

**CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE**

**REPORT ON AUDIT OF INSTITUTION
OF HIGHER EDUCATION
IN ACCORDANCE WITH OMB CIRCULAR A-133
June 30, 2009**



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Cincinnati State and Technical Community College, Hamilton County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. 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 and Technical Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2009

This Page is Intentionally Left Blank.

CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE

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

June 30, 2009

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	16
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS.....	17
STATEMENTS OF CASH FLOWS.....	18
NOTES TO FINANCIAL STATEMENTS.....	19
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	33
NOTES TO EXPENDITURES OF FEDERAL AWARDS.....	35
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.....	36
REPORT OF INDEPENDENT AUDITORS COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	40

This Page is Intentionally Left Blank.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities of Cincinnati State Technical and Community College (the “College”), a component unit of the State of Ohio, as of and for the year ended June 30, 2009 and 2008, which comprise the College’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009, on our consideration of the College’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

(Continued)

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

The Management's Discussion and Analysis (MD&A) on pages 3 to 15 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 13, 2009

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

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, 2009, with selected comparative information for the years ended June 30, 2008 and 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto which follow this section.

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

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

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

USING THE FINANCIAL STATEMENTS

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

USING THE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash, cash equivalents and investments	\$ 22,227	\$ 19,562	\$ 15,376
Accounts receivable, net	9,480	6,901	6,350
Other assets	971	1,096	1,338
Capital assets, net	<u>88,833</u>	<u>90,272</u>	<u>92,410</u>
Total assets	<u>121,511</u>	<u>117,831</u>	<u>115,474</u>
LIABILITIES			
Accounts payable and accrued expenses	8,904	7,772	7,092
Deferred revenue	4,450	3,092	2,843
Debt	<u>47,825</u>	<u>48,596</u>	<u>48,933</u>
Total liabilities	<u>61,179</u>	<u>59,460</u>	<u>58,868</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,364	42,586	44,588
Restricted	1,695	1,363	446
Unrestricted	<u>17,273</u>	<u>14,422</u>	<u>11,572</u>
Total net assets	<u>\$ 60,332</u>	<u>\$ 58,371</u>	<u>\$ 56,606</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

Assets

Cash and investments make up 18.3%, 16.6% and 13.3% of total assets at June 30, 2009, 2008 and 2007, respectively. This continues the trend that began in 2006 that shows improved operating results increasing the College's cash and investments. Cash includes bank deposits, overnight sweep investments and investments in the State Treasury Asset Reserve of Ohio ("STAR Ohio") and other bank certificates of deposit.

Accounts receivable make up 7.8%, 5.9% and 5.5% of the total assets at June 30, 2009, 2008 and 2007, respectively. The increase in accounts receivable is attributable primarily to more timely billing and collections of grants and contracts. Accounts receivable include (*in thousands*):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Grants	\$ 1,265	\$ 781	\$ 1,195
State appropriations	139	237	1
Student and other operating receivables	10,336	8,025	7,741
Allowance for doubtful accounts	<u>(2,260)</u>	<u>(2,142)</u>	<u>(2,587)</u>
	<u>\$ 9,480</u>	<u>\$ 6,901</u>	<u>\$ 6,350</u>

Capital assets, net of depreciation, make up 73.1%, 76.6% and 80.0% of the total assets at June 30, 2009, 2008 and 2007, respectively. The decrease in the capital assets percentage is due primarily to depreciation in 2009 and 2008 exceeding capital additions and the increase in cash and investments noted above. Other assets include prepaid expenses and cafeteria inventory.

Liabilities

Liabilities of \$8.9 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies and utilities and \$4.5 million of deferred revenue for summer-term classes, which is recognized in fiscal year 2009 when the majority of the term occurs.

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

Net Assets

Invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities and debt attributable to the acquisition or construction of those assets. This is the largest net asset category totaling 68.6%, 73.0% and 78.8% of total net assets at June 30, 2009, 2008 and 2007, respectively. Restricted net assets are subject to externally imposed stipulations that they be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net assets are expendable. Unrestricted net assets are not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net assets are allocated for academic and capital programs and initiatives.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES			
Tuition and fees, net	\$ 22,576	\$ 22,416	\$ 21,945
Grants and contracts	16,368	14,231	12,897
Sales and services	2,356	2,409	2,082
Auxiliary services	3,778	3,126	2,786
Other operating and nonoperating revenue and gifts	1,668	1,588	1,573
State instructional appropriations	28,810	27,427	26,051
State capital appropriations	<u>3,176</u>	<u>2,532</u>	<u>2,156</u>
Total revenues	<u>78,732</u>	<u>73,729</u>	<u>69,490</u>
EXPENSES			
Instruction	29,090	27,412	25,893
Public support	2,467	2,123	1,708
Academic support	4,449	4,340	4,066
Student services	7,380	6,665	5,884
Institutional support	15,814	14,998	12,692
Operations and maintenance of plant	6,829	6,626	6,456
Depreciation	3,365	3,308	3,590
Scholarships	1,714	1,524	1,226
Auxiliary services	3,340	2,630	2,369
Interest on capital asset related debt	<u>2,323</u>	<u>2,338</u>	<u>2,412</u>
Total expenses	<u>76,771</u>	<u>71,964</u>	<u>66,296</u>
Increase in net assets	1,961	1,765	3,194
Net assets, beginning of year	<u>58,371</u>	<u>56,606</u>	<u>53,412</u>
Net assets, end of year	<u>\$ 60,332</u>	<u>\$ 58,371</u>	<u>\$ 56,606</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

Revenues

State appropriations comprising state instructional subsidy and access challenge funding increased by \$1.4 million, or 5.0%, compared to fiscal year 2008.

State capital appropriations increased by \$644,000 in fiscal year 2009. The amount of capital appropriations used varies from year to year depending on the number of projects undertaken and completion of the projects during each year.

Student tuition and fees are reported net of scholarship allowance. Instructional revenues for fiscal year 2009 increased by \$1.6 million, or 5.1%, over fiscal year 2008. Financial aid in the form of grants and scholarships increased by \$1.5 million, or 14.8%, in 2009. Both increases are due primarily to an increase in enrollment. The effect of netting the scholarship allowances against the instructional revenues resulted in a net increase in tuition and fees of \$160,000 or 0.7%.

Sales and services revenue consists primarily of workforce development job skills training. For-credit training generated an increase in workforce development revenues of \$158,000. Non-credit revenues through the College's community outreach program decreased approximately \$166,000. Overall, sales and services revenues decreased by \$53,000 or -2.2%.

Auxiliary services revenues consist of parking, cafeteria, childcare center, airport rental fees and fuel sales, sales of the Midwest Culinary Institute (MCI) and audio/visual services. Parking revenues and cafeteria sales represent approximately 61.2% of the fiscal year 2009 total auxiliary services revenues of \$3.8 million. The total increase in auxiliary service revenues of \$652,000 or 20.9%, over fiscal year 2009 comprises an increase in parking revenues of \$119,000 or 10.1%. In addition, in fiscal year 2009 the MCI restaurant expanded operations, which generated an increase of revenue of \$512,000 or 128.7%.

Expenses

Expenses for fiscal year 2009 increased by \$4.8 million, or 6.7%, over fiscal year 2008. The change derives primarily from the following five functional categories of expense.

Instructional expenses increased by \$1.7 million or 6.1%. Increased spending for adjunct instructors, instructional overload and special units arises from vacant positions.

Public support is made up largely of workforce development programs. Expenses increased by \$344,000, or 16.2%, primarily as a result of an increase in workforce development programmatic activities.

Student services increased by \$715,000 or 10.7%, due to an increase in new grants and contracts.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

Institutional support expenses increased by \$816,000 or 5.4%. Reasons for the increase include filling vacant positions, increased use in advertising and promotions and increased use of contracted services.

The major portion of the increase in auxiliary services expenses of \$710,000 or 27.0% was a result of increase operations of the Summit restaurant in the MCI.

STATEMENT OF CASH FLOWS

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net cash from operating activities	\$ (32,310)	\$ (28,858)	\$ (25,866)
Net cash flows provided by non-capital financing activities	36,267	33,739	32,224
Net cash flows from capital and related financing activities	(1,749)	(1,411)	(2,710)
Net cash flows provided by investing activities	<u>457</u>	<u>716</u>	<u>701</u>
Net increase in cash and cash equivalents	2,665	4,186	4,349
Cash and cash equivalents, beginning of year	<u>19,562</u>	<u>15,376</u>	<u>11,027</u>
Cash and cash equivalents, end of year	<u>\$ 22,227</u>	<u>\$ 19,562</u>	<u>\$ 15,376</u>

The \$2.7 million increase in net cash flows results from increases in federal, state and local grants and state instructional subsidy funding increases.

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.

State appropriations and certain grants are the primary sources of non-capital financing activities. GASB Statement 35 requires that we reflect these sources of revenue as non-operating even though the College's budget depends on this to continue the current levels of operations. Had these resources been reported as operating revenue, the net cash used in operating activities would have been a surplus of \$4.0 million in 2009, \$4.9 million in 2008, and of \$6.4 million in 2007.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$88.8 and \$90.3 million at June 30, 2009 and 2008, a decrease of \$1.5 and \$2.2 million, respectively. Changes in capital assets during fiscal year 2009 and 2008, included (*in millions*):

	Balance, June 30, <u>2007</u>	Net Additions/ <u>Reductions</u>	Balance, June 30, <u>2008</u>	Net Additions/ <u>Reductions</u>	Balance, June 30, <u>2009</u>
Land	\$ 2.6	\$ 0.0	\$ 2.6	\$ 0.0	\$ 2.6
Land improvements	2.3	0.0	2.3	0.0	2.3
Buildings and improvements	114.7	0.7	115.4	1.3	116.7
Equipment and furniture	9.6	(1.0)	8.6	(0.1)	8.5
Library books and audio visual	1.4	0.1	1.5	0.0	1.5
Accumulated depreciation	<u>(38.2)</u>	<u>(1.9)</u>	<u>(40.1)</u>	<u>(2.7)</u>	<u>(42.8)</u>
Capital assets, net	<u>\$ 92.4</u>	<u>\$ (2.1)</u>	<u>\$ 90.3</u>	<u>\$ (1.5)</u>	<u>\$ 88.8</u>

Debt

At June 30, 2009 and 2008, bonds payable, including the bond premium, amounting to \$47.8 and \$48.4 million consisted of the General Receipts Bonds, Series 2002, for the ATLC and parking garage. Capital lease obligations of \$34,000 and \$171,000 consist of communication infrastructure.

Debt decreased by \$771,000, resulting from the annual principal payment and the annual amortization of the \$1.1 million bond premium on the General Receipts Bonds and the annual lease payment on the capital lease.

ECONOMIC IMPACT ON FUTURE OPERATIONS

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

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

Strategic Planning

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

The College's six long-term strategies provide the foundation for meeting the twenty-nine short-term objectives that will, in turn, advance the College's mission. Key performance indicators are used to monitor progress on an annual basis and are analyzed to identify opportunities for improvement. The President's Quality Council has intensified its marketing of *Transition 2012* to engage employees via horizontal and vertical communication strategies that implore a higher level of individual and unit accountability.

Transition 2012 outlines various institutional priorities relative to acute fiscal management, including increased enrollment and retention, accessible academic programming/career training and enhanced student-centered services. Other priorities will reduce the duplication and waste of resources while leveraging opportunities for internal collaboration, external partnerships, revenue generation, fund procurement and cost efficiencies. At the forefront of long-term cost savings is preventive maintenance of facilities in order to curtail the higher costs associated with deferred maintenance.

Academics

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

Program development is based on a study of Ohio labor trends and the growth of new technologies. The Biotechnology program received Ohio Board of Regents approval in 2008. In the Fall 2009 we will welcome the first group of students to that program. Other new programs are part of a strategic effort to lead Southwest Ohio in green industry expansion; this includes a Sustainable Design certificate.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

An Ohio Department of Development Third Frontier Wright Projects Grant is funding the restart of a laser-optics major and equipping a new lab to meet external demands. Program enhancements based on the most recent Program Review process include establishing a computer programming track with core courses across three programs, a cost effective model that will also benefit students. An intensive external review of Nursing, one of the College's largest programs, was completed and incorporation of the suggested curriculum improvements is planned over a two-year period. The quality of the academic programs continues to be affirmed through successful professional reviews, licensure exam results, and competitive events.

Expanded use of technology to increase our accessibility and student learning has also been implemented. Additional online courses are available and several fully online certificates will be offered in 2009-10. The academic divisions have implemented use of the Turning Point Classroom Response System to enhance teaching and student engagement. A comparative study of learning systems confirmed that Blackboard is the best course delivery system for Cincinnati State and an upgrade to Blackboard Release 9 is being reviewed.

Several new partnerships in 2009 were forged to meet our goal of preparing more high school students for college and to enhance student transfer to four-year institutions. This includes dual enrollment options with Milford, Northwest, and LaSalle high schools. An OBR supported Emerging Technologies and Foreign Language Academy allowed us to offer a full term of college credit to 44 high school seniors over the summer. We established a Cincinnati State Practical Nursing Certificate in partnership with Great Oaks which has become a state model in career-technical school and community college collaboration. Participation in the planning of a STEM (Science, Technology, Engineering and Math) high school is another example of efforts to provide pathways for success in our community. New partnerships to support transfer and completion of 4-year degrees involve Central State University, Wilmington College, Miami University, Northern Kentucky University, and Lindsey Wilson College. Unique partnerships to expand the reach and quality of what we do ranged from coursework with the US Green Building Council ("USGBC"), hosting the iSpace Robotics Competition, and a grant-funded Hamilton County Jobs and Family Services Child Care Provider program.

Process improvements are important to the academic life of our students. Over the year these improvements have included initiating a structured Professional Development program for new adjunct faculty to enhance the quality of their teaching. An official College "Common Time" now provides an additional opportunity to build relationships, celebrate successes, train individuals, and coordinate work across the College. Several academic policies and procedures were enhanced such as our Incomplete Grading Policy and procedures for cooperative education placement data collection.

(Continued)

Workforce Development

The Workforce Development Center ("WDC") in Evendale, Ohio, has become one of the premier regional providers of leading-edge credit and non-credit training and education services. During 2009 nearly 7,000 students attended classes, courses and programs ranging from "green" certificates in photo voltaic installations to open-enrollment culinary training classes linked to the College's outstanding Midwest Culinary Institute. More than sixty organizations chose the Center to provide training and consulting services including private sector, public, not-for-profit and educational organizations.

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

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

Quality Management

The College is an active member of the Continuous Quality Improvement Network ("CQIN"), a consortium of colleges, universities, and non-profit and corporate organizations focused on performance excellence in higher education. CQIN members are committed to using the Malcolm Baldrige quality standards as a framework for the improvement in their organizations. Several of our members have been recognized at the state and national level for their strategic planning for quality and quality improvement programs. In May, 2008 institutional reaccreditation until 2014-15 was affirmed by the Higher Learning Commission, a member of the North Central Association of Colleges and Schools. This was based on our successful participation in the Academic Quality Improvement Program ("AQIP") which also follows Malcolm Baldrige principles.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

Enrollment and Retention

Enrollment for the 2009 spring term was up 9% in student headcount and up 14% in credit hours and summer term was up dramatically from the 2008 numbers with a 31% increase in student headcount and 46% in credit hours. Preliminary early fall 2009 term enrollment is up 29% in student headcount and 34% in credit hours. An analysis of enrollment indicates that the increase can be largely attributed to the weak economy and College's efforts in reaching out to those in the community who are looking to improve their skills. Our Office of Admission responded to the economic unemployment crisis by developing adult learner programs featuring educational and financing opportunities and partnered with a local television station as lead educational partner in hosting the *No Job, What Now* program.

The College continues to take measures to improve enrollment and retention by improving academic support to impact student persistence to graduation. The Advising and Counseling Center has been open for over a year and results from student assessments demonstrate that students are very pleased with the services the Center provides. The Center provides an environment of access, connection, and direction for students in which developmental and intrusive advising and counseling methods are used to assist and retain students. In May of 2009, the Center started a mandatory group-advising pilot for new Business Technology students. Initial feedback from the pilot is very positive. These Surge Advising Sessions are two hours in length and give first-time college students the information they need to succeed and the sessions also allow students to interact and get to know their advisors.

The College Retention Task Force was created in March of 2009 with the ultimate goal of creating a retention strategic plan for the College to increase student retention. The Retention Taskforce is composed of faculty, administrators, and students. The Taskforce is currently conducting an audit of all current retention initiatives and interviewing the College retention champions who lead these initiatives.

Master Plan

The College Master Plan Academic and Facilities Master Plans determine a logical structure for ordered growth and change so that the College makes best use of its resources.

These Master Plans are in alignment with the vision, mission and values of the College as reflected in the strategic plan. Additionally, the Plan provides information that will be essential in the strategic planning process for development of Transition 2012.

This past year the College completed an additional facilities life-cycle study of our newest facilities and all furnishing for the entire campus community. The College is anticipating embarking on an exterior analysis to include parking facilities, hardscapes, and underground utilities which completes a true comprehensive analysis that can support strategies for developing plans to manage facilities maintenance throughout the ten-year master plan and beyond.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

The College has successfully launched the first Facilities Information System for higher educational institutions which provides infrastructural data instantaneously to any user from any location. This technology not only provides an extremely efficient tool for operational management, it also serves as an effective tool for safety and security.

Energy Management

A comprehensive energy plan was developed for the College. This plan identifies existing energy assessments as well as proposed energy initiatives for all levels of campus life which support energy sustainability and strategies for accomplishments.

The energy performance project has been completed. The energy savings has begun being monitored officially May 1, 2009 with anticipation that the energy savings will exceed the required 13% established by the project agreement. The College also received significant rebates from our energy provider for successful completion of initiatives that comply with industry-accepted energy-saving practices.

An inventory assessment has been completed for the President's Climate Agreement and the College is developing a campus-wide strategy to reduce its carbon footprint. Several of the initiatives will have a positive impact on energy reduction such as implementing renewable energy initiatives for both sustainability and educational training.

Final plans for replacing electrical infrastructure that has exceeded its life expectancy are being completed. The energy provider is building and funding the initial installation allowing the College to avoid additional debt. The provider will also maintain the equipment and the College will pay monthly usage fees until such time that the equipment is purchased from the provider at fair market value. Construction will begin Fall 2009.

A recycling initiative was successfully implemented throughout the campus community to support green sustainability. The College received a grant to fund the program.

Natural gas futures through 2011 have been purchased to control escalating costs.

Information Technology

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2009

Currently, the College is researching options for outsourcing email to Google or Microsoft. Partnerships with IT vendors are being sought to implement virtual desktop infrastructure ("VDI") and thin client. In theory, these products will provide students with the ability to log into any computer on campus and access all the software needed for their classes. Since thin client computers have no moving parts, they cost less, last up to three times longer and consume less power than traditional personal computers resulting in significant cost and energy savings. The College is also implementing a comprehensive plan to refresh IT equipment on a regular basis.

Fund Raising

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

Summary

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

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,215,666	\$ 19,553,495
Accounts receivable, net	9,479,588	6,901,255
Inventories	47,926	44,463
Prepaid and other assets	<u>545,586</u>	<u>630,842</u>
Total current assets	<u>32,288,766</u>	<u>27,130,055</u>
Noncurrent assets		
Cash and cash equivalents	11,492	8,470
Notes receivable, net	21,929	33,806
Other assets	356,408	386,854
Capital assets, net	<u>88,832,542</u>	<u>90,271,862</u>
Total noncurrent assets	<u>89,222,371</u>	<u>90,700,992</u>
 Total assets	 <u>121,511,137</u>	 <u>117,831,047</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,153,915	1,573,556
Accrued liabilities		
Wages	738,686	594,791
Compensated absences	4,461,658	4,185,933
Other	901,644	762,772
Interest	648,862	654,263
Deferred revenue	4,449,555	3,092,675
Current portion of long-term debt	<u>713,121</u>	<u>771,199</u>
Total current liabilities	14,067,441	11,635,189
Long-term debt	<u>47,111,768</u>	<u>47,824,889</u>
Total liabilities	<u>61,179,209</u>	<u>59,460,078</u>
NET ASSETS		
Invested in capital assets, net of related debt	41,364,062	42,586,050
Restricted expendable	1,694,700	1,363,121
Unrestricted	<u>17,273,166</u>	<u>14,421,798</u>
 Total net assets	 <u>\$ 60,331,928</u>	 <u>\$ 58,370,969</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarships and student financial aid of \$11,508,258, \$10,024,566 in 2009 and 2008, respectively	\$ 22,576,422	\$ 22,415,555
Federal grants and contracts	3,015,163	2,598,089
State and local grants and contracts	4,603,715	4,204,532
Nongovernmental grants and contracts	1,292,398	1,115,937
Sales and services of educational departments	2,355,775	2,408,803
Auxiliary enterprises	3,777,652	3,125,764
Other operating revenues	<u>1,073,544</u>	<u>871,974</u>
Total operating revenues	<u>38,694,669</u>	<u>36,740,654</u>
EXPENSES		
Operating expenses		
Instructional	29,090,473	27,411,916
Public support	2,466,829	2,123,462
Academic support	4,448,847	4,340,013
Student services	7,379,890	6,664,641
Institutional support	15,814,484	14,998,098
Plant operation and maintenance	6,829,329	6,626,185
Scholarships and student financial aid	1,714,283	1,524,397
Auxiliary enterprises	3,339,970	2,630,436
Depreciation	<u>3,365,646</u>	<u>3,307,619</u>
Total operating expenses	<u>74,449,751</u>	<u>69,626,767</u>
Operating loss	(35,755,082)	(32,886,113)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	28,810,233	27,427,217
Federal grants and contracts - non-exchange	7,457,288	6,312,193
Interest on capital asset related debt	(2,323,120)	(2,337,783)
Investment income, net of investment expense	<u>457,359</u>	<u>715,608</u>
Net non-operating revenues	<u>34,401,760</u>	<u>32,117,235</u>
Increase (decrease) before other revenues, expenses, gains or losses	(1,353,322)	(768,878)
Capital appropriations from the state	3,176,259	2,532,060
Capital grants and gifts	<u>138,022</u>	<u>1,995</u>
Increase in net assets	1,960,959	1,765,177
Net assets:		
Net assets, beginning of year	<u>58,370,969</u>	<u>56,605,792</u>
Net assets, end of year	<u>\$ 60,331,928</u>	<u>\$ 58,370,969</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Tuition and fees	\$ 21,255,046	\$ 22,123,009
Federal, state and local grants and contracts	7,730,679	6,796,891
Payments to suppliers	(14,741,786)	(12,977,841)
Payments to utilities	(2,056,469)	(2,053,159)
Payments to employees	(35,503,118)	(33,509,965)
Payments for benefits	(12,439,822)	(12,604,629)
Payments for scholarships and student financial aid	(1,714,283)	(1,524,397)
Auxiliary enterprise revenues	437,682	495,328
Sales and services of educational activities	2,355,775	2,408,803
Other receipts	<u>2,365,944</u>	<u>1,987,912</u>
Net cash from operating activities	<u>(32,310,352)</u>	<u>(28,858,048)</u>
Cash flows from noncapital financing activities		
State appropriations	28,810,233	27,427,217
Federal grants and contracts non exchange	<u>7,457,288</u>	<u>6,312,193</u>
Net cash from non operating activities	36,267,521	33,739,410
Cash flows from capital and related financing activities		
State capital appropriations	3,176,259	2,532,060
Principal payments on bonds	(634,766)	(200,355)
Principal payments on capital lease obligations	(136,433)	(136,433)
Interest payments on bonds and capital lease obligations	(2,328,520)	(2,337,957)
Capital grants and gifts received	138,022	1,995
Purchases of capital assets	<u>(1,963,897)</u>	<u>(1,270,749)</u>
Net cash from capital and related financing activities	<u>(1,749,335)</u>	<u>(1,411,439)</u>
Cash flows from investing activities		
Interest on investments	<u>457,359</u>	<u>715,608</u>
Net increase in cash and cash equivalents	2,665,193	4,185,531
Cash and cash equivalents, beginning of year	<u>19,561,965</u>	<u>15,376,434</u>
Cash and cash equivalents, end of year	<u>\$ 22,227,158</u>	<u>\$ 19,561,965</u>
Reconciliation of net operating loss to cash from operating activities:		
Operating loss	\$ (35,755,082)	\$ (32,886,113)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	3,365,646	3,307,619
Loss on disposal of capital assets	37,571	101,413
Change in assets and liabilities		
Receivables	(2,566,456)	(548,391)
Inventories	(3,464)	20,690
Other assets	115,703	218,176
Accounts payable and accrued expenses	1,138,850	678,442
Deferred revenue	<u>1,356,880</u>	<u>250,116</u>
Net cash from operating activities	<u>\$ (32,310,352)</u>	<u>\$ (28,858,048)</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted:

Expendable: Net assets the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. The balance at June 30, 2009 and 2008 was primarily restricted for grants, scholarships and capital expenditures.

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

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

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

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

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

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future remediation activities that are required upon retirement of an asset. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2007.

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. It also requires governments to report the changes in fair value as investment income and to disclose methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The provisions of this statement are effective for fiscal periods beginning after June 15, 2008.

These statements had no effect on College's financial statements in 2009 and 2008.

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The College has not yet determined the impact implementation of these standards will have on its financial statements. However it does not anticipate that these statements will have a material effect on its financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

At June 30, 2009, the cash on hand was \$13,720, the carrying amount of the College's deposits was \$22,213,438 and the depository bank balance was \$22,542,191. The difference between the carrying amount and the depository bank balance is due principally to outstanding checks and deposits-in-transit. The bank balance includes \$1,500,521 in the State Treasury Asset Reserve of Ohio ("STAR Ohio") for which the collateral requirements mentioned above do not apply. Of the remaining \$21,041,670 bank balance, \$250,000 was covered by federal depository insurance and \$20,791,670 was collateralized by pledged, pooled securities not in the College's name. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governmental entities within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission ("SEC") as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the measurement date. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

A portion of the College's cash (\$11,492) is noncurrent since it is designated for restricted purposes.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2009 and 2008, were as follows:

	<u>2009</u>	<u>2008</u>
Grants	\$ 1,265,319	\$ 781,251
State appropriations	138,446	237,236
Tuition and other	10,336,051	8,024,579
Allowance for doubtful accounts	<u>(2,260,228)</u>	<u>(2,141,811)</u>
	<u>\$ 9,479,588</u>	<u>\$ 6,901,255</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2009 and 2008 was as follows:

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 4 - CAPITAL ASSETS (Continued)

<u>2008</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 2,583,449	\$ -	\$ -	\$ 2,583,449
Land improvements	2,256,078	-	-	2,256,078
Buildings and improvements	114,661,789	783,991	-	115,445,780
Equipment and furniture	9,684,831	421,649	(1,460,629)	8,645,851
Library books and audio visual	<u>1,402,493</u>	<u>65,109</u>	<u>-</u>	<u>1,467,602</u>
Total fixed assets	130,588,640	1,270,749	(1,460,629)	130,398,760
Accumulated depreciation				
Buildings and improvements	30,441,292	2,657,775	-	33,099,067
Equipment and furniture	7,147,727	577,378	(1,359,216)	6,365,889
Library books and audio visual	<u>589,476</u>	<u>72,466</u>	<u>-</u>	<u>661,942</u>
Total accumulated depreciation	<u>38,178,495</u>	<u>3,307,619</u>	<u>(1,359,216)</u>	<u>40,126,898</u>
Capital assets, net	<u>\$ 92,410,145</u>	<u>\$ (2,036,870)</u>	<u>\$ (101,413)</u>	<u>\$ 90,271,862</u>

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

NOTE 5 - LONG-TERM DEBT

Long-term debt activity for the years ended June 30, 2009 and 2008 was as follows:

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u>	<u>Long-Term</u>
General receipts						
bonds	\$ 47,395,000	\$ -	\$ (110,000)	\$ 47,285,000	\$ 545,000	\$ 46,740,000
Bond premium	<u>1,230,901</u>	-	<u>(90,355)</u>	<u>1,140,546</u>	<u>89,766</u>	<u>1,050,780</u>
Total	48,625,901	-	(200,355)	48,425,546	634,766	47,790,780
Capital lease						
obligation	<u>306,975</u>	-	<u>(136,433)</u>	<u>170,542</u>	<u>136,433</u>	<u>34,109</u>
Total	<u>\$ 48,932,876</u>	<u>\$ -</u>	<u>\$ (336,788)</u>	<u>\$ 48,596,088</u>	<u>\$ 771,199</u>	<u>\$ 47,824,889</u>

During the year ended June 30, 2003, the College issued General Receipts Bonds, series 2002 for \$47,580,000 that bear interest rates between 2.25% to 5.25% and that mature in 2029. Proceeds were used for paying costs of capital facilities. The bonds are collateralized by a pledge of general receipts of the College. The bond agreement includes certain covenants and guidelines related to the College's indebtedness. The College entered into the capital lease during the year ended June 30, 2006, to acquire communication infrastructure equipment. The cost of the equipment was approximately \$500,000 and has net book value of approximately \$34,000 at June 30, 2009.

The annual debt service requirements to maturity for the bonds and capital lease obligations are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 624,109	\$ 2,362,454	\$ 2,986,563
2011	1,065,000	2,313,063	3,378,063
2012	1,140,000	2,257,000	3,397,000
2013	1,675,000	2,179,937	3,854,937
2014	1,525,000	2,101,813	3,626,813
2015-2019	10,615,000	8,985,557	19,600,557
2020-2024	13,630,000	5,806,969	19,436,969
2025-2029	<u>16,500,000</u>	<u>1,842,500</u>	<u>18,342,500</u>
Total	<u>\$ 46,774,109</u>	<u>\$ 27,849,293</u>	<u>\$ 74,623,402</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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, 2007 are made available for public inspection. The reports may be obtained by writing or calling:

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

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

SERS and STRS plan members are required to contribute 10.0% of their annual salary. The College is currently required to contribute 14% of annual covered payroll for SERS and STRS. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to SERS and STRS for the years ending June 30, 2009, 2008 and 2007, were as follows:

<u>Year</u>	<u>Contribution</u>	
	<u>SERS</u>	<u>STRS</u>
2009	\$ 1,588,899	\$ 3,228,519
2008	1,488,509	2,959,550
2007	1,333,014	2,848,303

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 6 - EMPLOYEE BENEFIT PLANS (Continued)

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

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

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

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2008, the health care allocation is 4.2%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2008, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of asset target level for the health care fund. Surcharge amounts billed to the College have not been significant.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2008, were \$226 million. At June 30, 2008, the Retirement System's net assets available for payment of health care benefits were \$393 million and the number of benefit recipients was approximately 64,818.

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

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

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2008, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.7 billion on June 30, 2008.

For fiscal year ended June 30, 2008, net health care costs paid by STRS were approximately \$325,800,000. There were 126,506 eligible benefit recipients.

NOTE 8 - COMPENSATED ABSENCES

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 8 - COMPENSATED ABSENCES (Continued)

At June 30, 2009 and 2008, the liability for personal and/or sick leave was approximately \$3,224,000 and \$3,072,000, respectively.

Contract employees earn 20 days vacation leave each year. Non-contract employees earn 10 days vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 2009 and 2008, the liability for vacation was approximately \$1,238,000 and \$1,114,000, respectively.

NOTE 9 - GRANTS AND CONTRACTS

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

NOTE 10 - LEASES

The College leases various equipment and facilities under operating leases. Rental expenditures relating to operating lease agreements were approximately \$1,266,000 and \$1,210,000 for the years ended June 30, 2009 and 2008, respectively. The approximate future minimum payments under operating leases at June 30, 2009, are due as follows:

2010	\$ 969,000
2011	519,000
2012	165,000
2013	<u>17,000</u>
Total	<u>\$ 1,670,000</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 11 - AUXILIARY ENTERPRISES

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2009 and 2008, consist of the following:

<u>2009</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>CTI Studios</u>	<u>Total</u>
Revenues	\$ 1,305,331	\$ 1,006,454	\$ 183,078	\$ 345,062	\$ 909,179	\$ 28,548	\$ 3,777,652
Expenses	<u>679,134</u>	<u>1,021,095</u>	<u>155,105</u>	<u>338,121</u>	<u>1,135,017</u>	<u>11,498</u>	<u>3,339,970</u>
Excess (deficiency) of revenues over expenses	<u>\$ 626,197</u>	<u>\$ (14,641)</u>	<u>\$ 27,973</u>	<u>\$ 6,941</u>	<u>\$ (225,838)</u>	<u>\$ 17,050</u>	<u>\$ 437,682</u>
<u>2008</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>CTI Studios</u>	<u>Total</u>
Revenues	\$ 1,186,090	\$ 982,094	\$ 205,822	\$ 354,215	\$ 397,543	\$ -	\$ 3,125,764
Expenses	<u>572,240</u>	<u>998,408</u>	<u>256,203</u>	<u>322,377</u>	<u>481,208</u>	<u>-</u>	<u>2,630,436</u>
Excess (deficiency) of revenues over expenses	<u>\$ 613,850</u>	<u>\$ (16,314)</u>	<u>\$ (50,381)</u>	<u>\$ 31,838</u>	<u>\$ (83,665)</u>	<u>\$ -</u>	<u>\$ 495,328</u>

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

NOTE 12 - RESTRICTED NET ASSETS

Restricted net assets are expendable for use in public service of approximately \$0 (2009) and \$10,000 (2008), in student loans of approximately \$46,000 (2009) and \$85,000 (2008), in debt service facility fee of \$1,358,000 (2009) and \$642,000 (2008) and in an energy project of \$291,000 (2009) and \$626,000 (2008).

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.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 14 - PENDING LITIGATION

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

SUPPLEMENTARY INFORMATION

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2009

<u>Federal Grant/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
Direct Programs			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants		84.007	\$ 488,380
Federal Family Education Loans	84.032		25,620,436
Federal Work-Study Program		84.033	413,664
Federal Perkins Loan Program		84.038	50,929
Federal Pell Grant Program		84.063	7,478,208
Academic Competitiveness Grants		84.375	<u>150,675</u>
Total Student Financial Aid Cluster			34,202,292
TRIO Cluster			
TRIO Student Support Services		84.042A	269,596
TRIO Upward Bound Traditional		84.047A	285,775
TRIO Upward Bound Veteran's	84.047V		234,392
TRIO Educational Opportunity Center		84.066	<u>206,764</u>
Total TRIO Cluster			996,527
Center and Technical Education			
Basic Grants to States		84.048	323,677
Tech-Prep Education			
		82.243A	251,538
Pass through Cincinnati Public Schools			
Title I Grants to Loan Educational Agencies			
No Child Left Behind	424172	84.010	27,012
Pass through University of Cincinnati			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			
	P000-030-J617	84.334A	<u>102,745</u>
Total U. S. Department of Education			<u>35,903,791</u>

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2009

<u>Federal Grant/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Hamilton County			
Temporary Assistance for Needy Families (Academic Remediation)		93.558	\$ 42,152
Temporary Assistance for Needy Families (Connect to Success)	83347	93.558	<u>233,033</u>
Total U. S. Department of Health and Human Services			<u>275,185</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program		20.106	254,051
U.S. DEPARTMENT OF LABOR			
Community Based Training Grants		17.269	<u>292,383</u>
Total Federal Awards			<u>\$ 36,725,410</u>

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

NOTE 1 - BASIS OF ACCOUNTING

This schedule includes the federal awards activity of Cincinnati State Technical and Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award.

NOTE 2 - LOANS

The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2009:

Unsubsidized Stafford Loan	\$ 15,330,197
Subsidized Stafford Loan	9,867,667
PLUS Loan	422,572

The College administers the Federal Perkins Loan Program (CDFA 84.038). The College made no expenditures or transfers for this program for the year ended June 30, 2009. Only the outstanding loan balance is included in the accompanying Schedule of Expenditures of Federal Awards totaling \$50,929 at June 30, 2009.

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

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

We have audited the financial statements of Cincinnati State Technical and Community College (the "College") as of and for the year ended June 30, 2009, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated October 13, 2009.

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
October 13, 2009

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

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

Compliance

We have audited the compliance of Cincinnati State and Technical College (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The College’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College’s management. Our responsibility is to express an opinion on the College’s compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

(Continued)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in the College's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control. We did not identify any material weaknesses.

We noted certain other matters that we have reported to management in a separate letter dated October 13, 2009.

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
October 13, 2009

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not
considered to be material weaknesses? Yes X None
Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not
considered to be material weaknesses? Yes X None
Reported

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2008

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
84.048	Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: \$331,621

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

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

Section III - Federal Award Findings

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

Section IV -Prior Year Findings and Questioned Costs

FINDING 08-01

Federal program information: 17.269 - Community Based Job Training

Criteria: According to the provisions of the grant, the College is required to submit quarterly reports of receipts and expenditures to the Department of Labor.

Condition: The College had not implemented adequate policies and procedures related to financial reporting of this grant. The supporting documentation for quarterly financial reports submitted to the Department of Labor was not retained by the College. In addition, there was no review of the financial reports.

Status: Corrective action has been taken.



Mary Taylor, CPA
Auditor of State

CINCINNATI STATE AND TECHNICAL 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
NOVEMBER 12, 2009