

# **Cincinnati State Technical and Community College**

---

**Financial Report  
June 30, 2014**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 24, 2014

**This page intentionally left blank.**

# Cincinnati State Technical and Community College

---

## Contents

<b>Report Letter</b>	1-3
<b>Management's Discussion and Analysis</b>	4-21
<b>Financial Statements</b>	
Statements of Net Position	22
Statements of Revenue, Expenses, and Changes in Net Position	23
Statements of Cash Flows	24-25
Notes to Financial Statements	26-44
<b>Supplemental Information</b>	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	48-49
Schedule of Expenditures of Federal Awards	50-51
Notes to Schedule of Expenditures of Federal Awards	52-53
Schedule of Findings and Questioned Costs	54-56

## Independent Auditor's Report

To the Board of Trustees  
Cincinnati State Technical and Community College

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cincinnati State Technical and Community College and its discretely presented component unit (the "College") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2014 and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Cincinnati State Technical and Community College

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, effective July 1, 2013, the College adopted new accounting guidance under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the College has a change in reporting entity for reporting a component unit. The Cincinnati State Technical and Community College Foundation is now reported as a discretely presented component unit; in the prior year it was not presented in the financial statements. Our opinion is not modified with respect to this matter.

### **Report on Prior Year Financial Statements**

The financial statements of the College as of and for the year ended June 30, 2013 were audited by a predecessor auditor, which expressed an unmodified opinion on the College. The predecessor auditor's report was dated October 15, 2013.

As part of our audit of the 2014 financial statements, we also audited the adjustments described in Note 16 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the College other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

### **Other Matters**

#### *Required Supplemental Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees  
Cincinnati State Technical and Community College

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the College's internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

October 24, 2014



# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis**

### **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, 2014, with selected comparative information for the years ended June 30, 2013 and 2012. 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, Middletown 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 position; the statement of revenues, expenses, and changes in net position; 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 No. 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 position categories.

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Cincinnati State Technical and Community College Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation will be discretely presented in the College's financial statements. The discretely presented component unit has been excluded from the management's discussion and analysis.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (Continued)

During fiscal year 2014, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see *Adoption of New Accounting Pronouncements* in Note I of the financial statements for further details.

### Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year. Net position represents the difference between total assets and total liabilities. Net position indicates the overall financial condition of the College, while the change in net position 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 position at June 30 follows (*in thousands*):

	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
<b>Assets</b>			
Cash, cash equivalents and investments	\$24,299	\$27,389	\$28,026
Accounts receivable - Net	12,875	13,472	10,620
Other assets	2,498	2,246	2,489
Capital assets - Net	<u>89,617</u>	<u>87,868</u>	<u>85,588</u>
Total assets	<u>129,289</u>	<u>130,975</u>	<u>126,723</u>
Deferred outflows	<u>1,827</u>	<u>2,070</u>	<u>2,293</u>
Total assets and deferred outflows	<u><b>\$131,116</b></u>	<u><b>\$133,045</b></u>	<u><b>\$129,016</b></u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$9,754	\$9,363	\$9,021
Deferred revenue	4,561	5,347	4,065
Long-term debt	<u>47,410</u>	<u>50,092</u>	<u>48,001</u>
Total liabilities	<u>61,725</u>	<u>64,802</u>	<u>61,087</u>
<b>Net Position</b>			
Net investment in capital assets	45,976	41,591	39,609
Restricted	2,922	3,363	3,971
Unrestricted	<u>20,493</u>	<u>23,289</u>	<u>24,349</u>
Total net position	<u>69,391</u>	<u>68,243</u>	<u>67,929</u>
Total liabilities and net position	<u><b>\$131,116</b></u>	<u><b>\$133,045</b></u>	<u><b>\$129,016</b></u>

### Assets

Cash, cash equivalents, and investments make up 18.5 percent, 20.6 percent and 21.7 percent of total assets at June 30, 2014, 2013, and 2012, respectively. Cash, cash equivalents, and investments includes bank deposits, cash on hand, U.S. government agency bond and Treasury notes, and common stock.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (Continued)

The College did not record the value of common stock issued and received in 2001 until it was discovered by the College in September 2014. The College received 16,976 common shares in Anthem, Inc. in December 2001 (which later doubled to 33,952 shares in renamed WellPoint, Inc. after the stock split in May 2005). The value of the shares was \$3.7 million, \$2.8 million, and \$2.2 million at June 30, 2014, 2013, and 2012, respectively.

Accounts receivable make up 9.8 percent, 10.1 percent, and 8.2 percent of the total assets at June 30, 2014, 2013, and 2012, respectively. The decrease in accounts receivable in fiscal year 2014 is attributable primarily to the reduced activity of federal training grants and pay down of the Higher Education Partners (HEP) collaboration agreement and related leases. The increase in accounts receivable in fiscal year 2013 is attributable primarily to the addition of the HEP collaboration agreement and related leases. Accounts receivable include (*in thousands*):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Grants	\$1,906	\$2,295	\$1,773
State appropriations	12	12	-
Tuition and other	12,860	12,787	12,629
Collaboration agreement	635	609	-
Collaboration leases	1,596	1,708	-
Allowance for doubtful accounts	(4,134)	(3,939)	(3,782)
	<u>\$ 12,875</u>	<u>\$ 13,472</u>	<u>\$ 10,620</u>

Capital assets, net of depreciation, make up 68.3 percent, 66.0 percent, and 66.3 percent of the total assets at June 30, 2014, 2013, and 2012, respectively. The increase in the capital assets percentage in fiscal year 2014 is due primarily to the completion of deferred maintenance-related capital projects and acquisition by donation of two buildings and computer software. The increase in the capital assets percentage in fiscal year 2013 is due primarily to the decrease in cash and investments and accounts receivable. Other assets include prepaid expenses, bond escrow payments and cafeteria, restaurant, and other College inventories.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Liabilities**

Liabilities of \$9.8 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies, and utilities and \$4.6 million of unearned revenue for summer classes, which is recognized proportionally between fiscal years of when the semester occurs. As discussed in more detail in the debt section, on February 23, 2012, the College issued \$38,775,000 in General Receipts Refunding Bonds, Series 2012 with an average effective interest rate of 3.33 percent to advance refund \$36,815,000 of the outstanding Series 2002 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.37 million. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method. The College completed the advance refunding to reduce its total debt service payments over the next 17 years by \$6.07 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.01 million. The 2012 General Receipts Bonds have an initial underlying rating of A1 based on Moody's Investors Service. During the year ended June 30, 2013, the College entered into capitalized leases in the amount of \$4.8 million. These leases are for equipment and improvement to the College. A portion of these leases were for equipment and improvements leased as part of the collaboration agreement.

### **Net Position**

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 position category totaling 66.3 percent, 60.9 percent, and 58.3 percent of total net position at June 30, 2014, 2013, and 2012, respectively. Restricted net position is 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 position is expendable and includes reserves for debt service and deferred maintenance. Unrestricted net position is 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 position is allocated for academic and capital programs and initiatives.

### **Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents both the operating results and the nonoperating revenues and expenses of the College. State appropriations, while budgeted for operations, are considered nonoperating revenues.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (Continued)

A summarized comparison for the years ended June 30 follows (*in thousands*):

### Statement of Revenues, Expenses, and Changes in Net Position

	2014	2013	2012
<b>Revenues</b>			
Tuition and fees - Net	\$27,413	\$24,235	\$28,827
Grants and contracts	27,396	30,762	25,506
Sales and services	1,874	1,684	1,680
Auxiliary services	3,757	3,853	5,262
Other operating revenue and gifts	6,765	2,538	952
State instructional appropriations	29,595	30,169	30,284
State capital appropriations	1,803	1,879	1,179
Total revenues	<u>98,603</u>	<u>95,120</u>	<u>93,690</u>
<b>Expenses</b>			
Instruction	33,828	34,860	36,815
Public support	9,162	8,275	3,485
Academic support	6,739	5,726	5,684
Student services	8,657	8,449	8,340
Institutional support	21,090	19,700	20,666
Operations and maintenance of plant	7,176	7,541	7,931
Depreciation	4,067	3,633	3,374
Scholarships	800	632	519
Auxiliary services	4,348	4,311	5,348
Interest on capital asset related debt	1,588	1,679	1,964
Total expenses	<u>97,455</u>	<u>94,806</u>	<u>94,126</u>
Increase (decrease) in net position	1,148	314	(436)
Net position - Beginning of year	<u>68,243</u>	<u>67,929</u>	<u>68,365</u>
Net position - End of year	<u><b>\$69,391</b></u>	<u><b>\$68,243</b></u>	<u><b>\$67,929</b></u>

### Revenues

Revenues for fiscal year 2014 increased by \$3.5 million or 3.7 percent over fiscal year 2013. The change derives primarily from the following three (3) functional categories of revenue:

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

1. Student tuition and fees are reported net of scholarship allowance. Gross instructional revenues for fiscal year 2014 increased by \$1.1 million or 2.4 percent from fiscal year 2013. A total of \$1.0 million of this is related to new supplemental student fee for E-Textbooks for certain academic foundation courses for fiscal year 2014. Financial aid in the form of grants and scholarships decreased by \$2.1 million or 11.6 percent in 2014. These changes are due primarily to a decrease in enrollment and change over to semesters. The effect of netting the scholarship allowances against the instructional revenues resulted in a net increase in tuition and fees of \$3.2 million or 13.1 percent
2. Grants and contracts decreased by \$3.3 million, or 10.9 percent compared to fiscal year 2013. The majority of this decrease is a result of a reduction in Pell funding of \$2.1 million due to more proactive financial aid counseling, lack of satisfactory academic progress, and return to Title IV. The other major factor was the ending of the Health Careers Collaborative Grant in the amount of \$1.0 million.
3. Other operating revenue and gifts increased by \$4.2 million or 166.6 percent compared to fiscal year 2013. The majority of the increase was a result of the recognition of donations for \$3.5 million. The donations consisted of two Middletown buildings and land from Butler County and the City of Middletown and IT software from Siemens.

Revenues for fiscal year 2013 increased by \$309,000 or 0.3 percent over fiscal year 2012. The change derives primarily from the following three (3) functional categories of revenue:

1. Auxiliary revenues decreased by \$1.4 million, or 26.8 percent, compared to fiscal year 2012. This was a result of a decrease in operations of food services and discontinued auxiliary projects in the Midwest Culinary Institute (MCI).
2. Student tuition and fees are reported net of scholarship allowance. Gross instructional revenues for fiscal year 2013 decreased by \$3.1 million or 6.8 percent from fiscal year 2012. Financial aid in the form of grants and scholarships increased by \$1.5 million or 8.2 percent, in 2013. These changes are due primarily to a decrease in enrollment and change over to semesters. The effect of netting the scholarship allowances against the instructional revenues resulted in a net decrease in tuition and fees of \$4.6 million or 15.9 percent.
3. Grants and contracts increased by \$5.3 million, or 20.6 percent compared to fiscal year 2012. The majority of this increase is a result of a full year of operations of the USDOL Health Professions Pathway (H2P) grant of \$20 million over three years.

### **Expenses**

Expenses for fiscal year 2014 increased by \$2.6 million or 2.8 percent over fiscal year 2013. The change derives primarily from the following five (5) functional categories of expense:

1. Instructional expenses decreased by \$1.0 million or 3.0 percent. This was the result of decreased spending for adjunct instructors and the expiration of the Health Careers Collaborative TAACCT grant last year.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

2. Public support expenses increased by \$887,000 or 10.7 percent, primarily as a result of a reduction in restricted grant funds due to expiration of the GCEA Energy Grant and reduced activity in the H2P Grant in fiscal year 2014.
3. Academic support expenses increased by \$1.0 million or 17.7 percent. Reasons for the increase include new E-Textbook program expenses for certain academic foundation (payments made to bookstore). These expenses were offset in whole by student supplemental fees.
4. Institutional support expenses increased by \$1.4 million or 7.1 percent. General Fund expenses increased \$367,000 in the areas of personnel expense and bad debt expense. There was an \$804,000 increase in deferred maintenance expenses in the Plant Fund and an \$82,000 increase in Middletown personnel expenses.
5. The depreciation of capitalized assets increased by \$434,000 or 11.9 percent due the increase of capitalized assets this year over last year from deferred maintenance and state capital projects.

Expenses for fiscal year 2013 increased by \$680,000 or 0.7 percent over fiscal year 2012. The change derives primarily from the five (5) functional categories of expense:

1. Instructional expenses decreased by \$2.0 million or 5.4 percent. Decreased spending for adjunct instructors, instructional overload arises from decreased enrollment, unfilled vacancies and conversion to semesters.
2. Public support expenses increased by \$4.8 million or 137.5 percent, primarily as a result of a new H2P grant of \$20 million over three years.
3. Institutional support expenses decreased by \$966,000 or 4.7 percent. Reasons for the decrease include declines in IT contractual services, legal fees, and postage.
4. The major portion of the decrease in auxiliary services expenses of \$1.0 million or 19.4 percent was a result of a decrease in operations of food services and discontinued auxiliary projects in the Midwest Culinary Institute (MCI).
5. The interest on capital asset related to debt decreased by \$285,000 or 14.5 percent due to the refinancing of the College's outstanding bond debt.

# Cincinnati State Technical and Community College

## Management's Discussion and Analysis (Continued)

### 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 statement of cash flows for the years ended June 30 follows (*in thousands*):

#### Statement of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net cash from operating activities	\$(45,347)	\$(44,565)	\$(45,798)
Net cash flows provided by non-capital financing activities	45,467	48,122	46,772
Net cash flows from capital and related financing activities	(4,393)	(5,127)	(3,226)
Net cash flows provided by investing activities	5,011	239	4,141
Net increase (decrease) in cash and cash equivalents	738	(1,331)	1,889
Cash and cash equivalents - Beginning of year	3,012	4,343	2,454
Cash and cash equivalents - End of year	<b><u>\$3,750</u></b>	<b><u>\$3,012</u></b>	<b><u>\$4,343</u></b>

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.

### Capital Assets and Debt Administration

#### Capital Assets

Capital assets, net of accumulated depreciation, totaled \$89.6 million, \$87.9 million, and \$85.6 million at June 30, 2014, 2013, and 2012, respectively, an increase of \$1.7 million and an increase of \$2.3 million, respectively. Changes in capital assets during fiscal years 2014 and 2013 included (*in millions*):

Capital Assets	Balance	Net	Balance	Net	Balance
	June 30, 2012	Addition/ Reductions	June 30, 2013	Addition/ Reductions	June 30, 2014
Land	\$2.6	\$(0.4)	\$2.2	\$0.1	\$2.3
Land improvements	2.3	0.0	2.3	0.0	2.3
Building and improvements	122.0	4.5	126.5	4.9	131.4
Equipment and library collections	7.1	(0.2)	6.9	0.7	7.6
Library	1.7	(0.4)	1.3	0.0	1.3
CIP	0.3	1.8	2.1	(2.1)	0.0
Decrease in accumulation depreciation	(50.4)	(3.0)	(53.4)	(1.9)	(55.3)
Total	<b><u>\$85.6</u></b>	<b><u>\$2.3</u></b>	<b><u>\$87.9</u></b>	<b><u>\$1.7</u></b>	<b><u>\$89.6</u></b>



# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Debt**

During the year ended June 30, 2014, the College entered into capitalized leases in the amount of \$372,000. These leases are for equipment and improvements to the College. A portion of these leases were for equipment and improvements leased as part of the collaboration agreement.

### **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, graduation, completion, and quality. On June 30, 2013, Ohio Governor Kasich signed HB 59 into law - the State's Biennium Budget Bill - which increased higher education funding by \$75 million over the two-year cycle. Community colleges received \$411.26 million in fiscal year 2014, a 1.9 percent increase over fiscal year 2013, and another 1.9 percent increase for fiscal year 2014. Major changes were made to the community college funding formula, or State Share of Instruction (SSI), over the two years of the biennium. For fiscal year 2013, SSI was primarily enrollment based with 10 percent of funding allocated to success point metrics. There was also a 96 percent stop loss in place. For fiscal year 2014, SSI will be based 50 percent on enrollment, 25 percent on course completions, and 25 percent on success point metrics, with a 97 percent stop loss in place.

For fiscal year 2015, the enrollment component of SSI has been eliminated to be replaced with a combination of course completions (50 percent), success points (25 percent), and completion metrics (25 percent). At-risk or access category weights will be assigned to eligible students. There is no stop loss in place for fiscal year 2015. A statewide funding consultation group comprised of representatives of each of the 23 Ohio community colleges has been established to develop the SSI funding components and weights for fiscal year 2015, which they completed and are now working on additional changes to the SSI formula for the fiscal years 2016-2017 biennium budget.

Working in tandem with the Governor's initiatives, the Ohio Board of Regents has been asked to work with the University System of Ohio adult career centers, community colleges, and universities to implement curricular models for graduating students with the skills employers are seeking as quickly and cost-effectively as possible. This Complete College Ohio initiative intends to provide comprehensive and bold new proposals to accomplish the goal of graduating more students and encouraging them to remain in Ohio upon graduation.

While the outlook for state support of higher education in Ohio is positive, the College exists in an increasingly competitive environment and faces challenging economic and demographic trends. In response to the competition, a number of proactive initiatives have been addressed in Strategic Planning, academics, workforce development, quality improvement, enrollment and retention, fundraising, energy management, and other services to minimize the economic impact of competition on the College's future operations.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Strategic Planning**

The College concluded its *Transition 2012* strategic plan and rolled out *Surging Forward* in September 2012, a three-year plan developed under the leadership and guidance of President Dr. O'dell M. Owens. His strategic vision challenges the College to develop new revenue streams, expand development efforts to lower out-of-pocket tuition costs, improve internal community, and provide academic support and incentives to foster student success.

The *Surging Forward plan* contains four strategic goals: Increase Student Success relates to improving graduation and retention rates; Expand Our Reach includes increasing enrollment at off-campus sites and recruitment of targeted demographic populations such as Hispanic/Latino, international, veteran, and high school dual enrolled students; Strengthen Fiscal Sustainability involves increasing operating reserves and priority based budgeting as well as increasing nontraditional sources of revenue and scholarship funding; and Build Community seeks to enhance the internal community by providing professional development and leadership opportunities. Targets have been established for all strategies and initiatives and a dashboard is used to monitor performance results related to the target goals.

### **Academics**

In academics, the efforts have been structured around the College's Strategic Plan, specifically goals to (1) Increase Student Success and (2) Expand Our Reach.

Initiatives to increase student success took on significant visibility and importance in 2013. Ohio law required that each institution of higher education develop a completion plan and obtain board of trustee approval by June 30, 2014. Cincinnati State met this requirement, plus was successful in engaging faculty, staff, and students in the initiative.

The purpose of the completion plan is to provide a framework for systemic improvement that incorporates data analysis and institutional assessment, new and improved policies, and well prioritized strategies. The five major components of the College's completion plan are (1) connection to the college, (2) first-year entry, (3) student progress, (4) student completion, and (5) workforce impact. The College is now moving from plan to implementation, which includes scaling up some of our successful pilot projects such as supplemental instruction and use of eBooks. The change also involves elimination of our two lowest level remedial courses in math and reading. Work with local partners such as Cincinnati Public School System, Great Oaks Career Campuses, Butler Tech ABLE providers, the Citylink Center, and Education Matters (formerly Lower Price Hill School) have allowed us, for the first time, to systematically structure our referral and support programs to better prepare students for College.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

The other goal, Expand Our Reach, included work to build new markets and to better serve special populations. We expanded high school dual enrollment to additional schools in the Cincinnati Public School System and several Butler and Warren County school districts. The result was over 1,000 students receiving high school and college credit for the same courses. The work to increase enrollment at off-campus sites continued. We completed Phase II of Middletown expansion with new labs and added personnel. This allowed us to offer natural sciences courses and Nurse Aid Training. Utilization of our Harrison campus, which houses the aviation program, has increased with more courses as part of a "start your degree here" promotion for transfer students, plus plans were developed to offer the new welding degree at this location starting fall 2014. Distance Education growth has involved more online courses and programs; however, expansion has been slower than we would like. The College continues to work toward building new partnerships to support this work. Use of quality matters and faculty professional development "Teaching Online for Cincinnati State" has improved student success in online courses.

Outreach to special populations, high school, veteran, international, and hispanic students has been successful. We hosted ENGAGE, a two-day event for students, teachers, and families with hands-on demonstrations of Cincinnati State programs. Over 1,000 people attended. The College implemented the GE Skills to Work Program for Vets, hired managers of veterans affairs and international student affairs, and developed new partnerships with internal and cultural organizations such as American Homestay Network, LULAC, Su Casa, and African Foundation USA.

A few very strategically selected and developed new programs also allowed us to meet the needs of new business markets across the region. These were Welding Technology, Supply Chain Management, and Cyber Security. The welding program, driven by employer demand and feedback, will educate students in the field of welding based on the American Welding Society (AWS) curricula. Our \$2.75 million federal TAACCCT grant from the U.S. Department of Labor funded the program start-up; this encompassed an expert faculty hire, curriculum development, welding booths, and virtual welding stations. Supply Chain Management was designed to prepare students for entry level positions in inventory management, material handling, warehousing, logistics, traffic and transportation, and purchasing. The program has also received strong support from the local chapters of the Material Handling Institute, the Council of Supply Chain Management Professionals, and the Warehousing Education and Research Council. The Cyber Security major is an option for our existing Computer Network Engineering Technology program to meet the need for IT professionals who understand risk management, IT governance, and continuity planning.

### **Workforce Development**

National, state, and regional emphasis on the quality and skills of the American workforce has never been greater than it is today. The College's Workforce Development Center (WDC) in Evendale, Ohio, is uniquely positioned to respond to this vital need, thanks primarily to extensive partnerships with industry and its exceptional reputation for delivering results-driven workforce training and consulting. Long-standing industry partnerships and new business participation are at the heart of the model that guides all WDC programming and consulting services. Technical Advisory Committees (TACs) comprised of industry and education experts enable the WDC to develop and deliver relevant training that makes a measurable impact on the regional workforce, and also drives bottom-line results for the Center's clients.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

This focus on industry partnerships and the Center's agility in responding to emerging needs continues to be the WDC's primary competitive advantage in the marketplace. This is exemplified by the rapid expansion of Apprenticeship Training Programs that the WDC has developed and delivered in the past two years. New WDC apprenticeship programs launched at General Electric Aviation, Ford Motor Company, and A.K. Steel signal a resurgence of companies' demand for advanced and effective workforce education and training. By working alongside regional manufacturers, the WDC developed the Machine Operators program (basic and advanced) to train potential employees and incumbent workers in advanced manufacturing job skills. Now with support from the local nonprofit, Partners for a Competitive Workforce, the WDC won an RFP to deliver an apprenticeship program for newly hired employees from multiple regional manufacturers.

The WDC recognizes that the effectiveness of its workforce training must be tied to fiscal and organizational results. An employee from G.E. who recently completed the WDC's Jet Engine Teardown School (J.E.T.S.) shared that he had "... 17 years of service with GE and I have to say that this was one of my most valuable classes." Other WDC clients agree - in fiscal year 2014 the WDC served over 100 different organizations and trained nearly 6,000 students. WDC programs are measured by the ability to capture and deliver a significant return on invested training dollars (ROI) for its clients. As an entrepreneurial profit center for the College, the Center delivers supplemental income to support the College's operational expenses. Through the delivery of over 600 classes and training engagements in fiscal year 2014, the WDC generated gross revenue of \$2.9 million, and net revenue of \$830,000 for the College's General Fund. Current industry trends suggest strong demand for workforce training, which should correspond with future revenue growth.

A key to this revenue growth will be innovative expansion into new workforce markets. Projects such as the *Lean Ohio Boot Camp* program expands the Center's service offerings to government and nonprofit markets, and builds upon existing organizational development work underway with organizations like Cincinnati Metro Transportation Group and the Metropolitan Sewer District. Changes in state and federal programs will continue to be a source of innovative opportunity, as is exemplified by the success of the new Healthcare Interpreting Program designed to provide hospitals with the trained interpreters now required by the Affordable Care Act. The center will also continue to focus on delivery systems for training, including increased online training delivery by leveraging its partnership with Pearson Learning Solutions to offer online programming in the areas of Certified Project Management, Lean Enterprise, Six Sigma Green Belt, and Six Sigma Black Belt.

WDC has also been heavily involved in securing TAACCCT grants for the creation of a Greater Cincinnati Advanced Manufacturing Center (\$2.75M), Supply Chain Management (\$2.5M), and Ohio TechNet Consortium to expand welding training capabilities (\$1.0M).

The WDC remains committed to the highest levels of customers service and ROI, innovative programming and consulting services, academic excellence, revenue generation, and community service. These ambitious and measurable goals continue to be the primary contributor to the success of the clients and students it serves.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Quality Management**

The College has made a commitment to fostering 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), the Community College Survey of Student Engagement (CCSSE), and the Personal Assessment of the College Environment (PACE) 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**

For fiscal year 2014, total credit hours and FTEs were down 4.0 percent but headcount remained relatively level from fiscal year 2013. There were a number of factors contributing to the credit hour (FTE) decline, including an improving regional employment picture, and increasing competition from area public and proprietary colleges. For the fall 2012 Semester, the College was just one of four Ohio community colleges that did not lose headcount from the previous fall. This was due to the opening of the new Middletown campus, an extremely competitively priced tuition and fee structure, and to the concentrated effort on the part of all College academic divisions/departments to restructure academic courses for semesters, provide the necessary student advising for the new course structures, and to reach out to prospective students through the College's *Get There Sessions* run by the Admissions Department.

For the fall 2014 semester, credit hours (FTEs) have declined and were 8 percent below fall 2013. The College continues to take measures to improve enrollment and retention by improving academic and student supports to impact student persistence to graduation. Important goals of the College's strategic plan are to increase retention from its current 45 percent to 60 percent by the end of fiscal year 2015 and to broaden its footprint into new sites, increase distance education offerings, and grow enrollment of targeted populations.

Strategies resulting from institutional goals, Ohio Completion Plan, and AQIP initiatives are in the planning and implementation stages which include but are not limited to expanding our reach to increase dual enrollment, increasing scholarship monies to new first-time students, earlier registration, increase course offerings through mid-mesters, and leveraging grant opportunities to provide additional services focused on student persistence from entry to graduation.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Energy Management**

The College has displayed strong leadership in controlling energy consumption while at the same time providing facility access for extended days and hours to support the educational process. In recent years, multiple energy projects such as an 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 energy efficiency goals ahead of schedule. The College stopped purchasing electric power through the regulated market and began purchasing electric power through the deregulated market decreasing its costs by approximately 33 percent annually.

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 final phase of this upgrade was completed in spring/summer 2013. The installation of laser and temperature sensors on all hoods in MCI labs to reduce energy by having hoods function on demand rather than continuously run. The Evendale chiller replacement, gymnasium LED lighting installation, and the replacement of the last set of aged switch gear continue to generate energy rebates to the College and utility consumption reduction. The installation of a new boiler in the D wing of main provides for improved temperature control related to the chemistry labs and the operation of the chemistry fume hoods. Emergency electrical panels have been upgraded to improve safety related to the College electrical system.

### **State Capital Funding Investment**

As part of the State of Ohio capital allocation process, the College received \$4,600,000 in July 2014. These funds were designated for the expansion of space to support workforce development training and transfer educational opportunities.

The prior capital funding allowed the College to renovate three laboratories, one prep room, and one classroom that support the high demand chemistry and environmental science programs. These spaces were significantly aged with fume hood ventilation challenges, chemical storage challenges, and inadequate heating and cooling for the instructional spaces. The project resulted in modernized and energy efficient instructional spaces. Additionally, the College continued to invest in the "smart classroom" upgrade moving 93 classrooms forward with upgraded instructional technology. The third funded project provided support for the complete demolition/reconstruction of restrooms located adjacent to the College's public conference center. This project improved the ADA access to six restrooms and modernized the entrances and the finishes. By investing prior year capital funds and deferred maintenance funds, the College has now completed the renovation of all restroom stacks in the Main building providing ADA accessible restrooms at all locations and installing fixture and floor finishes that improve the ability to maintain these facilities. Antiquated piping and ventilation that supported these spaces have been replaced.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **Deferred Maintenance**

The College has invested \$5.5 million in the deferred maintenance program in 2012, 2013, 2014, and 2015 budget allocations. Those funds were used to begin to address the backlog of deferred maintenance projects. The investment is made following four principals: (1) protection of the physical assets; (2) improvement of the utility systems function; (3) enhancement of safety and security; and (4) support of instructional programs. To improve the value of the scarce deferred maintenance funds, the College has partnered with the Resource Center and with Building Value to reduce significantly the cost of furniture and project demolition, respectively. Both the Resource Center and Building Value are significant community partners that support not-for-profit organizations and provide for the recycling of building furnishings and materials.

Significant projects accomplished through the deferred maintenance investment include repairs to the grease trap and steam line systems; repairs to College Drive; roof repairs at the Childcare Center, A and B Wings, and the Harrison Center; exterior weatherproofing; security camera upgrades; and refrigeration loop repairs.

### **Information Technology**

The Information Technology Services (ITS) Division provides more than just technology services to the College community. Top priorities are for the College community to view the ITS Division as a partner in the College's overall success as well as a leader in encouraging innovation and improving services while providing cost-effective high quality education. ITS' projects and activities support the College's Strategic Goals - *Increasing Student Success, Expanding Our Reach, Building Community, and Fiscal Sustainability*. For the College to be successful, it needs to focus on the four domains that impact learning: student, faculty, curricula, and home.

The ITS Division continues to be in compliance with Payment Card Industry (PCI) Security Council Standards. This effort has evolved into a larger, more inclusive Information Security Program that includes the establishment of an Information Security Council, Information Security Awareness Program, information security policies, and standards and change management processes and procedures. As part of the ITS Divisions' Disaster Recovery/Business Continuity Plan, a second production server is located at the Middletown campus (production data is replicated there on a regular basis).

During the 2013-2014 school year, the ITS Division completed a major network segmentation project that improved network performance, reliability, stability and security. Installations of secure gateways between network domains based on data classification were completed as part of our on-going effort to enforce access control policies. The connection(s) are restricted through network gateways that filter traffic utilizing predefined tables or rules within firewalls. We also improved our desktop security by migrating to a new endpoint security system while expanding desktop virtualization which supports our "Bring Your Own Technology" program and provides secure network access to outside consultants. These efforts effectively reduce security threats while protecting users' files that would be at risk without it. Better protection against viruses helps facilitate uninterrupted learning as well as staff efficiency.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

All College classrooms (approx. 212) have multimedia presentation systems, and about two-thirds of those have been upgraded to feature high definition video sources and displays. The 25Live scheduling system (formerly Resource25 and Schedule25) makes more efficient use of classroom space, provides enterprise-wide room and event scheduling, and delivers an integrated, web-based master calendar of all College events.

The ITS Division goals for 2014-2015 will be to:

1. Support first year entry initiatives such as mandatory advising, multiple semesters, early registration, etc.
2. Enhance academic, student support services, and operation services
3. Support student completion initiatives

To ensure student, faculty, and institutional success, the ITS Division is leveraging the power of big data to inform the student engagement continuum; as well as improve student services and faculty effectiveness. Big data was originally adopted by state/local governments and businesses to analyze organizational processes, identify spending trends, and predict consumer behavior. Education is embarking on a similar pursuit into new ways of applying to improve student engagement and provide a high-quality, personalized experience for learners. With college dropout rates above one third and soaring student debt, colleges such as Cincinnati State are using big data and analytics to remain competitive and to improve student success. The ITS Division will continue to support using big data for customer resource management; to validate college admission assessments, Fit and Talent, improving student retention and reporting, college operations, and faculty effectiveness.

### **Fundraising**

The Cincinnati State Foundation, a not-for-profit organization, through its volunteers and programs, promotes and supports the programs, services, and capital improvement projects of the Cincinnati State Technical and Community College. The Cincinnati State Foundation operates so as to solicit, receive, hold, administer, and apply funds or other property, raised through gifts, devices, bequests, endowments, grants or otherwise, or proceeds thereof, for the benefit of Cincinnati State Technical and Community College.

Development will focus on rebuilding Cincinnati State's Annual Fund operations and grow its endowment, as well as cultivate greater major gift opportunities. Student Scholarships are a key component of the College's strategic plan as data has shown the significant impact they have on retention and graduation.



# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

### **College/Faculty Relations**

The prior three-year collective bargaining agreement between the College and the Cincinnati State Chapter of the American Association of University Professors (AAUP) covered the period from September 2011 to August 2014. In 2011, negotiations resulting in concluding this agreement were especially challenging due to matters related to instructional workload because of the change from five 10-week academic terms to three 15-week semesters. In 2014, negotiations were approached in a collaborative manner and a tentative agreement reached before the contract period ended. The new agreement covers the period from 2014 to 2017. It addresses workload, allowing a progressive reduction to put Cincinnati State faculty in alignment with other community college faculty in Ohio. Major achievements for the administration include establishment of a new position (Annual Contracted Faculty), well defined Program Chair duties, and an increase in the employee health benefits contribution. These changes position us for a strong future. In addition, the positive negotiations resulted in an improvement in faculty morale and commitment to College goals.

Legislative changes in the State Teachers Retirement System has led to more faculty retirements than usual but most are now working part-time (post-retirement) and training the many new faculty that have joined the College. While the retirements among faculty caused some challenges, there is opportunity to bring in new talent at a lower cost. Recent hires have impressive backgrounds, with teaching experience plus tremendous accomplishments in industry.

### **Middletown Campus**

In a first of its kind in Ohio and as a key component of its strategic growth plan, the College entered into public/private collaboration agreement with Higher Education Partners LLC (HEP) of New Bedford, Massachusetts to open up a new Community College location in downtown Middletown, Ohio for fall Semester 2012. Initial term of agreement with HEP is twenty (20) years with four (4) five (5) year renewals. The initial term of the agreement has been extended to thirty (30) years. The Ohio Attorney General's Office has approved the collaboration agreement.

The Middletown campus opened on August 29, 2012. Originally projected at 200 students for the first full academic year, over 350 students enrolled for the fall semester alone. In its first year at Middletown, the College offered fourteen (14) associate degree programs, five (5) certificate programs, and fourteen (14) workforce development training programs for academic credit. In preparation for fiscal year 2015, the College completed Phase III of Middletown expansion with additional lab and lecture space to support new degrees and courses. The resulting fall semester enrollment was about 700 students.

HEP purchased the 60,000 sq. ft. former CG&E building in downtown Middletown that is providing academic programming - on location, on-line, and/or hybrid to up to a projected 53,000 students by the end of five years. HEP has invested up to \$6 million in the Middletown facility in acquisition, construction, and equipment costs. The College will not be responsible for any of these costs but has approval over design, construction, and equipment. The College also either owns or controls three other buildings in Middletown to use for future expansion.

# **Cincinnati State Technical and Community College**

## **Management's Discussion and Analysis (Continued)**

The College has complete control over academic programs and educational approvals offered at Middletown. There are opportunities to share in royalties for jointly developed academic content. A joint marketing plan is developed and implemented each academic year. HEP retains rights, duties, and financial responsibilities relating to the management, ownership and repair of the facility but the College has complete control over use of facility. The College will retain records and be financially accountable for direct academic costs, academic support costs and operating expenses at Middletown. HEP will pay the College 5 percent of these costs as indirect costs and will guarantee that revenues are never less than 105 percent of these expenses.

HEP will receive 15 percent of all revenues (service fee) from Middletown facility, including tuition and fees, Workforce Development programming revenue, State Subsidy, rental revenues, and any other revenues received from other public/private sources, if collaboration revenues are available. Once Collaboration income is sufficient to pay for ongoing and rolled forward service fee and unreimbursed building costs, all excess income goes to the College. Therefore the collaboration agreement is designed to protect the College from loss and provides for the possibility to receive excess income.

### **Summary**

Looking forward, the College remains positioned to maintain its strong financial position through enhanced academic programming, higher student retention and graduation, partnerships, continuous quality improvement, fundraising, and by continuing to successfully control costs through firm sound fiscal and operational management.

# Cincinnati State Technical and Community College

## Statements of Net Position

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,750,329	\$ 3,012,059	\$ 960,452	\$ 542,692
Accounts receivable:				
Accounts receivable	11,737,082	12,154,133	-	-
Pledges receivable	-	-	128,179	201,037
Receivable due from the College	-	-	75,550	-
Investments	5,138,478	5,530,989	5,070,921	4,144,041
Inventory	134,284	193,810	-	-
Prepaid and other assets	2,017,340	1,662,121	-	-
<b>Total current assets</b>	<b>22,777,513</b>	<b>22,553,112</b>	<b>6,235,102</b>	<b>4,887,770</b>
<b>Noncurrent Assets</b>				
Capital assets - Net	89,616,931	87,867,624	-	-
Other assets:				
Investments - As restated	15,410,635	18,846,545	-	-
Leases receivable, noncurrent	1,137,531	1,317,922	-	-
Other assets	346,241	390,269	-	-
<b>Total noncurrent assets</b>	<b>16,894,407</b>	<b>20,554,736</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>129,288,851</b>	<b>130,975,472</b>	<b>6,235,102</b>	<b>4,887,770</b>
<b>Deferred Outflows of Resources -</b>				
Deferred gain on advance refunding of bonds	1,827,102	2,070,222	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 131,115,953</b>	<b>\$ 133,045,694</b>	<b>\$ 6,235,102</b>	<b>\$ 4,887,770</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,560,632	\$ 1,082,050	\$ 329,355	\$ 110,004
Current portion of capital leases	1,013,611	917,200	-	-
Current portion of long-term debt	2,643,004	2,092,884	-	-
Unearned revenue	4,560,730	5,346,730	-	-
Accrued liabilities:				
Accrued payroll	2,030,346	1,788,775	-	-
Accrued compensated absences	3,441,351	3,470,901	-	-
Accrued interest	505,895	458,923	-	-
Other liabilities	2,216,313	2,562,789	-	-
<b>Total current liabilities</b>	<b>17,971,882</b>	<b>17,720,252</b>	<b>329,355</b>	<b>110,004</b>
<b>Noncurrent Liabilities - Long-term debt</b>	<b>43,753,287</b>	<b>47,082,555</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>61,725,169</b>	<b>64,802,807</b>	<b>329,355</b>	<b>110,004</b>
<b>Net Position</b>				
Net investment in capital assets	45,975,996	41,591,375	-	-
Restricted expendable	2,921,619	3,362,471	2,230,192	1,459,187
Unrestricted - as restated	20,493,169	23,289,041	933,803	986,737
Restricted nonexpendable	-	-	2,741,752	2,331,842
<b>Total net position</b>	<b>69,390,784</b>	<b>68,242,887</b>	<b>5,905,747</b>	<b>4,777,766</b>
<b>Total liabilities and net position</b>	<b>\$ 131,115,953</b>	<b>\$ 133,045,694</b>	<b>\$ 6,235,102</b>	<b>\$ 4,887,770</b>

# Cincinnati State Technical and Community College

## Statements of Revenue, Expenses, and Changes in Net Position

	Cincinnati State Technical and Community College		Cincinnati State Technical and Community College Foundation	
	Year Ended			
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<b>Operating Revenue</b>				
Student tuition and fees	\$ 44,325,416	\$ 43,269,970	\$ -	\$ -
Less: Scholarship allowance	(16,913,278)	(19,035,627)	-	-
Net student tuition and fees	27,412,138	24,234,343	-	-
Federal grants and contributions	9,431,712	10,485,620	-	-
State grants and contributions	1,009,022	1,357,836	-	-
Private gifts, grants, and contributions	1,083,263	953,611	-	-
Contributions	-	-	2,642,593	996,281
Departmental and other educational activities	1,874,276	1,666,889	-	-
Auxiliary enterprises	3,757,258	3,853,086	-	-
Other operating revenues	2,070,920	1,318,746	506,427	283,288
Total operating revenue	46,638,589	43,870,131	3,149,020	1,279,569
<b>Operating Expenses</b>				
Instruction	33,828,189	34,859,014	1,841,546	566,518
Public service	9,161,890	8,274,914	-	-
Academic support	6,739,128	5,726,017	-	-
Student services	8,656,925	8,449,416	-	-
Scholarships and student aid	800,522	632,149	-	-
Auxiliary enterprises	4,347,955	4,310,854	-	-
Institutional support	21,089,694	19,699,850	-	-
Operation and maintenance	7,176,074	7,541,322	-	-
Depreciation and amortization	4,066,735	3,632,801	-	-
Other expenses	-	-	337,693	152,170
Total operating expenses	95,867,112	93,126,337	2,179,239	718,688
<b>Operating (Loss) Income</b>	(49,228,523)	(49,256,206)	969,781	560,881
<b>Nonoperating Revenue (Expense)</b>				
Federal Pell Grants	15,872,503	17,964,440	-	-
State appropriations	29,594,754	30,169,433	-	-
Investment income - as restated	1,170,378	943,716	158,200	89,629
Interest on capital asset related debt	(1,587,652)	(1,678,778)	-	-
Net nonoperating revenue	45,049,983	47,398,811	158,200	89,629
<b>(Loss) Income - Before other revenue, expenses, gains, and losses</b>	(4,178,540)	(1,857,395)	1,127,981	650,510
<b>Other Revenue, Expenses, Gains, and Losses</b>				
Capital grants and gifts	3,523,882	292,206	-	-
Capital appropriations from state	1,802,555	1,879,008	-	-
Total other revenue, expenses, gains, and losses	5,326,437	2,171,214	-	-
<b>Increase in Net Position</b>	1,147,897	313,819	1,127,981	650,510
<b>Net Position - Beginning of year - As restated</b>	68,242,887	67,929,068	4,777,766	4,127,256
<b>Net Position - End of year - As restated</b>	<b>\$ 69,390,784</b>	<b>\$ 68,242,887</b>	<b>\$ 5,905,747</b>	<b>\$ 4,777,766</b>

# Cincinnati State Technical and Community College

## Statements of Cash Flows

	Year Ended	
	June 30, 2014	June 30, 2013
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 26,598,358	\$ 25,054,465
Federal, state, and local grants and contracts	10,966,344	11,791,717
Payments to suppliers	(23,497,582)	(22,504,546)
Payments to employees	(44,487,452)	(43,545,118)
Payments to utilities	(1,521,995)	(1,413,805)
Payments for benefits	(17,016,839)	(16,188,192)
Payments for scholarships and student financial aid	(800,522)	(632,149)
Auxiliary enterprises revenues	3,757,256	3,853,086
Auxiliary enterprises expenses	(4,347,952)	(4,310,854)
Sales and services of educational activities	1,874,275	1,683,889
Other receipts	3,128,470	1,646,118
Net cash used in operating activities	(45,347,639)	(44,565,389)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	29,594,754	30,157,867
Direct loan receipts and disbursements	15,872,503	17,964,440
Net cash provided by noncapital financing activities	45,467,257	48,122,307
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations from the State	1,802,554	1,879,008
Principal payments on bonds	(1,872,332)	(1,880,184)
Principal payments on capital lease obligations	(904,539)	(606,706)
Proceeds on capital lease receivable	390,385	311,142
Interest payments on bonds and capital lease obligations	(1,540,681)	(1,739,398)
Capital grants and gifts received	-	292,206
Purchase of capital assets	(2,268,169)	(3,676,888)
Proceeds from disposal of capital assets	-	293,160
Net cash used in capital and related financing activities	(4,392,782)	(5,127,660)
<b>Cash Flows from Investing Activities</b>		
Investment income	308,074	321,711
Purchase of investment securities	(6,937,744)	(15,863,339)
Proceeds from sale and maturities of investment securities	11,641,104	15,780,954
Net cash provided by investing activities	5,011,434	239,326
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	738,270	(1,331,416)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,012,059	4,343,475
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,750,329</b>	<b>\$ 3,012,059</b>

# Cincinnati State Technical and Community College

## Statements of Cash Flows (Continued)

	Year Ended	
	June 30, 2014	June 30, 2013
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (49,228,523)	\$ (49,256,206)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,066,735	3,632,801
Provisions for doubtful accounts	1,364,479	1,073,844
Loss on disposal of capital assets	35,569	253,075
Changes in assets and liabilities:		
Receivables	(892,362)	(2,196,777)
Inventories	59,525	(49,204)
Other assets	(311,191)	291,852
Accounts payable and accrued expenses	344,130	403,149
Unearned revenue	(786,001)	1,282,077
Net cash used in operating activities	<u>\$ (45,347,639)</u>	<u>\$ (44,565,389)</u>
<b>Supplemental Disclosure of Noncash Financing Activities -</b>		
Equipment and improvements capitalized under capital leases	<u>\$ 371,826</u>	<u>\$ 4,810,939</u>

# Cincinnati State Technical and Community College

---

## Notes to Financial Statements June 30, 2014 and 2013

### Note 1 - Nature of Business and 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.

GASB Statement No. 61, *The Financial Reporting Entity - Omnibus*, 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 (the "Foundation") is being discretely presented as part of the College reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the College. Furthermore, in accordance with GASB Statement No. 61, the Foundation is reported in separate columns on the College's financial statements to emphasize that they are legally separate from the College. Separate statements for the Foundation may be obtained through the State of Ohio auditor's web site.

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation financial information included in the College's financial report to account for these differences.

The Foundation is an Ohio nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive contributions, which are to be used to support the educational undertakings of the College. The College provides certain administrative and payroll services for the Foundation.

**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).

# Cincinnati State Technical and Community College

---

## Notes to Financial Statements June 30, 2014 and 2013

### Note I - Nature of Business and Significant Accounting Policies (Continued)

In accordance with the 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 Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

**Net investment in capital assets:** The College's investment in capital assets, net of outstanding debt obligations and deferred gain on advance bond refunding related to the acquisition, construction, or improvement of those assets.

**Restricted - Expendable:** Resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**Restricted - Unexpendable:** Resources the College is legally or contractually obligated to retain in perpetuity.

**Unrestricted -** The unrestricted component of net position represents assets, deferred outflows, liabilities, and deferred inflows whose use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board.

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 position, revenues, expenses, changes in net position, 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.

**Investments** - Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.



# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Capital Assets** - Land, land improvements, buildings, equipment, and library books are stated at cost at date of acquisition or, in the case of gifts, fair value at date of donation. 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. The costs of normal maintenance and repairs are not capitalized. Expenditures for construction in progress are capitalized as incurred. 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.

The following estimated useful lives are used to compute depreciation:

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

**Accounts Receivable** - Accounts receivable are stated at net invoice amounts and consist of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivables include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with the agreements. An allowance for bad debts is established on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed uncollectible are charged against bad debt expense in the period that determination is made.

**Unearned Revenues** - Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue relates primarily to summer-term tuition received prior to June 30. The remaining amount included in unearned revenue relates to grant and award monies received in excess of costs incurred as of year end for College programs financed by government agencies and other organizations.

**Deferred Outflows** - Deferred outflows consist of deferred charges arising from the advance refunding of the 2002 bond issue and the difference between the reacquisition price and the net carrying amount of the old debt. The College recorded deferred outflows of \$1,827,102 and \$2,070,222 at June 30, 2014 and 2013, respectively.

# Cincinnati State Technical and Community College

---

## Notes to Financial Statements June 30, 2014 and 2013

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Compensated Absences** - College employees earn vacation and sick leave benefits based, in part, on length of service. Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of the separation (termination, retirement, or death). Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net position, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net position.

**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.

**Grant 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.

**Operating and Nonoperating Revenue and Expenses** - All revenues and expenses from programmatic sources are considered to be operating revenues and expenses. Included in nonoperating revenues and expenses are state appropriations, investment income and gifts, and interest expense.

In addition, 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.

**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.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

# Cincinnati State Technical and Community College

---

## Notes to Financial Statements June 30, 2014 and 2013

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

**Adoption of New Accounting Pronouncements** - In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. In accordance with the statement, the College has reported deferred outflows of resources from the refunding of debt as of June 30, 2014 and 2013.

**Upcoming Accounting Pronouncements** - In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ended June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of the statement are effective for financial statements for the year ended June 30, 2015.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 71 provides clarification to GASB Statement No. 68 requiring governments to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement are effective for financial statements for the year ended June 30, 2015.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

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 percent of the deposit balance.

At June 30, 2014 and 2013, the cash on hand was \$15,720 and \$15,745, the carrying amount of the College's deposits was \$3,734,609 and \$2,996,314, and the depository bank balance was \$6,435,221 and \$5,809,999, respectively. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. Of the \$6,435,221 bank balance at June 30, 2014, \$250,000 was covered by federal depository insurance and \$6,185,221 was collateralized by pledged, pooled securities not in the College's name. Of the \$5,809,999 bank balance at June 30, 2013, \$250,000 was covered by federal depository insurance and \$5,559,999 was collateralized by pledged, pooled securities not in the College's name.

The investment balance in both years includes \$177 in State Treasury Asset Reserve of Ohio (STAR Ohio) funds for which collateral requirements mentioned above do not apply as of June 30, 2014 and 2013. 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.

The College also has an investment management agreement with PNC Bank, as permitted by state statute. The agreement allows (within state limits) investment in both debt and equity instruments.

Investments at June 30, 2014 and 2013 were as follows:

	2014	2013
Bond funds	\$ 14,674,503	\$ 21,452,701
Common stock	3,653,575	2,778,632
Money market funds	2,220,858	146,024
Star Ohio	177	177
Total	<u>\$ 20,549,113</u>	<u>\$ 24,377,534</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

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

As of June 30, 2014 and 2013, the College investment maturities were as follows:

<b>June 30, 2014</b>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 Years</u>
U.S. government obligations	\$ 10,902,520	\$ 1,558,722	\$ 9,343,798
U.S. government agency bonds	3,771,983	1,358,720	2,413,263
Star Ohio funds	177	177	-
Money market funds	2,220,858	2,220,858	-
Total	<u>\$ 16,895,538</u>	<u>\$ 5,138,477</u>	<u>\$ 11,757,061</u>

<b>June 30, 2013</b>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 Years</u>
U.S. government obligations	\$ 14,071,055	\$ 2,862,044	\$ 11,209,011
U.S. government agency bonds	7,381,646	2,522,744	4,858,902
Star Ohio funds	177	177	-
Money market funds	146,024	146,024	-
Total	<u>\$ 21,598,902</u>	<u>\$ 5,530,989</u>	<u>\$ 16,067,913</u>

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy contains provisions to manage credit risk. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of the potential variable cash flows and credit risk.

As of June 30, 2014 and 2013, 10 percent (\$1,750,000) and 17 percent (\$3,622,428) of the College's portfolio is held in various Federal National Mortgage Association Notes, 7 percent (\$1,110,000) and 16 percent (\$3,558,510) is held in various Federal Home Loan Mortgage Corporation Notes, and 0 percent (\$0) and 1 percent (\$200,708) is held in various Federal Home Loan Bank Notes, respectively.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

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

The credit ratings of the College's interest-bearing investments as of June 30, 2014 and 2013 are as follows:

Investment	Fair Value	Quality Ratings AAA (M)	AA+ (S&P)
<b>June 30, 2014</b>			
Bond funds	\$ 14,674,503	\$ 14,674,503	\$ -
Money market funds	2,220,858	2,220,858	-
Star Ohio funds	177	177	-
Total	\$ 16,895,538	\$ 16,895,538	\$ -
<b>June 30, 2013</b>			
Bond funds	\$ 21,452,701	\$ 21,452,701	\$ -
Money market funds	146,024	146,024	-
Star Ohio funds	177	177	-
Total	\$ 21,598,902	\$ 21,598,902	\$ -

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy limits investments, at cost, to no more than 10 percent in any single issue, except the investments of U.S. government securities. As of June 30, 2014 and 2013, there were no single-issuer investments that exceeded 5 percent of total investments.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. At June 30, 2014 and 2013, the College had no exposure to foreign currency risk.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 3 - Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2014, and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Grants	\$ 1,906,498	\$ 2,294,996
State appropriations	11,566	11,566
Tuition and other	12,860,380	12,786,694
Collaboration agreements	634,958	609,241
Leases	1,595,619	1,708,307
Less: allowance for doubtful accounts	<u>(4,134,408)</u>	<u>(3,938,749)</u>
Total accounts receivable	12,874,613	13,472,055
Less: long-term leases receivable	<u>1,137,531</u>	<u>1,317,922</u>
Current accounts receivable	<u>\$ 11,737,082</u>	<u>\$ 12,154,133</u>

The College has entered into a public/private collaboration agreement (the "Agreement") with Higher Education Partners, LLC, (HEP) of New Bedford, Massachusetts to open up a new College location in downtown Middletown, Ohio for fall semester 2012 (opened on August 29, 2012). Initial term of agreement with HEP is twenty (20) years with four (4) five (5) year renewals. The Agreement has been approved by the Ohio Attorney General.

Under this Agreement, HEP will invest up to \$6,000,000 in the Middletown facility in acquisition, construction, and equipment costs. The College will not be responsible for any of these costs but has approval over design, construction, and equipment and the right to purchase the Middletown facility at the end of the initial term for HEP's original acquisition cost.

The Agreement provides for the College to receive collaborative agreement revenue equal to 105 percent of agreed upon expenses for participation in agreed upon revenue (as defined in the Agreement) by HEP and for excess net income to be received by the College after covering 105 percent of HEP expenses and a 15 percent service fee. Therefore, the Agreement is designed to protect the College from loss and provides for the possibility to receive excess income.

During fiscal years 2014 and 2013, certain amounts were advanced to HEP and certain amounts were paid to the College as part of the Agreement. The net advance to HEP at June 30, 2014 and 2013 was \$634,958 and \$609,241, respectively.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 3 - Receivables (Continued)

In addition, HEP has leased certain equipment, improvements, and other assets from the College under a lease agreement. Annual principal and interest payments under these leases are:

<u>Years Ending</u>	<u>Amount</u>
2015	\$ 458,088
2016	469,992
2017	482,277
2018	155,161
2019	<u>30,101</u>
Total	1,595,619
Less current portion	<u>458,088</u>
Leases receivable, noncurrent portion	<u>\$ 1,137,531</u>

### Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 are as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>Balance June 30, 2014</u>
Nondepreciable assets:				
Land	\$ 2,216,369	\$ 104,990	\$ -	\$ 2,321,359
Construction in progress	2,106,990	628,736	(2,735,726)	-
Total nondepreciable assets:	4,323,359	733,726	(2,735,726)	2,321,359
Depreciable assets:				
Land improvements	2,256,078	-	-	2,256,078
Building and improvements	126,489,682	6,605,274	(1,676,079)	131,418,877
Equipment and furniture	6,920,160	1,197,469	(493,548)	7,624,081
Library books and audio visual	1,288,237	50,867	(67,592)	1,271,512
Total depreciable assets	136,954,157	7,853,610	(2,237,219)	142,570,548
Accumulated depreciation:				
Building and improvements	47,171,577	3,635,848	(1,676,079)	49,131,346
Equipment and furniture	5,742,068	364,364	(472,709)	5,633,723
Library books and audio visual	496,247	66,523	(52,863)	509,907
Subtotal	53,409,892	4,066,735	(2,201,651)	55,274,976
Net capital assets being depreciated	83,544,265	3,786,875	(35,568)	87,295,572
Net capital assets	<u>\$ 87,867,624</u>	<u>\$ 4,520,601</u>	<u>\$ (2,771,294)</u>	<u>\$ 89,616,931</u>



# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2012	Additions	Transfers and Disposals	Balance June 30, 2013
Nondepreciable assets:				
Land	\$ 2,604,449	\$ 58,200	\$ (446,280)	\$ 2,216,369
Construction in progress	345,118	3,170,456	(1,408,584)	2,106,990
Total nondepreciable assets:	2,949,567	3,228,656	(1,854,864)	4,323,359
Depreciable assets:				
Land improvements	2,256,078	-	-	2,256,078
Building and improvements	121,984,578	3,111,791	1,393,313	126,489,682
Equipment and furniture	7,112,765	57,385	(249,990)	6,920,160
Library books and audio visual	1,671,951	60,636	(444,350)	1,288,237
Total depreciable assets	133,025,372	3,229,812	698,973	136,954,157
Accumulated depreciation:				
Building and improvements	44,048,809	3,127,285	(4,517)	47,171,577
Equipment and furniture	5,562,836	421,026	(241,794)	5,742,068
Library books and audio visual	775,102	84,490	(363,345)	496,247
Subtotal	50,386,747	3,632,801	(609,656)	53,409,892
Net capital assets being depreciated	82,638,625	(402,989)	1,308,629	83,544,265
Net capital assets	\$ 85,588,192	\$ 2,825,667	\$ (546,235)	\$ 87,867,624

Equipment and improvements recorded under capital leases amounted to \$2,900,698 and \$2,781,580 at June 30, 2014 and 2013, respectively. Accumulated depreciation and amortization related to these assets amounted to \$666,318 and \$251,557 at June 30, 2014 and 2013, respectively.

### Note 5 - Long-term Debt

Long-term debt activity for the years ended June 30, 2014 and 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>June 30, 2014</b>					
General receipts bonds	\$ 44,005,000	\$ -	\$ (1,885,000)	\$ 42,120,000	\$ 2,440,000
Bond premium	1,883,406	-	(207,884)	1,675,522	203,004
Total bonds payable	45,888,406	-	(2,092,884)	43,795,522	2,643,004
Capital lease obligation	4,204,233	371,826	(961,679)	3,614,380	1,013,611
Total	\$ 50,092,639	\$ 371,826	\$ (3,054,563)	\$ 47,409,902	\$ 3,656,615
<b>June 30, 2013</b>					
General receipts bonds	\$ 45,905,000	\$ -	\$ (1,900,000)	\$ 44,005,000	\$ 1,885,000
Bond premium	2,095,929	-	(212,523)	1,883,406	207,884
Total bonds payable	48,000,929	-	(2,112,523)	45,888,406	2,092,884
Capital lease obligation	-	4,810,939	(606,706)	4,204,233	917,200
Total	\$ 48,000,929	\$ 4,810,939	\$ (2,719,229)	\$ 50,092,639	\$ 3,010,084

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 5 - Long-term Debt (Continued)

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

On February 23, 2012, the College issued \$38,775,000 in General Receipts Refunding Bonds, Series 2012 with an average effective interest rate of 3.33 percent and that matured in 2029 to advance refund \$36,815,000 of the outstanding Series 2002 bonds. The net proceeds of \$40,470,000 (after payment of \$440,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these 2002 Series bonds. As a result, these 2002 Series bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position. The Series 2012 bond agreement also includes certain covenants and guidelines related to the College's indebtedness.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,370,000. This difference, reported as a deferred outflow on the statement of net position, is being charged to operations through the year 2029 using the effective-interest method. The balance of the defeased debt in the escrow account at June 30, 2014 is approximately \$37,400,000.

During the year ended June 30, 2013, the College entered into capitalized leases in the amount of \$4,800,000. These leases are for equipment and improvement to the College. A portion of these leases were for equipment leased as part of the Agreement.

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

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,440,000	\$ 1,424,788	\$ 3,864,788
2016	2,230,000	1,313,738	3,543,738
2017	2,455,000	1,215,363	3,670,363
2018	2,510,000	1,170,663	3,680,663
2019	2,590,000	1,105,363	3,695,363
2020-2024	14,095,000	4,268,025	18,363,025
2025-2029	15,800,000	1,488,050	17,288,050
Total	<u>\$ 42,120,000</u>	<u>\$ 11,985,990</u>	<u>\$ 54,105,990</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 5 - Long-term Debt (Continued)

Future minimum lease payments under capital lease obligations are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2015	\$ 1,013,611	\$ 95,481	\$ 1,109,092
2016	1,042,743	66,349	1,109,092
2017	1,072,853	36,309	1,109,162
2018	458,526	9,088	467,614
2019	26,647	517	27,164

### 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, 2013 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

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 6 - Employee Benefit Plans (Continued)

SERS and STRS plan members are required to contribute 10 percent of their annual salary. The College is currently required to contribute 14 percent 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, 2014, 2013, and 2012, were as follows:

Year	Contribution	
	SERS	STRS
2014	\$ 2,239,577	\$ 3,635,758
2013	1,877,857	3,647,697
2012	2,052,156	3,962,852

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 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. The College contributed \$217,228 and \$164,094 to the Alternative Retirement Plan for the years ended June 30, 2014 and 2013, respectively.

### 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 postretirement 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 10 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 percent for those who apply.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 7 - Other Postemployment Benefits (Continued)

The Health Care Fund was established under and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2014, 2013 and 2012, the health care allocation is 0.14 percent, 0.16 percent, and 0.55 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$22,396, \$21,461, and \$80,620, respectively.

STRS: STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the retirement board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

The ORC 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 percent of covered payroll.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of the covered payroll was allocated to postemployment health care for 2014, 2013 and 2012. The portion of the College's 2014, 2013, and 2012 contributions to STRS Ohio used to fund post-employment benefits was \$259,697, \$260,550, and \$283,601, respectively.

### Note 8 - Compensated Balances

All full-time non-union and union (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.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 8 - Compensated Balances (Continued)

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 Statement No. 16, *Accounting for Compensated Absences*.

At June 30, 2014 and 2013, the liability for personal and/or sick leave was approximately \$1,660,000 and \$1,852,000, respectively. Contract employees earn 20 days of vacation leave each year. Non-contract employees earn 10 days of 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, 2014 and 2013, the liability for vacation was approximately \$1,781,000 and \$1,619,000, respectively.

### Note 9 - Grants and Contract

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

**Operating Leases** - The College leases various equipment and facilities under operating leases. Rental expenditures relating to operating lease agreements were approximately \$1,600,000 and \$1,633,000 for the years ended June 30, 2014 and 2013, respectively. The approximate future minimum payments under operating leases at June 30, 2014 are due as follows:

Years Ending June 30	Amount
2015	\$ 609,000
2016	385,000
2017	22,000
Total	<u>\$ 1,016,000</u>

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 11 - Auxiliary Enterprises

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2014 and 2013 consist of the following:

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenues	\$ 1,213,961	\$ 1,266,054	\$ 280,857	\$ 255,981	\$ 686,553	\$ 53,852	\$ 3,757,258
Expenses	1,227,892	1,330,442	268,077	439,786	1,060,992	20,766	4,347,955
Excess (deficiency) of revenues over expenses	<u>\$ (13,931)</u>	<u>\$ (64,388)</u>	<u>\$ 12,780</u>	<u>\$ (183,805)</u>	<u>\$ (374,439)</u>	<u>\$ 33,086</u>	<u>\$ (590,697)</u>

	Parking	Food Services	Airport	Childcare Center	MCI	CIT Studios	Total
Revenues	\$ 1,202,299	\$ 1,354,401	\$ 268,436	\$ 274,848	\$ 723,537	\$ 29,565	\$ 3,853,086
Expenses	995,656	1,388,831	260,070	436,778	1,216,083	13,436	4,310,854
Excess (deficiency) of revenues over expenses	<u>\$ 206,643</u>	<u>\$ (34,430)</u>	<u>\$ 8,366</u>	<u>\$ (161,930)</u>	<u>\$ (492,546)</u>	<u>\$ 16,129</u>	<u>\$ (457,768)</u>

### Note 12 - Restricted Net Position

The balances in restricted net position are expendable for use in the following:

	2014	2013
Student loans	\$ 30,527	\$ 30,527
Debt service facility fee	2,891,092	3,331,944
Total restricted expendable net position	<u>\$ 2,921,619</u>	<u>\$ 3,362,471</u>

### 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 named a party to a number of lawsuits in the normal course of business. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the College's financial position or results of operations.

# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 15 - Component Unit

The College is the sole beneficiary of the Cincinnati State Technical and Community College Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational activities. Amounts received by the College from the Foundation in the form of private gifts, grants, and contracts amounted to \$793,998 and \$646,042 for the years ended June 30, 2014 and 2013, respectively.

The following is a summary of Foundation investments at June 30:

	<u>2014</u>	<u>2013</u>
Money market	\$ 365,250	\$ 247,679
Mutual funds - Equities	3,537,457	2,875,029
Mutual funds - Fixed income	989,478	1,021,333
Real estate investments	31,283	-
Other investments	147,453	-
Total assets	<u>\$ 5,070,921</u>	<u>\$ 4,144,041</u>

Details of the Foundation's restricted net assets at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
<b>Temporarily Restricted</b>		
Pledges receivable	\$ 128,179	\$ 201,037
Special purpose funds	1,595,421	936,299
Income on endowments	506,592	321,851
Total temporarily restricted	<u>\$ 2,230,192</u>	<u>\$ 1,459,187</u>
<b>Permanently Restricted</b>		
Endowment funds	<u>\$ 2,741,752</u>	<u>\$ 2,331,842</u>



# Cincinnati State Technical and Community College

## Notes to Financial Statements June 30, 2014 and 2013

### Note 16 - Reporting Change (Prior period adjustments)

The financial statements for the year ended June 30, 2013 have been restated in order to record the impact for the College's investment in common stock that was discovered in September 2014 that was not previously recorded.

The effect of this correction was to increase total assets and net position by \$2,778,632 at June 30, 2013.

The effect of this change is as follows:

	June 30, 2013 - As Previously Reported	Adjustment for Common Stock	June 30, 2013 - As Restated
Investments	\$ 21,598,902	\$ 2,778,632	\$ 24,377,534
Unrestricted net position	20,510,409	2,778,632	23,289,041
Investment income	330,882	612,834	943,716

## **Supplemental Information**

---

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*

Independent Auditor's Report

To Management and the Board of Trustees  
Cincinnati State Technical and Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cincinnati State Technical and Community College (the "College") and its discretely presented component unit (the "College") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated October 24, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

To Management and the Board of Trustees  
Cincinnati State Technical and Community College

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cincinnati State Technical and Community College's financial statements are free from 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*.

### **Cincinnati State Technical and Community College's Response to Finding**

Cincinnati State Technical and Community College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cincinnati State Technical and Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Plante & Moran, PLLC*

October 24, 2014

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance  
Independent Auditor's Report

To the Board of Trustees  
Cincinnati State Technical and Community College

**Report on Compliance for Each Major Federal Program**

We have audited Cincinnati State Technical and Community College's (the "College") compliance 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, 2014. Cincinnati State Technical and Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cincinnati State Technical and Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cincinnati State Technical and Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cincinnati State Technical and Community College's compliance.

To the Board of Trustees  
Cincinnati State Technical and Community College

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Plante & Moran, PLLC*

October 24, 2014

# Cincinnati State Technical and Community College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grant/Program Title	Federal CFDA	Pass-Through Identifying Number	Federal Expenditures
<b>CLUSTERS:</b>			
<b>STUDENT FINANCIAL AID CLUSTER</b>			
<b>Department of Education</b>			
Federal Supplemental Educational Opportunity	84.007		\$ 674,813
Federal Work-Study Program	84.033		296,169
Federal Pell Grant Program	84.063		15,872,503
Federal Direct Student Loans	84.268		<u>36,527,581</u>
<b>Total Student Financial Aid Cluster</b>			<b>53,371,066</b>
<b>TRIO CLUSTER</b>			
TRIO Student Support Services	84.042A		270,619
TRIO Upward Bound Traditional	84.047A		246,532
TRIO Educational Opportunity Centers	84.066		210,433
TRIO Upward Bound Veterans	84.047V		<u>262,654</u>
<b>Total TRIO Cluster</b>			<b>990,238</b>
<b>WIA CLUSTER</b>			
<b>Department of Labor</b>			
Passed through Hamilton County Jobs and Family Services WIA Youth Services - Foster Care	17.259		<b>71,241</b>
<b>TANF CLUSTER</b>			
<b>Department of Health and Human Services</b>			
Passed through Hamilton County Jobs and Family Services TANF Connect the Dots	93.558		<b>26,782</b>
<b>OTHER PROGRAMS:</b>			
<b>DEPARTMENT OF LABOR</b>			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275		240,601
ARRA - Passed through Edison Biotechnology Center d/b/a BioOhio Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275		<u>1,560</u>
			242,161
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282		<u>6,692,850</u>
<b>Total Department of Labor</b>			<b>6,935,011</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Airport Improvement Program	20.106		<b>8,311</b>
<b>DEPARTMENT OF ENERGY</b>			
ARRA - Passed through the Great Cincinnati Energy Alliance Energy Efficiency and Conservation Block Grant Program	81.128		<b>5,688</b>
<b>DEPARTMENT OF EDUCATION</b>			
Career and Technical Education - Basic Grants to States	84.048		293,353
Passed through University of Cincinnati - Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	P000-030-J617	<u>151,907</u>
<b>Total Department of Education</b>			<b>445,260</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Chafee Education and Training Vouchers Program (ETV) Education Training Voucher Program Foster Care	93.599		<b>9,791</b>

# Cincinnati State Technical and Community College

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

Federal Grant/Program Title	Federal CFDA	Pass-Through Identifying Number	Federal Expenditures
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT</b>			
Community Development Block Grant	14.218		\$ 2,588
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed through the Greater Cincinnati Workforce Network Social Innovation Fund HCCGCWN	94.019		203
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through the University of Central Florida University of Central Florida NSF	47.076		1,626
<b>Total Federal Awards</b>			<b>\$ 61,867,805</b>



# Cincinnati State Technical and Community College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

### Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cincinnati State Technical and Community College (the "College") under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Cincinnati State Technical and Community College, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of Cincinnati State Technical and Community College. Pass-through entity identifying numbers are presented where available.

### Note 2 - Loans

The College participates in the Federal Direct Student Loans Program (CFDA 84.268) (including Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2014:

Cluster/Program Title	CFDA Number	Amount Outstanding
Direct Unsubsidized Loans	84.268	\$ 20,726,723
Direct Subsidized Loans	84.268	15,571,457
PLUS Loans	84.268	229,401
	Total	<u>\$ 36,527,581</u>

### Note 3 - Subrecipient Awards

The College passes through to not-for-profit providers (subrecipients) certain federal assistance received by the College directly from the federal awarding agency or from a pass-through entity. Under the Trade Agreement Adjustment Community College and Career Training (TAACCCT) Grants, the College has been identified as the lead institution in a consortium of co-grantees. The College has the overall fiscal and administrative responsibility for the grant and those funds identified have been passed through to co-grantees.

# Cincinnati State Technical and Community College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

### Note 3 - Subrecipient Awards (Continued)

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	\$ 240,601
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	<u>3,643,513</u>
	Total	<u>\$ 3,884,114</u>

# Cincinnati State Technical and Community College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2014

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.042A, 84.047A, 84.066, 84.047V	TRIO Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

# Cincinnati State Technical and Community College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p><b>Finding Type</b> - Material Weakness</p> <p><b>Criteria</b> - Investments in equity securities need to be reported at fair value in the period received and subsequent periods in which the College holds the investment.</p> <p><b>Condition</b> - The College did not record the value of common stock issued and received in December 2001 until it was discovered by the College in September 2014.</p> <p><b>Context</b> - The College received 16,976 common shares in December 2001 (which later doubled to 33,952 shares after the stock split in May 2005). The fair value of the shares was \$3,653,574 and \$2,778,632 at June 30, 2014 and 2013, respectively.</p> <p><b>Cause</b> - The investment account was originally set up in the name of a former President of the College. The College has no record of ever receiving the investment statements or shareholder notices that were mailed on an annual basis. Stock dividends were also issued to the College beginning in March 2011. The College discovered the investment when a dividend check from September 2014 was received and opened by the mailroom manager.</p> <p><b>Effect</b> - The College has understated their investment balance and overall net position in prior periods as a result of not discovering this investment until September 2014. The financial statements for the year ended June 30, 2013 have been restated in order to record the impact for the College's investment in common stock.</p> <p><b>Recommendation</b> - Going forward, we recommend the College reconcile the common stock investment on a monthly basis and ensure dividend checks are being received and tracked and recorded in the general ledger.</p>

# Cincinnati State Technical and Community College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - At the Board of Trustees meeting on October 28, 2014, the Board will plan to vote to direct the Vice President for Finance and Treasurer to sell the 33,952 shares of WellPoint, Inc. stock at the appropriate market time and to deposit the proceeds into the College's investment portfolio managed by PNC Capital Advisors. The College's investment committee would meet with its investment managers and determine the appropriate investments for the stock proceeds.</p>

This was a highly unusual situation for the College's ownership of this stock to go undetected for this long a period of time. We have taken the appropriate steps to ensure that any mail addressed to a former official of the College is separated from regular mail and then directed to the appropriate department and a record maintained as to its disposition. We are also reviewing all of our internal controls relating to deposit and receipt of funds. We appreciate Plante & Moran, PLLC working closely with the College to record this on the financial statements at the close of the audit period.

### Section III - Federal Program Audit Findings

None

**This page intentionally left blank.**



# Dave Yost • 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 4, 2014**