

**CINCINNATI STATE TECHNICAL
AND COMMUNITY COLLEGE**

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

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Cincinnati State Technical and Community College, Hamilton County, prepared by Crowe Horwath LLP, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 1, 2011

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CINCINNATI STATE TECHNICAL
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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities of Cincinnati State Technical and Community College (the "College"), a component unit of the State of Ohio, as of and for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 14, 2011

**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

INTRODUCTION

Our discussion and analysis of Cincinnati State Technical and Community College's (the "College") financial performance provides an overview of the College's financial activities for the year ended June 30, 2011, with selected comparative information for the years ended June 30, 2010 and 2009. 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.

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010

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>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Cash, cash equivalents	\$ 2,455	\$ 25,404	\$ 22,227
Investments	25,252	-	-
Accounts receivable, net	11,351	10,327	9,480
Other assets	1,293	1,571	971
Capital assets, net	<u>86,290</u>	<u>86,545</u>	<u>88,833</u>
Total assets	<u>126,641</u>	<u>123,847</u>	<u>121,511</u>
LIABILITIES			
Accounts payable and accrued expenses	9,304	8,486	8,904
Deferred revenue	5,687	5,687	4,450
Debt	<u>45,959</u>	<u>47,111</u>	<u>47,825</u>
Total liabilities	<u>60,950</u>	<u>61,284</u>	<u>61,179</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,921	39,111	41,364
Restricted	3,249	3,315	1,695
Unrestricted	<u>22,521</u>	<u>20,137</u>	<u>17,273</u>
Total net assets	<u>\$ 65,691</u>	<u>\$ 62,563</u>	<u>\$ 60,332</u>

Assets

Cash and investments make up 21.9%, 20.5% and 18.3% of total assets at June 30, 2011, 2010, and 2009, 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. In 2011 the College investments in corporate and government securities are not considered cash equivalents.

Accounts receivable make up 9.0%, 8.3% and 7.8% of the total assets at June 30, 2011, 2010 and 2009, respectively. The increase in accounts receivable is attributable primarily to the higher enrollment offset by lower receivables for grants and state appropriations. Accounts receivable include (*in thousands*):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Grants	\$ 842	\$ 866	\$ 1,265
State appropriations	641	-	139
Student and other operating receivables	13,643	12,757	10,336
Allowance for doubtful accounts	<u>(3,775)</u>	<u>(3,296)</u>	<u>(2,260)</u>
	<u>\$ 11,351</u>	<u>\$ 10,327</u>	<u>\$ 9,480</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010

Capital assets, net of depreciation, make up 68.1%, 69.9%, and 73.1% of the total assets at June 30, 2011, 2010 and 2009, respectively. The decrease in the capital assets percentage is due primarily to depreciation in 2011 and 2010 exceeding capital additions and the increase in cash and investments noted above.

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

Liabilities

Liabilities of \$9.3 million consist of accounts payable and accrued expenses primarily for wages, benefits, supplies and utilities and \$5.7 million of deferred revenue for summer-term classes, which is recognized in the fiscal year 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 60.8%, 62.5% and 68.6% of total net assets at June 30, 2011, 2010 and 2009, respectively. Restricted net assets are subject to externally imposed stipulations that they be maintained permanently (unexpendable) or that they can be fulfilled by actions of the College pursuant to those stipulations (expendable). All of the College's restricted net assets are expendable. Unrestricted net assets are not subject to externally imposed stipulations and may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net assets are allocated for academic and capital programs and initiatives.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Tuition and fees, net	\$ 30,479	\$ 28,511	\$ 22,576
Grants and contracts	25,137	19,780	16,368
Sales and services	2,820	2,482	2,356
Auxiliary services	4,811	4,242	3,778
Other operating and nonoperating revenue and gifts	1,818	1,384	1,668
State instructional appropriations	31,705	29,539	28,810
State capital appropriations	1,021	1,588	3,176
Total revenues	<u>97,791</u>	<u>87,526</u>	<u>78,732</u>

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>2009</u>
EXPENSES			
Instruction	\$ 37,292	\$ 33,815	\$ 29,090
Public support	2,004	2,177	2,467
Academic support	5,756	4,990	4,449
Student services	8,914	8,420	7,380
Institutional support	20,000	16,977	15,814
Operations and maintenance of plant	8,025	7,480	6,829
Depreciation	3,290	3,336	3,365
Scholarships	2,222	1,953	1,714
Auxiliary services	4,898	3,838	3,340
Interest on capital asset related debt	<u>2,262</u>	<u>2,309</u>	<u>2,323</u>
Total expenses	<u>94,663</u>	<u>85,295</u>	<u>76,771</u>
Increase in net assets	3,128	2,231	1,961
Net assets, beginning of year	<u>62,563</u>	<u>60,332</u>	<u>58,371</u>
Net assets, end of year	<u>\$ 65,691</u>	<u>\$ 62,563</u>	<u>\$ 60,332</u>

Revenues

Revenues for fiscal year 2011 increased by \$10.3 million, or 11.7%, over fiscal year 2010. The change derives primarily from the following five (5) functional categories of revenue:

1. State instructional appropriations comprising state instructional subsidy and State Fiscal Stabilization Fund/ARRA funding (\$4,412,000 in 2011) and (\$4,025,000 in 2010) increased by \$2.2 million, or 7.3%, compared to fiscal year 2010.
2. State capital appropriations decreased by \$567,000 in fiscal year 2011. The amount of capital appropriations used varies from year to year depending on the number of projects undertaken and completion of the projects during each year.
3. Student tuition and fees are reported net of scholarship allowance. Gross instructional revenues for fiscal year 2011 increased by \$5.1 million, or 11.6%, over fiscal year 2010. Financial aid in the form of grants and scholarships increased by \$3.1 million, or 20.6%, in 2011. 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 \$2.0 million or 6.9%.
4. Grants and contracts revenue consists primarily of funding from federal, state or local sources. An increase in the number of grants has resulted in an increase in revenue by \$5.4 million or 27.1%.
5. Auxiliary services revenues consist of parking, cafeteria, childcare center, airport rental fees and fuel sales, sales of the Midwest Culinary Institute ("MCI") and audio/visual services. Parking revenues, MCI revenues and cafeteria sales represent approximately 87.7% of the fiscal year 2011 total auxiliary services revenues of \$4.8 million. The total increase in auxiliary service revenues of \$569,000 or 13.4%, over fiscal year 2010 that comprise the increase are in MCI revenues of \$483,000 or 52.5% and the cafeteria increase of \$194,000 or 16.2%.

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**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

Expenses

Expenses for fiscal year 2011 increased by \$9.4 million, or 11.0%, over fiscal year 2010. The change derives primarily from the following six (6) functional categories of expense:

1. Instructional expenses increased by \$3.5 million or 10.3%. Increased spending for adjunct instructors, instructional overload arises from vacant positions, increased enrollment and new grants.
2. Academic support expenses increased by \$766,000 or 15.4%, primarily as a result of an increase in enrollment and semester transition expense.
3. Student services increased by \$494,000 or 5.9%, due to an increase in new grants, contracts and higher enrollment.
4. Institutional support expenses increased by \$3.0 million or 17.8%. Reasons for the increase include filling vacant positions and increased use in advertising, marketing promotions and contracted services.
5. Operation and maintenance of plant increased by \$545,000 or 7.3%, due to an increase use of the facilities as a result of increased enrollment.
6. The major portion of the increase in auxiliary services expenses of \$1.1 million or 27.6% was a result of increase in parking expenses resulting from the Gateway Parking Lot Project, operations of the cafeteria and new auxiliary projects in the Midwest Culinary Institute (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>2011</u>	<u>2010</u>	<u>2009</u>
Net cash from operating activities	\$ (41,313)	\$ (38,136)	\$ (32,310)
Net cash flows provided by non-capital financing activities	48,691	43,649	36,267
Net cash flows from capital and related financing activities	(5,422)	(2,493)	(1,749)
Net cash flows provided by investing activities	<u>(24,905)</u>	<u>157</u>	<u>457</u>
Net increase (decrease) in cash and cash equivalents	(22,949)	3,177	2,665
Cash and cash equivalents, beginning of year	<u>25,404</u>	<u>22,227</u>	<u>19,562</u>
Cash and cash equivalents, end of year	<u>\$ 2,455</u>	<u>\$ 25,404</u>	<u>\$ 22,227</u>

The \$22.9 million decrease in net cash flows results from the College's new investment portfolio. In 2011, the College adopted an investment policy.

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

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
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For the fiscal years ended June 30, 2011 and 2010

State appropriations and certain grants are the primary sources of non-capital financing activities. GASB Statement No. 35 requires that we reflect these sources of revenue as nonoperating even though the College's budget depends on this to continue the current levels of operations. Had these resources been reported as operating revenue, the net cash used in operating activities would have been a surplus of \$7.2 million in 2011, \$5.5 million in 2010 and \$4.0 million in 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets, net of accumulated depreciation, totaled \$86.3 and \$86.5 million at June 30, 2011 and 2010, a decrease of \$0.2 and \$2.3 million, respectively. Changes in capital assets during fiscal year 2011 and 2010, included (*in millions*):

	<u>Balance, June 30, 2009</u>	<u>Net Additions/ Reductions</u>	<u>Balance, June 30, 2010</u>	<u>Net Additions/ Reductions</u>	<u>Balance, June 30, 2011</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	116.7	0.4	117.1	1.0	118.1
Equipment and furniture	8.5	(0.9)	7.6	(0.3)	7.3
Library books and audio visual	1.5	0.1	1.6	0.0	1.6
Construction in Progress	0.0	0.0	0.0	1.8	1.8
Accumulated depreciation	(42.8)	(1.9)	(44.7)	(2.7)	(47.4)
Capital assets, net	<u>\$ 88.8</u>	<u>\$ (2.3)</u>	<u>\$ 86.5</u>	<u>\$ (0.2)</u>	<u>\$ 86.3</u>

Debt

At June 30, 2011 and 2010, bonds payable amounting to \$45.9 and \$47.1 million, respectively, consisted of the General Receipts Bonds, Series 2002, for the ATLC and parking garage.

Principal on the outstanding Debt decreased by \$1.2 million, resulting from the annual principal payment and the annual amortization of the \$874,000 bond premium on the General Receipts Bonds as well as the annual lease payment on the capital lease.

ECONOMIC IMPACT ON FUTURE OPERATIONS

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

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

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**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

Strategic Planning

The College has entered the final year of the *Transition 2012* strategic plan and is in the preplanning stages for the next planning cycle under the leadership of a newly inaugurated president, Dr. O'dell M. Owens. His strategic vision challenges the college to develop new revenue streams, expand development efforts to lower tuition costs, and provide academic support and incentives to foster student success as it relates to retention and graduation rates.

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

Academics

In academics, proactive initiatives have included more focus on student retention and graduation. The strategies used are based on process improvements and establishing partnerships that have significant impact on our ability to build educational and employment pathways for students. These initiatives also are positioning the College to achieve the objectives of the University System of Ohio while remaining strong in a competitive environment.

The Semester Transition Project is a major change and process improvement opportunity. In Fall 2012, Cincinnati State will change from a quarter system to semesters. All courses and program curricula are being redesigned under semesters; outreach and awareness efforts have been implemented to encourage current second year students to complete their programs before the transition. The change will allow the College to better align with our four-year transfer college partners, better serve and teach students, and implement a more efficient room scheduling system.

A structured and mandatory Adjunct Faculty Professional Development program has been used to enhance the quality of instruction. This includes a seminar, *Instruction in Community Colleges*, with topics on utilizing technology, developing course objectives, teaching for multiple learning styles, and assessing student learning. Work has also involved coordinating annual training schedules of member institutions of the Greater Cincinnati Consortium of Colleges and Universities and planning an Adjunct Portfolio Program.

Program enhancements based on Program Review involved streamlining our programs and eliminating low enrollment majors. For example, International Trade Management was deactivated in 2010-11. The College may reactivate this program in its planned Middletown, Ohio expansion campus in the future. The Nursing LPN to RN major was eliminated. The Nursing associate degree, our largest program, is still offered and all students will follow the same Nursing RN pathway. In Mechanical Engineering Technology, the Plastics Option was eliminated but students can enter the Mechanical Design or Mechanical Manufacturing options. The quality of the academic programs continues to be affirmed through successful professional reviews, licensure exam results, and competitive events. In addition, recent graduates rate the College high in quality of instruction and attitude of faculty toward students.

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
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For the fiscal years ended June 30, 2011 and 2010

A technology-based process to collect and analyze student evaluation of their courses has been implemented and refined. Data are available at the instructor, department, division, and institutional level and can be analyzed by various student demographic characteristics. The data enables a more consistent and objective evaluation of faculty which can be utilized during the tenure review process. The data also provides support for overall continuous improvement and student retention efforts.

A new position, Director of Off-Campus programs, was established to coordinate and expand offerings at unique locations such as Great Oaks Campuses and Lower Price Hill School. This director is also responsible for high school dual enrollment which is a major enrollment and retention strategy for Cincinnati State. The Director of Distance Education led us in obtaining Higher Commission approval for several on-line certificates and degree programs. Implementation including marketing is now in progress, and software such as Eliminate Live, Smart Thinking, and READI have been deployed to supply online services to students.

Innovative partnerships have provided pathways for student success and creative ways of sharing costs and space. Cincinnati State, along with the Atrium Medical Center in Middletown, Ohio, Miami University, and Warren County Career Center, founded the Greentree Health Science Academy. The Academy, an innovative public/private collaboration, was made possible with financing and support from the City of Middletown and State of Ohio. The new state-of-the-art educational facility located on a medical center campus will allow us to connect nursing and allied health programs that encompass high school studies, industry credentialing, and Associate and Bachelor Degree levels.

Workforce Development

Our Workforce Development Center Campus ("WDC") in Evendale, Ohio, has become one of the premier regional providers of leading-edge credit and non-credit training and education services. Based on a client engagement model, the WDC's programming and project development processes are driven entirely by employer needs and evaluated by established metrics to measure return-on-investment. The Center is aligned with Baldrige principles of performance excellence and is agile and precise in its prompt response to employer and business needs. Each primary program area has employer Advisory Committees which provide continuous feedback and focus on their workforce needs and career pathways.

As an entrepreneurial, revenue generating division of the College, the WDC provides supplemental income to offset the College's operational expenses. Gross revenues for FY11 were \$4.8 million, with net revenue of \$1.8 million. More than seventy organizations chose the WDC to provide training and consulting services including private sector, public, not-for-profit and educational organizations. During 2011, over 7,000 students attended more than 770 classes. Courses and programs ranged from the General Electric Aviation's Jet Engine Teardown School (JETS) for engineers, to "green" certifications in photo voltaic installations and energy auditing for dislocated workers re-engineering careers.

Understanding and addressing the critical needs of dislocated workers and struggling businesses during the economic downturn has been a primary focus of the WDC during the past fiscal year. Establishing promising career pathways and stackable certificates through collaborations across the College greatly benefit citizens seeking opportunities, new careers or enhancing skill sets for incumbent workers seeking promotion. In this context, program managers meet promptly with newly dislocated workers from regional businesses being shuttered. WDC team members assisted workers from these companies, including Avon and Jim Beam in 2011, by sharing training and career opportunities, such as the fully paid DOL bioscience certification program and the Health Information Technology grant certification training – two Ohio business sectors experiencing substantial growth and job opportunities.

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**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

In FY11, the WDC was awarded nearly \$2 million in grants from the Department Of Labor, Department of Energy, Public Utilities Commission of Ohio and Department of Jobs and Family Services, to provide training and capital equipment for Bioscience and Medical Device, Health Information Technology, Energy Auditing and Weatherization, HAZMAT, Rescue and Safety programming. These grant awards were the largest ever received by WDC and now play a vital role in expanding the Center's capabilities and services to the workforce of Southwest Ohio.

The WDC has formed several significant new entrepreneurial partnerships with private sector organizations such as Rockwell Automation, while expanding existing collaborative partnerships with General Electric Aviation, Procter and Gamble, and Amylin Pharmaceuticals, among many others. The WDC places its customer first in every area of its operations, and this focus continues to be the single most important contributor to the success of the clients and students it serves.

Quality Management

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

Enrollment and Retention

Enrollment for the FY 2011 Spring Term was up 2% in student headcount but down 1% in credit hours. For the FY12 Summer Term, there was no increase in student headcount but an increase of 3% in credit hours as compared to 2010 enrollment numbers. Preliminary FY12 Early Fall Term enrollment is down 2% in student headcount and 4% in credit hours. An analysis of enrollment indicates that the decrease can be attributed to a decreasing amount of Ohio high school graduates, increased competition from area public and proprietary colleges and a slightly improving unemployment picture. The College will continue its efforts to reach out to those in the community who are looking to improve their skills and to recent high school graduates who are looking to complete their first two years of college at a reasonable cost. Our Office of Admission continues to respond to the economic unemployment crisis by reaching out to the community.

The College continues to take measures to improve enrollment and retention by improving academic support to impact student persistence to graduation. All student support areas are working on the transition to semesters to make sure that our academic infrastructure is ready to help our students succeed in a semester system. The College has provided electronic advising training to 75% of its advisors. This training will help our advisors develop educational plans for those students going through the semester transition process. The College has identified nearly 4,000 students who will be able to complete their course of study before fall 2012. Recently, the College Retention Task Force and the Academic Foundations Taskforce jointly formulated a list of student success policies and initiatives that were presented to Dr. Owens for his review and consideration.

(Continued)

**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

Master Plan

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

Energy Management

The College has displayed strong leadership in controlling energy consumption while at the same time experiencing record growth. Multiple energy projects such as a HVAC DDC system replacement, lighting retrofits, window and door replacements, mechanical and equipment upgrades, sub-metering technology in the Main building for continuous commissioning, and block scheduling practices have accelerated the reduction of energy demand allowing the College to exceed HB 251 energy efficiency goals ahead of schedule. The College is engaged in exploring the installation of a possible solar field through design and development which could enhance studies associated with renewable energy initiatives and also provides an additional opportunity to reduce electric demand from an outside provider by the College. The College stopped purchasing electric power through the regulated market and began purchasing electric power through the deregulated market decreasing its costs by approximately 18%.

The electrical infrastructure replacement project for the Main building has been successfully completed, providing the College with quality sustainable power and business continuity through new control gear which was not possible from retired gear. The installation of laser and temperature sensors on all hoods in MCI labs to reduce energy by having hoods function on demand rather than continuous run. Smart metering project is almost complete for the entire Clifton campus which will allow live data on energy utilization 24/7 on a dashboard format which also enhances continuous commissioning efforts. Installation of a refrigeration temperature monitoring system is being done to regulate food storage areas. We have been designing several lighting retrofit projects to reduce costs for garages and the gym.

The College recycling initiative supported by a federal grant is successfully yielding nearly 4,000 lbs. of corrugated product, 3,000 lbs. of office paper, 2,000 lbs of aluminum, and 1,500 lbs. of plastic bottles annually. This reduces the amount of waste being transported to the landfill while also reducing disposal fees for the College. We are working with recycling team to initiated foods waste recycling to keep out of landfill. The goal to process food waste will reduce several hundred tons to the landfill which reduces waste removal cost for the college. The College is applying for a grant from the county for this project.

Information Technology

Information Technology Services (ITS) supports Cincinnati State's mission of teaching and learning by providing flexible, quality driven, leading-edge technologies that align with and meet the ever-changing needs of students, faculty, staff and community in the College's unique experiential learning environment. This past year, ITS successfully completed a major initiative to become Payment Card Industry (PCI) compliant. This effort has evolved into a larger, more inclusive Information Security Program that includes the establishment of an Information Security Council, and Information Security Awareness Program, information security policies, standards and change management processes and procedures.

(Continued)

**CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2011 and 2010**

Although nearly all IT equipment on campus is now on a refresh cycle, there is a significant amount of audio-visual equipment upgrades still pending. All classrooms have been upgraded to smart-rooms (approx. 180 rooms total). Smart-rooms include: Instructor PC, podium, document camera, VHS/DVD combo, touch panel controls, sound system, data/video projector. We continue to interface with outside companies/institutions - University of Cincinnati and Sinclair Community College - with electronic transcript exchange, and Regional Metro Bus System for discounted fares for students. ITS remains focused on supporting a paper-less environment using ImageNow for our campus document imaging and a custom developed electronic forms system (over 170,000 eForms- submitted). A total of 21,810 ITS service tickets were logged in 2010. This is an increase of 23% from 2009. The key performance indicator of 87% of all calls must be handled by first-line support" was surpassed by 3%. Satisfaction with ITS continues to remain steady - 79% of employees are very satisfied or satisfied and 8% dissatisfied or very dissatisfied. Students remain in the same range with 74% being very satisfied or satisfied – 6% dissatisfied or very dissatisfied. ITS will pay particular attention to reducing the dissatisfied or very dissatisfied percentages.

The following initiatives are planned to be complete during the 2011-2012 fiscal year: ITS Disaster Recovery/Business Continuity Plan, Colleague HR Payroll, the first wave of mobile applications, and the majority of the semester transition project. The following initiatives are planned to begin during the 2011-2012 fiscal year: Virtual Desktop, Altiris IT Management Suite, Informer (a reporting tool for Colleague).

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.

College/Faculty Relations

The three-year collective bargaining agreement between the College and the Cincinnati State Chapter of the American Association of University Professors (AAUP) expired on September 5, 2011. Negotiations between the College and AAUP began in July, 2011 and the two parties have been unsuccessful in resolving outstanding issues and executing a new three-year contract. On August 29, 2011, A State-appointed Fact Finder was brought in to evaluate and report on the outstanding issues. The Report was issued on September 12, 2011. The Board of Trustees accepted the Fact Finder's Report on September 14, 2011; the AAUP rejected the Report on September 16. After giving a strike notice on September 12, 2011, the AAUP initiated a work stoppage on September 23, 2011. On September 30, 2011, the AAUP returned to work but without a contract. Negotiations are on-going and hope to be successfully concluded by the signing of a new three-year contract in the near future.

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
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,454,456	\$ 25,402,730
Investments	13,452,423	-
Accounts receivable, net	11,350,554	10,327,187
Inventories	83,009	52,993
Prepaid and other assets	913,858	1,178,272
Total current assets	<u>28,254,300</u>	<u>36,961,182</u>
Noncurrent assets		
Cash and cash equivalents	-	1,113
Investments	11,799,434	-
Notes receivable, net	-	13,621
Other assets	296,605	326,218
Capital assets, net	86,290,159	86,545,322
Total noncurrent assets	<u>98,386,198</u>	<u>86,886,274</u>
Total assets	<u>126,640,498</u>	<u>123,847,456</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,600,376	2,208,599
Accrued liabilities		
Wages	1,189,733	950,579
Compensated absences	3,973,168	3,635,560
Other	904,207	1,042,921
Interest	635,962	648,364
Deferred revenue	5,686,655	5,686,694
Current portion of long-term debt	<u>1,225,194</u>	<u>1,152,310</u>
Total current liabilities	<u>16,215,295</u>	<u>15,325,027</u>
Long-term debt	<u>44,734,264</u>	<u>45,959,458</u>
Total liabilities	<u>60,949,559</u>	<u>61,284,485</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,920,787	39,110,951
Restricted expendable	3,249,450	3,315,025
Unrestricted	<u>22,520,702</u>	<u>20,136,995</u>
Total net assets	<u>\$ 65,690,939</u>	<u>\$ 62,562,971</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Operating revenues		
Student tuition and fees, net of scholarships and student financial aid of \$18,008,913 and \$14,932,261, in 2011 and 2010, respectively	\$ 30,478,667	\$ 28,511,095
Federal grants and contracts	4,476,252	3,054,915
State and local grants and contracts	1,496,448	1,561,241
Nongovernmental grants and contracts	2,179,039	1,054,254
Sales and services of educational departments	2,819,880	2,482,360
Auxiliary enterprises	4,810,654	4,241,505
Other operating revenues	<u>1,432,321</u>	<u>1,210,274</u>
Total operating revenues	<u>47,693,261</u>	<u>42,115,644</u>
EXPENSES		
Operating expenses		
Instructional	37,291,562	33,814,869
Public support	2,003,843	2,177,030
Academic support	5,756,486	4,989,535
Student services	8,913,906	8,420,190
Institutional support	20,000,317	16,976,842
Plant operation and maintenance	8,025,272	7,480,526
Scholarships and student financial aid	2,222,126	1,952,606
Auxiliary enterprises	4,898,052	3,837,932
Depreciation	<u>3,290,357</u>	<u>3,336,061</u>
Total operating expenses	<u>92,401,921</u>	<u>82,985,591</u>
Operating loss	(44,708,660)	(40,869,947)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	31,704,543	29,538,677
Federal grants and contracts – non-exchange	16,986,730	14,110,125
Interest on capital asset related debt	(2,261,564)	(2,309,293)
Investment income, net of investment expense	346,551	156,722
Net nonoperating revenues	<u>46,776,260</u>	<u>41,496,231</u>
Increase (decrease) before other revenues, expenses, gains or losses	2,067,600	626,284
Capital appropriations from the state	1,020,761	1,588,413
Capital grants and gifts	<u>39,607</u>	<u>16,346</u>
Increase in net assets	3,127,968	2,231,043
Net assets		
Net assets, beginning of year	<u>62,562,971</u>	<u>60,331,928</u>
Net assets, end of year	<u>\$ 65,690,939</u>	<u>\$ 62,562,971</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Tuition and fees	\$ 30,127,126	\$ 28,973,414
Federal, state and local grants and contracts	5,314,455	4,551,685
Payments to suppliers	(17,051,708)	(19,489,324)
Payments to utilities	(1,786,534)	(1,792,240)
Payments to employees	(45,792,033)	(41,368,730)
Payments for benefits	(16,246,398)	(12,208,644)
Payments for scholarships and student financial aid	(2,222,126)	(1,952,605)
Auxiliary enterprises revenues	4,810,654	4,241,505
Auxiliary enterprises expenses	(4,898,052)	(3,837,932)
Sales and services of educational activities	2,819,880	2,482,360
Other receipts	3,611,359	2,264,528
Net cash from operating activities	<u>(41,313,377)</u>	<u>(38,135,983)</u>
Cash flows from noncapital financing activities		
State appropriations	31,704,543	29,538,677
Federal grants and contracts non exchange	16,986,730	14,110,125
Net cash from noncapital financing activities	<u>48,691,273</u>	<u>43,648,802</u>
Cash flows from capital and related financing activities		
State capital appropriations	1,020,761	1,588,413
Principal payments on bonds	(1,152,310)	(679,012)
Principal payments on capital lease obligations	-	(34,109)
Interest payments on bonds and capital lease obligations	(2,273,966)	(2,309,791)
Capital grants and gifts received	39,607	16,346
Purchases of capital assets	(3,056,069)	(1,074,703)
Net cash from capital and related financing activities	<u>(5,421,977)</u>	<u>(2,492,856)</u>
Cash flows from investing activities		
Interest on investments	247,246	156,722
Purchases of investments	(25,152,552)	-
Net cash from investing activities	<u>(24,905,306)</u>	<u>156,722</u>
Net increase (decrease) in cash and cash equivalents	(22,949,387)	3,176,685
Cash and cash equivalents, beginning of year	<u>25,403,843</u>	<u>22,227,158</u>
Cash and cash equivalents, end of year	<u>\$ 2,454,456</u>	<u>\$ 25,403,843</u>
Reconciliation of net operating loss to Cash from operating activities:		
Operating loss	\$ (44,708,660)	\$ (40,869,947)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense	3,290,357	3,336,061
Provisions for doubtful accounts	1,253,781	1,620,507
Loss on disposal of capital assets	20,876	25,863
Change in assets and liabilities		
Receivables	(2,263,527)	(2,459,797)
Inventories	(30,015)	(5,066)
Other assets	294,026	(602,497)
Accounts payable and accrued expenses	829,825	(418,246)
Deferred revenue	(40)	1,237,139
Net cash from operating activities	<u>\$ (41,313,377)</u>	<u>\$ (38,135,983)</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Restricted:

Expendable: Net assets the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. The balance at June 30, 2011 and 2010 was primarily restricted for grants, scholarships and capital expenditures.

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Investments: Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Assets.

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

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

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

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

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

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

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

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Adoption of New Accounting Pronouncements: GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The adoption of this guidance had no significant impact on the College's operating results or financial condition.

Recent Accounting Pronouncements: As of June 30, 2011, the GASB has issued the following statements not yet implemented by the College. The statements which might impact the College are as follows:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants ("AICPA") pronouncements.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*, issued June 2011. The provisions of this Statement are effective for periods beginning after June 15, 2011. This Statement is intended to improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

The College's management has not yet determined the effect these statements will have on the College's financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

At June 30, 2011 and 2010, the cash on hand was \$13,720, the carrying amount of the College's deposits was \$2,440,913 and \$25,390,123 and the depository bank balance was \$3,121,476 and \$1,251,993, respectively. 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 \$177 and \$1,251,993 in the State Treasury Asset Reserve of Ohio ("STAR Ohio") for which the collateral requirements mentioned above do not apply as of June 30, 2011 and 2010, respectively. Of the remaining \$3,121,298 bank balance at June 30, 2011, \$250,000 was covered by federal depository insurance and \$2,871,298 was collateralized by pledged, pooled securities not in the College's name. Of the remaining \$24,930,114 bank balance at June 30, 2010, \$250,000 was covered by federal depository insurance and \$24,680,114 was collateralized by pledged, pooled securities not in the College's name. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governmental entities within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission ("SEC") as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on the measurement date. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

The College also has an investment management agreement with PNC Bank, as permitted by state statute. The agreement allows (within state limits) investment in both debt and equity instruments. Investments at June 30, 2011 were as follows:

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

<u>Investment Type</u>	
Bond Funds	\$ 21,098,191
Money Market Funds	2,153,489
Certificates of Deposit	2,000,000
Star Ohio Funds	177
 Total	 <u>\$ 25,251,857</u>

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

As of June 30, 2011, the College investment maturities were as follows:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>
U.S. Government Obligations	\$ 2,925,817	\$ 1,303,857	\$ 1,621,960
U.S. Government Agency Bonds	11,905,667	3,263,824	8,641,843
Corporate Bonds	6,266,707	4,731,076	1,535,631
Certificates of Deposit	2,000,000	2,000,000	-
Star Ohio Funds	177	177	-
Subtotal	\$23,098,368	\$ 11,298,935	\$11,799,434
Money Market Funds	<u>2,153,489</u>	<u>2,153,489</u>	-
Total	<u>\$25,251,857</u>	<u>\$ 13,452,423</u>	<u>\$11,799,434</u>

Credit Risk: The College's investments, as stated above were rated AA+ and AAA by Standard & Poor's and Moody's investor services, respectively. Standard & Poor's rating service has assigned STAR Ohio as AAA money market rating.

The credit ratings of the College's interest-bearing investments as of June 30, 2011, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AAA (M)</u>	<u>AA+ (S&P)</u>
Bond Funds	\$ 21,098,191	\$ 20,147,721	\$ 950,470
Money Market Funds	2,153,489	2,153,489	-
Certificates of Deposit	2,000,000	2,000,000	-
Star Ohio Funds	177	177	-
Total	<u>\$ 25,251,857</u>	<u>\$ 24,301,387</u>	<u>\$ 950,470</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts, as of June 30, 2011 and 2010, were as follows:

	<u>2011</u>	<u>2010</u>
Grants	\$ 842,041	\$ 865,753
State appropriations	640,406	-
Tuition and other	13,642,950	12,757,950
Allowance for doubtful accounts	<u>(3,774,843)</u>	<u>(3,296,516)</u>
	<u>\$ 11,350,554</u>	<u>\$ 10,327,187</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2011 and 2010 was as follows:

<u>2011</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	117,179,736	964,677	(12,146)	118,132,267
Equipment and furniture	7,691,902	166,165	(586,440)	7,271,627
Library books and audio visual	1,588,114	96,797	(65,668)	1,619,244
Construction in Progress	-	1,828,429	-	1,828,429
Total capital assets	<u>131,299,279</u>	<u>3,056,069</u>	<u>(664,254)</u>	<u>133,691,095</u>
Accumulated depreciation				
Buildings and improvements	38,486,796	2,736,691	(12,146)	41,211,341
Equipment and furniture	5,569,183	471,833	(570,083)	5,470,933
Library books and audio visual	697,978	81,833	(61,149)	718,662
Total accumulated depreciation	<u>44,753,957</u>	<u>3,290,357</u>	<u>(643,378)</u>	<u>47,400,936</u>
Capital assets, net	<u>\$ 86,545,322</u>	<u>\$ (234,288)</u>	<u>\$ (20,876)</u>	<u>\$ 86,290,159</u>
<u>2010</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	116,692,726	487,010	-	117,179,736
Equipment and furniture	8,557,869	494,840	(1,360,808)	7,691,901
Library books and audio visual	1,521,835	92,853	(26,574)	1,588,114
Total capital assets	<u>131,611,958</u>	<u>1,074,703</u>	<u>(1,387,382)</u>	<u>131,299,279</u>
Accumulated depreciation				
Buildings and improvements	35,706,525	2,780,271	-	38,486,796
Equipment and furniture	6,428,842	477,377	(1,337,036)	5,569,183
Library books and audio visual	644,048	78,413	(24,483)	697,978
Total accumulated depreciation	<u>42,779,415</u>	<u>3,336,061</u>	<u>(1,361,519)</u>	<u>44,753,957</u>
Capital assets, net	<u>\$ 88,832,542</u>	<u>\$ (2,261,357)</u>	<u>\$ (25,863)</u>	<u>\$ 86,545,322</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 4 - CAPITAL ASSETS (Continued)

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, 2011 and 2010 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Current</u>	<u>Long-Term</u>
General receipts bonds	\$ 46,150,000	\$ -	\$(1,065,000)	\$ 45,085,000	\$ 1,140,000	\$ 43,945,000
Bond premium	<u>961,768</u>	<u>-</u>	<u>(87,310)</u>	<u>874,458</u>	<u>85,194</u>	<u>789,264</u>
Total	\$ 47,111,768	\$ -	\$(1,152,310)	\$ 45,959,458	\$ 1,225,194	\$ 44,734,264
	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Current</u>	<u>Long-Term</u>
General receipts bonds	\$ 46,740,000	\$ -	\$(590,000)	\$ 46,150,000	\$ 1,065,000	\$ 45,085,000
Bond premium	<u>1,050,780</u>	<u>-</u>	<u>(89,012)</u>	<u>961,768</u>	<u>87,310</u>	<u>874,458</u>
Total	47,790,780	-	(679,012)	47,111,768	1,152,310	45,959,458
Capital lease obligation	34,109	-	(34,109)	-	-	-
Total	\$ 47,824,889	\$ -	\$ (713,121)	\$ 47,111,768	\$ 1,152,310	\$ 45,959,458

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,140,000	\$ 2,257,000	\$ 3,397,000
2013	1,675,000	2,179,937	3,854,937
2014	1,525,000	2,101,813	3,626,813
2015	2,075,000	2,004,938	4,079,938
2016	1,855,000	1,909,438	3,764,438
2017-2021	11,730,000	7,824,272	19,554,272
2022-2026	15,075,000	4,302,253	19,377,253
2027-2029	<u>10,010,000</u>	<u>594,125</u>	<u>10,604,125</u>
Total	\$ 45,085,000	\$ 23,173,776	\$ 68,258,776

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 - EMPLOYEE BENEFIT PLANS

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

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

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

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

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

SERS and STRS plan members are required to contribute 10% of their annual salary. The College is currently required to contribute 14% of annual covered payroll for SERS and STRS. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to SERS and STRS for the years ending June 30, 2011, 2010 and 2009, were as follows:

<u>Year</u>	Contribution	
	<u>SERS</u>	<u>STRS</u>
2011	\$ 1,978,920	\$ 4,210,630
2010	1,788,456	3,622,985
2009	1,588,899	3,228,519

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.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the years ended June 30, 2011, 2010 and 2009, the health care allocation is 1.43%, .46% and 4.16%, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$202,133, \$58,764, and \$472,130, respectively.

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

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

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2011, 2010 and 2009. The portion of the College's 2011, 2010 and 2009 contributions to STRS Ohio used to fund post-employment benefits was \$300,759, \$258,785, and \$230,609, respectively.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8 - COMPENSATED ABSENCES

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

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

At June 30, 2011 and 2010, the liability for personal and/or sick leave was approximately \$2,421,000 and \$2,249,000, 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, 2011 and 2010, the liability for vacation was approximately \$1,553,000 and \$1,386,000, 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 \$1,742,000 and \$1,591,000 for the years ended June 30, 2011 and 2010, respectively. The approximate future minimum payments under operating leases at June 30, 2011, are due as follows:

2012	\$ 1,184,000
2013	931,000
2014	<u>646,000</u>
Total	<u>\$ 2,761,000</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 11 - AUXILIARY ENTERPRISES

Revenues and expenses of the College's auxiliary enterprises for the years ended June 30, 2011 and 2010, consist of the following:

<u>2011</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>CIT Studios</u>	<u>Total</u>
Revenues	\$ 1,430,629	\$ 1,386,055	\$ 204,705	\$ 365,601	\$ 1,402,534	\$ 21,130	\$ 4,810,654
Expenses	<u>1,305,444</u>	<u>1,306,952</u>	<u>178,606</u>	<u>396,202</u>	<u>1,698,573</u>	<u>12,275</u>	<u>4,898,052</u>
Excess (deficiency) of revenues over expenses	<u>\$ 125,185</u>	<u>\$ 79,103</u>	<u>\$ 26,099</u>	<u>\$ (30,601)</u>	<u>\$ (296,039)</u>	<u>\$ 8,855</u>	<u>\$ (87,398)</u>
<u>2010</u>	<u>Parking</u>	<u>Cafeteria</u>	<u>Airport</u>	<u>Childcare Center</u>	<u>MCI</u>	<u>CIT Studios</u>	<u>Total</u>
Revenues	\$ 1,510,497	\$ 1,192,678	\$ 178,867	\$ 407,395	\$ 919,750	\$ 32,318	\$ 4,241,505
Expenses	<u>719,600</u>	<u>1,181,493</u>	<u>182,434</u>	<u>382,410</u>	<u>1,360,272</u>	<u>11,723</u>	<u>3,837,932</u>
Excess (deficiency) of revenues over expenses	<u>\$ 790,897</u>	<u>\$ 11,185</u>	<u>\$ (3,567)</u>	<u>\$ 24,985</u>	<u>\$ (440,522)</u>	<u>\$ 20,595</u>	<u>\$ 403,573</u>

NOTE 12 - RESTRICTED NET ASSETS

Restricted net assets are expendable for use in student loans of approximately \$31,000 (2011) and \$28,000 (2010), in debt service facility fee of \$3,073,000 (2011) and \$2,641,000 (2010), in a MSD project of \$500,000 (2010), in an energy project of \$146,000 (2011 and 2010).

NOTE 13 - RISK MANAGEMENT

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

NOTE 14 - PENDING LITIGATION

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

SUPPLEMENTARY INFORMATION

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

<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	\$ 367,693	
Federal Direct Student Loans	84.268	46,272,077	
Federal Work-Study Program	84.033	376,830	
Federal Pell Grant Program	84.063	16,976,560	
Academic Competitiveness Grants	84.375	<u>233,388</u>	
Total Student Financial Aid Cluster		64,226,548	
TRIO Cluster			
TRIO Student Support Services	84.042A	326,345	
TRIO Upward Bound Traditional	84.047A	237,007	
TRIO Upward Bound Veteran's	84.047V	286,831	
TRIO Educational Opportunity Center	84.066	<u>248,419</u>	
Total TRIO Cluster		1,098,602	
Pass through Cincinnati Public Schools			
Title I Grants to Loan Educational Agencies			
No Child Left Behind	424172	84.010	16,276
Pass through Urban League			
Twenty-First Century Community Learning Centers		84.287 – ARRA	42,621
Center and Technical Education Basic Grants to States			
		84.048	290,832
Tech-Prep Education			
		82.243A	251,529
Pass through University of Cincinnati Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			
	P000-030-J617	84.334A	362,264
Pass through Ohio Board of Regents State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)			
		84.394 - ARRA	3,844,736
State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act			
		84.397 – ARRA	<u>567,200</u>
Total U. S. Department of Education			
			<u>70,700,608</u>

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

<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		93.558	39,080
Passed through Cuyahoga Community College Health Information Technology Professionals in Health care		93.721 - ARRA	<u>169,399</u>
Total U. S. Department of Health and Human Services			<u>208,479</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program		20.106	79,579
U.S. DEPARTMENT OF LABOR			
Community Based Job Training Grants		17.269	539,874
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		17.275 - ARRA	856,998
Pass through Edison Biotechnology Center dba BioOhio Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		17.275 - ARRA	<u>194,787</u>
Total U.S. Department of Labor			<u>1,591,659</u>
ENVIRONMENTAL PROTECTION AGENCY			
Environmental Education Grant		66.951	<u>9,102</u>
Total Federal Awards			<u>\$ 72,589,427</u>

See accompanying notes to schedule of expenditures of federal awards.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

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 Direct Student Loans Program (CFDA 84.268) (including Direct Subsidized Loans, Direct Unsubsidized Loans and Direct PLUS Loans). Loans processed by the College under this Loan Program were the following for the year ended June 30, 2011:

Direct Subsidized Loans	\$ 18,868,531
Direct Unsubsidized Loans	26,832,043
PLUS Loans	571,503

NOTE 3 – SUBRECIPIENTS

The College passes-through to not-for-profit providers (subrecipients) certain federal assistance received by the College directly from the federal awarding agency or from a pass-through entity. The subrecipient providers have certain compliance responsibilities related to administering these Federal programs. Under Federal Circular A-133 the College is responsible for monitoring subrecipients to help assure that Federal awards are expended for authorized purposes in compliance with law, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved. Included within the Schedule of Expenditures of Federal Awards are the following awards passed through to subrecipients:

<u>Federal Grant/Program Title</u>	<u>Federal CFDA</u>	<u>Federal Expenditures</u>
Community Based Training Grants	17.269	\$ 79,106
Program of Competitive Grants for Worker Training and Placement in High Growth And Emerging Industry Sectors	17.275 ARRA	506,465

**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, 2011, 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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

(Continued)

We noted certain matters that we reported to management of the College in a separate letter dated October 14, 2011.

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 14, 2011

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

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

Compliance

We have audited the compliance of Cincinnati State and Technical College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-01, through 2011-04.

(Continued)

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted certain other matters that we have reported to management in a separate letter dated October 14, 2011.

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

Columbus, Ohio
October 14, 2011

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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 No

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section I - Summary of Auditor's Results (Continued)

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
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.394 – ARRA	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
84.397 – ARRA	State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act
TRIO Cluster:	
84.042A	TRIO Student Support Services
84.047A	TRIO Upward Bound Traditional
84.047V	TRIO Upward Bound Veteran's
84.066	TRIO Educational Opportunity Center
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
17.269	Community Based Job Training Grants
17.275 - ARRA	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

Finding 2011-01

Federal Program Information: Federal Supplemental Educational Opportunity Grants, CFDA #84.007, Federal Direct Student Loans, CFDA #84.268, Federal Work-Study Program, CFDA #84.033, Federal Pell Grant Program, CFDA #84.063, Academic Competitiveness Grants, CFDA #84.375

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section III - Federal Award Findings (Continued)

Finding 2011-01 (Continued)

Criteria:	34 CFR 668.16: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section; (c)(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;
Condition:	During our testing, it was noted that individuals with access to the Financial Aid module, have the ability to delete transmittal rules that have been built into the system which could override system eligibility determinations.
Questioned Costs:	None.
Context:	To be in compliance with federal regulations, the College must have appropriate controls in place to ensure compliance.
Recommendation:	We recommend that procedures be implemented to monitor when a staff has overridden transmittal rules related to eligibility determinations and these be monitored and followed up by management. Additionally, we recommend that management review eligibility determinations to ensure the College's compliance with federal regulations.
Management's Response:	Management concurs with the finding.
Corrective Action:	The Office of Financial Aid (OFA) Management Staff, in conjunction with ITS support, has disabled the staff's ability to manipulate/modify transmittal rules. In addition, prior to disbursing aid to student accounts, OFA will review a sample of students to ensure their eligibility of student aid.

Finding 2011-02

Federal Program Information:	Federal Supplemental Educational Opportunity Grants, CFDA #84.007, Federal Direct Student Loans, CFDA #84.268, Federal Pell Grant Program, CFDA #84.063, Academic Competitiveness Grants, CFDA #84.375
Criteria:	34 CFR 668.22: (1) for a student who ceases attendance at an institution that is not required to take attendance, the student's withdrawal date is— (i) The date, as determined by the institution, that the student began the withdrawal process prescribed by the institution; (ii) The date, as determined by the institution, that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw;
Condition:	In a test of 40 students, we noted three instances in which the withdrawal date used in the Return of Title IV calculation was not consistent with the documentation that was provided to the Registrar's Office for processing.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section III - Federal Award Findings (Continued)

Finding 2011-02 (Continued)

Questioned Costs: \$0, In each instance noted the withdrawal date was after the 60% point and therefore the student had earned 100% of the Title IV funds he or she was scheduled to receive during the period.

Context: To be in compliance with federal regulations, the College must use correct withdrawal dates when performing Return of Title IV calculations.

Recommendation: We recommend that procedures be implemented to review withdrawal dates being entered into the system to assist in insuring that the appropriate date is used within Return of Title IV calculations.

Management's Response: Management concurs with the finding.

Corrective Action: Withdrawal dates will be reviewed for accuracy to make sure that the correct date is used for Return of Title IV calculations. Any discrepancies in dates will be documented with the withdrawal paperwork.

Finding 2011-03

Federal Program Information: Academic Competitiveness Grants, CFDA #84.375

Criteria: 34 CFR 691.15 (b): A student is eligible to receive an ACG if the student (ii) For the first academic year of his or her eligible program has successfully completed, after January 1, 2006, a rigorous secondary school program of study recognized by the Secretary under §691.16; and (iii) For the second academic year of his or her eligible program has successfully completed, after January 1, 2005, a rigorous secondary school program of study recognized by the Secretary under §691.16.

Condition: In a test of 40 students, we noted one instance in which the College awarded ACG funds although the student had not completed a rigorous secondary school program of study.

Questioned Costs: The student in the original sample was over-awarded \$600. Management performed a full file exam over a sample representing approximately 20% of the population of students and noted 1 additional error with an over-award of \$450.

Context: To be in compliance with federal regulations, the College must correctly determine student eligibility to participate in the ACG program.

Recommendation: Although the ACG program is no longer active subsequent to June 30, 2011 we recommend that the College review its policies related to this requirement and evaluate them in relation to future considerations.

Management's Response: Management concurs with the finding.

Corrective Action: The Office of Financial Aid has noted this observation. As new programs surface, we will continue to review and document student requirements that are used to determine student eligibility for awards. During that time, we will document policies and procedures for determining student eligibility for aid.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section III - Federal Award Findings (Continued)

Finding 2011-04

Federal Program Information: Competitive Grant for Worker Training, CFDA #17.275 (ARRA)

- Criteria: Federal Register Notice, Vol. 74, No. 139. Department of Labor Employment and Training Administration, VI. Award Administration Information; (C) Reporting – (2) Quarterly Performance Reports: The grantee must submit a quarterly progress report within 45 days after the end of each calendar year quarter. In order to submit these quarterly reports, the grantee will be expected to track participant-level data on the individuals who are involved in the training and other services provided through the grant and report on participant status in a variety of fields and outcome categories. (3) Record Retention: Applicants must be prepared to follow Federal guidelines on record retention, which require grantees to maintain all records pertaining to grant activities for a period not less than three years from the time of final grant close-out.
- Condition: During our testing of participant eligibility in the Competitive Grant for Worker Training program, we tested the documentation of eligibility for a sample of 25 participants and noted the following:
a. For 13 participants, it was noted that participant applications used to determine eligibility under the grant were not maintained.
b. For 23 participants, it was noted that no signed statement attesting to the validation of the information the eligible participant provided was maintained.
c. It was noted that two participants served under the grant were not entered into RAD, the Department of Labor reporting system.
- Questioned Costs: None.
- Context: While we were able to determine participant eligibility through other supporting documents within the participant's file, the information documenting eligibility required by the College's procedures was not present at one sub recipient location.
- Recommendation: In each participant's file, in accordance with Department of Labor requirements, we recommend that all participant applications and signed statements attesting to the validation of application data be maintained. In addition, we recommend that all individuals served under the grant be entered into the RAD reporting system to ensure accurate progress reporting.
- Management's Response: Management concurs with the finding.
- Corrective Action: Written assurances from the subrecipient who failed to follow required record retention policy have been obtained attesting to adherence to all policies, particularly participant records. Site visits by the grant manager have confirmed that all required records are now being retained and will be electronically preserved for future review. Additionally, site visits with all other subrecipients have or will take place prior to October 31, 2011 to reiterate compliance requirements.

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section IV - Prior Year Findings and Questioned Costs

Finding 2010-01

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

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

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

Status: Corrected

Finding 2010-02

Federal Program Information: Federal Supplemental Educational Opportunity Grants, CFDA #84.007, Federal Family Education Loans, CFDA #84.032, Federal Work-Study Program, CFDA #84.033, Federal Pell Grant Program, CFDA #84.063, Academic Competitiveness Grants, CFDA #84.375

Criteria: 34 CFR 668.16: To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section; (c)(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;

Condition: During our testing, it was noted that individuals with access to the Financial Aid module, have the ability to delete transmittal rules that have been built into the system which could override system eligibility determinations.

Status Not corrected. See Finding 2011-01

Finding 2010-03

Federal Program Information: Tech-Prep Education, CFDA #82.243A

Criteria: 34 CFR 403.111: How must funds be used under the Secondary School Vocational Education Program and the Postsecondary and Adult Vocational Education Programs

(Continued)

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2011

Section IV - Prior Year Findings and Questioned Costs (Continued)

Finding 2010-03 (Continued)

Condition: The following were noted during our review of Tech Prep expenditures:

- Supporting documentation for two procurement purchases could not be provided.
- The following purchases generally would not be considered to be allowable under allowable cost guidance under grant and federal regulations:
 - Two purchases related to a coffee machine and filters
 - One purchase related to advertising materials

Status: Corrected



Dave Yost • Auditor of State

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE HAMILTON COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that appears to read "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 13, 2011