capital leases	.2
	$12.3

College debt decreased from $13.2 million for the year as the result of principal payments of $.9 million. The college supports the prudent use of long-term debt by managing state of Ohio capital appropriations to minimize the use of local funds to maintain financial flexibility.

FACTORS IMPACTING FUTURE PERIODS

The demand for affordable high-quality education is increasing rapidly. Columbus State Community College enrollment has increased 32% in the past 3 years alone. In order to position itself to meet this increased demand, the college is embarking on several initiatives.

In May of 2002 the College Board of Trustees approved a Facilities Move Plan in the amount of $12.9 million to meet college facility needs for the years 2002, 2003, and 2004. The plan will provide a gain of approximately 38,000 square feet of additional space. These improvements are designed to: 1) use priority campus space for programs most used by students, 2) improve the quality of work environments, 3) increase program space, 4) reduce congestion and, 5) increase faculty office space.

Plans are being made to expand strategic off campus facilities with proven records of increased use. A study has been conducted to assess the needs of the College's four county district considering population demographics, geographical location, and economic feasibility of a second campus.

Economic pressures caused a significant decrease in the state of Ohio's revenue in 2002. This negatively affected its ability to fund higher education. While enrollment increased greatly, the amount of state support (instructional subsidy) remained flat. This has caused the student population to carry most of the burden of increased costs. As a result, the College has established a $3 million contingency to fund any further revenue shortfall in state support. Academic year 2002 – 2003 tuition rates were increased by $4 per credit and the "free zone" (16^{th}, 17^{th}, and 18^{th} credit hour) was eliminated. These measures are designed to provide an additional $3 million in revenues, all other factors being equal.

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

The college's resource allocation process is driven by this mission, and management believes the college is in a financial condition strong enough to weather current economic uncertainties and the increased opportunity to advance its mission.

CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

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, as of June 30, 2002 and the statements of revenue, 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.

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 College, as of June 30, 2002, and the 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.

As described in Note 1 to the Financial Statements, the College adopted the provisions of the Governmental Accounting Standards Board Statement No. 35, "*Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities,*" as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The Management's Discussion and Analysis (MD&A) on pages 1 through 9 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2002

	Columbus State Community College	Component Unit Development Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 61,540,687	$ 292,717
Investments		2,499,021
Notes, loans and accounts receivable, net	7,693,067	1,037
Inventory	1,759,965	
Total current assets	70,993,719	2,792,775
NONCURRENT ASSETS		
Cash and cash equivalents	1,952,805	
Capital assets, net	104,700,153	
Total noncurrent assets	106,652,958	
TOTAL ASSETS	177,646,677	2,792,775
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	6,740,887	26,723
Annuities payable	108,340	
Deferred revenue	8,588,741	
Long term debt-current portion	874,109	
Total current liabilities	16,312,077	26,723
NONCURRENT LIABILITIES		
Annuities payable	2,445,583	
Long term liabilities	407,429	
Long term debt	11,456,108	
Total noncurrent liabilities	14,309,120	
TOTAL LIABILITIES	30,621,197	26,723
NET ASSETS		
Invested in capital assets, net of related debt	92,149,887	
Restricted		
Nonexpendable		2,570,338
Expendable	4,075,250	
Unrestricted	50,800,343	195,714
TOTAL NET ASSETS	$ 147,025,480	$ 2,766,052

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	Columbus State Community College	Component Unit Development Foundation
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $8,358,573)	$ 34,871,223	
Federal grants and contracts	14,101,389	
State and local grants and contracts	2,893,940	
Private grants and contracts	301,062	$ 504,619
Sales and services of educational departments	2,351	
Auxiliary enterprises		
Bookstore	8,121,948	
Other	1,430,681	
Other operating revenues	483,135	3,008
Total operating revenues	62,205,729	507,627
EXPENSES		
Operating Expenses		
Educational and general		
Instruction and departmental research	44,855,797	
Public service	1,320,246	
Academic support	3,292,460	
Student services	7,477,069	
Institutional support	12,382,089	242,263
Operation and maintenance of plant	14,778,065	
Scholarships and fellowships	8,010,985	191,474
Depreciation expense	3,155,861	
Auxiliary enterprises		
Bookstore	7,284,300	
Other	1,780,628	
Total operating expenses	104,337,500	433,737
Operating income (loss)	(42,131,771)	73,890
NONOPERATING REVENUES (EXPENSES)		
State appropriations	42,058,900	
Unrestricted investment income (Net of investment expense)	1,350,902	(290,675)
Restricted investment income (Net of investment expense)	39,121	
Other nonoperating revenue	217,326	
Net nonoperating revenues	43,666,249	(290,675)
Income (loss) before other revenues, expenses, gains, or losses	1,534,478	(216,785)
Capital appropriations	13,119,262	
Increase (decrease) in net assets	14,653,740	(216,785)
NET ASSETS		
Net assets- beginning of year	169,586,142	2,982,837
Cumulative effect change in accounting principle	(37,214,402)	
Net assets- beginning of year, as restated	132,371,740	2,982,837
Net assets- end of year	$ 147,025,480	$ 2,766,052

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	Columbus State Community College	Component Unit Development Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 37,585,559	
Grants, gifts and contracts	16,721,774	$ 478,379
Payments to suppliers	(26,022,289)	
Payments for salaries and benefits	(65,735,632)	(242,263)
Scholarships	(8,010,985)	(191,474)
Auxiliary enterprise receipts		
Bookstore	7,988,428	
Other	1,430,681	
Sales and service of educational	2,351	
Other receipts (payments)	483,135	3,008
Net cash from operating activities	(35,556,978)	47,650
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	42,058,900	
Agency and loan program receipts	1,174,726	
Agency and loan program disbursements	(59,252)	
Other nonoperating receipts (payments)	153,403	
Net cash provided by noncapital financing activities	43,327,777	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	11,562,738	
Purchases of capital assets	(13,996,911)	
Principal paid on capital debt and leases	(891,195)	
Interest paid on capital debt and leases	(710,035)	
Net cash from financing activities	(4,035,403)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		(16,234)
Income on investments	1,475,445	51,916
Net cash provided by investing activities	1,475,445	35,682
NET INCREASE IN CASH	5,210,841	83,332
CASH AND CASH EQUIVALENTS, beginning of year	58,282,651	209,385
CASH AND CASH EQUIVALENTS, end of year	$ 63,493,492	$ 292,717
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (42,131,771)	$ 73,890
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation expense	3,155,861	
Changes in assets and liabilities		
Receivables, net	(644,025)	11,260
Other assets	(189,084)	
Accounts payable and accrued liabilities	1,601,817	
Deferred revenue	2,650,224	(37,500)
Net cash provided (used) by operating activities	$ (35,556,978)	$ 47,650

See accompanying notes to financial statements

Note 1 – Organization and Summary of Significant Accounting Policies

a. Reporting Entity

Columbus State Community College (the College) is part of the State of Ohio higher education system and was chartered as the Columbus Technical Institute. In 1986, the College was established as a college district by the Ohio Board of Regents. On July 1, 1987, the College was granted a provision 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.

b. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed the by Governmental Accounting Standards Board (GASB). The Columbus State Community College Development Foundation (Foundation) is a not-for-profit Ohio corporation formed in 1982 and has been included in the College's financial statements as a component unit of the College.

Effective July 1, 2001, the College adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires 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 University. Such assets include the College's and Foundation's permanent endowment funds.

  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. It replaces the fund group perspective previously required.

(Continued)

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

Beginning of the year fund balances have been restated to reflect the applications of the provisions of GASB 35, as follows:

Combined fund balances, as previously reported	$ 169,586,142
Accumulated depreciation, beginning of the year	36,686,265
Other, net	528,137
Combined fund balances, restated as net assets	$ 132,371,740

Summary of Significant Accounting Policies

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

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

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 10 – 40 years buildings and fixed equipment, 15 years for library books and 4 – 10 years for equipment.

e. Inventories
Inventories are stated at cost (first-in, first-out, or average cost).

f. Investments
Investments are stated at fair value.

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

h. Deferred Revenue
Deferred revenue at of June 30, 2002 is comprised primarily of unearned summer school tuition and fees.

(Continued)

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

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

j. Other Significant Accounting Policies
Other significant accounting policies are set forth in the financial statements and accompanying notes.

Note 2 - Cash, Cash Equivalents, and Investments

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

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

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

Category 3 - Uncollateralized.

As of June 30, 2002:

Carrying Amount	Bank Balance	Balance per Bank Risk Category 1	2	3
$ 63,786,209	$ 61,073,132	$ 300,000	$ 60,773,132	

The difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand and deposits in transit). Of the total cash in bank accounts, $21,073,132 was held in demand accounts and $40,000,000 was in certificates of deposit.

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

Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.

Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.

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

(Continued)

Note 2 - Cash, Cash Equivalents, and Investments (Continued)

The following summarizes the carrying value and fair value of investments for the Foundation at June 30, 2002 and are all Category 1 investments:

	Cost	Carrying Value	Fair Value
Money market funds	$ 1,025,401	$ 1,025,401	$ 1,025,401
Common and preferred stock	695,376	817,836	817,836
Bonds due beyond one year	614,993	655,784	655,784
Total investments	$ 2,335,770	$ 2,499,021	$ 2,499,021

Note 3 - Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2002 are as follows:

	Gross Receivable	Allowance	Net Receivable
Student's and other	$ 5,920,465	$ 1,424,985	$ 4,495,480
Reimbursement receivable – grants and contracts	3,052,585		3,052,585
Accrued interest receivable	145,002		145,002
	$ 9,118,052	$ 1,424,985	$ 7,693,067

Note 4 - Capital Assets, net

Capital asset as of June 30, 2002 are summarized as follows:

	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Land	$ 22,171,024	$ 1,940,000		$ 24,111,024
Buildings	71,843,829	1,954,636		73,798,465
Improvements other than Buildings	5,178,819	101,360		5,280,179
Moveable equipment, furniture and library books	28,689,551	1,965,578	966,299	29,688,830
Construction in progress	1,709,188	8,988,294		10,697,482
	129,592,411	14,949,868	966,299	143,575,980
Accumulated Depreciation	36,686,265	3,155,861	966,299	38,875,827
Capital assets, net	$ 92,906,146	$ 11,794,007	$	$ 104,700,153

(Continued)

Note 5 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at of June 30, 2002 are as follows:

Payable to vendors and contractors	$ 2,135,874
Accrued expenses, primarily payroll and vacation leave	3,524,931
Employee withholdings and deposits payable to third parties	1,487,511
	$ 7,148,316
Current	$ 6,740,887
Non Current	407,429

Note 6 - Long-term Debt

Long-term Debt as of June 30, 2002 is summarized as follows:

	Balance 7/01/2001	Reductions	Balance 6/30/2002	Current Portion	Non-Current Portion
Series 1993 bonds with interest rates ranging from 3.95% - 5% due serially through 2010	$ 4,105,000	$ 380,000	$ 3,725,000	$ 395,000	$ 3,330,000
Series 1997 bonds with interest rates ranging from 3.95% - 5.75% due serially through 2016	8,740,000	350,000	8,390,000	375,000	8,015,000
Capital leases	376,412	161,195	215,217	104,109	111,108
Total	$ 13,221,412	$ 891,195	$ 12,330,217	$ 874,109	$ 11,456,108

Interest expense was approximately $683,000 for 2002.

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

Fiscal Year	Principal	Interest	Total
2003	$ 874,109	$ 657,920	$ 1,532,029
2004	886,532	615,787	1,502,319
2005	864,576	572,544	1,437,120
2006	885,000	527,863	1,418,413
2007	940,000	478,413	1,412,863
Thereafter	7,880,000	2,314,423	10,194,423
Total	$ 12,330,217	$ 5,166,950	$ 17,497,167

The bonds are serviced by the general receipts of the College, except for receipts expressly excluded as stated in the trust indentures dated November 1, 1993 and April 1, 1997.

(Continued)

Note 6 - Long-term Debt (Continued)

At the sole option of the College, the Series 1993 and 1997 bonds maturing on or after June 1, 2004 and December 1, 2007, respectively, are subject to prior redemption, in whole on any date or in part (in integral multiples of $5,000). The following summarizes redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (inclusive)	Redemption Price
Series 1993	
6/1/2003 to 5/31/2004	102%
6/1/2004 to 5/31/2005	101%
6/1/2005 and thereafter	100%

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

The Series 1993 and 1997 bonds maturing on June 1, 2010 and December 1, 2016, respectively, in the aggregate principal amount of $1,550,000 and $4,205,000, 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.

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 1993	Series 1997
2008	$ 500,000	
2009	515,000	
2010	535,000	
2011		$ 610,000
2012		640,000
2013		680,000
2014		715,000
2015		760,000
2016		800,000

(Continued)

Note 6 - Long-term Debt (Continued)

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

The institution had certain lease agreements in effect for data processing and other equipment, with a carrying value of approximately $474,000 as of June 30, 2002, which are considered capital leases. These agreements had ending dates ranging through March 2005 and had imputed interest rates ranging from 4.8% to 6.8%. The accumulated depreciation at June 30, 2002 on these leases was approximately $160,000.

The College also leases classroom space for its off-campus sites under operating leases, which have ending dates ranging through December 2007. Future minimum lease payments under operating leases at June 30, 2002 are as follows:

2003	$ 337,908
2004	337,908
2005	337,908
2006	168,954
	$ 1,182,678

Note 7 – Retirement Plans

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

The Ohio Revised Code provides STRS and SERS statutory authority for employee and employer contributions. The required, actuarially-determined contribution rates for plan members and the College for 2001 (date of most recent information available) were 9.3% and 14% covered payroll, for STRS respectively, and 9% and 14% of covered payroll for SERS, respectively.

The College's contributions, which represent 100% of the required contributions, for the year ended June 30, 2002 and for each of the two preceding years is as follows:

	STRS Annual Required Contributions	SERS Annual Required Contributions
2002	$ 4,262,588	$ 2,707,195
2001	3,797,154	2,444,752
2000	3,429,484	2,209,560

(Continued)

Note 7 – Retirement Plan (Continued)

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 5.76% for STRS and 3.1% for SERS. The College has implemented the alternative retirement plan. In fiscal year 2000, the College's contributions were $17,144 for STRS and $5,802 for SERS. In fiscal year 2001, the College's contributions were $19,722 for STRS and $9,519 for SERS. In fiscal year 2002 the College's contributions were $14,308 for STRS and $0 for SERS.

In addition to the retirement benefits described above, STRS and SERS provide post-retirement health care benefits. STRS and SERS provide comprehensive health care benefits to retirees with 10 or more years of qualifying service credit and offer coverage to their dependents on a deduction basis. Coverage includes hospitalization, medical expenses, prescription drugs and reimbursement of monthly Medicare premiums. STRS and SERS determine the amount, if any, of the associated health care cost that will be absorbed by STRS and SERS. Under Ohio law, medical costs paid from the funds of STRS and SERS are included on the employer contribution rate. In 2000 (date of most recent information available), STRS and SERS currently allocated 8% and 8.5% of covered payroll, respectively, to fund the health care program for retirants.

Note 8 – Compensated Absences

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

As of June 30, 2002, the estimated accrued vacation and sick leave liability was approximately $2,112,000.

Note 9 - Operating Expenses By Natural Classification

The College's operating expenses by natural classification were as follows for the year ended June 30, 2002:

Salaries and wages	$ 54,756,801
Employee benefits	12,751,282
Utilities	1,503,513
Supplies and other services	24,159,058
Depreciation	3,155,861
Student scholarships and financial aid	8,010,985
	$ 104,337,500

(Continued)

Note 10 – Risk Management

The college uses a number of methods to assess and reduce risk of operations. Risk management programs like driver training, professional certifications, safety training in the use of equipment, first aid training like cardio-pulmonary resuscitation (CPR) and the like are conducted to inhibit injury and reduce the result thereof. The College has an agreement with Acordia, a risk management and brokerage company, to aid in this area. The college procures various insurance coverage for property damage, crime, general liability, liquor liability, golf club management liability, and automobile insurance. Coverage amounts vary in terms of peril insured against.

Note 11 – State Support

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

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

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

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

Note 12 – Capital Projects Commitments

At June 30, 2002, the College was committed to future capital expenditures as follows:

Contractual commitments	
Academic Center	$ 1,222,000
Aquinas Hall	361,000
Eibling Computer Room	202,000
Mallway Phase Two	180,000
Vet Tech Building	143,000
Dublin Science Center	121,000
Davidson Snowmelt	110,000
Total future project costs	$ 2,339,000

(Continued)

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 $586,829 as of June 30, 2002.

Note 14 – Pending Litigation

At June 30, 2002, 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.

SUPPLEMENTAL INFORMATION

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE EXPENDITURES OF FEDERAL AWARDS
June 30, 2002

Federal Grantor Agency / Pass-Through Agency / Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
U.S. Department of Education			
Student financial aid cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		$ 404,524
Federal Family Education Loans (Note 2)	84.032		18,224,299
Federal Work Study Program	84.033		309,795
Federal Pell Grant Program	84.063		11,973,549
Title III Grant	84.031A		368,366
Total student financial aid cluster			31,280,533
TRIO	84.047		274,286
Special Education – Research and Innovation	84.324		26,350
Special Education – State Program Improvement Grants	84.323		30,000
Student Support Services	84.042A		9,000
Passed through State Department of Education:			
Vocational Education – Basic Grants to States	84.048	20-C2	82,409
Technical Preparation Grant	84.243	3E-00	83,560
Total U.S. Department of Education			31,786,138
National Science Foundation:			
Education and Human Resources	47.076		123,068
U.S. Department of Health & Human Services:			
Temporary Assistance to Needy Families	93.558		1,027,284
Total Federal assistance			$ 32,936,490

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – OUTSTANDING LOANS

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

Federal Stafford Loans	$ 9,738,592
Federal Unsubsidized Stafford Loans	8,338,213
Federal PLUS Loans	147,494
Total FFELs	$ 18,224,299

1. Summary of Auditor's Results

   a. An unqualified opinion was issued on the financial statements of Columbus State Community College for the year ended June 30, 2002.

   b. An unqualified opinion was issued to Columbus State Community College for compliance with major programs.

   c. The audit did not disclose any noncompliance that is material to the financial statements.

   d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

   e. Major Programs Identified:

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

      Temporary Assistance to Needy Families

   f. The dollar threshold used to distinguish between Type A and Type B programs was $439,034.

   g. The auditee was considered to be a low-risk auditee.

2. Findings related to financial statements that are required to be reported in accordance with GAGAS:

   None.

3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a):

   None.

PRIOR YEAR FINDINGS

No findings or questioned costs for federal awards including audit finding as defined in OMB Circular A-133 Section 510(a) were reported in the prior audit period.

CROWE CHIZEK

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

Board of Trustees
Columbus State Community College
Columbus, Ohio

We have audited the financial statements of Columbus State Community College (College) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. 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.

Our report noted that the College adopted the provisions of Governmental Accounting Standards Board Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities", as of July 1, 2001.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Columbus State Community College in a separate letter dated October 11, 2002.

This report is intended solely for the information and use of the audit committee, management and the 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.

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

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

Board of Trustees
Columbus State Community College
Columbus, Ohio

Compliance

We have audited the compliance of Columbus State Community College (College) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, management and 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.

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

Auditor of State
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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
FEBRUARY 4, 2003