AUDIT REPORT

COLUMBUS STATE COMMUNITY COLLEGE

FINANCIAL REPORT
With Supplemental Information

For the Years Ended June 30, 2014 and 2013

PARMS + COMPANY

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Columbus State Community College, Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2013 through June 30, 2014. 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.

Dave Yost

Dave Yost
Auditor of State

December 22, 2014

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COLUMBUS STATE COMMUNITY COLLEGE

Table of Contents

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585 South Front Street
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Columbus State Community College
Columbus, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Columbus State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Columbus State Community College as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the College's basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated October 9, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Parms & Company, LLC

October 9, 2014
Columbus, Ohio

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Columbus State Community College's Annual Report presents management's discussion and analysis ("MD&A") of the College's financial position as of June 30, 2014; and financial activity for the fiscal year July 1, 2013 through June 30, 2014, with selected comparative information for the fiscal years ended June 30, 2013, and June 30, 2012, when appropriate. This discussion should be read in conjunction with the accompanying financial statements and notes herein.

ABOUT THE COLLEGE

Columbus State Community College ("the College") is the region's only open-access institution, and it is the front door to higher education for more central Ohio residents than any other college or university. Columbus State is a comprehensive, two-year state community college that provides quality programs to enhance the educational and employment opportunities of its students.

Founded in 1963 as the Columbus Area Technician School, Columbus State has been serving the Central Ohio region for 50 years. In 2013 (fiscal year), Columbus State Community College celebrated its 50th anniversary. After its beginning, in the basement of Central High School and serving 67 students, it was re-chartered in 1965 as the Columbus Technical Institute (CTI) to serve students in a four-county service district that includes Franklin, Delaware, Union and Madison counties. CTI established itself in Aquinas Hall at the College's current Spring Street location. In 1987, the College was re-chartered as Columbus State Community College in order "to provide additional educational opportunities to area residents" and has risen to prominence as one of the nation's premier comprehensive community colleges.

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

In addition to its downtown Columbus campus, Columbus State opened a second campus, the Delaware campus, in July 2010, with the first classes offered in Autumn quarter 2010. Nine regional learning centers are also operated throughout central Ohio. These suburban centers allow students to take courses closer to where they live and work. The College's on-line program, Ohio's largest distance learning program, allows many students to take classes from their homes, a library or wherever it is convenient.

ABOUT THE FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL AND INSTITUTIONAL HIGHLIGHTS

Enrollment, Tuition Revenue and Overall Financial Results

After a steep decline in enrollment in fiscal year 2013, the first year of transitioning from a quarter-based academic year to a semester-based calendar, there was progress in 2014 in new student recruitment and enrollment and in student success initiatives. However, a trend continued in the second year on the semester academic calendar in which students took fewer credit hours than they did in quarters so while enrollment headcount was nearly flat to 2013, full-time equivalents (FTEs) decreased approximately 3.5%. Tuition revenue for 2014, before scholarship allowances, decreased by 2.4%; a 2.6% tuition increase offset some of the revenue loss resulting from lower enrollment.

Despite the continued decline in enrollment and the related tuition revenue, the financial health of the College remained sound in FY14. In response to declining enrollment and revenue, the College has continued to reallocate resources to align its core assets, including staff and space, to meet its strategic goals and to align resources to the pace and student service needs of a semester-based environment. *Resource Planning Principles,* adopted by the Board of Trustees in November 2007 and revised in November 2013, have effectively guided decision-making and strategic investments. Accumulated during years of significant enrollment growth and healthy investment returns, the College has used its reserves strategically, to continue offering quality academic and student support services and to advance the College's leadership in a regional strategy for college completion and career success.

For the second year in a row, the College's operating budget was initially balanced assuming that reserves from the Budget Tuition Stabilization Fund would be necessary. Savings from vacant positions as well as adjunct expense savings resulting from adjusted instructional needs, a significant reduction in bad debt expense, and overall prudent management made it possible for spending to be managed within the resources earned in FY14 so that Budget Tuition Stabilization funds were not necessary. For the year ended June 30, 2014, income, before capital appropriations, increased by $5.8 million. Of this $5.8 million, just over half is attributed to auxiliary operations and increased state and local grant activity.

Financial Aid Disbursement Changes/Bad Debt Reduction

In Autumn 2013, new financial aid disbursement processes and schedules, based on best practices of educational institutions across the country, were implemented for applying and refunding excess financial aid. The culmination of work that began over a year ago, this project was undertaken to reduce the College's bad debt experience that had grown significantly in recent years, peaking at just over $5 million in FY12, when enrollment also peaked. The project also served to meet the expectations of the US Department of Education for institutions to take steps necessary to ensure that students are academically engaged prior to disbursing Title IV student aid funds to help reduce abuse, and even fraud in financial aid programs. Prior to FY13, a portion of funds were advanced by check or direct deposit to a student's bank account before the start of each term for books and supplies, and the balance of funds were refunded, also by check or direct deposit, during the second week of classes, after the 100% refund period. Under the new process, there were three primary changes. First, a book allowance was established for each term whereby students can secure necessary books and supplies from the bookstore and the cost of the books and supplies is applied against the excess financial aid on their account. Second, an attendance reporting requirement was implemented. After the 15th day census reporting date each term, faculty verify that students receiving Title IV funds are attending and participating in classes. And finally, excess financial aid is refunded approximately six weeks into each term, after any required financial aid adjustments have been made based upon the results of the attendance reporting. The potential reduction in bad debt from these changes was budgeted at $1 million less than FY13, when bad debt was $4 million. Actual bad debt for FY 14 was $2.15 million, 28% less than budgeted and 46% less than last year.

Central Ohio Compact and Grants

Beginning in May 2011, the College hosted several regional summits with participants representing Central Ohio public and private college presidents, school superintendents, college and K-12 faculty and staff, workforce and economic development professionals, and government officials. From this work, the *Central Ohio Compact* (*COC*), a regional strategy for college completion and career success, was formed. The Board of Trustees of Columbus State Community College adopted the joint resolution of the *COC* at its meeting on September 27, 2012. Through a collective, integrated approach, *COC* partners who adopted the joint resolution committed to several strategic principles including the following:

- A goal of 60% of the citizens of Central Ohio hold a postsecondary credential by 2025
- An intentional strategy of cooperation in actions that reduce the time required to earn a credential, such as increasing the preparation of high school students for college and increasing the number of high school graduates with credit toward a college degree or certificate; and increasing the number of students transferring from community colleges to colleges and universities
- Removing obstacles facing adult learners, including military veterans
- Actively seeking opportunities to maintain affordability by programs and practices that contain costs and promote the use of shared services

During FY14, implementation of the *COC's* objectives was bolstered significantly by several significant grants awarded to Columbus State and *COC* partners to advance *COC* goals as follows:

The AEP Foundation awarded the College through the Development Foundation $5 million for a 5-year pilot, *The Credits Count*$_{SM}$ program, to prepare students for STEM (science, technology, engineering, and math) careers at five (5) Columbus City high schools. AEP Foundation's gift is the largest single one in the College's 50-year history.

The College was the higher education partner in two of the largest *Straight A* grants, totaling over $25 million, awarded by the Ohio Department of Education under a $250 million innovative grant project targeted for K-12 implementation with a focus on increasing student achievement and reducing costs. One of the *Straight A* grants is a partnership that includes the City of Marysville, Honda of America Manufacturing, and Marysville City Schools. The school district acts as the fiscal agent. The second grant is *Pathways to Prosperity*, representing 15 districts, including Reynoldsburg City Schools which acts as the fiscal agent. During the first round, 24 grants representing over 150 school districts and partnering organizations were awarded $88.6 million. Additional grants for the second-round of applications were awarded for FY15 and the College will be a partner on several.

JPMorgan Chase awarded the College through the Development Foundation $2.5 million as a part of Chase's five-year, $250 million global *New Skills At Work* initiative, described as the largest ever private-sector effort aimed at addressing the skills gap that exists across many industries. This is "the largest single grant made in Ohio in the past 15 years" by JPMorgan Chase and Columbus is one of nine international investment markets for this initiative. Funding from JPMorgan Chase will enable the *Central Ohio Compact* to further engage employers in the identification and development of additional industry credentials, create infrastructure to align the region's measurable approach to responding to labor market needs, and raise community awareness of postsecondary career opportunities.

The President of Columbus State was one of four community college presidents who participated in shaping recommendations to the Chancellor of the Ohio Board of Regents on completion, success and affordability strategies for the new Dual Enrollment/*College Credit Plus* legislation. To accommodate students ready for college classes, Columbus State's Dual Enrollment program expanded into 14 high schools by the end of FY14.

Work continued with four-year institutions to develop additional *Preferred Pathways* programs to facilitate smooth transitions from Columbus State to those institutions.

Several additional grant proposals were being considered as of June 30, 2014 to further advance the goals of the *COC*.

Voluntary Separation

In May 2011, the Board of Trustees authorized a three-year *Voluntary Cash Separation Incentive Plan* (the Plan) which served to slow the growth of the College's payroll, the most significant expense in the operating budget, and created opportunities to reorganize or reallocate positions to more effectively meet the College's student success objectives. The Plan allowed the College to weather recent enrollment declines by creating vacancies that allowed for savings that prevented the need to balance operating budgets on reserve funds. Recognizing that a higher than normal rate of retirement could result in a potentially significant loss of institutional memory and experience, a Phased Retirement policy was also implemented that has been used in conjunction with the Plan, allowing more careful planning of a transition for employees in key positions whose unplanned departure could significantly impact the College's current or future operations. A total of 99 employees took advantage of the Plan which concluded as of June 30, 2014.

Financial Accountability

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

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

Results for FY 2013 were released in February 2014 and Columbus State earned a score of 4.2 for FY 2013. The College maintains an average score of 4.7 on a scale of 0-5.

In February 2014, Moody's Investors Service ("Moody's") affirmed the College's rating of Aa3 on the College's $11.5 million debt outstanding. In March 2014, Standard & Poor's Ratings Services also affirmed the College's rating of A+. Despite Moody's negative outlook for the US Higher Education and Not-for Profit sectors issued in mid-December 2013, the College's outlook was affirmed as stable by both rating agencies citing several factors including "strong financial resources," "low debt load," "management's proactive approach in adjusting its expense base to accommodate enrollment declines," and a "management team and board focus on monitoring financial and enrollment metrics and imposing prudent budget standards."

Capital Additions and Improvements

Work continued on the renovation of Union Hall in FY2014. The Board of Trustees initially approved a project budget of $15.2 million for the renovation of Union Hall, and subsequently amended it to $16.65 million. Of the total project budget, $5.0 million was funded by state capital improvement appropriations (HB 482). Dedicated in 1975, Union Hall houses the College's allied health programs, faculty and information technology offices, and a cafeteria. The project included an addition that increased the building's capacity by 17,600 square feet from the previous 100,000 gross square feet. The new tower opened for occupancy in FY2013. Construction began in December 2011, and was nearing its final phase as of June 30, 2014, with completion expected by December 2014.

FY15-16 State Capital Funds

In the FY15-16 state capital improvement appropriations legislation (HB 497), Columbus State's total appropriation is $10.5 million. The monies will be used to upgrade the College's technology infrastructure on several fronts, from replacing desktop computers to upgrading technology infrastructure to modernizing classroom technology to enhance teaching and learning. State funds also provide for upgrading elevators in academic buildings.

OTHER FACTORS TO CONSIDER

There are many indicators of quality in higher education institutions, including but not limited to numbers of graduates, numbers of transfer students, student retention and course completion rates, job placement statistics, salary ranges of recent graduates, and the appearance and condition of physical plant facilities. Financial statements assess only the quality of the College's financial condition.

FINANCIAL STATEMENTS

The ***Statements of Net Position*** details all College holdings (assets) such as cash, investments, accounts receivable, land and buildings; and liabilities including payments due to vendors, and short and long-term debt, as of June 30, 2014. The total amount of assets and deferred outflows minus liabilities equals net position. The net position is categorized as follows:

- Net Investment in Capital Assets
- Restricted – Nonexpendable (permanent endowment funds of the Foundation)
- Restricted – Expendable (primarily amounts for specified construction projects)
- Unrestricted

The ***Statements of Revenues, Expenses and Changes in Net Position*** shows the revenues earned and expenses incurred during the year, and the net increase/decrease in net position. This statement is prepared under the accrual basis of accounting whereby revenues and expenditures are recognized when the service is provided and the resource(s) is/are used. This principle, called the "matching concept," is best demonstrated in the College's collection of student tuition. For example, most tuition is collected within the first eight days of each academic term, yet the revenue is distributed evenly over a four to five-month period (for semesters) to match the expenditures (resources) used to generate the revenue.

The ***Statements of Cash Flows*** presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing and investment activities. The ***Statements of Cash Flows*** shows the sources and uses of the College's cash. The ***Statements of Cash Flows*** also helps readers assess: a) the College's ability to generate future cash flows, b) the College's ability to meet obligations as they become due, and c) the College's need for external financing.

The Columbus State Community College Development Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services and facilities of the College. Because the restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB No. 61, The Financial Reporting Entity: Omnibus. There are also separately issued financial statements for the Foundation. Operating results are not included in this Management Discussion and Analysis. Additional information regarding the Foundation is included in Note 17 and in the separately issued Foundation financial statements and audit report.

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

Statements of Net Position (in thousands)

	2014	2013	Difference	2012	Difference
Assets					
Current assets	$ 123,659	$ 131,485	$ (7,826)	$ 78,218	$ 53,267
Noncurrent assets					
Capital assets	156,625	159,284	(2,659)	163,343	(4,059)
Other	57,847	31,221	26,626	88,944	(57,723)
Total Assets	338,131	321,990	16,141	330,505	(8,515)
Deferred Outflows of Resources					
Unamortized loss on refunding	371	434	(63)	-	434
Total Deferred Outflows of Resources	371	434	(63)	-	434
Total Assets and Deferred Outflows	$ 338,502	$ 322,424	$ 16,078	$ 330,505	$ (8,081)
Liabilities					
Current Liabilities					
Accounts payable and accrued	24,726	10,650	14,076	13,163	(2,513)
Debt, current portion	1,520	1,465	55	1,310	155
Unearned revenue	24,448	26,791	(2,343)	27,320	(529)
Noncurrent liabilities					
Long-term liabilities	926	952	(26)	1,125	(173)
Debt, long-term portion	8,475	9,995	(1,520)	11,115	(1,120)
Total Liabilities	60,095	49,853	10,242	54,033	(4,180)
Net Position					
Invested in capital assets	146,630	147,824	(1,194)	150,918	(3,094)
Restricted	26,796	23,615	3,181	20,040	3,575
Unrestricted	104,981	101,132	3,849	105,514	(4,382)
Total Net Position	$ 278,407	$ 272,571	$ 5,836	$ 276,472	$ (3,901)

As of June 30, 2014, current assets totaled $123.7 million compared to $131.5 million in fiscal year 2013, and $78.2 million in 2012. Year-to-year changes amounted to -6.0% and 68.1% in 2014 and 2013, respectively. The majority of the decrease from 2013 to 2014 is due to a shift in cash and investments to noncurrent based on longer maturities. Cash and short-term investments decreased by $18.0 million while accounts receivables increased by $10.5 million. Student excess financial aid refunds that were in process as of June 30, 2014 for Summer semester amounted to $13.3 million representing federal funds due from the US Department of Education; this receivable was only $351,107 at June 30, 2013. Similarly, a payable was recorded representing the amount of excess financial aid owed to students at June 30, 2014; these refunds were issued during the first week of July. Remaining receivables at June 30, 2014 were approximately $3 million lower than 2013.

The significant increase in current assets from 2012 to 2013 was primarily due to a shift from long-term investments to short-term (short-term increased by $48.9 million and long-term decreased by $57.6 million); as more investments matured, they were not re-invested in longer term instruments. Accounts receivable increased by $3.4

million, including $1.5 million due from trust accounts in which proceeds related to the sale of trust property are held; increases in student accounts receivable are attributed to higher average balances as a result of the expiration of the waiver of a tuition increase in place for Summer quarter 2012 and a 5.4% tuition increase effective Summer semester 2013. Inventory balances in 2013 were higher due to earlier adoptions and less out-of-stock merchandise; 2012 inventory levels were low due to final preparations and adoptions for the Switch to Semesters.

Total assets as of June 30, 2014, were $338.1 million compared to $322.0 million in fiscal year 2013, a 5% increase, with other noncurrent assets increasing by $26.6 million, offset by decreases of $7.8 million in current assets, as discussed of above, and $2.7 million in capital assets. The increase in long-term investments relates primarily to $26.6 million more in long-term investments in 2014. After the College investment policy was revised in FY14, some investments were repositioned between the College's two investment advisors allowing for some funds to be invested at longer maturities to maximize earnings. The decrease in capital assets is due to depreciation of nearly $7 million, while additions to capital assets for the year were approximately $4.4 million.

Total assets as of June 30, 2013, were $322.0 million compared to $330.5 million in fiscal year 2012, a 2.6% decrease. The decrease, $8.5 million, is directly related to the overall decrease of $8.5 million in cash and investments while a $4 million decrease in capital assets was offset by a $4 million increase in accounts receivables and other assets. The decrease in capital assets, as in FY14, resulted from depreciation exceeding additions to capital assets for the year.

Capital assets, such as land, buildings, machinery and equipment, are the largest asset group at $156.6 million (46.3%), followed by cash and investments of $138.5 million (41%), and inventory and other assets at $43.0 million (12.7%). Cash and investments, as a percentage of total assets, are 0.7 percentage points higher than its proportion of total assets at June 30, 2013. Inventory and other assets increased by 2.5 percentage points, while capital assets decreased by 3.2 points. The shift in the composition of total assets from capital assets to inventory and other assets is due to higher accounts receivables for summer term's excess financial aid refunds, while capital assets decreased as a result of depreciation exceeding additions in 2014.

Liabilities

As of June 30, 2014, the College's current liabilities were $50.7 million, compared to $38.9 million in 2013. Of the total, $24.5 million was unearned revenue (Summer and Autumn semester tuition revenues related to fiscal year 2015, credit bank, and unearned revenues related to grants and contracts), $24.7 million was accounts payable and accrued expenses, and $1.5 million was the current portion of long-term debt. For 2013, $26.8 million was unearned revenue (Summer and Autumn semester tuition revenues related to fiscal year 2014, credit bank, and unearned revenues related to grants and contracts), $10.6 million was accounts payable and accrued expenses, and $1.5 million was the current portion of long-term debt. The $11.8 million increase in current liabilities resulted primarily from over $13 million student excess financial aid refunds that were in process as of June 30, 2014 for Summer semester; refunds for Summer 2013 were issued before June 30, 2013, so only $7,196 was payable at the end of fiscal 2013. Unearned revenue decreased by $2.3 million due to lower Summer semester enrollment ($778,000 lower unearned compared to 2013) and lower Autumn semester registration through June 30, 2014 compared to registration for Autumn 2013 ($1.8 million lower). Unearned revenue from grants increased by approximately $.5 million.

Current liabilities at June 30, 2013 were $2.9 million lower than current liabilities at June 30, 2012, which were $41.8 million. The decrease from 2012 to 2013 resulted primarily from a $2.5 million decrease in accounts payable attributed to more construction payables related to the Union Hall renovation that were outstanding at June 30, 2012 and the overall impact of budget reductions in FY13 and lower spending on non-personnel, discretionary expenses following the steep enrollment declines experienced in the first year on a semester-based calendar.

Noncurrent liabilities as of June 30, 2014 were $9.4 million, consisting of $8.5 million in long-term debt (general receipts bonds) and other long-term liabilities of nearly $926,000. By comparison, noncurrent liabilities as of June 30, 2013 were $10.9 million consisting of $10 million in bonds payable and nearly $950,000 million in other long-term liabilities.

Total liabilities as of June 30, 2014 were $60.1 million compared to $49.9 million in fiscal year 2013. The $10.2 million change is primarily attributed to higher accounts payable at June 30, 2014, primarily amounts payable for student excess financial aid refunds, lower unearned revenues as discussed above, and the reduction in long-term debt as a result of 2014 debt service payments. By contrast, total liabilities at June 30, 2013 decreased from 2012 by $4.2 million, primarily attributed to lower accounts payable related to construction payables, as discussed above, and the decrease in long-term debt as a result of 2013 debt service payments.

Net Position

Net position increased by $5.8 million in 2014, compared to a decrease of $3.9 million in 2013, and a decrease of $11.5 million in 2012. Compared to 2013, revenues in 2014 decreased by $4.4 million, while expenses decreased by $23.1 million.

The revenue decrease was largely due to the impact of the calendar realignment which resulted in higher revenues related to summer terms in both 2013 and 2012. Additionally, Other Auxiliary revenue decreased by $1.1 million as a result of the discontinued operations of the child development center and golf course and federal grant revenue decreased, as several federal programs ended, while state grants increased; private grants and contracts were nearly flat between 2014 and 2013.

In the area of expenses, the largest reduction occurred in Scholarships and Fellowships which decreased by $8.5 million. Reductions also resulted from the impact of the calendar realignment which resulted in higher expenses related to summer terms in 2013 and 2012, and expenses from strategic reserve funds were much lower than 2013. As enrollment continued to trend downward, continued attention was focused on reallocating resources to align core assets to meet strategic goals. Most of the remaining decreases in 2014 resulted from numerous vacant positions which allowed for allocations to be considered for other strategic, non-recurring expenses in the subsequent year.

While the decrease in net position in 2013 was $3.9 million, the loss before capital appropriations and special items was $6.6 million in 2013 compared to a loss of $13.2 million in 2012, or a $6.6 million improvement over 2012. The primary factor in the lower decrease in net position compared to 2012 was less reserve funding used for one-time purposes; other expenses were also much less than the prior year due to budget reductions and a realignment of expenses with adjusted revenues as a result of the enrollment drop and associated shortfall in budgeted tuition revenue.

Revenues, including capital appropriations, for 2013, decreased by approximately $16.2 million from 2012 while expenses decreased by $27.6 million. The most significant decreases in operating revenue were student tuition and fees ($8.8 million) and Pell grant revenue ($12.5 million), while the most significant increases occurred in State appropriations ($2.0 million), and capital appropriations ($3.6 million).

Substantial decreases from 2012 to 2013 occurred in most of the reported areas of expense including instruction ($8.0 million), scholarships and fellowships ($7.5 million), and institutional support ($7.5 million), which accounted for over 83% of the decreases. One-time expense reductions in 2013 compared to 2012 included $1.4 million less for *Think Again* scholarships as funds allocated were nearly exhausted; $1.7 million less for Switch to Semesters as most spending and preparation was nearing completion at June 30, 2012; $2.0 million less for Voluntary Cash Separation Incentives as Year 1 incentives in 2012 were higher than those offered for Year 2 in 2013, and there were fewer participants in 2013; and $1.9 million less for the Delaware Campus start-up costs as the approved business plan projected less reserves for 2013, Year 3, as the Campus would earn more SSI and tuition revenue to cover its operating expenses (although budgeted, no reserves were used in FY2013 for Delaware campus operations).

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

	2014	2013	Difference	2012	Difference
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowances of $19.6, $18.9, and $23.5 million in 2014, 2013, and 2012, respectively)	$ 60,983	$ 63,683	$ (2,700)	$ 72,489	$ (8,806)
Federal, state, and private grants and contracts	6,416	6,870	(454)	7,887	(1,017)
Auxiliary enterprises	14,943	16,303	(1,360)	15,559	744
Other	538	424	114	755	(331)
Total operating revenues	82,880	87,280	(4,400)	96,690	(9,410)
OPERATING EXPENSES					
Educational and general	136,424	148,646	(12,222)	169,929	(21,283)
Scholarships and fellowships	21,279	29,738	(8,459)	37,252	(7,514)
Depreciation expense	6,984	6,996	(12)	6,819	177
Auxiliary enterprises	13,244	15,658	(2,414)	14,667	991
Total operating expenses	177,931	201,038	(23,107)	228,667	(27,629)
Operating income (loss)	(95,051)	(113,758)	18,707	(131,977)	18,219
NONOPERATING REVENUES (EXPENSES)					
State appropriations	61,009	60,882	127	58,855	2,027
Investment income (net of expense)	394	212	182	576	(364)
Pell Grant Revenue	39,771	47,528	(7,757)	60,002	(12,474)
Other non-operating revenues	(289)	(1,464)	1,175	(680)	(784)
Net nonoperating revenues	100,885	107,158	(6,273)	118,753	(11,595)
Income before capital appropriations	5,834	(6,600)	12,434	(13,224)	6,624
Capital appropriations and gifts	2	5,329	(5,327)	1,715	3,614
Special Item - Loss on sael of trust assets	-	(2,630)	2,630	-	(2,630)
Increase in net position	5,836	(3,901)	9,737	(11,509)	7,608
Net position, beginning of year	272,571	276,472	(3,901)	287,981	(11,509)
Net position, end of year	$ 278,407	$ 272,571	$ 5,836	$ 276,472	$ (3,901)

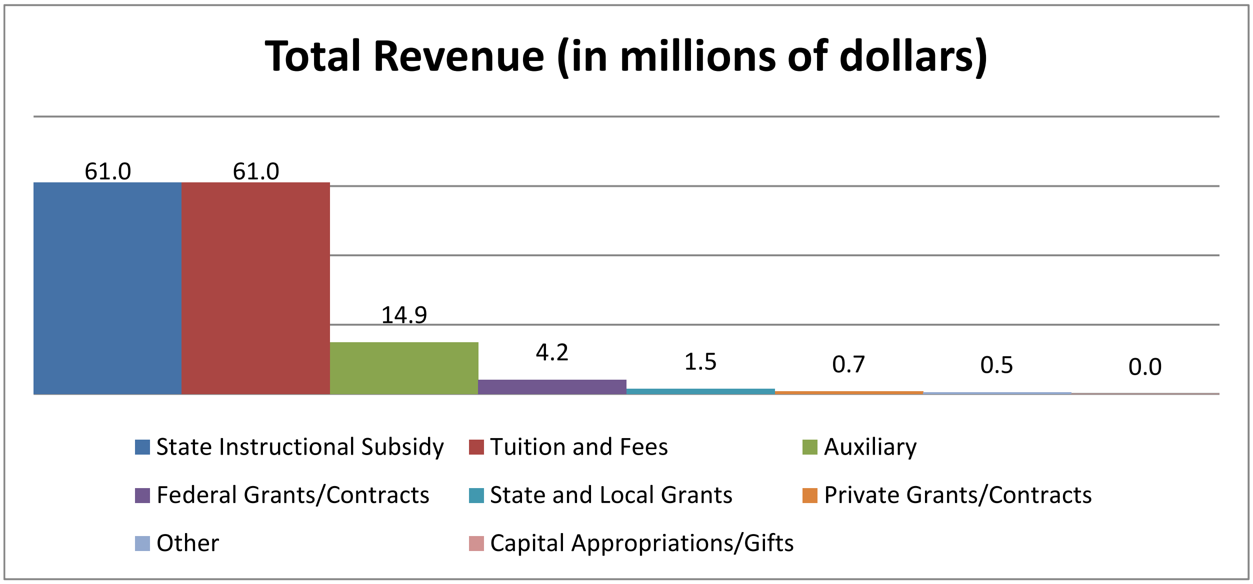
Revenues

FY14 revenues totaled $183.6 million, an 8.6% decrease compared to $201.0 million in fiscal year 2013. The only area of note with an increase was $0.5 million in state and local grants and contracts, primarily related to the State of Ohio *Straight A* grants discussed under Financial Highlights. Tuition and fees decreased by $2.7 million, 4.2%, as a result of 2014 being the first year where the new semester-based academic calendar was not impacted by the realignment of the summer term which resulted in higher revenues in 2012 and 2013. An increase in the tuition rate largely offset lower credit hours experienced and increases in discounts recorded for programs such as dual enrollment and other contracted courses. Other Auxiliary revenue decreased by $1.1 million due to the closure of the child development center and the golf course in June 2013, leaving only food services reported as Other Auxiliary enterprises. Pell grant revenue decreased as a result of national best practices adopted by the College in fiscal 2014 which delays the issuance of excess financial aid refunds until attendance and class participation are confirmed, and less grants awarded resulting from lower enrollment (or students taking fewer classes who then receive lower Pell grants based on part-time enrollment versus full-time).

The majority of College revenues come from three sources: 1) State instructional subsidy ($61.0 million), 2) Student tuition and fees ($61.0 million), and 3) Federal, state, and private grants and contracts, including Pell grant revenue ($46.2 million).

Of $45.4 million in federal and state grants and contracts, 89.0% are awarded to students through the federal Pell grant and Supplemental Educational Opportunity Grant (SEOG) programs. These funds are used for student tuition ($19.6 million) and education-related expenses.

The major sources of College revenues for fiscal year 2014 are presented below.



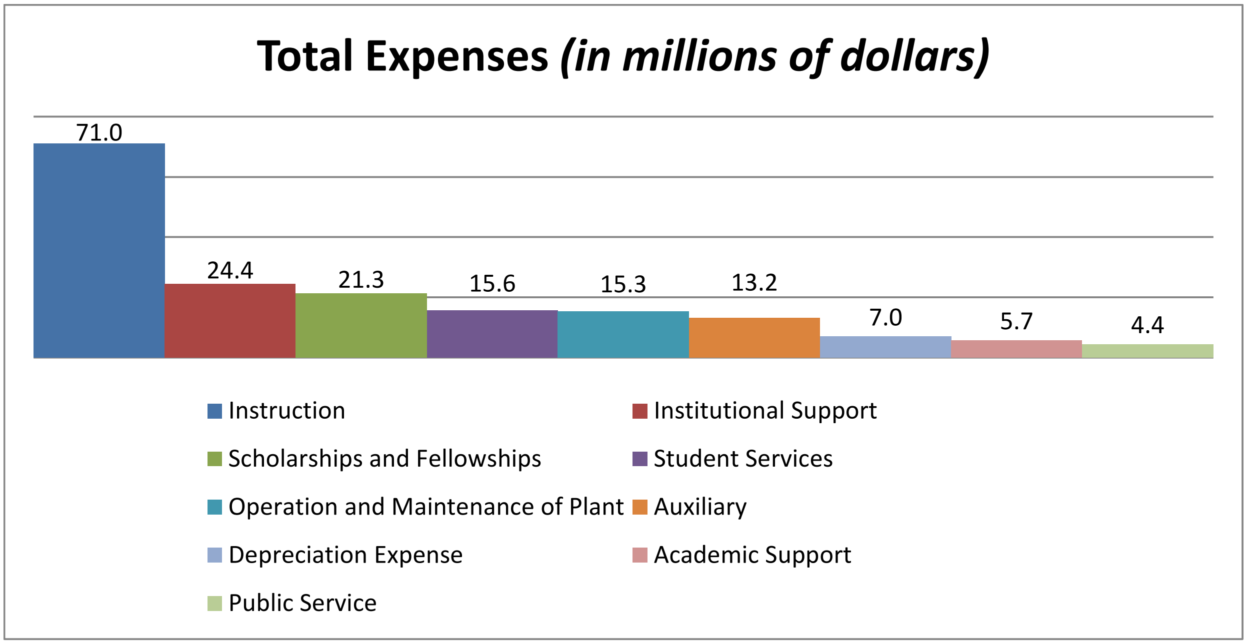
<u>Expenses</u>

Fiscal year 2014 expenses totaled $177.9 million compared to $201.0 million in fiscal year 2013, a decrease of $23.1 million, or 11.5%. Decreases occurred in most reported areas of expense with the most substantial decreases noted in scholarships and fellowships ($8.5 million), instruction ($6.7 million), and institutional support ($5.1 million), accounting for 87.9% of the total decrease.

As a result of the drop in enrollment, in 2013, all budgets were reduced, most vacant positions were not filled, and many other measures were taken to align expenses with revised revenue projections for the year. Through 2014, the College continued to aggressively reallocate and align its financial and other resources with its priorities and implemented a variety of expense efficiencies which allowed it to restore some of the prior year's expense reductions that were not deemed sustainable. Footnote 16 shows that salaries and wages decreased by $10.6 million from 2013 to 2014, which includes $2.2 million attributed to the last impact of the calendar realignment for summer terms in 2013, one-time compensation paid in 2013 of $2.4 million, salaries and wages paid to child development center and golf course employees in 2013, and Voluntary Separation Incentive payouts in 2013 that were $1.1 million higher than in 2014 ($1.2 million total paid in 2013). The remaining $4.3 million decrease in salaries and wages from 2013 is attributed to numerous vacant positions that were unfilled through 2014 in addition to variable payroll expenses that were adjusted in response to enrollment.

Also indicated in Footnote 16, Supplies and Other Services decreased by $3.8 million from 2013 to 2014. Nearly half of this decrease is attributed to a $1.8 million reduction in bad debt expense resulting from the implementation of best practices related to financial aid disbursement. Similar to the decrease noted for Pell grant revenue in the revenue discussion, the decrease in scholarships and fellowships is primarily the result of best practices supported by the US Department of Education adopted by the College in fiscal 2014 which delays the issuance of excess financial aid refunds until attendance and class participation is confirmed, and also the result of less grants results from lower enrollment (or students taking fewer classes who then receive lower Pell grant based on part-time enrollment versus full-time).

Fiscal year 2014 expenditures are shown below:



Statements of Cash Flows *(in thousands)*

Net cash provided (used) by:	2014	2013	2012
Operation activities	($86,429)	($112,749)	($139,213)
Non capital financing activities	100,749	107,374	118,776
Capital financing activities	(6,046)	(3,344)	(8,177)
Investing activities	(13,125)	8,864	22,930
Net increase/(decrease)in cash	(4,851)	145	(5,684)
Cash-beginning of year	12,063	11,918	17,602
Cash-end of year	$ 7,212	$ 12,063	$ 11,918

Ending cash balances for fiscal years 2012 through 2014 were $11.9 million, $12.1 million, and $7.2 million, respectively. Each month, cash flow projections are evaluated to determine when funds can be invested to maximize investment earnings (typically, at the beginning of each quarter/semester when tuition and fees are paid, funds are transferred to *STAROhio*), or when funds should be transferred back for operations (usually during the latter part of each quarter/semester). Cash balances in operating checking accounts are part of compensating balances maintained to maximize earnings credits thereby minimizing banking fees. Cash balances at June 30, 2014 are lower than 2013 or 2012 due to more funds that have been invested to maximize earnings. While the College investment policy was revised in 2014 to expand the list of authorized investments to take on manageable risk to generate higher returns and to diversify the portfolio, the primary change made in 2014 was to transfer cash to a new *StarOhio Plus* account which had a yield to maturity of .20% at June 30, 2014, compared to the yield of 0.03% of the existing *StarOhio* accounts. The *StarOhio Plus* accounts had a maximum deposit of $15 million in 2014.

Major sources of cash in 2014 were State appropriations of $61.0 million, tuition and fees of $61.9 million, and gifts, grants, and contracts totaling $32.5 million.

The most significant uses of cash were payments for salaries and benefits of $109.8 million, payments to suppliers of $25.3 million, $21.3 million disbursed for student scholarships and financial aid, and $4.3 million for the purchase of capital assets.

Budgets

College policy requires the Board of Trustees to approve an operational budget before June 30 for the fiscal year that begins July 1, and only the Board of Trustees has authority to allocate funds for expenses not included in the approved operating budget. A mid-year budget adjustment is reviewed and approved by the Board of Trustees in January of each year, and at other times if necessary. The operating budget focuses on revenues and expenses produced from daily operations as well as budgeted expenditures for capital improvements, equipment, and debt service. As discussed earlier, in addition to College policy, the preparation of general fund operating budgets is guided by the Board-adopted *Resource Planning Principles*.

Columbus State takes a balanced, practical approach to budgeting. Revenues are based upon reasonable enrollment projections and tuition rates approved by the Board of Trustees, providing a solid budget parameter on this revenue calculation, and estimates of state instructional subsidy allocations provided by the Ohio Board of Regents. State instructional subsidy revenues are treated as operating revenues for budget purposes.

Mission and goals, together with current and predicted economic environment and local conditions, all factor into the development of expense budgets. Expenses are constrained by budgeted revenues.

As noted on the Budget Comparison below, revenues exceeded expenditures by approximately $13.2 million, where Auxiliary had net revenues of $1.7 million, while the College general fund had net revenues, before transfers and allocations, of $11.5 million. Three factors contributed primarily to the net income in FY14. First, payroll savings resulting from a significant number of position vacancies were unfilled during the year while search processes were underway. Second, bad debt expense was lower than budgeted, resulting from changes to best practices for attendance verification and financial aid disbursement practices implemented this fiscal year. Third, revenues exceeded revised budget expectations by $1.1 million ($0.5 million tuition and fees, $0.3 interest; and $0.3 other revenues).

The analysis below does not include nearly $7.8 million for initiatives approved by the Board of Trustees to be funded by reserves on a non-recurring basis rather than from the current year's operating revenues. Such approved non-recurring expenses included: Union Hall renovation ($3.4 million), technology initiatives and other instructional and capital equipment ($2.7), *Think Again* scholarships ($0.7 million), and campus safety initiatives ($0.3 million). An allocation of $1.7 million for one-time compensation was incorporated into year-end projections as reported in the May 2014 internal financial statements of the College in addition to $2 million included in the 2014 budget for capital equipment. Additionally, proposals for $3.7 million were made for scholarships and capital improvements which will be further considered after audited results are available.

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

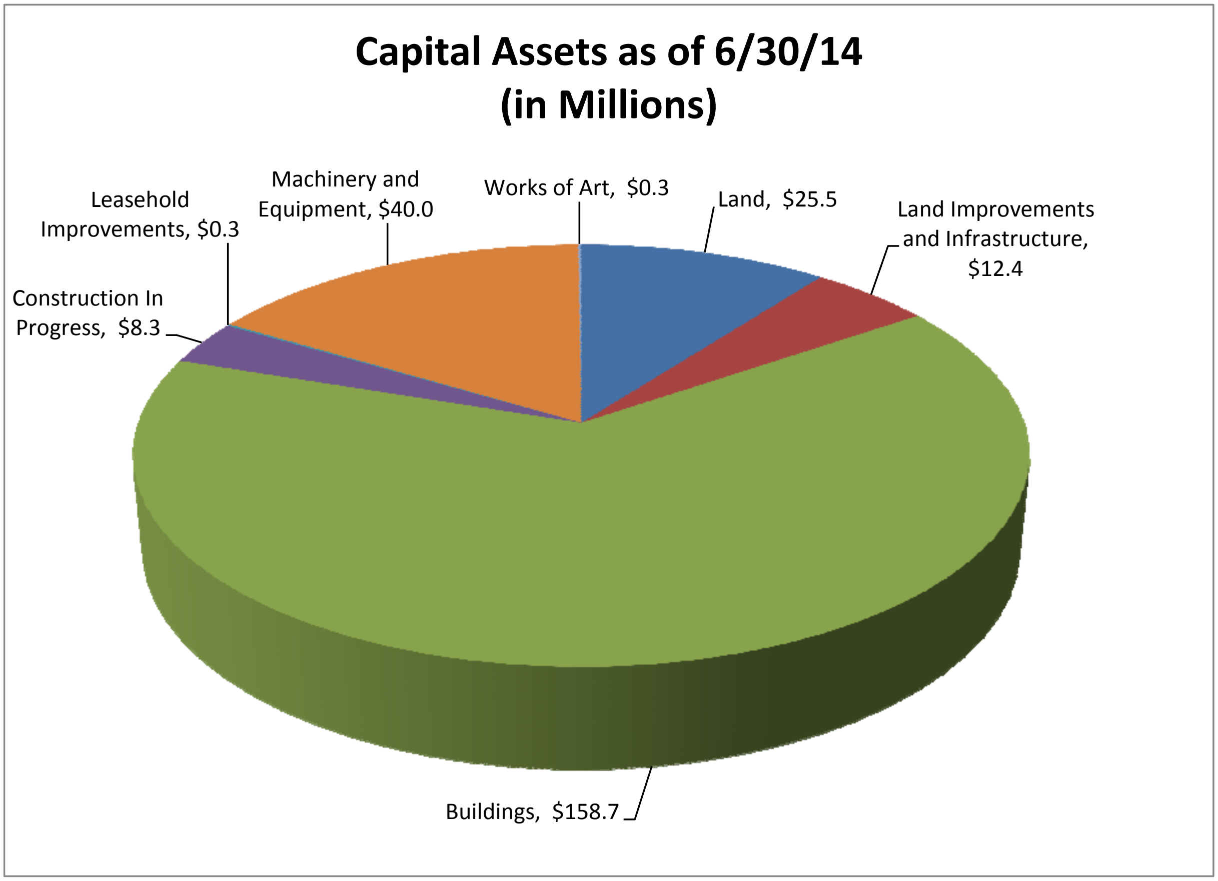
Columbus State Community College
Budget Comparisons – Budget to Actual
FY 14 (in thousands)

Budgeted Operations	Original Budget	Revised Budget	Percent % Change	Actual	Percent % Change
Revenues					
College	$143,991	$141,039	-2.05%	$142,161	0.80%
Auxiliary	15,326	15,312	-0.09%	14,943	-2.41%
Total Revenues	$159,317	$156,351	-1.86%	$157,104	0.48%
Expenditures					
College	$143,982	$141,034	-2.05%	$130,699	-7.33%
Auxiliary	14,844	14,918	0.50%	13,244	-11.22%
Total Expenditures	$158,826	$155,952	-1.81%	$143,944	-7.70%
Net Revenues	$491	$399	-18.74%	$13,162	3199%

Capital Assets

Capital assets consist of land, land improvements, infrastructure (roads, underground utilities, etc.), buildings, equipment, vehicles, library books, as well as buildings under construction. Capital assets are recorded at "cost" at the time of acquisition. This acquisition cost is allocated over the useful life of the asset and recorded as depreciation expense. At June 30, 2014, the College had $245.5 million in capital assets and $88.9 million in accumulated depreciation, for a total of $156.6 million in net capital assets.

The chart below illustrates the College's capital assets (by classification) as of June 30, 2014.



By comparison, as of June 30, 2013, the College had recorded $241.2 million in capital assets and $81.9 million in accumulated depreciation, for a total of $159.3 million in net capital assets. A detailed summary of additions, deletions, and depreciation of assets can be found in Note 4 – Capital Assets.

Debt

As of June 30, 2014, the College had $9.99 million of outstanding debt as follows:

		(in millions)
General Receipts Bonds:	2012	$ 7.79
General Receipts Bonds:	2007	$ 2.20
Total		$ 9.99

FACTORS IMPACTING FUTURE PERIODS

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

State Support
Until 2011, state support for community colleges in Ohio was primarily based upon student enrollments. Furthermore, since funds available for Ohio's two-year institutions ("the sector") were a defined pool of dollars, an institution had to grow in enrollment at a rate higher than the sector average to earn new subsidy dollars, all other things being equal. A series of changes to Ohio's funding formula for community colleges began in 2011, with the inclusion of a performance funding component known as "Success Point" funding. Community colleges' success funding allocated a portion of state support based upon each institution's share of "Success Points" earned for various measures including number of students who completed developmental education courses; earned defined numbers of credit hours; earned a degree; or transferred to a 4-year institution.

In September 2012, Governor Kasich established the Ohio Higher Education Funding Commission, and charged the presidents of Ohio's public colleges and universities to develop a more dynamic formula for funding higher education that was based entirely on student success and completion as opposed to enrollment. This approach, like that taken in the most recent capital appropriations budget, encouraged new levels of collaboration among the higher education leaders, and built upon the Chancellor's *Complete College Ohio Task Force* report that recommended that state funding incentivize completion.

Policy changes incorporated into the new community college formula include the following:

> *Funding in the first year of the biennium, FY14, was distributed 25% to success points, 25% based on course completion, and 50% based on enrollment.*
>
> *Beginning in FY15, state support is being distributed entirely on performance metrics:*
> *50% based on course completion, 25% for success points, and 25% for student milestone completion. Milestones are defined as successful completion of an associate degree, certificate, or transfer to a university.*
>
> *The updated formula includes weighted state support to community colleges that are successful in educating non-traditional and at-risk student populations in recognition of the sector's access mission. The access weighting is included in both the course completion and student milestone funding components.*
>
> *Starting in FY15, the 'stop loss' provision, which has historically served to mitigate significant funding losses at institutions experiencing unexpected enrollment drops, is eliminated. The legislature did allocate $3.1 million in FY15 bridge funding to provide community colleges additional funds if their SSI funding is less than 96% of FY14 SSI funding.*

Initial projections for Columbus State's FY15 state support do not appear to significantly change Columbus State's subsidy allocation compared to FY14. The subsidy allocation is finalized by December of each fiscal year.

Additional formula revisions are being considered by the Ohio Higher Education Funding Commission. Additional changes to the community college funding formula will likely be implemented as part of the State of Ohio's FY16 subsidy allocation to public colleges. SSI currently represents approximately half of the College's operating revenues.

The College continues a rigorous process of budgeting tightly, pursuing more efficient processes, improving alignment of variable expenses to related revenues, and analyzing more carefully proposed expenses to prior year spending.

Tuition and Enrollment
As discussed in the Financial and Institutional Highlights, following a 25% decrease in FTEs experienced in fiscal 2013, the year that the College switched from a quarter-based academic calendar to a semester-based academic calendar, enrollment for fiscal year 2014 was 3.5% lower than 2013. The College maintains a prudent approach to budgeting as demonstrated by its FY15 budget, which is balanced on tuition revenue 3% lower than the prior year because enrollment had not yet stabilized.

While the College charged students the same tuition for six consecutive years saving students and their families $28.6 million over this extended period of time, it has raised tuition at the $100 cap legislated in HB 59 per fiscal year for the FY14/15 biennium. The College's in-state tuition remains the third lowest among Ohio's 23 community colleges.

College Credit Plus (CCP), Ohio's new dual enrollment program became effective September 15, 2014, a part of H.B. 487, signed into law on June 16, 2014. *CCP* replaces Ohio's Post-Secondary Enrollment Options program (PSEO) and all alternative dual enrollment programs previously governed by Oho Revised code Chapter 3365 and will be operational for the 2015/16 school year. All public school districts and public institutions of higher education must participate. *CCP* funding is based on per college credit hour amounts where a ceiling, $160 per college credit hour, and floor, $40 per college credit hour, have been established based on 83% (ceiling) and 25% (floor) of the K-12 per-pupil foundation funding amount of $5,800 (other rates exist for private postsecondary institutions, and rates vary based on the location of the course delivery and who provides the instruction). At this time, the full impact of the change in funding for dual enrollment programs is unknown but dual enrollment revenue is anticipated to be lower than revenue earned under the PSEO program.

Strategic and Master Planning
The College began a comprehensive master planning process in August 2011 to align with community and regional initiatives and to help set a course for infrastructure expansion that aligned with the College's strategic goals. The Plan was adopted by the Board of Trustees at its July 2013 meeting.

While the Plan yielded a master plan vision for both the Columbus and Delaware campuses, its implementation is guided first and foremost by the following guiding principles that emerged through the master planning process:

Enhance the Learning Environment
Enrich Student Life
Develop Strategic Partnerships
Use Resources Responsibly
Design for the Future
Preserve Unique Character

The Plan is intended to be a flexible framework for articulating strategic priorities and making informed decisions on how resources can be used most effectively to meet the College's strategic goals: student success, workforce development, and civic engagement. Building community partnerships along with academic buildings, and expanding learning spaces, are key components of the Plan to move forward in coming years. The Plan also calls for replacing surface parking with green space, and adding parking garages to make the area more pedestrian-friendly and inviting. With no specific funding currently available, the College will implement the Plan over time and in partnership. The Plan was used immediately upon its authorization to inform a six-year capital plan submitted in Autumn 2013 to the State of Ohio that was considered during the FY15/16 State's capital appropriations planning process. As discussed above, the College was appropriated $10.5 million in HB 497, which became effective July 1, 2014.

Financial Sustainability

Columbus State has navigated various economic uncertainties in recent years, none more dramatic than the enrollment decline that occurred in FY13 when the College transitioned from a quarter-based to a semester-based academic calendar, and has done so in a manner that has allowed it to remain financially sound. As the College sets its strategic direction, goals and priorities, it remains vigilant in monitoring carefully its enrollment, revenue streams, and expenses, adjusting quickly and appropriately as necessary.

GASB pension liability

In June 2012, the Government Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," that becomes effective for fiscal years beginning after June 15, 2014. This statement will significantly revise accounting for pension costs and liabilities, including costs and liabilities of the State Teachers Retirement System of Ohio and the School Employees Retirement System of Ohio, the two statewide cost-sharing multiple employer defined benefit pension plans that cover College faculty and staff. The Government Accounting Standards Board has the authority to establish standards of financial accounting and reporting for state and local governmental entities.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

- Present value of estimated future pension benefits attributable to active and inactive employees' past service
- Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension, and that the unfunded portion of this promise is a present obligation of the College and should accordingly be reported by the College as a liability, since the College received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer, and both employer and employee contribution rates are capped by state statute. Any change in these caps requires action of both Houses of the General Assembly, and approval by the Governor, and benefit provisions are also determined by State statute. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer; the pension systems are responsible for the administration of the plans.

In accordance with GASB 68, the College's financial statements prepared on an accrual basis of accounting will include an annual pension expense for its proportionate share of each plan's change in net pension liability as well as a net pension liability and deferred inflows of resources related to pension beginning with next year's financials for the year ended June 30, 2015. This change may dramatically distort the financial condition of the College but it is important to keep in mind that compliance with this new standard creates an accounting liability rather than a legal liability. The Auditor of State's office will not use this liability in the calculation for determination of fiscal caution, watch or emergency for any local government unit, and two of the ratings agencies have indicated to the Auditor of State that the implementation of GASB 68 will not affect their ratings.

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF NET POSITION
As of June 30, 2014 and 2013

	2014		2013	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 7,211,566	$ 411,153	$ 12,062,859	$ 92,131
Investments - Short Term	72,745,286	7,117,898	83,395,498	6,105,541
Investments - Current Restricted	778,160	-	3,252,717	-
Accounts, Loans and Pledges Receivable	39,987,197	7,355,211	29,478,369	182,160
Inventories	2,390,807	-	2,741,424	-
Other Assets	545,494	-	553,654	-
Total Current Assets	123,658,510	14,884,262	131,484,521	6,379,832
Noncurrent Assets				
Investments - Long Term	57,780,293	146,531	31,136,845	195,479
Other Noncurrent Assets	66,473	-	84,003	-
Capital Assets, Net	156,625,578	-	159,284,238	-
Total Noncurrent Assets	214,472,344	146,531	190,505,086	195,479
TOTAL ASSETS	**338,130,854**	**15,030,793**	**321,989,607**	**6,575,311**
Deferred outflows of resources				
Deferred loss on refunding	371,344	-	434,145	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**371,344**	**-**	**434,145**	**-**
TOTAL ASSESTS AND DEFERRED OUTFLOWS	**338,502,198**	**15,030,793**	**322,423,752**	**6,575,311**
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities	24,725,773	7,348	10,649,609	21,178
Debt, Current Portion	1,520,000	-	1,465,000	-
Unearned Revenue	24,448,224	-	26,791,370	-
Total Current Liabilities	50,693,997	7,348	38,905,979	21,178
Noncurrent Liabilities				
Long-term Liabilities	925,716	-	951,633	-
Debt, Long-term Portion	8,475,000	-	9,995,000	-
Total Noncurrent Liabilities	9,400,716	-	10,946,633	-
TOTAL LIABILITIES	**60,094,713**	**7,348**	**49,852,612**	**21,178**
NET POSITION				
Net Investment in Capital Assets	146,630,578	-	147,824,238	-
Restricted				
Nonexpendable	-	3,926,178	-	3,691,298
Expendable	26,795,667	8,657,684	23,614,833	1,641,593
Unrestricted	104,981,240	2,439,583	101,132,069	1,221,242
TOTAL NET POSITION	**$ 278,407,485**	**$ 15,023,445**	**$ 272,571,140**	**$ 6,554,133**

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

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	2014		2013	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
REVENUES				
Operating Revenues				
Student Tuition and Fees (Net of Scholarship Allowances of $19,631,425 in 2014 and $18,879,796 in 2013)	$ 60,983,456	$ -	$ 63,683,289	$ -
Federal Grants and Contracts	4,193,412	-	5,273,222	-
State and Local Grants and Contracts	1,484,549	-	937,804	-
Private Grants and Contracts	738,260	8,443,966	659,045	718,212
Sales and Services of Educational Departments	60,178	-	71,934	-
Auxiliary Enterprises				
Bookstore	14,547,124	-	14,814,796	-
Other	395,591	-	1,488,685	-
Other Operating Revenues	477,999	-	351,610	-
Total Operating Revenues	**82,880,569**	**8,443,966**	**87,280,385**	**718,212**
EXPENSES				
Operating Expenses				
Educational and General				
Instruction and Departmental Research	70,986,136	-	77,705,050	-
Public Service	4,457,647	-	5,650,862	-
Academic Support	5,689,628	-	6,905,794	-
Student Services	15,604,341	-	14,386,521	-
Institutional Support	24,364,059	669,893	29,463,834	308,143
Operation and Maintenance of Plant	15,323,328	-	14,534,112	-
Scholarships and Fellowships	21,278,583	270,863	29,738,023	350,615
Depreciation Expense	6,983,900	-	6,996,236	-
Auxiliary Enterprises				
Bookstore	13,063,538	-	13,962,704	-
Other	180,173	-	1,694,910	-
Total Operating Expense	**177,931,333**	**940,756**	**201,038,046**	**658,758**
Operating Income (Loss)	**(95,050,764)**	**7,503,210**	**(113,757,661)**	**59,454**
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	61,008,739	-	60,882,213	-
Unrestricted Investment Income (Net of Investment Expense)	393,236	1,259,847	209,259	516,199
Restricted Investment Income (Net of Investment Expense)	705	(293,745)	2,843	144,453
Interest on Capital Asset Related Debt	(257,084)	-	(426,281)	-
Pell Grant	39,771,026	-	47,528,202	-
Other Nonoperating Revenue (Expense)	(31,241)	-	(1,038,942)	-
Net Nonoperating Revenues	**100,885,381**	**966,102**	**107,157,294**	**660,652**
Income (Loss)Before Other Revenues, Expenses, Gains, or Losses	**5,834,617**	**8,469,312**	**(6,600,367)**	**720,106**
Capital Appropriations	1,728	-	5,329,325	-
Special Item - Loss on Sale of Trust Assets	-	-	(2,630,590)	-
Change in Net Position	**5,836,345**	**8,469,312**	**(3,901,632)**	**720,106**
NET POSITION				
Net Position-Beginning of Year	272,571,140	6,554,133	276,472,772	5,834,027
Net Position-End of Year	**$ 278,407,485**	**$ 15,023,445**	**$ 272,571,140**	**$ 6,554,133**

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

COLUMBUS STATE COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014		2013	
	Columbus State Community College	Component Unit Development Foundation	Columbus State Community College	Component Unit Development Foundation
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	$ 61,865,455	$ 47,744	$ 60,507,363	$ 44,767
Grants, Gifts and Contracts	(7,306,907)	1,223,171	7,652,047	567,135
Payments to Suppliers	(25,338,433)	(683,723)	(47,160,440)	(289,208)
Payments for Salaries and Benefits	(109,841,048)	-	(120,763,253)	-
Payments for Scholarships	(21,278,583)	(270,863)	(29,738,023)	(350,615)
Auxiliary Enterprise Receipts	14,931,870	-	16,329,560	-
Other Receipts (Payments)	538,177	-	423,544	-
Net Cash Provided By (Used In) Operating Activities	**(86,429,469)**	**316,329**	**(112,749,202)**	**(27,921)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Appropriations	61,008,739	-	60,882,213	-
Pell Grant	39,771,026	-	47,528,202	-
Nonoperating Payments to Suppliers	(31,240)	-	(1,036,300)	-
Net Cash Provided By Noncapital Financing Activities	**100,748,525**	-	**107,374,115**	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital Appropriations	1,713	-	5,086,402	-
Purchases of Capital Assets	(4,325,240)	-	(7,039,706)	-
Proceeds from Bond Issuance	-	-	7,900,000	-
Principal Paid on Debt	(1,465,000)	-	(8,865,000)	-
Interest Paid on Capital Debt	(257,084)	-	(426,281)	-
Net Cash Used In Capital Financing Activities	**(6,045,611)**	-	**(3,344,585)**	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchases) of Investments	(13,518,679)	(1,257,154)	8,652,163	(311,773)
Income on Investments	393,941	1,259,847	212,102	332,361
Net Cash Provided By (Used In) Investing Activities	**(13,124,738)**	**2,693**	**8,864,265**	**20,588**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(4,851,293)**	**319,022**	**144,593**	**(7,333)**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**12,062,859**	**92,131**	**11,918,266**	**99,464**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 7,211,566**	**$ 411,153**	**$ 12,062,859**	**$ 92,131**
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Loss	$ (95,050,764)	$ 7,503,210	$ (113,757,661)	$ 59,454
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) By Operating Activities:				
Depreciation Expense	6,983,900	-	6,996,236	-
Changes in Assets and Liabilities:				
Receivables, net	(10,508,828)	(7,173,051)	(1,839,667)	(106,310)
Other Assets	439,107	-	(1,176,113)	-
Accounts Payable & Accrued Liabilites	14,050,262	(13,830)	(2,443,794)	18,935
Unearned Revenue	(2,343,146)	-	(528,203)	-
Net Cash Provided By (Used In) Operating Activities	**$ (86,429,469)**	**$ 316,329**	**$ (112,749,202)**	**$ (27,921)**

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Columbus State Community College Development Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services and facilities of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity Omnibus.

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

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

Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by providers have been met. The College reports as a Business Type Activity (BTA). BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Basis of Presentation

The College's basic financial statements consists of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The College reports as a special purpose government engaged solely in "business type activities" under GASB.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net position is the difference between the College’s assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. GASB establishes standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- Net investment in capital assets: 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 position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the permanent endowment funds of the Foundation.

  - *Expendable* - Net position 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. The net position principally represent amounts for specified capital construction projects.

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

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

The financial statement presentations required by GASB 34 and 35 are intended to provide a comprehensive, entity-wide perspective of the College’s assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

GASB Pronouncements

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, GASB Statement No. 66, Technical Corrections -2012 (an amendment of GASB Statements No. 10 and No. 62) and GASB Statement No. 70, Accounting and Reporting for Nonexchange Financial Guarantees, become effective, as of and for the year ended June 30, 2014. These statements did not have a significant effect on the financial statements of the College. In addition, GASB Statement No. 67, Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25), GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), GASB Statement No. 69, Government Combinations and Disposals of Government Operations, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68), become effective for the year ended June 30, 2015. Management does not expect GASB Statement No. 67, and 69 to have a significant effect of the financial statements of the College. GASB Statement No. 68 and 71 are expected to have a significant effect on the College's financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Management Estimates

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

Cash and Cash Equivalents

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

Investments

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

The College's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the College.

Accounts Receivables

At June 30, 2014 and 2013, accounts receivable consist primarily of student tuition and fees, and intergovernmental grants and contracts.

Inventory

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

Capital Assets

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

Unearned Revenue

Unearned revenue is comprised primarily of receipts relating to tuition and student fees in advance of the services to be provided and grant funds not earned as June 30, 2014 and 2013.

Note 1 - Summary of Significant Accounting Policies (Continued)

Operating Activities

The College defines operating activities, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the College's expenses are from exchange transactions. All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, pell grant revenues, investment income, and gifts in accordance with GASB Statement No. 35. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship and Allowances and Student Aid

The College participates in federally funded Pell Grants, SEOG Grants, and Direct Lending programs. Federal programs are subject to an annual U.S. Office of Management and Budget Revised OMB Circular A-133 audit.

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

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 position. Scholarship discounts and allowances are the difference between stated charges for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of net position may report a separate category of deferred outflows of resources. Deferred outflows represent consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. At June 30, 2014, the College reported deferred outflows of resources in the amount of $371,344. Other noncurrent assets as of June 30, 2013, of $434,145 were reclassified to report them as deferred outflows consistent with those as of June 30, 2014, as required by GASB Statement No. 63.

In addition to liabilities, the statement of net position may report a separate category of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until then. At June 30, 2014, the College reported no deferred inflows of resources.

Pensions

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

Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentations to conform to the 2014 financial statement presentations.

Other Significant Accounting Policies

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

Note 2 - Cash, Cash Equivalents And Investments

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

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a formal deposit policy for custodial credit risk. At June 30, 2014 and 2013, $250,000 of the bank balances were covered by federal deposit insurance and the remaining portions, $8,759,998 and $14,403,299, respectively, were uninsured but collateralized by pools of securities pledged by the depository bank and held in the name of the bank.

The following summarizes the value of investments at June 30, 2014 and 2013:

	Fair Value	
Description	2014	2013
STAR Ohio/STAR Plus	$ 48,337,469	$ 30,201,619
Money Market Funds	287,729	8,463,223
Municipal Bonds	407,981	-
U.S. Government Obligations	3,228,210	1,000,000
U.S. Agency Obligations	79.042.350	78,120,218
Total	$ 131,303,739	$ 117,785,060

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

As of June 30, 2014, the College had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
STAR Ohio/STAR Plus	$48,337,469	$48,337,469	$ -	$ -	$ -
Money Market Funds	287,729	287,729	-	-	-
Municipal Bonds	407,981	-	407,981	-	-
U.S. Gov't Obligations	3,228,210	250,118	2,978,092	-	-
U.S. Agency Obligations	79,042,350	24,648,130	54,394,220	-	-
Total	$131,303,739	$73,523,446	$57,780,293	$ -	$ -

As of June 30, 2013, the College had the following investments and maturities:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
STAR Ohio	$ 30,201,619	$30,201,619	$ -	$ -	$ -
Money Market Funds	8,463,223	8,463,223	-	-	-
U.S. Gov't Obligations	1,000,000	1,000,000	-	-	-
U.S. Agency Obligations	78,120,218	46,983,373	31,136,845	-	-
Total	$117,785,060	$86,648,215	$31,136,845	$ -	$ -

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

The College held $48,337,469 and $30,201,619 in STAR Ohio/STAR Plus investments as of June 30, 2014 and 2013, respectively. STAR Ohio is an external investment pool and is considered a cash equivalent under GASB Statement No. 9. Oversight of the pool is through the Ohio Treasurer of State. STAR Plus is endorsed by the Ohio Treasurer of State, administered by Public Funds Administrator (PFA), an Ohio business and is fully FDIC insured. The fair values of the College's position in the pool are the same as the value of their pool shares.

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. As of June 30, 2014 and 2013, Standard & Poor rated STAR Ohio investments as AAA and U.S. Government and Agency Obligations were rated AA+. Included in U.S. Government Obligations were $5,353,190 and $20,118,290 in short term discount notes, as of June 30, 2014 and 2013, respectively. The government money market funds and U.S. Agency short term discount notes were not rated.

The credit ratings of the College's interest-bearing investments at June 30, 2014, are as follows:

Credit Rating (S&P)	Total	STAR OHIO/ STAR Plus	Money Market	U.S. Govt. Obligations & Municipal Bonds	U.S. Agency Obligations
AA+/AA/AA-	$110,661,342	$33,335,991	$ -	$3,636,191	$73,689,160
Unrated	20,642,397	15,001,478	287,729	-	5,353,190
Total	$131,303,739	$48,337,469	$287,729	$3,636,191	$79,042,350

The credit ratings of the College's interest-bearing investments at June 30, 2013 are as follows:

Credit Rating (S&P)	Total	STAR OHIO	Money Market	U.S. Govt. Obligations	U.S. Agency Obligations
AAA/AA+/AA+	$ 89,203,547	$30,201,619	$ -	$1,000,000	$58,001,928
Unrated	28,581,513	-	8,463,223	-	20,118,290
Total	$117,785,060	$30,201,619	$8,463,223	$1,000,000	$78,120,218

Concentration of Credit Risk. The College places limits on the amount that may be invested in any one issuer. The following table includes the percentage of the total for each investment type held by the College at June 30, 2014 and 2013:

Year	Total	STAR Ohio	Money Market	U.S. Govt Obligations &Municipal Bonds	U.S. Agency Oblig.
2014	100.0%	36.8%	0.2%	2.8%	60.2%
2013	100.0%	25.6%	7.2%	0.9%	66.3%

Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either a counterparty or the counterparty's trust department or agent but not in the government's name. As of June 30, 2014 and 2013, the College's investments in U.S. Government and Agency Obligations were held in custody by a counterparty on behalf of the College.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment's value. The College had no direct exposure to foreign currency risk at June 30, 2014 and 2013.

Note 3 - Pledges, Grants and Accounts Receivable

2014	Gross Receivable	Allowance	Net Receivable
Students' and other	$46,330,128	$(23,299,533)	$23,030,595
Grants and contracts	16,956,602	-	16,956,602
Total	$63,286,730	$(23,299,533)	$39,987,197

2013	Gross Receivable	Allowance	Net Receivable
Students' and other	$47,941,960	$(21,175,896)	$26,766,064
Grants and contracts	2,712,305	-	2,712,305
Total	$50,654,265	$(21,175,896)	$29,478,369

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land	$ 25,518,235	-	-	$ 25,518,235
Works of art	286,500	-	-	286,500
Construction in progress	4,700,863	3,601,750	-	8,302,613
Total cost of nondepreciable capital assets	30,505,598	3,601,750	-	34,107,348
Buildings	158,664,127	-	-	158,664,127
Leasehold improvements	324,721	-	-	324,721
Improvements other than buildings	12,117,273	353,913	(37,409)	12,433,777
Moveable equip, furniture and library books	39,604,197	431,089	(83,625)	39,951,661
Total cost of depreciable capital assets	210,710,318	785,002	(121,034)	211,374,286
Total cost of capital assets	241,215,916	4,386,752	(121,034)	245,481,634
Less accumulated depreciation				
Buildings	49,986,439	4,985,274	-	54,971,713
Improvements other than buildings	2,707,388	247,568	-	2,954,956
Moveable equip, furniture & library books	29,237,851	1,751,058	(59,522)	30,929,387
Total accumulated depreciation	81,931,678	6,983,900	(59,522)	88,856,056
Capital assets, net	$159,284,238	$(2,597,148)	$ (61,512)	$156,625,578

Note 4 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Land	$ 29,618,235	-	(4,100,000)	$ 25,518,235
Works of art	286,500	-	-	286,500
Construction in progress	3,869,975	1,503,564	(672,676)	4,700,863
Total cost of nondepreciable capital assets	33,774,710	1,503,564	(4,772,676)	30,505,598
Buildings	153,686,554	5,341,282	(363,709)	158,664,127
Leasehold improvements	324,721	-	-	324,721
Improvements other than buildings	12,291,262	-	(173,989)	12,117,273
Moveable equip, furniture and library books	38,407,435	1,844,875	(648,113)	39,604,197
Total cost of depreciable capital assets	204,709,972	7,186,157	(1,185,811)	210,710,318
Total cost of capital assets	238,484,682	8,689,721	(5,958,487)	241,215,916
Less accumulated depreciation				
Buildings	45,339,762	4,646,677	-	49,986,439
Improvements other than buildings	2,442,533	264,855	-	2,707,388
Moveable equip, furniture & library books	27,358,976	2,084,704	(205,829)	29,237,851
Total accumulated depreciation	75,141,271	6,996,236	(205,829)	81,931,678
Capital assets, net	$163,343,411	1,693,485	(5,752,658)	$159,284,238

Note 5 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2014 and 2013, are as follows:

	2014	2013
Payable to vendors and contractors	$ 15,703,264	$ 1,660,196
Accrued expenses, primarily payroll and vacation leave	7,263,702	7,921,828
Employee withholdings and deposits payable to third parties	2,684,523	2,019,218
	$ 25,651,489	$ 11,601,242
Current	$ 24,725,773	$ 10,649,609
Noncurrent	$ 925,716	$ 951,633

Note 6 - Long Term Debt

Long-term debt as of June 30, 2014 and 2013 is summarized as follows:

	Balance June 30, 2013	New Debt	Reduction	Balance June 30, 2014	Current Portion	Noncurrent Portion
Series 2003 bonds with an interest rate of 3.80% due serially through 2014	$ 680,000	-	$ (680,000)	$ -	$ -	$ -
Series 2007 bonds with interest rates ranging from 4.0% to 4.25% due serially through 2017	2,890,000	-	(685,000)	2,205,000	705,000	1,500,000
Series 2012 bonds with an interest rate of 1.65% due serially through 2023	7,890,000	-	(100,000)	7,790,000	815,000	6,975,000
Total Bonds	$11,460,000	$ -	$(1,465,000)	$ 9,995,000	$1,520,000	$8,475,000
Compensated Absences	3,883,163	-	(63,914)	3,819,249	2,893,533	925,716
Total Long-Term Liabilities	$15,343,163	$ -	$(1,528,914)	$13,814,249	$4,413,533	$9,400,716

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

Years Ended June 30	Principal	Interest	Total
2015	$1,520,000	206,385	$1,726,385
2016	1,555,000	163,219	1,718,219
2017	1,600,000	117,814	1,717,814
2018	855,000	87,780	942,780
2019	865,000	73,673	938,673
2020-2023	3,600,000	149,572	3,749,572
Total	$9,995,000	798,443	$10,793,443

The bonds are serviced by the general receipts of the College, except for receipts expressly excluded as stated in the trust indentures dated December 20, 2012, April 1, 2007 and December 1, 2003.

Note 6 - Long-Term Debt (Continued)

The Series 2003 bonds were issued in the principal amount of $17,160,000, of which $8,880,000 was outstanding at December 20, 2012. In December 2012, the College issued $7,900,000 in General Receipts Bonds with an interest rate of 1.65 percent to advance refund $7,545,000 of the $8,880,000 outstanding Series 2003 bonds with interest rates ranging from 3.80 to 4.50 percent. The net proceeds of $7,859,657 (after payment of bond issuance costs of $40,343) were used to purchase investment securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2003 bonds, except for $655,000 paid by the College on June 1, 2013 and $680,000 paid by the College on June 1, 2014. As a result, $7,545,000 of Series 2003 bonds were considered defeased and the liability for those bonds was removed from the College's statement of net position at June 30, 2013. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $499,934. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the effective interest method. The difference between the cash flows required to service the Series 2003 bonds and those required to service the new debt is $954,780, with an economic gain of $331,957.

The Series 2007 bonds are not subject to redemption prior to maturity.

Note 7 - Leases

The College leases office space, parking, and classroom space for its off-campus sites and equipment under operating leases, which have ending dates ranging through 2016. Lease expense charged to operations was $2,084,403 and $2,211,498 during 2014 and 2013, respectively. Future minimum lease payments under operating leases at June 30, 2014, are as follows:

2015	$1,466,906
2016	631,571
2017	353,600
2018	58,933
	$2,511,010

Note 8 - Compensated Absences

Fulltime College administrators and staff accrue vacation benefits. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the College. The amount of sick leave benefit payable at retirement is one-fourth of the value of the accrued but unused sick leave up to a maximum of 360 hours. The College accrues sick leave liability for those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible to receive such payments. This liability is calculated using the “vesting method” which is set forth in Appendix C, Example 5 of GASB Statement No. 16, Accounting for Compensated Absences. Under the vesting method, the College calculates the probability factor that employees will meet retention and eligibility requirements.

The liability for the cost of vacation and sick leave benefits is approximately $3,819,249 and $3,883,163 as of June 30, 2014 and 2013, respectively.

Note 9 - State Support

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

In addition to the current operating subsidies, the State of Ohio provides the funding for and constructs major plant facilities for the College. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Such facilities are capitalized by the College as buildings (upon completion) or as construction in progress until completion and turn over to the College by the Ohio Board of Regents. Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. The debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

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

Note 10 - Retirement Plans

State Teachers Retirement System of Ohio (STRS)

The College's faculty is covered by the 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 Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and the employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

Note 10 - Retirement Plans (Continued)

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service.

Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

Note 10 - Retirement Plans (Continued)

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The College's contributions, which represent 100% of the required contribution, for the years ended June 30, 2014, 2013, and 2012 were $6,395,704, $7,292,953, and $8,017,688, respectively. Member and employer contributions actually made for DC and Combined Plan participants are available upon written request.

STRS issues a stand-alone financial report. Additional information or copies of STRS Ohio's *2013 Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

School Employees Retirement System of Ohio (SERS)

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were $5,058,250, $5,533,507, and $5,814,906, which equaled the required contributions each year.

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

Note 10 - Retirement Plans (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 of Ohio and the School Employees Retirement System of Ohio. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 4.5% for STRS and 6% for SERS. The College has implemented the alternative retirement plan. In fiscal years 2014, 2013 and 2012, the College's contributions were $55,535, $42,395, and $36,106, respectively for STRS and $52,322, $53,625, and $60,519, respectively for SERS.

Note 11 - Other Postemployment Benefits

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

State Teachers Retirement System of Ohio (STRS)

Pursuant to 3307 of the Revised Code, the STRS Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees for the most recent year pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2010. The 14% employer contribution is the maximum rate established under Ohio law. The College's post-employment health care contributions for the years ended June 30, 2014, 2013, and 2012 were $456,836, $520,925, and $572,692, respectively.

School Employees Retirement System of Ohio (SERS)

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76%. The College contributions for the years ended June 30, 2014, 2013, and 2012, were $274,591, $292,485, and $311,513, respectively, which equaled the required contributions for each year.

Health Care Plan

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

Note 11 - Other Postemployment Benefits (Continued)

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 % of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Heath Care Fund. The College contributions assigned to the Health Care Fund for the years ended June 30, 2014, 2013, and 2012 were $297,977, $305,977, and $843,025, respectively.

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

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

Note 12 - Risk Management

The College uses a number of methods to assess and reduce risk of operations. Risk management programs like driver training, professional certifications, safety training in the use of equipment, first aid training like cardio-pulmonary resuscitation (CPR) and the like are conducted to inhibit injury and reduce the results thereof. Such programs are administered internally, contracted externally, or coordinated through partnerships with other public entities. Also, the College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The College procures various insurance coverage for property damage, crime, general liability, and automobile insurance. The College procures various insurance coverage, including property damage, crime, general liability, law enforcement, and excess liability, though participation in the Ohio Association of Community Colleges Risk Management and Insurance Program. 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.

Beginning on July 1, 2010, the College became self-insured for their health, dental and vision benefits to its employees. The College self-funds the cost of the programs up to specified stop-loss insurance limits. Coverage during the policy period limits the maximum individual and aggregate losses. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The estimated liability for claims incurred but not reported was determined based on averages of claims expenses paid during the period.

Note 12 - Risk Management (Continued)

The claims liability of $1,903,214 and $1,379,218 was reported at June 30, 2014 and 2013, respectively, as required of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims be reported.

The following represents the claims activity for fiscal year 2014 and 2013:

Fiscal Year	Claims Liability Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Liability Balance at End of Year
2014	$1,379,218	9,549,599	9,025,603	$1,903,214
2013	$1,632,752	8,552,212	8,805,746	$1,379,218

In addition to the expense incurred in claim payments, the College paid $1,007,740 and $1,082,322 in fees for administration of the self-insurance plans for 2014 and 2013, respectively.

Note 13 - Capital Projects Commitments

At June 30, 2014 and 2013, the College was committed to future capital expenditures as follows:

Contractual commitments:	2014	2013
Union Hall Renovation	$1,810,750	$6,020,000
Total future project costs	$1,810,750	$6,020,000

Note 14 - Encumbrances

Encumbrances are contractual commitments made by the College for the purchase of goods and services. However, as of the balance sheet date, such goods have not been delivered or services rendered. Encumbrances (excluding amounts for Board allocations) were $183,524 and $1,523,355, as of June 30, 2014 and 2013.

Note 15 - Pending Litigation

At June 30, 2014, there were several lawsuits and claims pending against the College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the College.

Note 16 - Operating Expenses By Natural Classification

The College's operating expenses by natural classification were as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Salaries and wages	$86,752,148	$97,316,443
Employee benefits	23,096,079	23,413,162
Utilities	3,636,397	3,606,218
Supplies and other services	36,184,226	39,967,964
Depreciation	6,983,900	6,996,236
Student scholarships and financial aid	21,278,583	29,738,023
	$177,931,333	$201,038,046

Note 17 - Component Unit Disclosures

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

Organization

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

Cash, Cash Equivalents and Investments

The Foundation's cash is included in the College's consolidated cash, which is insured by the FDIC up to $250,000, as of June 30, 2014 and 2013. Uninsured cash funds held by the bank are subject to a collateral agreement covering all public funds held by the bank. As of June 30, 2014 and 2013, the Foundation had bank balances of $411,686 and $108,349 respectively.

Investments

The Foundation's investments are stated at market value, with changes in the market value being recognized as gains and losses during the period in which they occur. Market value is determined by market quotations. Investment earnings from endowment investments are credited to temporarily restricted funds and spent in compliance with donor restrictions placed on earnings. Investment earnings of non-endowment investments are recorded as unrestricted earnings and expended at the discretion of the Foundation's board. The following summarizes the cost and fair value of investments of the Foundation at June 30, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash & Money Market Funds	$ 688,677	$ 688,677	$ 98,248	$ 98,248
Equity Funds	4,817,940	5,156,200	3,644,860	4,282,589
Common & Preferred Stock	942,314	1,163,413	1,402,243	1,618,145
Corporate Debt	175,048	199,018	224,224	250,573
Other - Hedge Fund	50,000	57,121	50,000	51,465
	$ 6,673,980	$ 7,264,429	$ 5,419,575	$ 6,301,020

Note 17 - Component Unit Disclosures (Continued)

Promises to Give

Unconditional promises to give consist of the following as of June 30, 2014 and 2013:

	2014	2013
Outstanding pledges at year end	$7,599,399	$ 202,251
Less: Discounts and allowance for uncollectible pledges	(268,313)	(20,091)
Unconditional promises to give, net	$7,331,086	$ 182,160

As of June 30, 2014

Amounts due to be received in:	Gross Amount	Allowance/ Discount	Net Amount
Less than one year	$1,434,256	(54,358)	$1,379,898
One to five years	6,165,143	(213,955)	5,951,188
Total	$7,599,399	(268,313)	$7,331,086

As of June 30, 2013:

Amounts due to be received in:	Gross Amount	Allowance/ Discount	Net Amount
Less than one year	$107,100	(11,781)	$95,319
One to five years	95,151	(8,310)	86,841
Total	$202,251	(20,091)	$182,160

Note 18 - Contingency

The College is the beneficiary of potential cash refunds related to the purchase of annuities to fund two charitable gift annuities the College received in prior years. During fiscal year 2010, the College purchased two annuities to fund the obligations. The policies provide that the College will receive refunds of any premium payment in excess of the obligations paid by the policies if all annuitants are deceased. The College paid $3,484,254 in premiums during 2010 to fund the annuities. As of June 30, 2014, $1,040,000 has been paid to the annuitants.

Note 19 - Special Item - Loss on Sale of Trust Assets

The College Board of Trustees has served as Trustee of two Charitable Remainder Annuity Trusts since February 2000, which included assets valued at $4.1 million at the time of the trusts' inceptions, and the ownership, possession and operations of a golf course and driving range, but also the authority to dispose of the real property for fair market value. The Board authorized the sale of the property in February 2013. The sale was completed on June 28, 2013 and resulted in a loss on disposal of the real property of $2,630,590. The College discontinued the related operations of Bridgeview Golf Course and Driving Range on May 31, 2013.

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

	CFDA #	Pass Through Number	Expenditures
US DEPARTMENT OF EDUCATION			
Direct Recipient			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		$ 614,859
Federal Direct Student Loans	84.268		66,287,529
Federal Work-Study Program	84.033		471,703
Federal Pell Grant Program	84.063		39,765,429
Total Student Financial Aid			107,139,520
TRIO Cluster:			
TRIO Upward Bound	84.047		240,633
TRIO Student Support Services	84.042		229,530
TRIO Talent Search	84.044		228,251
Total Trio Cluster			698,414
Higher Education Institutional Aid	84.031A		503,483
Passed through Ohio Department of Education			
Career and Technical Education - Basic Grants to States	84.048		301,378
Twenty-First Century Community Learning Centers	84.287	7089, 6911, 6584, 5728, 2961	368,357
Passed through the Ohio Board of Regents			
Career and Technical Education - Basic Grants to States	84.048		9,858
Passed through Otterbein University			
National Professional Development Program	84.195N	NA	19,760
Passed through Columbus Public Schools			
Race to the Top - District Grants	84.416	NA	4,778
Total Department of Education			109,045,548
US DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Education			
Summer Food Service Program for Children	10.559		4,852
US DEPARTMENT OF LABOR			
Employment and Training Administration			
Direct Recipient			
ARRA Program of Competitive Grants for Worker Training and	17.275		2,746
Trade Adjustment Assistance Community College and Career Training	17.282		55,846
Passed through Ohio Board of Regents			
H-1B Job Training Grants	17.268	A1415150382	449,071
Passed through Franklin County Department of Job and Family Services			
WIA Adult Programs & Dislocated Workers	17.258 and 17.260		30,803
Passed through Ohio Department of Job and Family Services			
Trade Adjustment Assistance	17.245		113,037
Total Department of Labor			651,503

US DEPARTMENT OF VETERANS AFFAIRS, VETERANS BENEFITS ADMINISTRATION			
Direct Recipient			
Vocational Rehabilitation for Disabled Veterans	64.116		475,814
US SMALL BUSINESS ADMINISTRATION			
Passed through Ohio Department of Development			
Small Business Development Centers	59.037	DEVFR036, DEVFR045, DEVFRRSC13, DEVFN979, OSBG-14-136, OSBG-14-105A	366,221
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Recipient			
AmeriCorps	94.006		120,470
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Recipient			
Promotion of the Humanities Public Programs	45.164		425
NATIONAL SCIENCE FOUNDATION			
Passed through Ohio State University Research Foundation			
Education and Human Resources	47.076	RF01148305 RF01144350	57,907
TOTAL FEDERAL AWARD EXPENDITURES			$ 110,722,740

COLUMBUS STATE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Significant Accounting Policies

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

Note 2 – Federal Direct Student Loan Program

The College is a direct lender for the Federal Direct Student Loan program. The following represents direct loans originated and disbursed during fiscal year 2014:

Federal Subsidized Direct Loans	$28,533,584
Federal Unsubsidized Direct Loans	37,460,279
Federal PLUS Loans	293,666
Total Direct Student Loans	$66,287,529

PARMS + COMPANY

ACCOUNTANTS + CONSULTANTS

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

Board of Trustees
Columbus State Community College

We have audited, 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, the financial statements of the business-type activities and discretely presented component unit of Columbus State Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parms & Company, LLC

October 9, 2014
Columbus, Ohio

PARMS + COMPANY

ACCOUNTANTS + CONSULTANTS

585 South Front Street
Suite 220
Columbus, Ohio 43215

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Columbus State Community College

Report on Compliance for Each Major Federal Program

We have audited Columbus State Community College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

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Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Parms & Company, LLC

October 9, 2014
Columbus, Ohio

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I. Summary of Auditor's Results

A. *Financial Statements*:

1. Type of auditor's report issued: UNMODIFIED

2. Internal control over financial reporting:

   a. Material weakness(es) identified? ___Yes _X_No

   b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___Yes _X_No

3. Noncompliance material to financial statements noted? ___Yes _X_No

B. *Federal Awards:*

1. Internal control over major programs:

   a. Material weakness(es) identified? ___Yes _X_No

   b. Significant deficiency(ies) identified that are Not considered to be material weakness(es)? ___Yes _X_No

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

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

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

   - U.S. Department of Education - Student Financial Assistance Cluster (84.007, 84.033, 84.063, and 84.268)
   - U.S. Department of Veterans Affairs – Vocational Rehabilitation for Disabled Veterans (64.116)

5. Dollar threshold used to distinguish between Type A and Type B programs: $ 1,333,056

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

COLUMBUS STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
For the Year Ended June 30, 2014

Section II. <u>Financial Statement Findings</u>

No Findings

Section III. <u>Federal Award Findings and Questioned Costs</u>

No Findings.

Section IV. <u>Summary of Prior Audit Findings</u>

No Findings.

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COLUMBUS STATE COMMUNITY COLLEGE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2014