CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

REPORT ON AUDIT OF INSTITUTION OF HIGHER EDUCATION IN ACCORDANCE WITH OMB CIRCULAR A-133

June 30, 2010

Mary Taylor, CPA
Auditor of State

Board of Trustees
Cincinnati State Technical and Community College
3520 Central Parkway
Cincinnati, Ohio 45223

We have reviewed the *Report of Independent Auditors* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Crowe Horwath LLP, for the audit period July 1, 2009 through June 30, 2010. 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 Cincinnati State Technical and Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 6, 2010

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CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE

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IN ACCORDANCE WITH OMB CIRCULAR A-133
June 30, 2010

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Cincinnati State Technical and Community College
Cincinnati, Ohio

We have audited the accompanying financial statements of the business-type activities of Cincinnati State Technical and Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2010 and 2009, which comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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* and should be considered in assessing results of our audit.

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

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The Management's Discussion and Analysis (MD&A) on pages 3 to 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

INTRODUCTION

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2010, with selected comparative information for the years ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

Cincinnati State is a public, two-year college operating under the authority of the Ohio Board of Regents. Governed by a nine-member Board of Trustees, the College offers over 70 associate degree programs and majors and numerous certificate programs. In addition to pre-baccalaureate and technical programs, the College provides many continuing education opportunities through flexibly scheduled courses, seminars and on-site training for area businesses and industries and has one of the largest co-op education programs in the country. Cincinnati State is fully accredited by the North Central Association of Colleges and Schools ("NCA") and holds numerous programmatic accreditations.

The College is currently participating in the Academic Quality Improvement Program ("AQIP"), an NCA program based on the Malcolm Baldrige National Award principles for organizational quality management. Many faculty and staff participate in the Continuous Quality Improvement Network ("CQIN"), a national organization that benchmarks best practices in higher education. Partnerships with the American Quality and Productivity Center, the American Society for Quality and the Association for Quality provide many training opportunities and other resources.

Cincinnati State serves four Ohio counties in the metropolitan Cincinnati area and counties in Northern Kentucky and Eastern Indiana. Educational programs and services are delivered at the main Clifton campus and three extension sites, Harrison, Evendale and Warren County, as well as several regional sites located in schools, non-profit agencies and organizations. Distance learning courses enroll students from outside and within the geographic region. At Cincinnati State, access means geographic convenience, affordability and resources to allow students to matriculate successfully.

USING THE FINANCIAL STATEMENTS

The College's financial report consists of three financial statements—the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. The College has adopted GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by additional GASB Statements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements focus on the College as a whole, with resources classified for accounting and reporting purposes into three net asset categories.

(Continued)

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year. Net assets represent the difference between total assets and total liabilities. Net assets indicate the overall financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30 follows *(in thousands)*:

	2010	2009	2008
ASSETS			
Cash, cash equivalents	$ 25,404	$ 22,227	$ 19,562
Accounts receivable, net	10,327	9,480	6,901
Other assets	1,571	971	1,096
Capital assets, net	86,545	88,833	90,272
Total assets	123,847	121,511	117,831
LIABILITIES			
Accounts payable and accrued expenses	8,486	8,904	7,772
Deferred revenue	5,687	4,450	3,092
Debt	47,111	47,825	48,596
Total liabilities	61,284	61,179	59,460
NET ASSETS			
Invested in capital assets, net of related debt	39,111	41,364	42,586
Restricted	3,315	1,695	1,363
Unrestricted	20,137	17,273	14,422
Total net assets	$ 62,563	$ 60,332	$ 58,371

Assets

Cash and investments make up 20.5%, 18.3% and 16.6% of total assets at June 30, 2010, 2009 and 2008, respectively. This continues the trend that began in 2006 that shows improved operating results increasing the College's cash and investments. Cash includes bank deposits, overnight sweep investments and investments in the State Treasury Asset Reserve of Ohio ("STAR Ohio") and other bank certificates of deposit.

Accounts receivable make up 8.3%, 7.8% and 5.9% of the total assets at June 30, 2010, 2009 and 2008, respectively. The increase in accounts receivable is attributable primarily to the higher enrollment offset by lower receivables for grants and state appropriations. Accounts receivable include *(in thousands)*:

	2010	2009	2008
Grants	$ 866	$ 1,265	$ 781
State appropriations	-	139	237
Student and other operating receivables	12,757	10,336	8,025
Allowance for doubtful accounts	(3,296)	(2,260)	(2,142)
	$ 10,327	$ 9,480	$ 6,901

(Continued)

Capital assets, net of depreciation, make up 69.9%, 73.1% and 76.6% of the total assets at June 30, 2010, 2009 and 2008, respectively. The decrease in the capital assets percentage is due primarily to depreciation in 2010 and 2009 exceeding capital additions and the increase in cash and investments noted above.

Other assets include prepaid expenses and cafeteria, restaurant and other College inventories.

Liabilities

Liabilities of $8.5 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies and utilities and $5.7 million of deferred revenue for summer-term classes, which is recognized in fiscal year 2010 when the majority of the term occurs.

The College issued bonds in fiscal year 2003 in the amount of $47,580,000 for the construction of the Advance Technology & Learning Center ("ATLC") and parking garage. The bonds are due to mature in the year 2029.

Net Assets

Invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities and debt attributable to the acquisition or construction of those assets. This is the largest net asset category totaling 62.5%, 68.6% and 73.0% of total net assets at June 30, 2010, 2009 and 2008, respectively. Restricted net assets are subject to externally imposed stipulations that they be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net assets are expendable. Unrestricted net assets are not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net assets are allocated for academic and capital programs and initiatives.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets present both the operating results and the nonoperating revenues and expenses of the College. State appropriations, while budgeted for operations, are considered nonoperating revenues. A summarized comparison for the years ended June 30 follows *(in thousands)*:

	2010	2009	2008
REVENUES			
Tuition and fees, net	$ 28,511	$ 22,576	$ 22,416
Grants and contracts	19,780	16,368	14,231
Sales and services	2,482	2,356	2,409
Auxiliary services	4,242	3,778	3,126
Other operating and nonoperating revenue and gifts	1,384	1,668	1,588
State instructional appropriations	29,539	28,810	27,427
State capital appropriations	1,588	3,176	2,532
Total revenues	87,526	78,732	73,729

(Continued)

	2010	2009	2008
EXPENSES			
Instruction	$ 33,815	$ 29,090	$ 27,412
Public support	2,177	2,467	2,123
Academic support	4,990	4,449	4,340
Student services	8,420	7,380	6,665
Institutional support	16,977	15,814	14,998
Operations and maintenance of plant	7,480	6,829	6,626
Depreciation	3,336	3,365	3,308
Scholarships	1,953	1,714	1,524
Auxiliary services	3,838	3,340	2,630
Interest on capital asset related debt	2,309	2,323	2,338
Total expenses	85,295	76,771	71,964
Increase in net assets	2,231	1,961	1,765
Net assets, beginning of year	60,332	58,371	56,606
Net assets, end of year	$ 62,563	$ 60,332	$ 58,371

Revenues

Revenues for fiscal year 2010 increased by $8.8 million, or 11.2%, over fiscal year 2009. The change derives primarily from the following five (5) functional categories of revenue:

1. State instructional appropriations comprising state instructional subsidy and State Fiscal Stabilization Fund/ARRA funding ($4,025,000 in 2010) and access challenge funding ($2,566,000 in 2009) increased by $729,000, or 2.5%, compared to fiscal year 2009.

2. State capital appropriations decreased by $1.6 million in fiscal year 2010. The amount of capital appropriations used varies from year to year depending on the number of projects undertaken and completion of the projects during each year.

3. Student tuition and fees are reported net of scholarship allowance. Gross instructional revenues for fiscal year 2010 increased by $9.4 million, or 27.5%, over fiscal year 2009. Financial aid in the form of grants and scholarships increased by $3.4 million, or 29.7%, in 2010. Both increases are due primarily to an increase in enrollment. The effect of netting the scholarship allowances against the instructional revenues resulted in a net increase in tuition and fees of $5.9 million or 26.3%.

4. Grants and contracts revenue consists primarily of funding from federal, state or local sources. An increase in the number of grants has resulted in an increase in revenue by $3.4 million or 20.9%.

5. Auxiliary services revenues consist of parking, cafeteria, childcare center, airport rental fees and fuel sales, sales of the Midwest Culinary Institute ("MCI") and audio/visual services. Parking revenues and cafeteria sales represent approximately 63.7% of the fiscal year 2010 total auxiliary services revenues of $4.2 million. The total increase in auxiliary service revenues of $464,000 or 10.9%, over fiscal year 2009 that comprise the increase are in parking revenues of $205,000 or 13.6% and the cafeteria increase of $186,000 or 15.6%.

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Expenses

Expenses for fiscal year 2010 increased by $8.5 million, or 11.1%, over fiscal year 2009. The change derives primarily from the following six (6) functional categories of expense:

1. Instructional expenses increased by $4.7 million or 16.2%. Increased spending for adjunct instructors, instructional overload arises from vacant positions and increased enrollment.

2. Academic support expenses increased by $541,000 or 12.2%, primarily as a result of an increase in enrollment.

3. Student services increased by $1.0 million or 14.1%, due to an increase in new grants, contracts and higher enrollment.

4. Institutional support expenses increased by $1.2 million or 7.3%. Reasons for the increase include filling vacant positions, increased use in advertising and promotions and increased use of contracted services.

5. Operation and maintenance of plant increased by $651,000 or 9.5%, due to an increase use of the facilities with the increased enrollment.

6. The major portion of the increase in auxiliary services expenses of $498,000 or 14.9% was a result of increase operations of the cafeteria and new chief in residence auxiliary in the MCI.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the College's financial results by reporting the major sources and uses of cash. A comparative summary of the statements of cash flows for the years ended June 30 follows *(in thousands):*

	2010	2009	2008
Net cash from operating activities	$ (38,136)	$ (32,310)	$ (28,858)
Net cash flows provided by non-capital financing activities	43,649	36,267	33,739
Net cash flows from capital and related financing activities	(2,493)	(1,749)	(1,411)
Net cash flows provided by investing activities	157	457	716
Net increase in cash and cash equivalents	3,177	2,665	4,186
Cash and cash equivalents, beginning of year	22,227	19,562	15,376
Cash and cash equivalents, end of year	$ 25,404	$ 22,227	$ 19,562

The $3.2 million increase in net cash flows results from increases in tuition, federal, state and local grants and state instructional subsidy funding offset by increases in expenses because of the increased enrollment.

The primary cash receipts from operating activities consist of tuition and fee revenues. Cash outlays for operating activities include payments of wages, benefits, supplies, utilities and scholarships.

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State appropriations and certain grants are the primary sources of non-capital financing activities. GASB Statement 35 requires that we reflect these sources of revenue as nonoperating even though the College's budget depends on this to continue the current levels of operations. Had these resources been reported as operating revenue, the net cash used in operating activities would have been a surplus of $5.5 million in 2010, $4.0 million in 2009 and $4.9 million in 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of accumulated depreciation, totaled $86.5 and $88.8 million at June 30, 2010 and 2009, a decrease of $2.3 and $1.5 million, respectively. Changes in capital assets during fiscal year 2010 and 2009, included (*in millions*):

	Balance, June 30, 2008	Net Additions/ Reductions	Balance, June 30, 2009	Net Additions/ Reductions	Balance, June 30, 2010
Land	$ 2.6	$ 0.0	$ 2.6	$ 0.0	$ 2.6
Land improvements	2.3	0.0	2.3	0.0	2.3
Buildings and improvements	115.4	1.3	116.7	0.4	117.1
Equipment and furniture	8.6	(0.1)	8.5	(0.9)	7.6
Library books and audio visual	1.5	0.0	1.5	0.1	1.6
Accumulated depreciation	(40.1)	(2.7)	(42.8)	(1.9)	(44.7)
Capital assets, net	$ 90.3	$ (1.5)	$ 88.8	$ (2.3)	$ 86.5

Debt

At June 30, 2010 and 2009, bonds payable, including the bond premium, amounting to $47.1 and $47.8 million consisted of the General Receipts Bonds, Series 2002, for the ATLC and parking garage.

Debt decreased/increased by $1.2 million, resulting from the annual principal payment and the annual amortization of the $962,000 bond premium on the General Receipts Bonds and the annual lease payment on the capital lease.

ECONOMIC IMPACT ON FUTURE OPERATIONS

To bolster the Ohio economy, the Governor has placed higher education at the top of Ohio's priorities, emphasizing affordability and quality. Collaboration among Ohio's institutions is also a central theme of the Governor's initiative. In addition, the Governor, by executive directive, has ordered the Chancellor to create The University System of Ohio to meet Ohioan's needs for the 21st century. The *Strategic Plan for Higher Education 2008-2017* is a product of the University System of Ohio and charges community colleges and universities to meet specific accountability standards in order to receive funding. A State report card measures the contributions of each institution in fulfillment of the University System of Ohio's goals, ultimately improving educational attainment and subsequently the economy in Ohio.

While the outlook for state support of higher education in Ohio is positive, the College exists in an increasingly competitive environment. In response to the competition, a number of proactive initiatives have been addressed in Strategic Planning, Academics, Workforce Development, Quality Improvement, Enrollment and Retention, Master Planning, Energy Management and other services to minimize the economic impact of competition on the College's future operations.

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Strategic Planning

The College is maximizing the utilization of resources through the implementation of a three-year strategic plan, *Transition 2012*, which is inclusive of the goals outlined by the State of Ohio's ten-year strategic plan for higher education. The President's Quality Council, currently co-chaired by the members of executive administration and selected individuals within the College community, coordinates the planning process and establishes organizational goals, objectives and performance measures.

The College's six long-term strategies provide the foundation for meeting the twenty-nine short-term objectives that will, in turn, advance the College's mission. Key performance indicators are used to monitor progress on an annual basis and are analyzed to identify opportunities for improvement. The President's Quality Council has intensified its marketing of *Transition 2012* to engage employees via horizontal and vertical communication strategies that implore a higher level of individual and unit accountability. An institutional dashboard will be introduced to the College in November 2010 to communicate ongoing progress of the plan and provide institutional transparency. The dashboard will include a video synopsis of each goal and be available to internal and external stakeholders via the institutional website. Each of the Councils will further interpret the dashboard data and discuss the future of planning at a college-wide meeting in December 2010 and allow face-to-face dialogue.

Transition 2012 outlines various institutional priorities relative to acute fiscal management, including increased enrollment and retention, accessible academic programming/career training and enhanced student-centered services. Other priorities will reduce the duplication and waste of resources while leveraging opportunities for internal collaboration, external partnerships, revenue generation, fund procurement and cost efficiencies. At the forefront of long-term cost savings is preventive maintenance of facilities in order to curtail the higher costs associated with deferred maintenance. The Fiscal Sustainability Advisory Council, a sub council of the President's Quality Council, is developing a new priority based budgeting system under the leadership of the College's executive financial officer. The timeline for implementation is currently being defined.

The President's Quality Council will evaluate the current strategic planning process, including mission, vision and values, beginning in February 2011. The board of trustees, executive officers and college community will have full participation in developing the succession plan to *Transition 2012.* A new strategic plan will begin in the Fall of 2012 and potentially align with the State plan concluding in 2017.

Academics

In academics, proactive initiatives have included more focused program development, expanded use of technology, innovative partnerships, and internal process improvements. These initiatives are positioning the College to achieve the objectives of the University System of Ohio while remaining strong in a competitive environment.

Program development is based on a study of Ohio labor trends and the growth of new technologies. In 2009-10 the focus was a strategic effort to lead Southwest Ohio in green industry and renewable energy education. Three majors were developed and approved by the Board of Regents – Sustainable Horticulture, Stormwater Management, and Smart Grid Technology. In addition, an Event Planning Certificate was established as a supplement to our acclaimed cluster of Hospitality programs (Culinary Arts, Pastry Arts and Hospitality Management).

Program enhancements based on Program Review involved streamlining our programs and eliminating low enrollment majors. For example, five different Safety & Security Management majors were combined into one curriculum called Public Safety. An intensive external review of Nursing, one of the College's largest programs, was completed; and incorporation of the suggested curriculum improvements is being implemented to provide a smooth nursing pathway with several entry points. The quality of the academic programs continues to be affirmed through successful professional reviews, licensure exam results, and competitive events. In addition, students and recent graduates rate the College high in quality of instruction and attitude of faculty toward students.

Expanded use of technology to increase our accessibility and student learning was implemented. Cincinnati State is subscribing to SmarterMeasure, a tool that assesses learning styles, on screen reading rate and recall, computer competency, typing accuracy, and time management to determine students' readiness for online courses. Elluminate software for web, phone, video, instant messaging, and social networking is allowing us to conduct virtual classrooms. This frees up space on campus as instructors and students interact and collaborate in real time for distance learning courses or blended online/onsite learning activities.

Partnerships were expanded to meet our goal of preparing more high school students for college and to enhance student transfer to four-year institutions. This includes dual enrollment options with Milford, Northwest, Mason, LaSalle, and Kings Mills high schools; and several others are in progress. An Ohio Board of Regents grant allowed Cincinnati State to offer a STEM Academy with a full term of college credit for thirty high school seniors over the summer. Work with Great Oaks Career Centers has become a state model in career-technical school and community college collaboration. The Health Career Collaborative, a partnership with local hospitals, schools, and community organizations, graduated its first group of students this year and was awarded $4.9 million in federal stimulus funds to support the expansion. Work with Central State University, Wilmington College, Miami University, Northern Kentucky University, University of Cincinnati, Tiffin University, Lindsey Wilson College, and others to support transfer and completion of 4-year degrees is successful and growing. Seventy-seven percent of our transfer degree graduates were able to transfer 100% of their credits.

Process improvements are important to the academic life of our students. Over the year this has included enhancing our Professional Development program for new adjunct faculty to improve the quality of their teaching. Several academic policies and procedures such as On-Time Registration, student evaluation of courses, and absence for College sponsored activities were developed. The major upcoming change for the institution is the transition from 5-terms to a semester system. The 2012, 2013, and 2014 semester calendars have been established. Course and curriculum conversions are on schedule. The change will allow Cincinnati State to align with the other institutions in Ohio, facilitating student transfer, and will also lead to several operational efficiencies.

Workforce Development

The Workforce Development Center Campus ("WDC") in Evendale, Ohio, has become one of the premier regional providers of leading-edge credit and non-credit training and education services. During 2010 nearly 8,500 students attended classes, courses and programs ranging from "green" certificates in photo voltaic installations to open-enrollment culinary training classes linked to the College's outstanding Midwest Culinary Institute. More than seventy-five organizations chose the Center to provide training and consulting services including private sector, public, not-for-profit and educational organizations.

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Understanding and addressing the critical needs of dislocated workers and struggling businesses during this economic downturn has been a primary focus during the past fiscal year. The Center has been a primary advocate of the formation of the Region 5 Workforce Collaborative, a closely knit group of all of the colleges and career centers located in the region. Establishing career pathways and stackable certificates across these educational organizations will greatly benefit citizens seeking new opportunities, re-engineering careers or enhancing skill sets for those seeking promotion.

In addition, WDC was awarded nearly $2 million from the Department Of Labor, Department of Energy, Public Utilities Commission of Ohio and Department of Jobs and Family Services during the past year, to provide training and equipment for Bioscience and Medical Device, Health Information Technology, Energy Auditing and Weatherization, HAZMAT, Rescue and Safety programs. These awards were largest ever received by WDC and are playing a vital role in expanding its capabilities.

Significant entrepreneurial partnerships have been formed with Rockwell Automation and CBT Inc., while existing collaborative partnerships with General Electric Aviation, Procter and Gamble, Siemens, among many others, have been expanded. WDC places its customer first in every area of its operations as that focus is the single most important contributor to the success of the clients and students it serves.

Quality Management

The College has made a commitment to creating an environment of continuous improvement through its Quality Management Initiative (QMI), which began in 1997. In 2001, the College joined the Academic Quality Improvement Program (AQIP), an alternative process for maintaining accreditation through the Higher Learning Commission, a member of the North Central Association of Colleges and Schools. In addition to using AQIP for assessment and institutional improvement, the College engages in quality assessment benchmarking studies such as the National Community College Benchmark Project (NCCBP) and has participated in the Continuous Quality Improvement Network (CQIN) since 1999. CQIN is a national organization that benchmarks best practices in higher education. These partnerships provide opportunities for benchmarking against national and regional standards in assessing institutional performance.

Enrollment and Retention

Enrollment for the 2010 spring term was up 22% in student headcount and up 26% in credit hours and the summer term was up from the 2009 numbers with an 18% increase in student headcount and 18% in credit hours. Preliminary early fall 2010 term enrollment is up 8% in student headcount and 7% in credit hours. An analysis of enrollment indicates that the increase can be attributed to the slow economy, the College's efforts in reaching out to those in the community who are looking to improve their skills, and the number of recent high school graduates who recognize the College as a great value considering the quality of education and the reasonable cost. Our Office of Admission responded to the economic unemployment crisis by continuing to deliver adult learner programs.

The College continues to take measures to improve enrollment and retention by improving academic support to impact student persistence to graduation. The Advising and Counseling Center has been offering group-advising sessions for over a year now with very positive feedback from our students. In addition, the College has implemented a Datatel advising software tool called E-Advising. E-Advising is used to create educational plans and facilitate the communication between students and their advisors. E-Advising training is currently being offered to all advisors.

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College Retention Task Force members presented at the annual American Association of Community Colleges conference in April 2010. The presentation focused on the progress the College has made with its retention efforts and displayed a College produced video that emphasized the college-wide commitment to retention. The Taskforce is looking forward to co-sponsoring with the Greater Cincinnati Consortium of Colleges and Universities a one day retention summit featuring Dr. Vincent Tinto and best practices from colleges and universities in the region.

Master Plan

This past year, the College was able to launch the long awaited Gateway Project which is one of the hallmarks in the Master Plan. This new Gateway will not only serve as the primary entrance to the College but also provide safe exiting for students through a traffic signal which the College has not had access to in the past. An added value to the College is that it has partnered with Metropolitan Sewer District of Greater Cincinnati (MSD) to develop storm water controls throughout the project site. This will serve as research and development for best practice for future storm water control projects in the surrounding community as well as support a new degree program at the College as an outdoor lab area.

Energy Management

The College has displayed strong leadership in controlling energy consumption while at the same time experiencing record growth. Multiple energy projects such as a HVAC DDC system replacement, lighting retrofits, window and door replacements, mechanical and equipment upgrades, sub-metering technology in the Main building for continuous commissioning, and block scheduling practices have accelerated the reduction of energy demand allowing the College to exceed HB 251 goals ahead of schedule. The College is engaged in exploring the installation of a possible solar field through design and development which could enhance studies associated with renewable energy initiatives and also provide an additional opportunity to reduce electric demand from an outside provider by the College. The College stopped purchasing electric power through the regulated market and began purchasing electric power through the deregulated market decreasing its costs by approximately 18%. The electrical infrastructure replacement project for the Main building has been successfully completed providing the College with quality sustainable power and business continuity through new control gear which was not possible from retired gear.

The College recycling initiative supported by a grant is successfully yielding nearly 4,000 lbs. of corrugated product, nearly 3,000 lbs. of office paper, 2,000 lbs of aluminum, and 1,500 lbs. of plastic bottles annually. This reduces the amount of waste being transported to the landfill while also reducing disposal fees for the College.

Information Technology

Technology has a significant impact on the College's competitive position, on the quality of academic programs and on administrative efficiencies. The College continues to make significant progress in instructional support, administrative computing, networking and infrastructure enhancements and user support. Management is fully committed to the financial support of information technology.

With the ever-increasing numbers of students bringing laptop computers and handheld devices on campus, the demand for wireless connectivity has increased as well. Because of this demand, wireless has been implemented at the WDC, and the College will be expanding this coverage to all areas of the Main and Harrison campuses. To support the commitment the College has made to distance learning, technology Help Desk support will expand to include late nights and weekends. IT security and protection of credit card information is at an all-time high. The Information Technology Services Division is collaborating with the Finance Department to ensure Cincinnati State is PCI (Payment Card Industry) compliant. PCI is the governing board for managing the ongoing evolution of the Payment Card Industry Data Security Standard. The College continues the initiative to implementing a comprehensive plan to refresh IT equipment on a regular basis.

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Fund Raising

The Cincinnati State Foundation is charged with seeking private and public funding for the benefit of the College. The Foundation Board will strategically integrate its long-term fundraising objectives with the College's Master Plans to include specifically targeting major gifts and securing a greater number of individual and corporate endowed scholarship funds. The Foundation is currently in the planning stage for a major fund raising campaign to begin in 2010.

Summary

Looking forward, the College remains positioned to maintain its financial condition through enhanced academic programming, partnerships, continuous quality improvement and master planning, through growing enrollments and retention, and by continuing to successfully control costs through firm fiscal and operational management.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 25,402,730	$ 22,215,666
Accounts receivable, net	10,327,187	9,479,588
Inventories	52,993	47,926
Prepaid and other assets	1,178,272	545,586
Total current assets	36,961,182	32,288,766
Noncurrent assets		
Cash and cash equivalents	1,113	11,492
Notes receivable, net	13,621	21,929
Other assets	326,218	356,408
Capital assets, net	86,545,322	88,832,542
Total noncurrent assets	86,886,274	89,222,371
Total assets	123,847,456	121,511,137
LIABILITIES		
Current liabilities		
Accounts payable	2,208,599	2,153,915
Accrued liabilities		
Wages	950,579	738,686
Compensated absences	3,635,560	4,461,658
Other	1,042,921	901,644
Interest	648,364	648,862
Deferred revenue	5,686,694	4,449,555
Current portion of long-term debt	1,152,310	713,121
Total current liabilities	15,325,027	14,067,441
Long-term debt	45,959,458	47,111,768
Total liabilities	61,284,485	61,179,209
NET ASSETS		
Invested in capital assets, net of related debt	39,110,951	41,364,062
Restricted expendable	3,315,025	1,694,700
Unrestricted	20,136,995	17,273,166
Total net assets	$ 62,562,971	$ 60,331,928

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2010 and 2009

	2010	2009
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarships and student financial aid of $14,932,261 and $11,508,258, in 2010 and 2009, respectively	$ 28,511,095	$ 22,576,422
Federal grants and contracts	3,054,915	3,015,163
State and local grants and contracts	1,561,241	4,603,715
Nongovernmental grants and contracts	1,054,254	1,292,398
Sales and services of educational departments	2,482,360	2,355,775
Auxiliary enterprises	4,241,505	3,777,652
Other operating revenues	1,210,274	1,073,544
Total operating revenues	42,115,644	38,694,669
EXPENSES		
Operating expenses		
Instructional	33,814,869	29,090,473
Public support	2,177,030	2,466,829
Academic support	4,989,535	4,448,847
Student services	8,420,190	7,379,890
Institutional support	16,976,842	15,814,484
Plant operation and maintenance	7,480,526	6,829,329
Scholarships and student financial aid	1,952,606	1,714,283
Auxiliary enterprises	3,837,932	3,339,970
Depreciation	3,336,061	3,365,646
Total operating expenses	82,985,591	74,449,751
Operating loss	(40,869,947)	(35,755,082)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	29,538,677	28,810,233
Federal grants and contracts – non-exchange	14,110,125	7,457,288
Interest on capital asset related debt	(2,309,293)	(2,323,120)
Investment income, net of investment expense	156,722	457,359
Net nonoperating revenues	41,496,231	34,401,760
Increase (decrease) before other revenues, expenses, gains or losses	626,284	(1,353,322)
Capital appropriations from the state	1,588,413	3,176,259
Capital grants and gifts	16,346	138,022
Increase in net assets	2,231,043	1,960,959
Net assets		
Net assets, beginning of year	60,331,928	58,370,969
Net assets, end of year	$ 62,562,971	$ 60,331,928

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Tuition and fees	$ 28,973,414	$ 21,255,046
Federal, state and local grants and contracts	4,551,685	7,730,679
Payments to suppliers	(19,489,324)	(14,741,786)
Payments to utilities	(1,792,240)	(2,056,469)
Payments to employees	(41,368,730)	(35,503,118)
Payments for benefits	(12,208,644)	(12,439,822)
Payments for scholarships and student financial aid	(1,952,605)	(1,714,283)
Auxiliary enterprise revenues	403,573	437,682
Sales and services of educational activities	2,482,360	2,355,775
Other receipts	2,264,528	2,365,944
Net cash from operating activities	(38,135,983)	(32,310,352)
Cash flows from noncapital financing activities		
State appropriations	29,538,677	28,810,233
Federal grants and contracts non exchange	14,110,125	7,457,288
Net cash from noncapital financing activities	43,648,802	36,267,521
Cash flows from capital and related financing activities		
State capital appropriations	1,588,413	3,176,259
Principal payments on bonds	(679,012)	(634,766)
Principal payments on capital lease obligations	(34,109)	(136,433)
Interest payments on bonds and capital lease obligations	(2,309,791)	(2,328,520)
Capital grants and gifts received	16,346	138,022
Purchases of capital assets	(1,074,703)	(1,963,897)
Net cash from capital and related financing activities	(2,492,856)	(1,749,335)
Cash flows from investing activities		
Interest on investments	156,722	457,359
Net increase in cash and cash equivalents	3,176,685	2,665,193
Cash and cash equivalents, beginning of year	22,227,158	19,561,965
Cash and cash equivalents, end of year	$ 25,403,843	$ 22,227,158
Reconciliation of net operating loss to cash from operating activities:		
Operating loss	$ (40,869,947)	$ (35,755,082)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	3,336,061	3,365,646
Loss on disposal of capital assets	25,863	37,571
Change in assets and liabilities		
Receivables	(839,290)	(2,566,456)
Inventories	(5,066)	(3,464)
Other assets	(602,497)	115,703
Accounts payable and accrued expenses	(418,246)	1,138,850
Deferred revenue	1,237,139	1,356,880
Net cash from operating activities	$ (38,135,983)	$ (32,310,352)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Cincinnati State Technical and Community College (the "College") is a community college organized under the laws of Ohio. The College is a two-year institution of higher education receiving assistance from the State of Ohio through enrollment-based subsidies. The subsidies are determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to consider state resources available. The College offers associate degree programs and majors and certificate programs in a distinctive plan of cooperative education which prepares students for employment and/or career advancement upon graduation. Further, among other things, community college status allows the College to offer university transfer degrees (e.g., Associate of Art and Associate of Science degrees). The College is a component unit of the State of Ohio.

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The College has elected to apply only those Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. The College has elected to not apply FASB pronouncements issued after the applicable date.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provides guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting as a component unit an organization that raises and holds significant economic resources for the direct benefit of a government unit. The Cincinnati State Technical and Community College Foundation is not included as a component unit of the College since its economic resources are not considered significant to the College.

In accordance with GASB Statement No 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* and subsequent standards issued by GASB, the College reports as an entity engaged in business-type activities. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

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

- Restricted:

  Expendable: Net assets the use of which 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 balance at June 30, 2010 and 2009 was primarily restricted for grants, scholarships and capital expenditures.

  Nonexpendable: Net assets subject to externally imposed stipulations that they be maintained permanently by the College.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents: In accordance with the State of Ohio and College policy, the College is authorized to invest cash in United States government securities, Federal Agencies' securities, State of Ohio securities and certificates of deposit, all of which are stated at fair value.

The College considers all highly liquid investments purchased with original maturity of three months or less to be a cash equivalent.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing accounts that may become uncollectible.

Capital Assets: Land, land improvements, buildings, equipment and library books are stated at cost at date of acquisitions or, in the case of gifts, fair value at date of donation. Fixed assets acquired prior to June 30, 1988, have been recorded on the basis of a cost-based appraisal prepared by an independent appraisal firm. Subsequent additions have been recorded at cost. Additions greater than $5,000 are capitalized for furniture and fixtures and greater than $1,000 for all other assets. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenditures for construction in progress are capitalized as incurred.

Deferred Revenue: Assessed student tuition and fees as well as parking receipts received and related to the period after June 30 have been deferred. Grant money received but not yet expended for grant purposes at year end are recognized as deferred revenue.

Compensated Absences: Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The College uses the termination method to accrue sick leave compensated absences on the Statement of Net Assets.

Operating and Nonoperating Revenue: All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, certain grants, investment income and gifts.

Grants and Scholarships: Student tuition and fees are presented net of scholarships and student financial aid applied directly to student accounts. Scholarships and student financial aid consist primarily of awards to students from certain government programs. Payments made directly to students from scholarships and student financial aid is presented as student aid expense.

Federal Grants and Contracts: In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* and related implementation guidance, Pell Grants, and certain other grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Release of Restricted Funds: When expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply restricted resources first, then unrestricted resources as needed.

Income Taxes: Income taxes have not been provided on the general operations of the College because, as a state institution, its income is generally exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Management Estimates: The preparations 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, liabilities, revenues and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2009.

In June 2008, the GASB issued Statement No. 53*, Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by governments. The provisions of this statement are effective for fiscal periods beginning after June 15, 2009.

In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The provisions of this statement are effective for fiscal periods beginning after June 15, 2009.

These statements had no effect on College's financial statements in 2010 and 2009.

Recent Accounting Pronouncements: In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployement benefit (OBEB) plans (that is, agent employers).

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College has not yet determined the impact implementation of these standards will have on its financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

State of Ohio statutes generally require funds to be deposited in a bank with Federal Deposit Insurance Corporation ("FDIC") insurance coverage, with the balance exceeding the FDIC coverage adequately collateralized by the depository bank. Such collateral must consist of securities pledged and held in the College's name or under a pooled security arrangement not in the College's name but where the pledged amount is at least 110% of the deposit balance.

At June 30, 2010, the cash on hand was $13,720, the carrying amount of the College's deposits was $25,390,123 and the depository bank balance was $26,182,107. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. The bank balance includes $1,251,993 in the State Treasury Asset Reserve of Ohio ("STAR Ohio") for which the collateral requirements mentioned above do not apply. Of the remaining $24,930,114 bank balance, $250,000 was covered by federal depository insurance and $24,680,114 was collateralized by pledged, pooled securities not in the College's name. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governmental entities within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission ("SEC") as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the measurement date. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

A portion of the College's cash ($1,113) is noncurrent since it is designated for restricted purposes.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2010 and 2009, were as follows:

	2010	2009
Grants	$ 865,753	$ 1,265,319
State appropriations	-	138,446
Tuition and other	12,757,950	10,336,051
Allowance for doubtful accounts	(3,296,516)	(2,260,228)
	$ 10,327,187	$ 9,479,588

(Continued)

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2010 and 2009 was as follows:

2010	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,583,449	$ -	$ -	$ 2,583,449
Land improvements	2,256,078	-	-	2,256,078
Buildings and improvements	116,692,726	487,010	-	117,179,736
Equipment and furniture	8,557,869	494,840	(1,360,808)	7,691,901
Library books and audio visual	1,521,835	92,853	(26,574)	1,588,114
Total fixed assets	131,611,958	1,074,703	(1,387,382)	131,299,279
Accumulated depreciation				
Buildings and improvements	35,706,525	2,780,271	-	38,486,796
Equipment and furniture	6,428,842	477,377	(1,337,036)	5,569,183
Library books and audio visual	644,048	78,413	(24,483	697,978
Total accumulated depreciation	42,779,415	3,336,061	(1,361,519)	44,753,957
Capital assets, net	$ 88,832,542	$ (2,261,357)	$ (25,863)	$ 86,545,322

2009	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,583,449	$ -	$ -	$ 2,583,449
Land improvements	2,256,078	-	-	2,256,078
Buildings and improvements	115,445,780	1,459,280	(212,334)	116,692,726
Equipment and furniture	8,645,851	386,371	(474,352)	8,557,870
Library books and audio visual	1,467,602	118,246	(64,013)	1,521,835
Total fixed assets	130,398,760	1,963,897	(750,699)	131,611,958
Accumulated depreciation				
Buildings and improvements	33,099,067	2,819,792	(212,334)	35,706,525
Equipment and furniture	6,365,889	502,464	(439,511)	6,428,842
Library books and audio visual	661,942	43,390	(61,283)	644,049
Total accumulated depreciation	40,126,898	3,365,646	(713,128)	42,779,416
Capital assets, net	$ 90,271,862	$ (1,401,749)	$ (37,571)	$ 88,832,542

The following estimated useful lives are used to compute depreciation:

	Years
Land improvements	20
Buildings and improvements	15-60
Equipment and furniture	3-20
Library books and audio visual	20

(Continued)

NOTE 5 - LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2010 and 2009 was as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current	Long-Term
General receipts bonds	$ 46,740,000	$ -	$ (590,000)	$ 46,150,000	$1,065,000	$ 45,085,000
Bond premium	1,050,780	-	(89,012)	961,768	87,310	874,458
Total	47,790,780	-	(679,012)	47,111,768	1,152,310	45,959,458
Capital lease obligation	34,109	-	(34,109)	-	-	-
Total	$ 47,824,889	$ -	$ (713,121)	$ 47,111,768	$1,152,310	$ 45,959,458

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current	Long-Term
General receipts bonds	$ 47,285,000	$ -	$ (545,000)	$ 46,740,000	$ 590,000	$ 46,150,000
Bond premium	1,140,546	-	(89,766)	1,050,780	89,012	961,768
Total	48,425,546		(634,766)	47,790,780	679,012	47,111,768
Capital lease obligation	170,542	-	(136,433)	34,109	34,109	-
Total	$ 48,596,088	$ -	$ (771,199)	$ 47,824,889	$ 713,121	$ 47,111,768

During the year ended June 30, 2003, the College issued General Receipts Bonds, series 2002 for $47,580,000 that bear interest rates between 2.25% to 5.25% and that mature in 2029. Proceeds were used for paying costs of capital facilities. The bonds are collateralized by a pledge of general receipts of the College. The bond agreement includes certain covenants and guidelines related to the College's indebtedness.

The annual debt service requirements to maturity for the bond obligations are as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 1,065,000	$ 2,313,063	$ 3,378,063
2012	1,140,000	2,257,000	3,397,000
2013	1,675,000	2,179,937	3,854,937
2014	1,525,000	2,101,813	3,626,813
2015	2,075,000	2,004,938	4,079,938
2016-2020	11,005,000	8,424,134	19,429,134
2021-2025	14,330,000	5,069,766	19,399,766
2026-2030	13,335,000	1,136,188	14,471,188
Total	$ 46,150,000	$ 25,486,839	$ 71,636,839

(Continued)

NOTE 6 - EMPLOYEE BENEFIT PLANS

All employees of the College are members of a pension plan. College employees holding a position for which the Ohio Department of Teacher Education and Certification does not require a certificate are members of the School Employees Retirement System ("SERS") and College employees holding a position that requires a certificate are members of the State Teachers Retirement System of Ohio ("STRS").

SERS and STRS are statewide cost-sharing multi-employer defined-benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by the Ohio Revised Code. The financial statements and required supplementary statements for SERS and STRS for the year ended June 30, 2009 are made available for public inspection. The reports may be obtained by writing or calling:

SERS
300 East Broad Street, Suite 100
Columbus, OH 43215-3746
(614) 222-5853

STRS
275 East Broad Street
Columbus, OH 43215-3771
(614) 227-4090

SERS and STRS plan members are required to contribute 10% of their annual salary. The College is currently required to contribute 14% of annual covered payroll for SERS and STRS. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to SERS and STRS for the years ending June 30, 2010, 2009 and 2008, were as follows:

	Contribution	
Year	SERS	STRS
2010	$ 1,788,456	$ 3,622,985
2009	1,588,899	3,228,519
2008	1,488,509	2,959,550

The contributions made by the College were equal to the required contributions for each year.

Effective March 31, 1999, the Board of Trustees of the College approved the Chapter 3305 Alternative Retirement Plan in accordance with the provisions of the Chapter 3305 of the Ohio Revised Code, which requires Ohio public universities and colleges to offer defined contribution plans to employees as an alternative to participation in the state-mandated defined benefit plans. Under the new plan, employees have participant-directed accounts with participant-selected companies designated by the state that have entered into provider agreements with the College to administer the plan in accordance with plan provisions as adopted by the College. At June 30, 2010 and 2009, no contributions or rollovers from other benefit plans have been made to approved providers.

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, SERS and STRS provide post-retirement health care coverage. The Ohio Revised Code provides the authority for public employers to fund post-retirement health care through their contributions. Information presented herein about the financial activities and position of SERS and STRS has been extracted from information provided to the College by officials of SERS and STRS. The other postemployment benefits expense is included in the College's annual contributions as described in Note 6.

SERS: SERS coverage is made available to service retirees with ten or more years of qualifying service credit for disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of services, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 25% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2009, the health care allocation is 4.2%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2009, the minimum pay has been established at $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of asset target level for the health care fund. Surcharge amounts billed to the College have not been significant.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2009, were $215.4 million. At June 30, 2009, the Retirement System's net assets available for payment of health care benefits were $376 million and the number of benefit recipients was approximately 77,215.

STRS: STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code ("RC"), the State Teachers Retirement Board ("the Board") has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium.

The RC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2009, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $2.7 billion on June 30, 2009.

For fiscal year ended June 30, 2009, net health care costs paid by STRS were approximately $332,700,000. There were 129,659 eligible benefit recipients.

(Continued)

NOTE 8 - COMPENSATED ABSENCES

All full-time non-union and SEIU employees earn 15 days (or 120 hours) of personal and/or sick leave each year. All remaining full-time employees earn 13 days (or 104 hours) of personal and/or sick leave each year. Part-time SEIU employees have sick leave prorated according to their normal work schedule.

Leave days may be accumulated and are absorbed by time off due to illness or injury, or, within certain limitations, paid to the employee upon retirement or termination. The amount paid to an employee upon retirement or termination is limited to one-third of the accumulated leave days up to a maximum payout of 65 days. Full-time employees who are not in the College's American Association of University Professors bargaining unit and were hired on or after March 1, 1990, are entitled to a maximum payout of 30 days. The College has accrued a liability for all sick leave for which payment is deemed probable. This liability is in accordance with GASB 16, Accounting for Compensated Absences.

At June 30, 2010 and 2009, the liability for personal and/or sick leave was approximately $2,249,000 and $3,224,000, respectively.

Contract employees earn 20 days vacation leave each year. Non-contract employees earn 10 days vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2010 and 2009, the liability for vacation was approximately $1,386,000 and $1,238,000, respectively.

NOTE 9 - GRANTS AND CONTRACTS

The College receives grants and contracts from certain federal, state and local agencies. The costs, both direct and indirect, that have been charged to the grant or contract are subject to examination and approval by the granting agency. It is the opinion of the College administration that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

NOTE 10 - LEASES

The College leases various equipment and facilities under operating leases. Rental expenditures relating to operating lease agreements were approximately $1,591,000 and $1,266,000 for the years ended June 30, 2010 and 2009, respectively. The approximate future minimum payments under operating leases at June 30, 2010, are due as follows:

2011	$ 837,000
2012	484,000
2013	249,000
Total	$ 1,570,000

(Continued)

NOTE 11 - AUXILIARY ENTERPRISES

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2010 and 2009, consist of the following:

2010	Parking	Cafeteria	Airport	Childcare Center	MCI	CIT Studios	Total
Revenues	$ 1,510,497	$ 1,192,678	$ 178,867	$ 407,395	$ 919,750	$ 32,318	$ 4,241,505
Expenses	719,600	1,181,493	182,434	382,410	1,360,272	11,723	3,837,932
Excess (deficiency) of revenues over expenses	$ 790,897	$ 11,185	$ (3,567)	$ 24,985	$ (440,522)	$ 20,595	$ 403,573

2009	Parking	Cafeteria	Airport	Childcare Center	MCI	CTI Studios	Total
Revenues	$ 1,305,331	$ 1,006,454	$ 183,078	$ 345,062	$ 909,179	$ 28,548	$ 3,777,652
Expenses	679,134	1,021,095	155,105	338,121	1,135,017	11,498	3,339,970
Excess (deficiency) of revenues over expenses	$ 626,197	$ (14,641)	$ 27,973	$ 6,941	$ (225,838)	$ 17,050	$ 437,682

During the year ended June 30, 2009, the College opened the CIT (Center of Innovative Technologies) auxiliary audio and video studio services. Depreciation expense is not allocated to the individual auxiliary enterprise.

NOTE 12 - RESTRICTED NET ASSETS

Restricted net assets are expendable for use in student loans of approximately $28,000 (2010) and $46,000 (2009), in debt service facility fee of $2,641,000 (2010) and $1,358,000 (2009), in a MSD project of $500,000 (2010), in an energy project of $146,000 (2010) and $291,000 (2009).

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage. The College purchases commercial insurance to cover losses. There has been no reduction in insurance coverage. Insurance settlements for claims resulting from risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

NOTE 14 - PENDING LITIGATION

The College is party to various litigation in the ordinary course of business. However, College management is of the opinion, based on legal advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the future operations or financial position of the College.

SUPPLEMENTARY INFORMATION

Federal Grant/Program Title	Pass-Through Entity Identifying Number	Federal CFDA	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Direct Programs			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants		84.007	$ 291,706
Federal Family Education Loans		84.032	39,662,375
Federal Work-Study Program		84.033	260,032
Federal Perkins Loan Program		84.038	30,121
Federal Pell Grant Program		84.063	14,115,167
Academic Competitiveness Grants		84.375	248,633
Total Student Financial Aid Cluster			54,608,034
TRIO Cluster			
TRIO Student Support Services		84.042A	314,898
TRIO Upward Bound Traditional		84.047A	267,544
TRIO Upward Bound Veteran’s		84.047V	285,930
TRIO Educational Opportunity Center		84.066	233,116
Total TRIO Cluster			1,101,488
Pass through Cincinnati Public Schools			
Title I Grants to Loan Educational Agencies			
No Child Left Behind	424172	84.010	29,945
Center and Technical Education			
Basic Grants to States		84.048	324,931
Tech-Prep Education		82.243A	263,283
Pass through University of Cincinnati			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	P000-030-J617	84.334A	442,040
Pass through Ohio Board of Regents			
State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)		84.394 - ARRA	4,024,680
Total U. S. Department of Education			60,794,401

(Continued)

Federal Grant/Program Title	Pass-Through Entity Identifying Number	Federal CFDA	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Hamilton County			
Temporary Assistance for Needy Families (Academic Remediation)		93.558	$ 69,495
Temporary Assistance for Needy Families (Connect to Success)	83347	93.558	89,829
Child Care and Development Block Grant (Type B Home Provider)		93.575	35,071
Total U. S. Department of Health and Human Services			194,395
U. S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program		20.106	79,291
U.S. DEPARTMENT OF LABOR			
Community Based Training Grants		17.269	368,955
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		17.275 - ARRA	10,636
Pass through Edison Biotechnology Center dba BioOhio			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		17.275 - ARRA	5,478
Total U.S. Department of Labor			385,069
ENVIRONMENTAL PROTECTION AGENCY			
Environmental Education Grant		66.951	19,183
Total Federal Awards			$ 61,472,339

NOTE 1 – BASIS OF ACCOUNTING

This schedule includes the federal awards activity of Cincinnati State Technical and Community 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 basic financial statements. Catalog of Federal Domestic Assistance (“CFDA”) numbers are presented for those programs for which such numbers were available. All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award.

NOTE 2 – LOANS

The College participates in the Federal Family Education Loan Program (CFDA 84.032) (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2010:

Unsubsidized Stafford Loan	$ 23,387,447
Subsidized Stafford Loan	15,846,699
PLUS Loan	428,229

The College administers the Federal Perkins Loan Program (CDFA 84.038). The College made no expenditures or transfers for this program for the year ended June 30, 2010. Only the outstanding loan balance is included in the accompanying Schedule of Expenditures of Federal Awards totaling $30,121 at June 30, 2010.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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
Cincinnati State Technical and Community College
Cincinnati, Ohio

We have audited the financial statements of Cincinnati State Technical and Community College (the "College") as of and for the year ended June 30, 2010, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.*

(Continued)

We noted certain matters that we reported to management of the College in a separate letter dated October 15, 2010.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio

Compliance

We have audited the compliance of Cincinnati State and Technical College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02 and 2010-03.

(Continued)

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02 and 2010-03. 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 internal control over compliance, yet important enough to merit attention by those charged with governance.

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

We noted certain other matters that we have reported to management in a separate letter dated October 15, 2010.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	__X__ None Reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	__X__ Yes	______ None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__X__ Yes	______ No

(Continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.394 – ARRA	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? X Yes _______ No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2010.

Section III - Federal Award Findings

Finding 2010-01

Federal Program Information: Federal Work-Study Program, CFDA #84.033

Criteria: The American Recovery and Reinvestment Act of 2009, SEC. 1512. Reports on the Use of Funds, (c) RECIPIENT REPORTS—Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains— (1) the total amount of recovery funds received from that agency; (2) the amount of recovery funds received that were expended or obligated to projects or activities; and (3) a detailed list of all projects or activities for which recovery funds were expended or obligated, including— (A) the name of the project or activity; (B) a description of the project or activity; (C) an evaluation of the completion status of the project or activity; (D) an estimate of the number of jobs created and the number of jobs retained by the project or activity

Condition: During tests of compliance, it was noted the required reporting for Federal Work-Study-ARRA for the quarter ended September 30, 2009 was not reported to Reporting.gov within the required timeframe by management.

Context: To be in compliance with federal regulations, the College must have appropriate controls in place to ensure compliance.

(Continued)

Section III - Federal Award Findings (Continued)

Finding 2010-01 (Continued)

Recommendation:	We recommend that management implement processes to ensure changes in federal regulations are communicated to the appropriate individuals and proper controls and processes are established.
Management's Response:	Management concurs with the finding.
Corrective Action:	According to the Department of Education, the Federal Work Study ARRA funds will no longer be available for institutions at this time. Therefore, no reporting is required for the 2010-2011 Academic year. However, we will establish procedures so that all responsible individuals are notified, required tasks are assigned and review processes are in place to ensure compliance of reporting the required data or information to the requesting agency.

Finding 2010-02

Federal Program Information:	Federal Supplemental Educational Opportunity Grants, CFDA #84.007, Federal Family Education Loans, CFDA #84.032, Federal Work-Study Program, CFDA #84.033, Federal Pell Grant Program, CFDA #84.063, Academic Competitiveness Grants, CFDA #84.375
Criteria:	34 CFR 668.16: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section; (c)(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;
Condition:	During our testing, it was noted that individuals with access to the Financial Aid module, have the ability to delete transmittal rules that have been built into the system which could override system eligibility determinations.
Context:	To be in compliance with federal regulations, the College must have appropriate controls in place to ensure compliance.
Recommendation:	We recommend that procedures be implemented to monitor when a staff has overridden transmittal rules related to eligibility determinations and these be monitored and followed up by management. Additionally, we recommend that management review eligibility determinations to ensure the College's compliance with federal regulations.
Management's Response:	Management concurs with the finding.
Corrective Action:	The following action will be taken on monitoring staff ability to override transmittal rules. Our office will work with our ITS department to setup security controls to prevent staff from overriding transmittal rules. If Datatel Colleague does not supply this capability, we will work with ITS to provide a daily report to inform administrators of the students on which this action has been taken. Administrators will determine and review student eligibility to ensure compliance with aid programs and regulations.

(Continued)

Section III - Federal Award Findings (Continued)

Finding 2010-03

Federal Program Information:	Tech-Prep Education, CFDA #82.243A
Criteria:	34 CFR 403.111: How must funds be used under the Secondary School Vocational Education Program and the Postsecondary and Adult Vocational Education Programs
Condition:	The following were noted during our review of Tech Prep expenditures: • Supporting documentation for two procurement purchases could not be provided. • The following purchases generally would not be considered to be allowable under allowable cost guidance under grant and federal regulations: o Two purchases related to a coffee machine and filters o One purchase related to advertising materials
Questioned Costs:	$3,170
Context:	To be in compliance with federal regulations, the College must have appropriate policies and procedures in place to ensure compliance with applicable allowable costs principles and maintenance of the appropriate documentation.
Recommendation:	While the purchases are small and follow up procedures did not discover any additional purchases that would not be considered allowable, we recommend all grant expenditures be reviewed for allowability under the grant and federal guidance to ensure the grant's compliance with these regulations. Additionally, we recommend that proper documentation be maintained for all expenditures incurred under the grant.
Management's Response:	Management concurs with the finding.
Corrective Action:	In conjunction with Director's retirement the entire Tech Prep operating procedures and organization are under review. The new structure will ensure future compliance to grant and federal regulations. Specifically detailed budget planning and approvals for planned expenditures will be implemented. Procedures will be established so that questions about appropriateness of expenditures as related to grant regulations will be addressed in advance.

Section IV - Prior Year Findings and Questioned Costs

There were no findings for the year ended June 30, 2009.

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Mary Taylor, CPA
Auditor of State

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

HAMILTON 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 16, 2010

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