

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

**ANNUAL REPORT**  
Franklin County  
Single Audit

June 30, 2003 and 2002





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Columbus State Community College  
Columbus, Ohio

We have reviewed the Independent Auditor's Report of the Columbus State Community College, Franklin County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 6, 2004

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COLUMBUS STATE COMMUNITY COLLEGE  
Columbus, Ohio

ANNUAL REPORT  
June 30, 2003 and 2002

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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, 2003; and financial activity for the fiscal year July 1, 2002 through June 30, 2003, with selected comparative information for the fiscal year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes herein.

### FINANCIAL HIGHLIGHTS

Fiscal year 2003 operating revenues totaled \$67.4 million as compared with \$60.5 million in fiscal year 2002, an increase of \$6.9 million or 11%. The increase was due primarily to a 13% increase in enrollment, a 6.6% increase in tuition rates, and the elimination of the 16 - 18 credit-hour window where students were formerly not charged tuition. Non-operating revenues for the period were \$43.9 million, compared to \$42.8 million in fiscal year 2002, an increase of \$1.1 million or 2.7%. Operating expenses totaled \$109.2 million compared to \$101.7 million in fiscal year 2002, an increase of \$7.5 million or 7.4%.

Consistent with past years, the College continued its self-funded program of facilities renovation and expansion to meet the needs of ever increased enrollment. In fiscal year 2003 the college expended \$5.1 million in its construction and renovation efforts and considers its efforts in this area to be an investment in the future. In addition, the College continues to make expenditures in growth-related areas such as technology equipment and its administrative computing system. These expenditures represent a significant portion of the \$4.9 million increase (16.8%) in non payroll operating expenses of the College, and are funded as a direct result of current and past net operating revenues.

On July 1, 2002, the College converted from a thirty-seven and one-half hour workweek to a forty-hour workweek for full-time administrators and staff. This action was taken to have staff and administrators schedules mirror those of faculty, provide for better scheduling to students, decrease that amount of overtime, and to provide for more efficient use of existing resources. The budgeted increase for this conversion was \$1.6 million and was the principal reason for the \$2.3 million increase (3.3%) in payroll expense and related benefits.

The combined effect of the changes noted above resulted in a \$3.4 million increase in net assets for fiscal 2003.

### 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 and subsequent pronouncements of GASB. The purpose of the GASB Statement No. 35 was to make college and university reports more comprehensive and easier to understand and use by the institutions' governing board.

The following activities are included in the financial statements:

Primary Institution (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.

Component Unit (Development Foundation) – The Columbus State Community College Development Foundation is a separate legal entity. Although legally separate, this "component unit" is important because the Primary Institution is financially accountable for it.

Management's discussion and analysis is focused on the Primary Institution.

There are many indicators of the quality of an institution of higher education. Some examples are student retention rates, job placement statistics, salary ranges of recent graduates, and the appearance and condition of physical plant facilities. The annual financial report presents the financial data used to assess the quality of the college's financial condition and to measure the fiscal results of operations over a given period of time, usually one year. In short, these statements seek to answer the question, "How did the college perform financially during the fiscal year 2003 and what was its financial condition as of June 30, 2003?"

In order to gain a thorough understanding of the college's financial performance and condition, these statements must be read in their entirety including the footnotes, which give more detailed information about the categories of revenue, expense, and other items presented.

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

## Financial Statements

The basic financial statements are:

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

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 other non-financial factors such as enrollment, retention, and physical facilities.

The *Statement of Net Assets* includes all the college's assets, liabilities, and reserves. In other words, everything the college owns minus what it owes equals net assets.

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

Another factor used to evaluate financial viability is the college's 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, noncapital financing, capital financing, and investing activities. The *Statement of Cash Flows* shows the sources and uses of the college's cash.

Condensed *Statements of Net Assets, Statements of Revenues, Expenditures, and Changes in Net Assets*, and the *Statement of Cash Flows* are presented below, along with a brief summary of the financial information contained therein.

### *Statement of Net Assets (in thousands)*

Assets	2003	2002
Current assets	\$72,879	\$70,994
Non-current assets		
Capital assets	106,506	104,700
Other	2,456	1,953
Total assets	181,841	177,647
Liabilities		
Current liabilities		
Deferred revenue	10,309	8,589
Accounts payable	6,676	6,741
Other current liabilities	941	871
Non-current liabilities		
Long term debt	10,535	11,456
Annuities payable	2,472	2,446
Other	436	518
Total liabilities	31,369	30,621
Net Assets		
Invested in capital assets	93,860	92,150
Restricted	5,022	4,075
Unrestricted	51,590	50,800
Total net assets	\$150,472	\$147,025

## Assets

Total assets as of June 30, 2003 were \$181.8 million compared to \$177.6 million for the previous fiscal year. Current assets were \$72.9 million compared to \$71.0 million the previous year. Capital assets remain the largest asset group at 59.9% of total assets. Current cash and investments are the next largest at 34.9%, which is 86.9% of current assets. Current cash and investments increased \$1.8 million during fiscal 2003.

## Liabilities

Total liabilities as of June 30, 2003 were \$31.4 million compared to \$30.6 million in fiscal year 2002.

As of June 30, 2003, the College's current liabilities were \$17.9 million. Of that total, it had \$10.3 million in deferred revenue (tuition monies collected from students in April, May, and June that relate to summer quarter fiscal year 2004), \$6.7 million in accounts payable, and \$.9 million in other current liabilities.

Non-current liabilities as of June 30, 2003 were \$13.4 million consisting of \$10.5 million in long term debt (revenue bonds), \$2.5 million in annuities payable, and \$0.4 million in long-term liabilities, mainly compensated absences. By comparison non-current liabilities as of June 30, 2002 were \$14.3 million consisting of \$11.5 million in bonds payable, \$2.4 million in annuities payable, and \$0.4 million in compensated absences.

## Net Assets

Net assets (defined as assets minus liabilities) increased \$3.4 million in fiscal year 2003. This increase is considerably lower than the \$14.7 million increase in fiscal year 2002 because the College did not receive significant allocations in State appropriations for the construction in fiscal year 2003 as it did in fiscal year 2002 (\$12.1 million) for the Center for Technology and Learning, a major academic building. Capital appropriations used to fund construction projects directly increase net assets. State capital appropriations received in fiscal year 2003 totaled \$1.3 million, a difference of \$11.8 million.

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

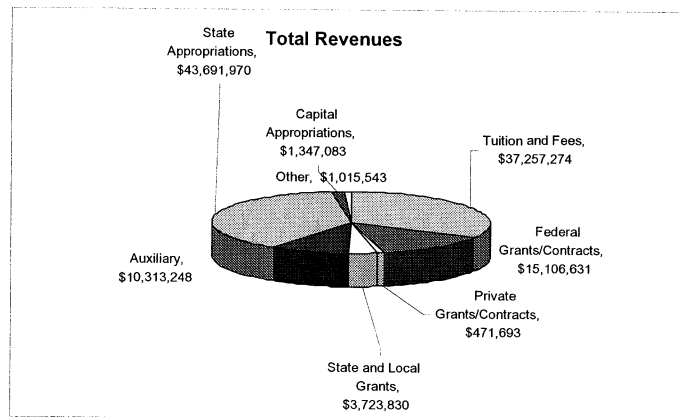
	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Student tuition and fees	\$37,257	\$33,448
(net of scholarship allowances of \$12.2 million in 2003 and \$9.8 million in 2002)		
Federal, state, and private grants and contracts	19,303	17,296
Auxiliary enterprises	10,313	8,498
Other	545	1,270
Total operating revenues	<u>67,418</u>	<u>60,512</u>
OPERATING EXPENSES		
Educational and general	89,716	84,182
Scholarships and fellowships	6,679	6,588
Auxiliary enterprises	9,542	7,804
Depreciation expense	3,274	3,156
Total operating expenses	<u>109,211</u>	<u>101,730</u>
Operating income (loss)	<u>(41,793)</u>	<u>(41,218)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	43,692	42,059
Investment income (net of expense)	848	1,390
Other non-operating revenues	(647)	(697)
Net non-operating revenues	<u>43,893</u>	<u>42,752</u>
Income before capital appropriations	2,099	1,534
Capital appropriations	1,347	13,119
Increase in net assets	3,446	14,654
Net assets beginning	147,025	132,371
Net assets end of year	<u>\$150,472</u>	<u>\$147,025</u>



## Revenues

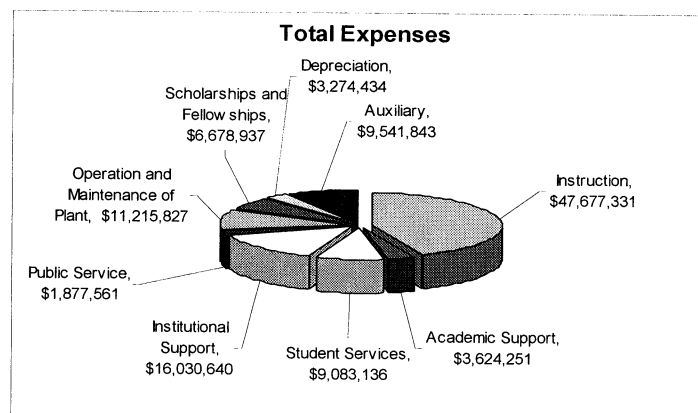
The majority of College revenues come from five sources: a) Student tuition and fees (\$37.3 million), b) Federal, state, and private grants and contracts (\$19.3 million), c) Auxiliary enterprises (\$10.3 million), d) State instructional subsidy (\$43.7 million), and e) State capital appropriations (\$1.3 million).

The major sources of college revenues for fiscal year 2003 are presented below.



## Expenses

Fiscal year 2003 expenses totaled \$109.2 million as compared to \$101.7 million in fiscal year 2002. Fiscal year 2003 expenditures as show in the graph below:



*Statement of Cash Flows*

	<u>2003</u>	<u>2002</u>
Net cash provided (used) by:		
Operation activities	(\$35,773)	(\$35,557)
Non capital financing activities	42,810	43,328
Capital financing activities	(5,706)	(4,035)
Investing activities	(47,927)	2,902
Net increase in cash	(46,596)	6,637
Cash-beginning of year	56,541	49,904
Cash-end of year	\$9,945	\$56,541

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 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.

In order to maximize earnings on investments, the College shifted its cash reserves from short-term certificates of deposit to the State Treasury Asset Recovery Fund commonly referred to as "STAR OHIO". While STAR OHIO, a money market fund, is more liquid than certificates of deposit, the State of Ohio requires they be counted as investments as opposed to cash. Consequently, the reduction in cash from \$56.5 million in fiscal year 2002 to \$9.9 million in fiscal year 2003 is merely a shift of funds from certificates of deposit to STAR Ohio.

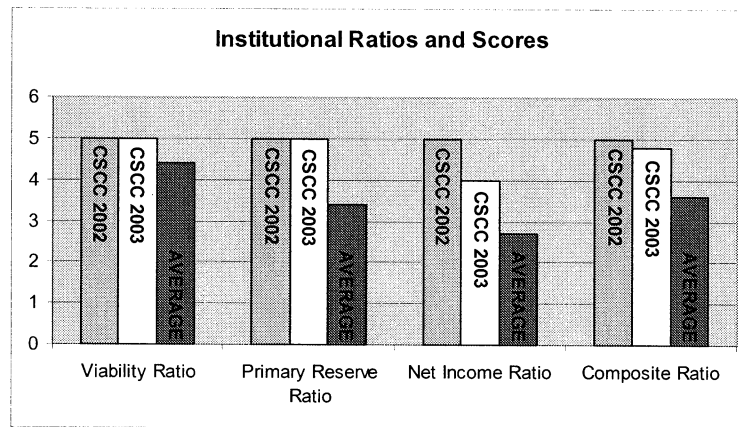
Major sources of cash are State appropriations of \$43.5 million, tuition and fees of \$38.5 million, and gifts, grants, and contracts totaling \$21.2 million. Approximately 91% of the gifts, grants, and contracts are student financial aid related. The College is not dependent upon gifts and donations to fund operating activities.

The most significant uses of cash were payments for salaries and benefits of \$69.8 million and payments to suppliers of \$29.4 million. The College also made debt service payments of \$1.5 million.

## Institutional Ratios and Scores

Operating results and financial condition can also be measured using ratios and comparison with other institutions. The Ohio Board of Regents, the body responsible for oversight of Ohio's colleges and universities, collects and publishes financial data on all the state institutions of higher education in the following areas: 1) Viability, 2) Primary Reserves and, 3) Net Income. A Composite score ranging from one to five (five being the highest) is assigned to each college annually, based on the these ratios.

The chart below shows the Columbus State Community College scores for fiscal years 2002 and 2003 compared with the average score of all Ohio colleges and universities for fiscal year ended June 30, 2002. (Fiscal year 2003 scores for other institutions were not available at the time of this report.)



**Viability Ratio** – This ratio measures the college's ability to pay its total indebtedness with current reserves. In other words, "does the college have enough current resources to pay off its debt?" The answer for Columbus State is, "yes, by 5.0 times", a score of 5. The fiscal year 2002 average score for all Ohio colleges and universities was 4.4.

**Primary Reserve Ratio** – This ratio measures the college's ability to pay one-years expenses with its current reserves. In broad terms, this is how long the college could operate if its revenue streams abruptly ceased. The College's ratio is 6.25 months, which results in a score of 5. The fiscal year 2002 average for all Ohio colleges and universities was 3.25 months, an average score of 3.5.

**Net Income Ratio** – This ratio is an indicator of efficiency. It measures net revenue as a percent of total revenue, which can be thought of as, "out of every dollar collected, how much did the college keep?" The answer is \$0.31 for Columbus State Community College, with a statewide average of \$0.27. The College's results convert to a score of 4 in 2003 compared to the 2002 average score of 2.8. The College's score in 2002 was 5.

**Composite Score** - A composite or "overall" score is computed for each college. The formula for the computation is as follows:

$$(Viability\ Ratio \times 30\%) + (Primary\ Reserve\ Ratio \times 50\%) + (Net\ Income\ Ratio \times 20\%) = Composite\ Score$$

Columbus State's composite score for fiscal year 2003 was 4.8 out of a possible 5 total points. The College's fiscal year 2002 score was 5.0, the only college or university in the state to earn this top rating.

## Budgets

College policy requires that the Board of Trustees approve an operational budget before June 30 of the preceding fiscal year, and only the Board of Trustees shall have authority to allocate funds for expenses not included in the approved operational budget. The operational budget differs from the GASB presentation in certain areas such as depreciation. The College's budget process is participatory in nature. Each cost center provides input, and is responsible for the sound implementation of the cost center's budget.

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

Budgets and actual results are prepared for College and Auxiliaries operations, and are presented below.

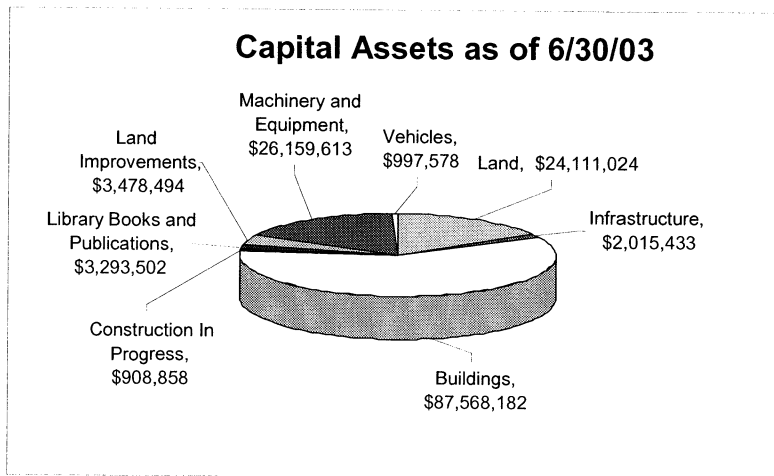
*Columbus State Community College  
Budget Comparisons – Budget to Actual  
FY '03*

<u>Budgeted Operations</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>% Change</u>	<u>Actual</u>	<u>% Change</u>
<u>Revenues</u>					
College	\$94,822	\$95,443	0.65%	\$95,467	0.03%
Auxiliary	8,411	9,149	8.77%	10,313	12.72%
Total Revenues	\$103,233	\$104,592	1.32%	\$105,780	1.14%
<u>Expenditures</u>					
College	\$94,445	\$95,176	0.77%	\$93,789	-1.46%
Auxiliary	7,954	8,693	9.29%	9,541	9.75%
Total Expenditures	\$102,399	\$103,869	1.44%	\$103,330	-0.52%
Net Revenues	\$834	\$723	-13.31%	\$2,450	238.87%

Capital Assets

Capital assets consist of land, land improvements, infrastructure (roads, etc.), buildings, equipment, vehicles, library books, as well as property under construction. Capital assets are recorded at “historical cost” at the time of acquisition. The cost (depreciation) is allocated, or “spread out”, over the useful life of the asset.

The chart below illustrates the capital assets (by classification) as of June 30, 2003.



As of June 30, 2003 the College had recorded \$148.5 million in capital assets and \$42 million in accumulated depreciation, for a total of \$106.5 million in net capital assets. A detailed summary of additions, deletions, and depreciation of assets can be found in Note 4 – Capital Assets, net.

Debt

As of June 30, 2003 the College had \$11.4 million of outstanding debt as follows (in millions):

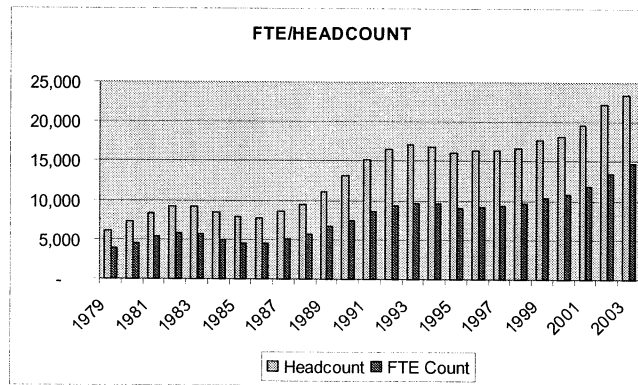
General Receipts Bonds	\$11.3 million
Capital leases	<u>0.1 million</u>
	\$11.4 million

The Columbus State management team is in the process of studying its capital needs, with consideration being given to the issuance of debt to finance new construction and renovation projects such as the new bookstore/retail complex. The College is also planning to refund its Series 1993 bonds. The objectives are to preserve cash, take advantage of historically low interest rates, and to reduce costs of existing debt. Prudent use of debt will allow the College to maintain its position of managing in times of economic uncertainty while continuing to meet the growing academic needs of its four-county service district (Franklin, Madison, Delaware, and Union counties).

## FACTORS IMPACTING FUTURE PERIODS

The demand for affordable high-quality education is increasing rapidly. Columbus State Community College's service district is the fastest growing area in the state of Ohio. Columbus State is now operating a central campus in the city of Columbus, Ohio and as of Autumn quarter 2003, has nine sites in the surrounding suburbs and contiguous counties. These off-campus locations have proven records of increased attendance with a low margin of risk.

In an attempt to meet the academic needs of its service district the College almost doubled square footage at its Westerville Facility (located in Delaware County) at a cost of \$1.7 million in preparation for Autumn quarter 2003. It converted two classrooms into nursing labs to meet the demands of the nursing program. It also opened a new site in Grove City (southwest Franklin County.)



To further meet demands for the college's services, the State of Ohio has funded and ground will be broken in November 2003 for a 142,000 square foot academic building on the College's main campus. The building, which is budgeted at \$27.5 million, will be the largest building on the main campus. It will contain a child development center (locally funded) and a conference/training center.

In early 2002 the Board of Trustees considered adding a second campus to its service district. The Board asked the Administration to study the need for a second campus. In late 2002, an extensive report was presented to the Board that indicated that the college should build a second campus in Delaware County and the third campus west of the I-270 (Columbus) outer-belt. The report was based on an extensive examination of 2000 census data, focus groups with current and prospective students, and interviews with community leaders. The Board instructed the Administration to consider business options for a second campus, work that is currently underway.

Columbus State is mindful of the economic pressures being experienced by the state of Ohio and its affect on the ability to fund higher education. While enrollment has increased steadily, the amount of state support (instructional subsidy) has remained flat. State support per Full-Time Equivalent (FTE) student has decreased by 19.1% since fiscal year 2000, putting the College in a position to rely more heavily on student tuition to meet its operational needs.

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 and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees  
Columbus State Community College  
Columbus, Ohio

We have audited the accompanying statements of net assets of Columbus State Community College (the College), a component unit of the State of Ohio, as of June 30, 2003 and 2002 and the statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

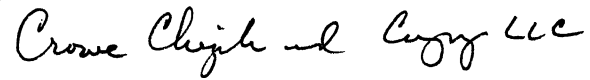
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 14, 2003 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The Management's Discussion and Analysis (MD&A) on pages 1 through 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 LLC

Columbus, Ohio  
October 14, 2003



COLUMBUS STATE COMMUNITY COLLEGE  
STATEMENTS OF NET ASSETS  
JUNE 30, 2003 and 2002

	2003			2002		
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 9,945,306	\$ 198,239	\$ 56,540,687	\$ 292,717		
Investments	53,417,158	3,060,918	5,000,000	2,499,021		
Notes, loans and accounts receivable, net	7,730,109	1,037	7,693,067	1,037		
Inventory	1,606,456		1,759,965			
Other current assets	180,147					
Total current assets	<u>72,879,176</u>	<u>3,260,194</u>	<u>70,993,719</u>	<u>2,792,775</u>		
<b>NONCURRENT ASSETS</b>						
Cash and cash equivalents	201,128		198,889			
Investments	2,254,831		1,753,916			
Capital assets, net	106,505,642		104,700,153			
Total noncurrent assets	<u>108,961,601</u>		<u>106,652,958</u>			
<b>TOTAL ASSETS</b>	<u>181,840,777</u>	<u>3,260,194</u>	<u>177,646,677</u>	<u>2,792,775</u>		
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	6,675,562	56,350	6,740,887	26,723		
Annuities payable	40,933		108,340			
Deferred revenue	10,309,274		8,588,741			
Long term debt-current portion	899,658		874,109			
Total current liabilities	<u>17,925,427</u>	<u>56,350</u>	<u>16,312,077</u>	<u>26,723</u>		
<b>NONCURRENT LIABILITIES</b>						
Annuities payable	2,472,289		2,445,583			
Long term liabilities	436,093		407,429			
Long term debt	10,535,000		11,456,108			
Total noncurrent liabilities	<u>13,443,382</u>		<u>14,309,120</u>			
<b>TOTAL LIABILITIES</b>	<u>31,368,809</u>	<u>56,350</u>	<u>30,621,197</u>	<u>26,723</u>		
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	93,860,151		92,149,887	1		
Restricted						
Nonexpendable		2,985,859		2,570,338		
Expendable	5,021,671		4,075,250			
Unrestricted	51,590,146	217,986	50,800,343	195,714		
<b>TOTAL NET ASSETS</b>	<u>\$ 150,471,968</u>	<u>\$ 3,203,845</u>	<u>\$ 147,025,480</u>	<u>\$ 2,766,052</u>		

See accompanying notes to financial statements

**COLUMBUS STATE COMMUNITY COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**JUNE 30, 2003 and 2002**

	2003			2002		
	Columbus State Community College	Component Unit Development Foundation		Columbus State Community College	Component Unit Development Foundation	
<b>REVENUES</b>						
Operating Revenues						
Student tuition and fees (net of scholarship allowances of \$12,257,274) in 2003 and \$9,781,663 in 2002)	\$ 37,257,274			\$ 33,448,133		
Federal grants and contracts	15,106,631			14,101,389		
State and local grants and contracts	3,723,830			2,893,940		
Private grants and contracts	471,693			301,062		
Sales and services of educational departments	2,542	\$ 507,984	\$	2,351	\$ 504,619	
Auxiliary enterprises						
Bookstore	9,824,485			8,121,948		
Other	488,763			376,302		
Other operating revenues	542,310	(5,996)		1,267,514		3,008
Total operating revenues	<u>67,417,528</u>	<u>501,988</u>		<u>60,512,639</u>		<u>507,627</u>
<b>EXPENSES</b>						
Operating Expenses						
Educational and general						
Instruction and departmental research						
Public service	48,154,155			44,855,797		
Academic support	1,877,561			2,310,903		
Student services	3,624,251			3,292,460		
Institutional support	9,083,136			7,477,069		
Operation and maintenance of plant	15,760,640	154,947		12,382,089	242,263	
Scholarships and fellowships	11,215,827			13,864,065		
Depreciation expense	6,678,937	194,620		6,587,895	191,474	
Auxiliary enterprises	3,274,434			3,155,861		
Bookstore	8,959,381			7,284,300		
Other	582,462			519,971		
Total operating expenses	<u>109,210,784</u>	<u>349,567</u>		<u>101,730,410</u>		<u>433,737</u>
Operating income (loss)	<u>(41,793,256)</u>	<u>152,421</u>		<u>(41,217,771)</u>		<u>73,890</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	43,691,970			42,058,900		
Unrestricted investment income (Net of investment expense)	822,020	285,372		1,350,902	(290,675)	
Restricted investment income (Net of investment expense)	26,662			39,121		
Interest on capital asset related debt	(647,991)			(696,674)		
Net nonoperating revenues	<u>43,892,661</u>	<u>285,372</u>		<u>42,752,249</u>		<u>(290,675)</u>
Income (loss) before other revenues, expenses, gains, or losses	2,099,405	437,793		1,534,478		(216,785)
Capital appropriations	1,347,083			13,119,262		
Increase (decrease) in net assets	3,446,488	437,793		14,653,740		(216,785)
<b>NET ASSETS</b>						
Net assets- beginning of year	147,025,480	2,766,052		132,371,740		2,982,837
Net assets- end of year	<u>\$ 150,471,968</u>	<u>\$ 3,203,845</u>		<u>\$ 147,025,480</u>		<u>\$ 2,766,052</u>

See accompanying notes to financial statements

**COLUMBUS STATE COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003 and 2002**

	2003		2002	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 38,563,504		\$ 37,585,559	
Grants, gifts and contracts	20,405,373	\$ 507,984	16,721,774	\$ 478,379
Payments to suppliers	(29,521,397)		(25,108,289)	
Payments for salaries and benefits	(69,813,835)	(125,320)	(65,735,632)	(242,263)
Scholarships	(6,678,937)	(194,620)	(8,010,985)	(191,474)
Auxiliary enterprise receipts				
Bookstore	10,019,233		7,988,428	
Other	489,183		1,430,681	
Sales and service of educational	2,542		2,351	
Other receipts (payments)	761,601	(5,996)	483,135	3,008
Net cash from operating activities	<u>(35,772,733)</u>	<u>182,048</u>	<u>(34,642,978)</u>	<u>47,650</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	43,459,563		42,058,900	
Agency and loan program receipts and disbursements, net	(649,924)		1,115,474	
Other nonoperating receipts (payments)	-		153,403	
Net cash provided by noncapital financing activities	<u>42,809,639</u>		<u>43,327,777</u>	
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital appropriations	917,814		11,562,738	
Purchases of capital assets	(5,079,923)		(14,910,911)	
Principal paid on capital debt and leases	(895,559)		(891,195)	
Interest paid on capital debt and leases	(647,991)		(710,035)	
Net cash from financing activities	<u>(5,705,659)</u>		<u>(4,949,403)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sales and (purchases) of investments	(48,920,312)	(561,898)	1,426,167	(16,234)
Income on investments	993,684	285,372	1,475,445	51,916
Net cash provided by investing activities	<u>(47,926,628)</u>	<u>(276,526)</u>	<u>2,901,612</u>	<u>35,682</u>
<b>NET INCREASE IN CASH</b>	(46,595,381)	(94,478)	6,637,008	83,332
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	56,540,687	292,717	49,903,679	209,385
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 9,945,306</u>	<u>\$ 198,239</u>	<u>\$ 56,540,687</u>	<u>\$ 292,717</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (41,793,256)	\$ 152,421	\$ (41,217,771)	\$ 73,890
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	3,274,434		3,155,861	
Changes in assets and liabilities				
Receivables, net	1,129,556		(644,025)	11,260
Other assets	(26,638)	29,627	(189,084)	
Accounts payable and accrued liabilities	(77,362)		1,601,817	
Deferred revenue	1,720,533		2,650,224	(37,500)
Net cash provided (used) by operating activities	<u>\$ (35,772,733)</u>	<u>\$ 182,048</u>	<u>\$ (34,642,978)</u>	<u>\$ 47,650</u>

See accompanying notes to financial statements

COLUMBUS STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 and 2002

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**Note 1 – Organization and Summary of Significant Accounting Policies**

**a. Reporting Entity**

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

**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 by the 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 subsequent statements. These statements establish 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 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. It replaces the fund group perspective previously required.

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 and 2002

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

**c. Accrual Basis**

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

**d. Capital Assets**

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

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

**e. Inventories**

Inventories are 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 as of June 30, 2003 and 2002 is comprised primarily of unearned summer school tuition and fees.

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 and 2002

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

**i. Scholarship Allowance**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf.

**j. Use of Estimates**

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

**k. Other Significant Accounting Policies**

Other significant accounting policies are set forth in the financial statements and accompanying notes. Certain items have been reclassified for the year ended June 30, 2002 to conform to classifications used for the year ended June 30, 2003.

**Note 2 - Cash, Cash Equivalents, and Investments**

The balance sheet classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than three months. Non current cash and cash equivalents represents cash on deposit at bond trustees and is not included in cash and cash equivalents on the Statement of Cash Flows.

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

- Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- Category 3 - Uncollateralized.

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

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

As of June 30, 2003:

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Balance per Bank Risk Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
\$ 10,146,434	\$ 8,914,381	\$ 300,000	\$ 8,614,381	\$ -

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, \$8,914,381 was held in demand accounts.

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

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

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

The following summarizes the carrying value and fair value of investments for the Foundation at June 30, 2003 and 2002 and are all Category 1 investments:

<u>2003</u>	<u>Cost</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Money market funds	\$ 48,167	\$ 48,174	\$ 48,174
Common and preferred stock	1,533,869	1,807,220	1,807,220
Bonds due beyond one year	1,173,726	1,205,524	1,205,524
Total investments	\$ 2,755,762	\$ 3,060,918	\$ 3,060,918
 <u>2002</u>			
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

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

**Note 3 - Notes, Loans and Accounts Receivable**

Notes, loans and accounts receivable as of June 30, 2003 and 2002 are as follows:

<u>2003</u>	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Student's and other Reimbursement receivable - grants and contracts	\$ 6,025,673	\$ 1,694,089	\$ 4,331,584
	<u>3,398,525</u>	<u>-</u>	<u>3,398,525</u>
	<u>\$ 9,424,198</u>	<u>\$ 1,694,089</u>	<u>\$ 7,730,109</u>
 <u>2002</u>			
Student's and other Reimbursement receivable - grants and contracts	\$ 6,065,467	\$ 1,424,985	\$ 4,640,482
	<u>3,052,585</u>	<u>-</u>	<u>3,052,585</u>
	<u>\$ 9,118,052</u>	<u>\$ 1,424,985</u>	<u>\$ 7,693,067</u>

**Note 4 - Capital Assets, net**

Capital asset as of June 30, 2003 and 2002 are summarized as follows:

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Reductions and Transfers</u>	<u>Balance June 30, 2003</u>
Land	\$ 24,111,024	\$ -	\$ -	\$ 24,111,024
Buildings	73,798,465	3,453,860	10,315,859	87,568,185
Improvements other than Buildings	5,280,179	213,748	-	5,493,927
Moveable equipment, furniture and library books	29,688,830	885,079	(123,219)	30,450,690
Construction in progress	<u>10,697,482</u>	<u>527,235</u>	<u>(10,315,859)</u>	<u>908,858</u>
	143,575,980	5,079,922	(123,129)	148,532,684
Accumulated Depreciation	<u>38,875,827</u>	<u>3,274,434</u>	<u>(123,219)</u>	<u>42,027,042</u>
Capital assets, net	<u>\$ 104,700,153</u>	<u>\$ 1,805,488</u>	<u>\$ -</u>	<u>\$ 106,505,642</u>

(Continued)



COLUMBUS STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 and 2002

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

Accounts payable and accrued liabilities at of June 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Payable to vendors and contractors	\$ 2,527,494	\$ 2,682,550
Accrued expenses, primarily payroll and vacation leave	3,284,847	3,524,931
Employee withholdings and deposits payable to third parties	<u>1,299,314</u>	<u>1,487,511</u>
	<u>\$ 7,111,655</u>	<u>\$ 7,148,316</u>
Current	\$ 6,675,562	\$ 6,740,887
Non Current	436,093	407,429

**Note 6 - Long-term Debt**

Long-term debt as of June 30, 2003 and 2002 is summarized as follows:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Current</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>
Series 1993 bonds with interest rates ranging from 3.95% - 5% due serially through 2010	\$ 3,725,000	\$ 395,000	\$ 3,330,000	\$ 415,000	\$ 2,915,000
Series 1997 bonds with interest rates ranging from 3.95% - 5.75% due serially through 2016	8,390,000	375,000	8,015,000	395,000	7,620,000
Capital leases	<u>215,217</u>	<u>125,649</u>	<u>89,658</u>	<u>89,658</u>	<u>-</u>
Total	<u>\$ 12,330,217</u>	<u>\$ 895,649</u>	<u>\$ 11,434,658</u>	<u>\$ 899,658</u>	<u>\$ 10,535,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	899,658	615,868	1,515,526
2005	830,000	572,463	1,402,463
2006	885,000	527,863	1,412,863
2007	940,000	478,413	1,418,413
2008	1,000,000	425,613	1,425,613
2009 - 2013	3,925,000	1,355,788	5,280,788
2014 - 2018	<u>2,955,000</u>	<u>351,468</u>	<u>3,306,468</u>
Total	<u>\$ 11,434,658</u>	<u>\$ 4,327,476</u>	<u>\$ 15,762,134</u>

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

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

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.

At the sole option of the College, the Series 1993 and 1997 bonds maturing on or after June 1, 2003 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 College is currently considering a refinancing of the 1993 bond issue. The following summarizes redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
Series 1993	
6/1/2003 to 5/31/2004	102%
6/1/2004 to 5/31/2005	101%
6/1/2005 and thereafter	100%
<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
Series 1997	
12/1/2007 to 11/30/2008	101%
12/1/2008 and thereafter	100%

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:

<u>Year</u>	<u>Series 1993</u>	<u>Series 1997</u>
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

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

(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

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

The College had certain lease agreements in effect for data processing and other equipment, with a carrying value of approximately \$474,000 as of June 30, 2003 and 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 5.0%. The accumulated depreciation at June 30, 2003 and 2002 on these leases was approximately \$348,000 and \$265,000.

The College also leases classroom space for its off-campus sites under operating leases, which have ending dates ranging through December 2005. Future minimum lease payments under operating leases at June 30, 2003 are as follows:

2004	\$	337,908
2005		337,908
2006		<u>168,954</u>
		<u>\$ 844,770</u>

**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 2002 (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, 2003 and for each of the two preceding years is as follows:

	STRS Annual Required <u>Contributions</u>	SERS Annual Required <u>Contributions</u>
2003	\$ 4,718,149	\$ 3,115,968
2002	4,262,588	2,707,195
2001	3,797,154	2,444,752

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

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

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**Note 7 - Retirement Plans (Continued)**

contribution rate of 5.76% for STRS and 3.1% for SERS. The College has implemented the alternative retirement plan. 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 fiscal year 2003, the College's contributions were \$13,038 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. Through June 30, 2001 (date of most recent information available), STRS currently allocated 4.5% of covered payroll to fund the health care program for retirants. Through June 30, 2002 (date of most recent information available), SERS currently allocated 9.8% of covered payroll to fund the health care program for retirants.

**Note 8 - Compensated Absences**

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

As of June 30, 2003 and 2002, the estimated accrued vacation and sick leave liability was approximately \$2,311,000 and 2,112,000, respectively.

**Note 9 - Operating Expenses By Natural Classification**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Salaries and wages	\$ 56,174,783	\$ 54,756,801
Employee benefits	13,667,716	12,751,282
Utilities	2,216,220	1,503,513
Supplies and other services	27,198,694	22,975,058
Depreciation	3,274,434	3,155,861
Student scholarships and financial aid	6,678,937	6,587,895
	<u>\$ 109,210,784</u>	<u>\$ 101,730,410</u>

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003 and 2002

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**Note 10 - Risk Management**

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

**Note 11 - State Support**

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

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

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, 2003 and 2002, the College was committed to future capital expenditures as follows:

	<u>2003</u>	<u>2002</u>
Contractual commitments		
Academic Center	\$ -	\$ 1,222,000
Aquinas Hall	412,000	361,000
Eibling Computer Room	-	202,000
Mallway Phase Two	-	180,000
North Sixth Street	1,700,000	-
Union Hall Labs	540,000	-
Vet Tech Building	-	143,000
Dublin Science Center	-	121,000
Davidson Snowmelt	-	110,000
Westerville Expansion	<u>677,000</u>	<u>-</u>
Total future project costs	<u>\$ 3,329,000</u>	<u>\$ 2,339,000</u>

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(Continued)

COLUMBUS STATE COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003 and 2002

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**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 \$688,908 and \$586,829 as of June 30, 2003 and 2002.

**Note 14 - Pending Litigation**

At June 30, 2003, 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 OF EXPENDITURES OF FEDERAL AWARDS  
 June 30, 2003

<u>Federal Grantor Agency/Pass-Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Number</u>	<u>Disbursements</u>
U.S. Department of Education			
Student financial aid cluster			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 499,134
Federal Family Education Loans (Note 2)	84.032		20,070,006
Federal Work Study Program	84.033		325,554
Federal Pell Grant Program	84.063		<u>14,625,595</u>
Total student financial aid cluster			35,520,289
TRIO cluster			
TRIO	84.047		266,200
Student Support Services	84.042A		<u>234,500</u>
Total TRIO cluster			500,700
Title III Grant	84.031A		261,506
Passed through State Department of Education:			
Vocational Education - Basic Grants to States	84.048	20-C2	264,372
Technical Preparation Grant	84.243	3E-00	260,504
Improving Teacher Quality State Grants	84.367		<u>10,000</u>
Total U.S. Department of Education			36,817,431
U.S. Department of Labor			
WIA Adult Program	17.258		3,252
National Science Foundation			
Education and Human Resources	47.076		201,834
U.S. Department of Health & Human Services			
Temporary Assistance to Needy Families	93.558		<u>62,086</u>
Total Federal assistance			<u>\$ 37,084,543</u>



COLUMBUS STATE COMMUNITY COLLEGE  
FOOTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2003

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**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - OUTSTANDING LOANS**

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

Federal Stafford Loans	\$ 12,016,149
Federal Unsubsidized Stafford Loans	7,878,412
Federal PLUS Loans	<u>175,445</u>
Total FFELs	<u>\$ 20,070,006</u>

COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2003

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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, 2003.
- b. An unqualified opinion was issued to Columbus State Community College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There was one audit findings required to be disclosed under OMB Circular A-133 Section 510(a). See Finding 03-01.
- e. Major Programs Identified:

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

- f. The dollar threshold used to distinguish between Type A and Type B programs was \$510,039.
  - 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):

**Finding 03-01**

*Criteria:* Return of funds procedures (34 CFR section 668).

*Condition:* Two students withdrew and the proper return of funds was not calculated.

*Questioned costs:* \$467.

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

*Effect:* Failure to properly calculate the return of funds for withdrawing students could result in unremitted amounts to the Department of Education.

*Cause:* The error appears to be an oversight in the performance of the established procedures.

*Recommendation:* We recommend that the College emphasize to the appropriate personnel the importance of compliance with these requirements and that supervisory personnel review their performance on a regular basis.

COLUMBUS STATE COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2003

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**Finding 03-01** (Continued)

*Management's response:* We agree with the facts stated above. Because of increased enrollment the volume of activity in this area has correspondingly increased. We will review the procedures in this area to determine ways to provide better assurance that all returns of funds will be handled appropriately. Included in this review will be consideration of better ways to utilize our computer processes in the procedures of the area.

**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 and Company LLC  
Member Horwath International

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

Board of Trustees  
Columbus State Community College  
Columbus, Ohio

We have audited the financial statements of Columbus State Community College (College) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that 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 14, 2003.

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

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Columbus, Ohio  
October 14, 2003



Crowe Chizek and Company LLC  
Member Horwath International

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

Board of Trustees  
Columbus State Community College  
Columbus, Ohio

### Compliance

We have audited the compliance of Columbus State Community College (College) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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.

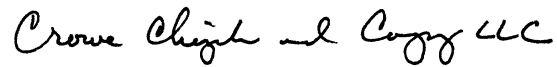
In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures discussed instances of non compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 03-01.

## Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated October 14, 2003.

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



Crowe Chizek and Company LLC

Columbus, Ohio  
October 14, 2003







**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  
MARCH 4, 2004**