CUYAHOGA COMMUNITY COLLEGE

Single Audit Report
for the Year Ended
June 30, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Cuyahoga Community College
700 Carnegie Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditors' Report* of the Cuyahoga Community College, Cuyahoga County, prepared by Hausser & Taylor LLC, for the audit period July 1, 2006 through June 30, 2007. 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 Cuyahoga Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 19, 2007

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CUYAHOGA COMMUNITY COLLEGE

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H+T HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cuyahoga Community College
Cleveland, Ohio

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Cuyahoga Community College (the "College") as of and for the years ended June 30, 2007 and 2006, which collectively 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the discretely presented component unit of the College at June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 - 7 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 the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 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, 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 the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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.

Hausser + Taylor LLC

Cleveland, Ohio
October 18, 2007

Cleveland Elyria Akron Canton Columbus

CUYAHOGA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

Cuyahoga Community College (the "College") is Ohio's first and largest community college. The College opened its doors in 1963 in temporary quarters to approximately 3,000 students. Today the College serves more than 55,000 credit and non-credit students each year at its three Cuyahoga County campuses and three stand-alone facilities.

The College offers credit and non-credit programs to its students. For the Fall 2006 semester, the College offered over 70 two-year technical associate degree programs and 25 one-year certificate programs. The Continuing and Professional Education Division seeks to extend the resources of the College to the business, health and human, and social services communities. In addition, specialized support is provided through focused centers or institutions including: The FabriCare Technology Center, the Labor Management Relations Institute, the Quality Center, and the Small Business Environmental Assistance Center. The College also offers cultural enrichment programs as well as programs for K-12 students and teachers. A number of these programs have been recognized as award-winning national models.

The following discussion and analysis provides an overview of the College's financial activities and should be read in conjunction with the College's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

As of June 30, 2007, the College's net assets increased to $257.3 million from $236.1 million as of June 30, 2006. Operating revenues increased $4.0 million due mainly to increased contracts and grants ($2.8 million). Operating expenses increased $7.9 million which included $6.1 million of increases in salaries and benefits and $797 thousand in maintenance contracts. Depreciation expense increased by $327 thousand due to placing approximately $13.7 million of buildings, moveable equipment, and other assets into service in fiscal year 2007. The remainder of the increase is due to normal inflationary increases and other factors.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America, including GASB Statements No. 34, No. 35, and No. 39. The College follows the "business-type activities" reporting requirements of GASB Statements No. 34 and No. 35 that provide a comprehensive College-wide look at the College's financial activities. The statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

The statements are prepared on the accrual basis and present all assets and liabilities of the College, both financial and capital, and short and long-term. They also present all revenues and expenses of the College during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the College's financial condition as of June 30, 2007 and 2006, and the results of its operations and cash flows for the years then ended. Although the Cuyahoga Community College Foundation is considered a component unit of the College, Management's Discussion and Analysis will focus on the activities of the College only.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the College using the accrual basis of accounting. Condensed information from the College's statements of net assets follows:

	(in thousands) June 30 2007	2006	Increase (Decrease)	Percent Change
Current assets	$ 221,733	$ 174,818	$ 46,915	26.8 %
Non current assets:				
Capital assets, net of depreciation	199,404	201,683	(2,279)	(1.1)%
Other	4,589	31,835	(27,246)	(85.6)%
Total assets	425,726	408,336	17,390	4.3 %
Current liabilities	105,879	104,999	880	0.8 %
Non-current liabilities	62,596	67,195	(4,599)	(6.8)%
Total liabilities	168,475	172,194	(3,719)	(2.2)%
Net assets:				
Invested in capital assets, net of related debt	142,011	138,709	3,302	2.4 %
Restricted - expendable	1,870	1,634	236	14.4 %
Unrestricted	113,370	95,799	17,571	18.3 %
Total net assets	$ 257,251	$ 236,142	$ 21,109	8.9 %

Assets

Total assets increased $17.4 million from 2006 principally due to the following factors:

- Cash and cash equivalents increased $43.0 million due to the reduction in long term investments.
- Property taxes receivable increased approximately $1.7 million from 2006 due to an adjustment in the tax base and anticipated collection of delinquencies, and is offset by an increase of $855 thousand in deferred property tax revenue.
- Other long term investments decreased $27.2 million as cash and cash equivalents were invested in shorter term investments, which increased $4.3 million in order to maximize the College's rate of return.
- Capital assets, net of accumulated depreciation, decreased by $2.3 million due to the addition of $7.2 million in buildings and building improvements, and the acquisition of $7.5 million in non-building related capital assets, offset by $16.9 million in depreciation expense.

Liabilities

Total liabilities decreased approximately $3.7 million principally due to the following factors:

- Accounts payable and accrued liabilities increased $235 thousand due to increased accrued benefit payables for 2007.
- Deferred property tax revenues increased $855 thousand based upon tax collection estimates provided by the county.
- Deferred revenues, relating mainly to student revenues for the summer term and cash advances on certain grants with eligibility requirements, decreased $393 thousand, due to the timing of student registration and payment of account.
- Capital lease obligations decreased $4.6 million due to the College entering into four new capital leases in 2007, totaling $239 thousand, offset by $4.8 million of principal payments in the ordinary course of business.
- Long-term debt decreased $1.1 million as a result of scheduled payments on the outstanding Series A and B General Receipt Bonds.
- Compensated absences increased $187 thousand mainly due to the additional long term payable vested by employees.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the College, as well as the nonoperating revenues and expenses. Annual state appropriations and local property taxes, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles. Condensed information from the College's statements of revenues, expenses and changes in net assets follows:

	(in thousands) Year Ended June 30,			
	2007	**2006**	**Increase (Decrease)**	**Percent Change**
Operating revenue:				
Net tuition and fees	$ 37,998	$ 37,565	$ 433	1.2 %
Contracts and grants	55,384	52,603	2,781	5.3 %
Auxiliary enterprises	10,572	10,456	116	1.1 %
Other	8,574	7,861	713	9.1 %
Total operating revenue	112,528	108,485	4,043	3.7 %
Operating expenses:				
Education and general:				
Instruction and departmental research	62,211	58,209	4,002	6.9 %
Public service	18,117	18,178	(61)	(0.3)%
Academic support	20,746	19,444	1,302	6.7 %
Student services	18,280	18,097	183	1.0 %
Institutional support	32,008	32,136	(128)	(0.4)%
Operation and maintenance of plant	22,378	20,833	1,545	7.4 %
Student Aid	38,300	37,689	611	1.6 %
Depreciation	16,916	16,589	327	2.0 %
Auxiliary enterprises	10,378	10,221	157	1.5 %
Total operating expenses	239,334	231,396	7,938	3.4 %
Net operating loss	(126,806)	(122,911)	(3,895)	3.2 %
Nonoperating revenues (expenses):				
State appropriations	59,175	57,312	1,863	3.3 %
Property taxes	80,402	73,389	7,013	9.6 %
Investment income	5,532	3,126	2,406	77.0 %
Other revenue (expense)	(2,498)	(2,495)	(3)	0.1 %
Total nonoperating revenue	142,611	131,332	11,279	8.6 %
Income before state capital appropriations	15,805	8,421	7,384	87.7 %
State capital appropriations	5,304	4,070	1,234	30.3 %
Increase in net assets	21,109	12,491	8,618	69.0 %
Net assets - beginning of year	236,142	223,651	12,491	5.6 %
Net assets - end of year	$ 257,251	$ 236,142	$ 21,109	8.9 %

Operating Revenues

The increase in net tuition and fees is primarily due to increased tuition rates offset by a decrease in enrollment. Tuition rate increase of five percent was in effect for the entire year.

Contract and grant revenue increased $2.8 million overall, with an increase of $1.2 million in state grants and contracts and an increase of $1.9 million in local and private grants and contracts. The main factors for the increase in state grants relate to increases in grants obtained from the Ohio College Opportunity Grant (OCOG) of $558 thousand, as well as part time Ohio Instructional Grant (OIG) of $520 thousand.

Auxiliary enterprises consist of book centers, parking facilities, and food service. Revenues related to these operations are dependent on fluctuations in enrollment and pricing.

Other operating revenues consist of sales and services and miscellaneous revenues, including non-credit instruction revenues and other services provided by the Workforce and Economic Development Division, as well as revenues from Corporate College training, conferences, facility rentals, and other various items. Revenues generated from these types of activities increased $407 thousand during fiscal year 2007.

Operating Expenses

Operating expenses increased in almost all categories due to salary and benefits increases of approximately $6.1 million due to the addition of employees to support increases in enrollment, scheduled salary increases, and increases in general benefit costs.

In addition to the overall increases noted above, additional changes are described below:

- Instruction and department research increased $4.0 million primarily due to increases in salaries and fringes as noted above.
- Academic support increased $1.3 million, primarily the net effect of increases in salaries and fringes.
- Student services increased $183 thousand, primarily the net effect of increases in salaries and wages.
- Public Service and Institutional support decreased $61 thousand and $128 thousand respectively, primarily due to a decrease in salaries and benefits as noted above.
- Operations and maintenance of plant increased approximately $1.5 million due to increases in salaries and fringes; increases in maintenance contracts, and a portion of these expenses being capital in nature and meeting the terms of the College's capitalization policy.
- Student aid expenses increased approximately $611 thousand due to increased scholarship revenues, as noted above.
- Depreciation expense increased $327 thousand mainly due to the depreciation of capital assets placed in service in 2007.

The remainder of the increase in operating expenses was due to normal inflationary factors.

Nonoperating Revenues

State appropriations increased approximately $1.9 million due entirely to increases in enrollment. Local appropriations consist entirely of property tax revenues. The $7.0 million increase is due to the reappraisal of all properties by the County Auditor that took effect January 1, 2007 and the collection of delinquent property taxes.

The increase of $2.4 million in investment income is attributable primarily to increased investment principal available during the fiscal year combined with favorable market interest rates.

Capital appropriations from the State of Ohio increased approximately $1.2 million. The College receives capital dollars from the State of Ohio for joint state projects that are approved as a part of the State's biennial budget process.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The College uses State capital appropriations, internal resources including debt proceeds, and gifts and other grants for the acquisition of capital assets. State capital appropriations are budgeted on a biennium basis and are predominantly based on the respective institutions' enrollment and size and age of facilities. During fiscal year 2007, the College's capital assets additions totaled $14.6 million and depreciation expense was $16.9 million. Additional information on the College's capital assets may be found in Note 4 of the financial statements.

The College's long-term debt is comprised of 2002 Series A and Series B Ohio General Receipts Bonds and capital lease obligations. During fiscal year 2007, the College added $239 thousand in capital lease liabilities, and paid $4.8 million in capital lease commitments. Additional information on the College's long-term debt may be found in Notes 11 and 12 of the financial statements.

FACTORS IMPACTING FUTURE PERIODS

State appropriations, property taxes, student tuition and fees, and federal grants and contracts comprise the College's principal revenue sources and support the College's operational needs and its abilities to expand programs and pursue other initiatives. The viability of each of these four critical revenue components is highly dependent on variables external to the College such as enrollment trends, local and state economic conditions, federal, state and local legislative actions, County voter sentiment, and others. The College's ability to manage fluctuations within these revenue sources, as well as potential increases in costs of energy and employee benefits, will be vital to its continued success.

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
JUNE 30, 2007 and 2006

	2007		2006	
ASSETS	**Cuyahoga Community College**	**Component Unit CCC Foundation**	**Cuyahoga Community College**	**Component Unit CCC Foundation**
CURRENT ASSETS:				
Cash and cash equivalents	$ 104,299,928		$ 61,324,988	$ 73,813
Short-term investments	12,643,900	$ 93,216	8,307,822	35,148
Property taxes receivable	78,571,882		76,839,027	
Accounts receivable, net	21,088,535	2,144,166	24,099,983	3,033,547
Inventories	2,154,512		1,634,340	
Prepaid expenses	2,974,187		2,611,750	
Total current assets	221,732,944	2,237,382	174,817,910	3,142,508
NONCURRENT ASSETS:				
Restricted cash and cash equivalents		2,896,069		2,469,097
Restricted investments		18,163,865		14,326,021
Other assets	1,029,757		1,110,069	
Other long-term investments	3,558,868		30,725,399	
Capital assets, net	199,404,231		201,683,194	
Total noncurrent assets	203,992,856	21,059,934	233,518,662	16,795,118
Total assets	425,725,800	23,297,316	408,336,572	19,937,626
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	12,170,524	777,597	11,935,274	1,016,856
Deferred property tax revenue	72,611,354		71,756,125	
Deferred revenue	14,423,274		14,816,764	
Capital lease obligations - current portion	4,706,634		4,633,845	
Long-term debt - current portion	1,030,000		1,000,000	
Compensated absences - current portion	937,391		857,081	
Total current liabilities	105,879,177	777,597	104,999,089	1,016,856
NONCURRENT LIABILITIES:				
Long-term debt - less current portion	43,496,087		44,555,932	
Capital lease obligations - less current portion	8,160,488		12,784,824	
Compensated absences - less current portion	6,237,992		6,131,750	
Claims and other liabilities	4,700,789		3,722,458	
Total noncurrent liabilities	62,595,356	0	67,194,964	0
Total liabilities	168,474,533	777,597	172,194,053	1,016,856
NET ASSETS				
Invested in capital assets, net of related debt	142,011,067		138,708,638	
Restricted : nonexpendable		2,275,951		1,946,636
expendable	1,869,687	20,150,552	1,634,553	16,865,173
Unrestricted	113,370,513	93,216	95,799,328	108,961
Total net assets	$ 257,251,267	$ 22,519,719	$ 236,142,519	$ 18,920,770

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

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Cuyahoga Community College	Component Unit CCC Foundation	Cuyahoga Community College	Component Unit CCC Foundation
OPERATING REVENUES:				
Student tuition and fees, net of scholarship allowances of $7,363,904 in 2007 and $6,314,817 in 2006	$ 37,997,348		$ 37,565,109	
Federal grants and contracts	44,695,371		45,043,877	
State grants and contracts	7,862,316		6,639,377	
Local grants and contracts	130,802		12,878	
Private grants and contracts	2,695,027	$2,448,368	906,629	$3,338,900
Sales and services	6,776,166		6,468,949	
Auxiliary enterprises	10,571,936		10,456,141	
Other operating revenues	1,798,347	1,124,329	1,391,845	1,017,342
Total operating revenues	112,527,313	3,572,697	108,484,805	4,356,242
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	62,210,536		58,209,232	
Public service	18,117,115		18,177,879	
Academic support	20,745,973		19,443,490	
Student services	18,280,795		18,097,315	
Institutional support	32,008,312	2,784,046	32,135,541	2,231,199
Operation and maintenance of plant	22,377,492		20,833,337	
Student Aid	38,300,004	534,363	37,688,663	484,080
Depreciation	16,916,087		16,589,053	
Auxiliary enterprises	10,377,572		10,221,296	
Total operating expenses	239,333,886	3,318,409	231,395,806	2,715,279
Operating income (loss)	(126,806,573)	254,288	(122,911,001)	1,640,963
NONOPERATING REVENUES (EXPENSES):				
State appropriations	59,175,060		57,311,964	
Property taxes	80,402,430		73,389,137	
Unrestricted investment income, net of investment expense of $493,398 in 2007 and $ 489,190 in 2006	5,532,190		3,113,848	(8,239)
Restricted investment income	27,284	3,344,661	12,200	1,614,640
Interest on capital asset-related debt	(2,502,193)		(2,475,450)	
Other nonoperating revenues (expenses)	(23,693)		(19,280)	
Net nonoperating revenues	142,611,078	3,344,661	131,332,419	1,606,401
INCOME BEFORE STATE CAPITAL APPROPRIATIONS	15,804,505	3,598,949	8,421,418	3,247,364
State capital appropriations	5,304,243		4,070,145	
INCREASE IN NET ASSETS	21,108,748	3,598,949	12,491,563	3,247,364
NET ASSETS - BEGINNING OF YEAR	236,142,519	18,920,770	223,650,956	15,673,406
NET ASSETS - END OF YEAR	$ 257,251,267	$ 22,519,719	$ 236,142,519	$ 18,920,770

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

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Cuyahoga Community College	Component Unit CCC Foundation	Cuyahoga Community College	Component Unit CCC Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student tuition and fees	$ 36,687,522		$ 36,841,536	
Grants and contracts	59,092,242	$ 3,320,122	53,940,589	$ 3,179,878
Sales and services	8,574,514	1,124,329	7,860,794	1,017,342
Auxiliary enterprises	10,566,309		10,464,149	
Employee and related payments	(130,030,946)		(128,238,704)	
Supplier and vendor payments	(53,867,569)	(3,023,305)	(49,434,209)	(2,578,897)
Payments for scholarships	(38,317,008)	(534,363)	(37,683,744)	(484,080)
Net cash provided by (used in) operating activities	(107,294,936)	886,783	(106,249,589)	1,134,243
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Property tax receipts	79,524,804		74,609,068	
State appropriations	59,175,060		57,311,964	
Other receipts (payments)	135,020	17,627	83,410	
Net cash provided by noncapital financing activities	138,834,884	17,627	132,004,442	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
State capital appropriations	3,683,437		3,822,029	
Bond issue costs	(29,845)		(29,843)	
Purchases of capital assets	(12,275,142)		(20,114,344)	
Principal paid on capital debt and leases	(5,790,304)		(5,336,575)	
Interest paid on capital debt and leases	(2,502,193)		(2,475,901)	
Net cash used in capital and related financing activities	(16,914,047)	0	(24,134,634)	0
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	28,359,215	27,825,949	31,579,859	16,894,790
Purchases of investments	(5,153,658)	(28,937,840)	(19,220,719)	(17,955,615)
Investment income	5,143,482	618,708	2,960,328	399,863
Net cash provided by (used in) investing activities	28,349,039	(493,183)	15,319,468	(660,962)
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,974,940	411,227	16,939,687	473,281
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	61,324,988	2,578,058	44,385,301	2,104,777
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 104,299,928	$ 2,989,285	$ 61,324,988	$ 2,578,058

(Continued)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	Cuyahoga Community College	Component Unit CCC Foundation	Cuyahoga Community College	Component Unit CCC Foundation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	$ (126,806,573)	$ 254,288	$ (122,911,001)	$ 1,640,963
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	16,916,087		16,589,053	
Changes in assets and liabilities:				
Receivables, net	3,681,650	871,754	(1,109,139)	(159,022)
Inventories	(520,172)		606,882	
Prepaid expenses	(362,437)		(1,488,830)	
Accounts payable and accrued liabilities	(974,884)	(239,259)	180,905	(347,698)
Deferred revenues	(393,490)		1,923,685	
Compensated absences	186,552		354,705	
Claims and other liabilities	978,331		(395,849)	
Net cash provided by (used in) operating activities	$ (107,294,936)	$ 886,783	$ (106,249,589)	$ 1,134,243
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital lease obligations incurred for the acquisition of capital assets	$ 238,757	$ 0	$ 3,500,875	$ 0

(Concluded)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - Cuyahoga Community College (the "College") is an institution of higher education. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 39, *The Financial Reporting Entity*, the College is a primary government with one component unit. The Cuyahoga Community College Foundation (the "Foundation"), which is a legally separate, not-for-profit organization incorporated and operated exclusively for the benefit of the College, is presented as a discrete component unit in the accompanying financial statements.

The College is exempt from income taxes as a political subdivision under federal income tax laws and regulations of the Internal Revenue Service.

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the GASB. Effective July 1, 2001, the College implemented GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in November 1999; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*, issued in June 2001; and Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in June 2001. The College follows the "business-type activities" reporting requirements of GASB Statement No. 35. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows are reported on a College-wide basis.

Basis of Accounting - The financial statements of the College have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they represent a legal or contractual obligation to pay.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected to not apply FASB statements and interpretations issued after November 30, 1989.

Cash Equivalents - Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased (see Note 2).

Investments - Investments are stated at fair value, based on published market quotations. The College does not invest in derivatives. Investments with maturities of less than one year are considered short term.

Inventories - Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory costs are charged to operations when inventory is sold or consumed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Land, buildings and equipment are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. When property is sold or otherwise disposed of, the carrying value of such assets is removed from the accounts. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The College's capitalization limit for moveable equipment is $5,000.

The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	15 years
Improvements other than buildings	20 years
Library books	5 years
Moveable equipment	5-10 years

Compensated Absences – Full time employees receive paid time off for vacation, illness, and personal reasons. Time is accrued on a fiscal year basis. The amount of time accrued plus the amount of unused leave that can be carried over into the next fiscal year is dependent on the employee's job classification. Compensated absences, including unpaid vacation and sick leave are accrued to conform to GASB Statement No. 16, *Accounting for Compensated Absences*, using the vesting method.

Deferred Revenue - Revenues and expenditures related to academic terms conducted over two fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominantly conducted. In addition, property taxes and certain grant proceeds that do not meet the revenue recognition criteria under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues (an amendment of GASB Statement No. 33)*, are deferred.

Net Asset Classifications - In accordance with GASB Statement No. 35 guidelines, the College's resources are classified into the following three net asset categories:

Invested 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 whose use 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. These net assets principally represent funds related to grants and temporarily restricted net assets of the Foundation.

Restricted – Nonexpendable – net assets subject to externally imposed stipulations that they be maintained permanently. Such assets include the permanent endowment funds of the Foundation.

Unrestricted - net assets that are not subject to externally imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating Revenues and Expenses – All revenues from tuition and programmatic sources are considered to be operating revenues. Operating expenses include educational costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including state appropriations, property tax revenues, investment income, and interest on capital asset-related debt, are reported as nonoperating revenues and expenses.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the notes to financial statements. Actual results could differ from those estimates.

Reclassifications – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DEPOSITS AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or building and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least five percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *"Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."*

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Of the June 30, 2007 and 2006 bank balances of $7,030,745 and $8,016,306, $300,000 was covered by federal depository insurance, and the remaining $6,730,745 and $7,716,306 was exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

2. DEPOSITS AND INVESTMENTS - Continued

Investments – As of June 30, 2007 and 2006, the College's investments were as follows:

Type of Investment	Fair Value	2007 Weighted Average Maturity (Years)	Fair Value	2006 Weighted Average Maturity (Years)
Treasury Notes	$ 21,933,655	0.78	$ 38,846,594	0.77
Treasury Bills	0		8,430,887	0.34
Certificates of Deposit	107,808	0.44	103,916	0.44
Mutual Funds	183,509		136,639	
STAROhio	80,801,721		43,466,025	
Totals	$ 103,026,693	0.14	$ 90,984,061	0.36

Interest rate risk – In accordance with the investment policy, the College manages its exposure to declines in fair values by limiting the maximum maturity of any individual security to five years, and of its investment portfolio to approximately three years. During fiscal year 2007, the College's Weighted Average Maturity was 0.14 years.

Credit Risk – It is College policy to limit its investments to those explicitly guaranteed by the U.S. government, to STAROhio (rated AAA by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

Concentration of credit risk – As of June 30, 2007, the College had approximately 21% of its investments in U.S. Treasury obligations and 78% in STAROhio.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. While a large portion of the College's investments are insured and held in the College's name, the Treasury Notes were determined by a previous audit to be uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the name of the College.

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on the balance sheet date. The amount invested with STAROhio is not classified by risk category because it is not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

2. DEPOSITS AND INVESTMENTS - Continued

The following summarizes the market value of investments based on quoted market prices for the Foundation at June 30, 2007 and 2006:

Description	2007	2006
Common Stock	$ 7,986,839	$ 5,692,688
U.S. Government Bonds	1,242,607	1,800,785
Foreign Bonds	0	33,841
Corporate Bonds	739,664	833,573
Mutual Funds	8,194,755	5,965,134
Totals	$ 18,163,865	$ 14,326,021

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2007	2006
Tuition and fees receivable	$ 18,856,320	$ 18,207,511
Grants receivable	4,776,244	9,805,259
State capital appropriations receivable	1,953,099	332,296
Interest receivable	264,661	246,311
Other receivables	1,519,404	974,350
Allowance for doubtful accounts	(6,281,193)	(5,465,744)
Total	$ 21,088,535	$ 24,099,983

4. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2007 and 2006 was as follows:

Description	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Non-depreciable:				
Land	$ 5,656,855			$ 5,656,855
Construction in progress, net	6,450,206	$ 981,337		7,431,543
Depreciable:				
Buildings	189,542,946	1,520,896		191,063,842
Building improvements	90,630,197	5,630,608		96,260,805
Improvements other than buildings	30,482,865	3,968,142		34,451,007
Library books	1,061,410	210,293	$ 238,543	1,033,160
Moveable equipment	72,790,540	2,326,043	457,750	74,658,833
Total capital assets	396,615,019	14,637,319	696,293	410,556,045
Less accumulated depreciation:				
Buildings	70,187,526	4,812,449		74,999,975
Building improvements	46,876,016	4,409,625		51,285,641
Improvements other than buildings	25,378,764	1,065,729		26,444,493
Library books	614,845	167,757	238,543	544,059
Moveable equipment	51,874,674	6,460,527	457,555	57,877,646
Total accumulated depreciation	194,931,825	16,916,087	696,098	211,151,814
Capital assets, net	$ 201,683,194	$ (2,278,768)	$ 195	$ 199,404,231

Description	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Non-depreciable:				
Land	$ 5,437,138	$ 219,717		$ 5,656,855
Construction in progress, net	6,249,395	200,811		6,450,206
Depreciable:				
Buildings	181,287,675	8,255,271		189,542,946
Building improvements	86,650,618	3,979,579		90,630,197
Improvements other than buildings	30,105,098	377,767		30,482,865
Library books	1,167,569	128,677	234,836	1,061,410
Moveable equipment	67,422,074	5,756,532	388,066	72,790,540
Total capital assets	378,319,567	18,918,354	622,902	396,615,019
Less accumulated depreciation:				
Buildings	65,421,038	4,766,488		70,187,526
Building improvements	42,542,775	4,333,241		46,876,016
Improvements other than buildings	24,518,231	860,533		25,378,764
Library books	674,081	175,600	234,836	614,845
Moveable equipment	45,802,212	6,453,191	380,729	51,874,674
Total accumulated depreciation	178,958,337	16,589,053	615,565	194,931,825
Capital assets, net	$ 199,361,230	$ 2,329,301	$ 7,337	$ 201,683,194

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30:

		2007		2006
Accounts payable	$	6,177,431	$	7,179,993
Accrued liabilities		1,111,442		787,611
Payroll and fringe liablilities		4,881,651		3,967,670
Total	$	12,170,524	$	11,935,274

6. STATE APPROPRIATIONS

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula determined by the State of Ohio.

In addition to the student subsidies, the State of Ohio provides funding for the construction of major academic plant facilities on the College's campuses. Funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"). Bond proceeds are used for the construction and subsequent transfer of the facility to the College.

College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Ohio Board of Regents for payment of debt service and the related debt service payments are not recorded in the College's accounts.

The College follows the practice of recording additions to net assets and accounts receivable for appropriations approved by the State of Ohio to cover expenses that have been incurred for plant facilities and equipment.

7. PROPERTY TAXES

The College receives funds from property taxes levied on all real, public utility, and tangible personal property used in businesses located in Cuyahoga County. Two levies for 1.6 and 1.2 mills were replaced by voters in 2001 and 2005 respectively, and expire in 2010 and 2015 respectively.

8. PENSION AND RETIREMENT PLANS

Defined Benefit Plans - The College's faculty is covered by the State Teachers Retirement System of Ohio ("STRS"). Substantially all other employees are covered by the Ohio Public Employees Retirement System of Ohio ("OPERS"). OPERS administers three separate pension plans: the Traditional Plan – a cost-sharing, multiple employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. STRS, a cost-sharing, multiple employer public employee retirement system, offers a defined benefit plan, a defined contribution plan, and a combined plan. OPERS and STRS provide retirement, disability, survivor and death benefits and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. Members of the OPERS Member-Directed plan do not quality for auxiliary benefits. Both STRS and OPERS issue separate, publicly available financial reports that include financial statements and required supplementary information.

These reports may be obtained by contacting the two organizations at the following locations:

STRS	OPERS
275 East Broad Street	277 East Town Street
Columbus, OH 43215-3771	Columbus, OH 43215-4642
(614) 227-4090	(614) 226-6701 or (800) 222-7377

In addition to the retirement benefits described above, STRS and OPERS provide postretirement healthcare benefits (see Note 9).

Defined Contribution Plan - An Alternative Retirement Plan ("ARP") was established by the College's Board of Trustees on February 5, 1999. The ARP is a defined contribution pension plan available to full-time administrative and professional staff in lieu of OPERS or STRS. For the employees who elected participation in ARP, prior employee contributions to STRS and OPERS were transferred from those plans and invested in individual accounts established with selected external investment managers.

The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Funding – The ORC provides statutory authority for employee and employer contributions to STRS, OPERS and the ARP. Contributions equal to those required by STRS and OPERS are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to STRS or OPERS to enhance the stability of those plans.

8. PENSION AND RETIREMENT PLANS - Continued

The required contribution rates (as a percentage of covered payroll) for plan members and the College were as follows for the years ended June 30, 2007 and 2006:

	STRS	OPERS July 1- Dec 31 2006	OPERS Jan 1- June 30 2007	ARP
Faculty:				
Plan member	10.00%			10.00%
College	14.00%		*	14.00%
Staff:				
Plan member		9.00%	9.50% **	9.00%
College		13.70%	13.85% **	13.70%
Law enforcement staff:				
Plan member		10.10%	10.10% **	10.10%
College		16.93%	17.17% **	16.93%

* Employer contributions included 5.76% paid to STRS. The remaining amount is credited to the participant's ARP account.

** Employer and Employee contributions were increased effective January 1, 2007 for both OPERS and OPERS ARP.

The College's contributions for the year ended June 30, 2007 and for each of the two preceding years, including the portion applicable to postretirement benefits (see Note 9), were as follows:

Year Ended June 30,	STRS Contribution	OPERS Contribution	ARP Contribution
2007	$6,092,500	$7,574,900	$636,000
2006	6,106,000	6,606,000	691,000
2005	5,573,000	6,063,000	561,000

The College's actual contributions to each of the plans equaled the required contributions for each year.

9. POSTRETIREMENT BENEFITS

OPERS - OPERS provides postretirement healthcare coverage to age and service retirants under the Traditional and Combined Plans with ten or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and qualified survivor benefit recipients is available. Healthcare coverage provided by the OPERS is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS (4.5% of covered payroll during fiscal year 2007 and 4.0% for fiscal year 2006) is set aside for funding of postretirement healthcare. The ORC provides statutory authority for employer contributions. The statutory healthcare contribution requirement from the College for the year ended June 30, 2007 and 2006 (which is included in the College's total OPERS contribution) were $3,284,000 and $2,906,000.

9. POSTRETIREMENT BENEFITS - Continued

OPEB are advance-funded on an actuarially determined basis and are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely. The summary of assumptions used are as follows:

Actuarial Review – The assumptions and calculations below were based on OPERS latest actuarial review performed as of December 31, 2005.

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care – Health care costs were assumed to increase at the project wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increased at 4% (the projected wage inflation rate).

At December 31, 2006 (latest information available), there were 369,214 active participants contributing to the Traditional and Combined plans. In addition, at December 31, 2005, the actuarial value of the plan's net assets available for OPEB approximated $10.8 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were $31.3 billion and $20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

9. POSTRETIREMENT BENEFITS - Continued

STRS - STRS provides access to healthcare coverage to retired teachers who participated in the defined benefit or combined plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for healthcare coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

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

Postretirement healthcare under STRS is financed on a pay-as-you-go basis. For the fiscal years ended June 30, 2006 and 2005, STRS allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which healthcare benefits are paid. The healthcare contribution requirement from the College for the years ended June 30, 2007 and 2006 (which is included in the College's total STRS contribution) was $462,000 and $488,000, respectively. The balance in the Health Care Reserve Fund was $3.5 billion on June 30, 2006 (latest information available). For the year ended June 30, 2006 (latest information available), net healthcare costs paid by STRS were $300,690,000 million. There were 119,184 eligible benefit recipients on June 30, 2006.

10. SELF-INSURANCE LIABILITIES

The College is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The College is self-insured for the purpose of providing employee healthcare, workers' compensation, disability and retiree death benefits. Losses from asserted claims and from unasserted claims identified under the College's incident reporting systems are accrued based on estimates that incorporate the College's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The liabilities for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

10. SELF-INSURANCE LIABILITIES - Continued

Changes in the reported liabilities (included in claims and other liabilities on the statements of net assets) during the past two fiscal years resulted from the following:

	Healthcare		Worker's Compensation	
	2007	2006	2007	2006
Liability at the beginning of year	$ 744,392	$ 518,097	$ 339,205	$ 794,573
Current year claims, net of changes in estimates	5,235,880	4,779,265	408,845	(437,456)
Claim payments	(5,284,111)	(4,552,970)	(19,485)	(17,912)
Balance at end of year	$ 696,161	$ 744,392	$ 728,565	$ 339,205

	Disability		Retiree Death	
	2007	2006	2007	2006
Liability at the beginning of year	$ 1,519,200	$ 1,452,000	$ 877,969	$ 842,169
Current year claims, net of changes in estimates	608,128	91,143	54,400	48,800
Claim payments	(30,328)	(23,943)	(13,750)	(13,000)
Balance at end of year	$ 2,097,000	$ 1,519,200	$ 918,619	$ 877,969

Self-insured liabilities amounted to $4,440,345 and $3,480,766 at June 30, 2007 and 2006, respectively. Other miscellaneous liabilities amounted to $260,444 and $241,692, as June 30, 2007 and 2006, respectively.

The College purchases insurance policies in varying amounts for general liability, property damage and employee and Board of Trustee's liability, including errors and omissions of the College's safety forces. Settled claims have not exceeded the College's insurance coverage in any of the past three years.

11. LEASE COMMITMENTS

Capital Leases - The College has capital leases as described below. The changes in the lease obligations during the years ended June 30, 2007 and 2006 are shown below:`

2007	Beginning Balance	Additions	Reductions	Ending Balance
255 IBM MP 50 PC's	$ 165,483		$ 84,963	$ 80,520
Minolta Copiers CF 3102	21,903		13,692	8,211
Server Lease	101,686		63,563	38,123
Computer Leases	190,461		125,855	64,606
Mainframe Lease	3,768,719		1,591,011	2,177,708
HP Phone Lease	277,772		221,452	56,320
House Bill 7 Lease	7,681,572		1,090,680	6,590,892
IBM PC's Schedule 9	295,021		123,205	171,816
Meritech Printers	530,115		143,997	386,118
IBM PC's Schedule 8	114,277		56,146	58,131
SSI Servers Schedule 11	502,515		132,856	369,659
Copiers Schedule 12	48,697		12,560	36,137
HP Comp Schedule 13	545,129		191,356	353,773
Comp Hardware Schedule 14	31,401		11,022	20,379
SBC Data Schedule 15	79,587		40,788	38,799
SSI Servers Schedule 16	81,668		26,938	54,730
SSI Image Schedule 17	113,750		51,304	62,446
SWRE Schedule 18	136,968		61,756	75,212
Copiers Schedule 19	15,751		4,278	11,473
Computers Schedule 20	294,978		84,419	210,559
Computers Schedule 21	253,151		68,416	184,735
Computers Schedule 22	7,863		2,125	5,738
Computers Schedule 23	569,446		146,828	422,618
Monitors Schedule 24	14,858		3,831	11,027
Computers Schedule 25	550,254		141,878	408,376
Computers Schedule 26	469,153		112,171	356,982
Computers Schedule 27	556,491		129,801	426,690
Computers Schedule 28		$ 63,570	12,277	51,293
Computers Schedule 29		54,095	10,447	43,648
Computers Schedule 30		79,950	29,113	50,837
Computers Schedule 32		41,142	1,576	39,566
Total	$ 17,418,669	$ 238,757	$ 4,790,304	$ 12,867,122

11. LEASE COMMITMENTS - Continued

2006	Beginning Balance	Additions	Reductions	Ending Balance
Apple Computer Lease	$ 151,300		$ 151,300	$ 0
Academic Systems Lease	121,309		121,309	0
255 IBM MP 50 PC's	247,545		82,062	165,483
Minolta Copiers CF 3102	35,122		13,219	21,903
Server Lease	163,053		61,367	101,686
Computer Leases	311,970		121,509	190,461
Mainframe Lease	5,324,392		1,555,673	3,768,719
HP Phone Lease	493,224		215,452	277,772
House Bill 7 Lease	8,719,118		1,037,546	7,681,572
IBM PC's Schedule 9	413,580		118,559	295,021
Meritech Printers	668,489		138,374	530,115
IBM PC's Schedule 8	168,506		54,229	114,277
SSI Servers Schedule 11	630,007		127,492	502,515
Copiers Schedule 12	60,750		12,053	48,697
HP Comp Schedule 13	729,012		183,883	545,129
Comp Hardware Schedule 14	41,993		10,592	31,401
SBC Data Schedule 15		$ 122,030	42,443	79,587
SSI Servers Schedule 16		109,666	27,998	81,668
SSI Image Schedule 17		154,997	41,247	113,750
SWRE Schedule 18		186,594	49,626	136,968
Copiers Schedule 19		18,850	3,099	15,751
Computers Schedule 20		349,418	54,440	294,978
Computers Schedule 21		286,252	33,101	253,151
Computers Schedule 22		8,891	1,028	7,863
Computers Schedule 23		617,052	47,606	569,446
Monitors Schedule 24		16,100	1,242	14,858
Computers Schedule 25		596,255	46,001	550,254
Computers Schedule 26		478,279	9,126	469,153
Computers Schedule 27		556,491		556,491
Total	$ 18,279,370	$ 3,500,875	$ 4,361,576	$ 17,418,669

The College has entered into long-term lease-purchase agreements with a financial institution to finance equipment used throughout the college. The agreements entered into prior to June 30, 2006, collectively require payments of principal and interest in monthly installments of $447,393 in July 2007 and various decreasing amounts through August 2012. The components financed by the lease had a net book value of $14,814,525 at June 30, 2007, which was composed of a capitalized cost of $27,754,379 less accumulated depreciation of $12,939,854.

11. LEASE COMMITMENTS – Continued

On August 30, 2006, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Computer Hardware . The agreement requires payments of principal and interest in equal monthly installments of $1,456 through August 2010. The components financed by the lease had a net book value of $51,916 at June 30, 2007, which was composed of a capitalized cost of $63,570 less accumulated depreciation of $11,655.

On August 30, 2006, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Computer Hardware . The agreement requires payments of principal and interest in equal monthly installments of $1,239 through August 2010. The components financed by the lease had a net book value of $44,178 at June 30, 2007, which was composed of a capitalized cost of $54,095 less accumulated depreciation of $9,917.

On September 29, 2006, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Computer Software . The agreement requires payments of principal and interest in equal monthly installments of $3,495 through September 2008. The components financed by the lease had a net book value of $66,625 at June 30, 2007, which was composed of a capitalized cost of $79,950 less accumulated depreciation of $13,325.

On April 30, 2007, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Computer Hardware . The agreement requires payments of principal and interest in equal monthly installments of $935 through April 2011. The components financed by the lease had a net book value of $39,085 at June 30, 2007, which was composed of a capitalized cost of $41,142 less accumulated depreciation of $2,057.

Future minimum lease payments under the capital leases are due as follows:

Fiscal Year	Amount
2008	$ 5,174,669
2009	3,440,550
2010	2,242,053
2011	1,465,061
2012	1,450,328
2013	241,721
Total minimum lease payments	14,014,382
Less amount representing interest	1,147,260
Present value of net minimum lease payments	$ 12,867,122

11. LEASE COMMITMENTS – Continued

Operating Leases - The College leases a building, certain equipment and automobiles under noncancelable operating leases. Future minimum rental payments under operating leases with remaining terms in excess of one year as of June 30, 2007 are as follows:

Fiscal Year	Amount
2008	$ 142,669
2009	137,880
2010	134,460
Total	$ 415,009

The College's rent expense under these leases was $142,669 and $139,263 for the years ended June 30, 2007 and 2006, respectively. On September 4, 2002, the College entered into a lease agreement to lease real estate to a third party. The lease is an operating lease, which commenced on October 1, 2002, with a partial lease year from September 4, 2002 through September 30, 2002. The lease is for a period of two years and has fixed monthly rentals of $26,508. The lease provides for four additional 2-year renewals at the option of the tenant. Rental for the first two renewals remains the same as the initial term, with a 10% increase going into effect for the third renewal term. Total rental revenue under this lease was approximately $318,096 in 2007.

12. NONCURRENT LIABILITIES

Description	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Long-term debt	$45,555,932		$1,029,845	$44,526,087	$1,030,000
Capital lease obligations	17,418,669	$238,757	4,790,304	12,867,122	4,706,634
Compensated absences	6,988,832	186,551		7,175,383	937,391
Claims and other liabilities	3,722,458	6,326,005	5,347,674	4,700,789	
Total	$73,685,891	$6,751,313	$11,167,823	$69,269,381	$6,674,025
Less: current portion				6,674,025	
Total noncurrent liabilities				$62,595,356	

Description	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Long-term debt	$46,560,777		$1,004,845	$45,555,932	$1,000,000
Capital lease obligations	18,279,370	$3,500,875	4,361,576	17,418,669	4,633,845
Compensated absences	6,634,127	354,704		6,988,831	857,081
Claims and other liabilities	4,118,307	4,211,976	4,607,825	3,722,458	
Total	$75,592,581	$8,067,555	$9,974,246	$73,685,890	$6,490,926
Less: current portion				6,490,926	
Total noncurrent liabilities				$67,194,964	

The College's long-term debt at June 30, 2007 consisted of the following:

Series A bonds, including premium of $751,087	$ 27,846,087
Series B bonds	16,680,000
Total	44,526,087
Less current portion	1,030,000
Long-term portion	$ 43,496,087

12. NONCURRENT LIABILITIES - Continued

In September 2002, the College issued $29,105,000 Cuyahoga Community College District, Ohio General Receipts Bonds, Series A, and in October 2002, the College issued $17,875,000 Cuyahoga Community College District, Ohio General Receipts Bonds, Series B. The proceeds of both issuances were used to fund the Corporate College project and are described below:

- The Series A Bonds consist of $6,275,000 of serial bonds maturing each June 1 and December 1, beginning June 1, 2005 and ending December 1, 2013. Interest on each series varies and ranges from 1.6% to 3.55 %. The $22,830,000 of term bonds, with interest rates ranging from 4.6% to 5%, mature as follows: $1,525,000 on December 1, 2015; $6,715,000 on December 1, 2022; $1,765,000 on June 1, 2024; and $12,825,000 on December 1, 2032.

- The Series B Bonds mature on December 1, 2032. The holders of the notes are permitted to demand repayment prior to maturity under certain circumstances. As a result, the College has executed a remarketing agreement and a letter of credit with a financial institution which requires the financial institution to use its best efforts to resell any portion of the notes presented for payment prior to their scheduled maturity. The letter of credit, which expires on October 10, 2006, renews annually and provides assurance that funds will be available through the financial institution to redeem any non-marketable notes prior to their maturity. The notes provide for interest at a rate as determined by the remarketing agent based upon current transactions in comparable securities the enable the agent to remarket the notes at par. The interest rate on the Series B Bonds was 3.73% on June 30, 2007.

The bonds are payable as follows (with an assumed interest rate of 3.50% on the Series B Bonds):

Fiscal Year	Principal	Interest	Total
2008	$ 1,030,000	$ 1,842,746	$ 2,872,746
2009	1,055,000	1,810,732	2,865,732
2010	1,085,000	1,776,525	2,861,525
2011	1,120,000	1,739,983	2,859,983
2012	1,165,000	1,701,370	2,866,370
2013-2017	6,470,000	7,800,787	14,270,787
2018-2022	7,990,000	6,243,367	14,233,367
2023-2027	9,845,000	4,311,437	14,156,437
2028-2032	12,180,000	1,891,627	14,071,627
2033	1,835,000	36,291	1,871,291
Total	$ 43,775,000	$ 29,154,865	$ 72,929,865

13. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College management believes such reimbursements, if any, will be immaterial.

14. LITIGATION

During the normal course of its operations, the College has been named as a defendant in certain legal actions and claims. The College management is of the opinion that the disposition of these legal actions and claims will not have a material adverse effect on the financial condition of the College. The College purchases commercial insurance to cover certain potential losses.

15. SUBSEQUENT EVENTS

The new collective bargaining agreement between the Cuyahoga Community College District and the American Association of University Professors, Cuyahoga Community College Chapter went into effect for the time period August 16, 2007 through August 15, 2010. Utilizing the Interest Based Bargaining approach, negotiations were held during June and July 2007. The new agreement provides for a 3 percent compensation increase for each year of the contract as well as several mutually beneficial provisions such as enhanced academic advisement, clearer guidelines related to distance learning, intellectual property, faculty evaluations, rights of assignment, and others.

In an effort to continue the success of its College-wide Energy Performance Contracting Program, which was initiated in March 2001 under the provisions of Ohio Revised Code Chapter 3345 (commonly called House Bill 7 legislation), the College has initiated two agreements to expand the program:

- First, the College amended a service agreement with Brewer Garrett Company to implement $3,256,490 in energy saving HVAC equipment and heating/air conditioning comfort modifications. This amendment will be financed as a capital lease through KeyBank Government Finance, Inc. at an annual interest rate of 4.06%. This amendment was approved by the Board of Trustees at its June 28, 2007 meeting, with construction expected throughout the first six months of fiscal year 2008.

- Second, the College entered into a service agreement with Brewer Garrett Company to implement Phase III of the College-wide Energy Performance Contracting Program, which will consist of $11,297,040 in energy saving modifications including lighting fixture replacement, boiler economization, chiller load management lab hood optimization, and other HVAC and electrical energy measures. This amendment will be financed as a capital lease through Chase Equipment Leasing, Inc. at an annual interest rate of 3.68%. This agreement was approved by the Board of Trustees at its September 26, 2007 meeting, with construction expected throughout fiscal years 2008 and 2009.

* * * * * *

CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
STUDENT FINANCIAL AID CLUSTER (SFA)			
U.S. Department of Education:			
Direct Programs:			
Federal Pell Grant Program		84.063	23,686,962
Federal Supplemental Education Opportunity Grant		84.007	957,248
Federal Work-Study Program		84.033	866,806
Total Student Financial Aid Cluster			25,511,016
OTHER PROGRAMS			
Academic Support—U.S. Department of Education:			
Pass-Through Programs from			
Ohio Department of Education:			
Tech-Prep	063404-3ETC-2007	84.243	253,009
Pass-Through Programs from			
Stevens Institute of Technology:			
Community College Pathways to Improved Teacher Prep	527226-02	84.342A	67,073
Pass-Through Programs from Ohio Department of Education:			
Best Practice Implement-OCAN (USDE)	None	84.344	3,023
Best Practice Teacher-OCAN (USDE)	None	84.344	8,061
Total CFDA #84.344			11,084
Academic Competitiveness Grant (ACG)	P375A060336	84.375	100,609
Total Other Programs—Academic Support			431,775
PUBLIC SERVICE			
U.S. Department of Education:			
Direct Programs:			
Trio Cluster:			
Student Support Services	P042A050455	84.042A	281,936
Total CFDA #84.042			281,936
Project Talent Search	P044A020973	84.044A	622,106
Upward Bound	P047A030041	84.047A	489,696
Veterans Upward Bound	P047A030440	84.047A	298,678
Total CFDA #84.047			1,410,480
Education Opportunity Center	P066A030210	84.066A	289,244
Total Trio Cluster			1,981,660

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

(Continued)

CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
PUBLIC SERVICE			
U.S. Department of Education (continued):			
Direct Programs:			
Pass-Through Programs from			
Ohio Department of Education:			
Adult Basic and Literacy Education	PROJECT #063404-AB-S2-2007	84.002	43,508
Adult Basic and Literacy Education	PROJECT #063404-AB-S1-2005C	84.002	11,095
Adult Basic and Literacy Education	PROJECT #063404-AB-S1-2007	84.002	29,701
Total CFDA #84.002			84,303
Rainbow Terrace-Technology Learning Center	PROJECT #063404-T151-03	84.287	74,480
Pass-Through Programs from Vanderbilt University			
School Conflict Management	Services Contract	84.305F	10,950
Vocational Administration	PROJECT #063404-20C3-2007	84.048	32,446
Vocational Education—Women in Transition	PROJECT #063404-20C3-2007	84.048	109,449
Vocational Education—Special Needs	PROJECT #063404-20C3-2007	84.048	62,000
Carl Perkins Access /Voc Ed	PROJECT #063404-20C3-2007	84.048	445,025
Total CFDA #84.048			648,920
Total Public Service			2,800,313
Total U.S. Department of Education			28,743,104
National Institute of Health:			
Direct Program:			
Bridges to Success	2 R25 GM49010	93.859	233,228
Total National Institute of Health			

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

(Continued)

CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
PUBLIC SERVICE			
U.S. Department of Health and Human Services:			
Pass-Through Program from Ohio Dept of Jobs and Family Svcs:			
Pass-Through Program from Starting Point:			
Early Childhood Learning Opportunities	None	93.577	34,000
Pass-Through Programs from Ohio Board of Regents / ODJFS:			
TANF Educational Awards Program		93.558	38,533
Pass-Through Programs from Vocational Guidance Services:			
VGS/YO! TANF Program		93.558	48,654
Pass-Through Programs from Ohio Department of Alcohol and Drug Addiction Services:			
Inter-American Summit on Conflict Resolution		93.959	3,000
Total U.S. Department of Health and Human Services			124,187
National Science Foundation:			
Research Experience for Teachers	ZIN Technologies	47.041	1,000
Pass-Through Program from Brevard Community College:			
Spacetec-NSF	DUE-0532618	47.076	42,315
Pass-Through Program from Saddleback College:			
Rapid Prototyping Instructional Delivery Support	FL-07/05-ATE DUE 0501527	47.076	13,785
Pass-Through Program from Kentucky Community and Technical College System:			
Automotive Collaborative	DUE-0603327	47.076	13,631
Robotics Corridor Collaborative	DUE-0603427	47.076	234,584
Total CFDA #47.076			304,314
Total National Science Foundation			305,314
U.S. Department of Housing and Urban Development:			
Pass-Through Program from City of Cleveland:			
Empowerment Zone Digital Community Initiative	#64332	14.244	1,849
Pass-Through Program from City of East Cleveland:			
SPG-33 HOPE Job Training Program	None	14.412	8,089
Pass-Through Program from Cuyahoga County Board of Health:			
Lead Safe Work Practices Training	None	14.900	9,634
Total U.S. Department of Housing and Urban Development			19,572
National Endowment for the Humanities			
Pass-Through Program from Ohio Humanities Council:			
Community linked Historical Research Project	OHC-M06-182	45.129	500

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

(Continued)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
PUBLIC SERVICE			
U.S. Department of Labor			
Pass-Through Program from Cuyahoga County, Ohio:			
Employment Services for Youth Offender Program (YEP)	CE 0600701-01	17.259	43,965
Pass-Through Program from Cuyahoga County, Ohio and City of Cleveland, Ohio:			
Readiness, Employment/Academic Development for Youth	CE 0600317-01	17.259	119,380
Pass-Through Program from Cuyahoga County, Ohio and City of Cleveland, Ohio:			
Youth Technology Academy (YTA)	CE 0600316-01	17.259	565,334
Total CFDA #17.259			728,679
Pass-Through Program from Employment & Training Admin (ETA)			
Allieviating Health Care Worker Shortage	CB-15208-06-60	17.261	908,679
Pass-Through Program from Vocational Guidance Services:			
Youth Opportunity	None	17.263	57,963
Pass-Through Program from Illinois State University:			
WIA Dislocated Workers	AN-14299-04-60	17.260	25,025
Pass-Through Program from Greater Cleveland Partnership:			
Third Frontier Internship Program	ECDD 06-102A	17.255	365,003
Total U.S. Department of Labor			2,085,349
National Endowment for the Arts			
Direct Program:			
JazzMasters on Tour 2006	06-4531-7015	45.024	15,000
JazzFest 2006	06-3100-7093	45.024	15,000
Tri-C JazzFest 2007	07-3100-7086	45.024	15,000
MOMIX & Joe Goode	07-3300-7084	45.024	10,000
Total CFDA #45.024			55,000
Pass-Through Program from New England Foundation for the Arts:			
Joe Goode Performance Group	#10985	45.025	2,000
Pass-Through Program from Heartland Arts Fund-Arts Midwest:			
Philadance Performance	FY07-6660 Philadanco	45.025	2,580
Total CFDA #45.025			4,580
Total National Endowment for the Arts			59,580
U.S. Department of Justice			
Pass-Through Program from the Cleveland Municipal Court			
Get On Track	Memorandum of Understanding	16.579	1,200
Bulletproof Vest Partnership		16.607	1,230
Total U.S. Department of Justice			2,430

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

Continued

CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
U.S. Environmental Protection Agency			
Pass-Through Program from the City of Cleveland:			
Brownfields Assessment and Clean-up	#63941	66.818	29,600
Euclid Creek Watershed Project	NE-96566701-0	66.951	46
Total U.S. U.S. Environmental Protection Agency			29,646
National Aeronautics and Space Administration			
High Tech High School Scholarship			
Pass-Through Program from Paragon TEC, Inc.:	C-77599-F	43.001	23,992
SEMAA		43.001	58,316
Pass-Through Program from NASA Glenn Research Center:			
Paragon TEC	NAS3-02123-CCC	43.001	29,669
Total CFDA #43.001			111,976
TOTAL EXPENDITURES OF FEDERAL AWARDS			31,714,886

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

(Concluded)

CUYAHOGA COMMUNITY COLLEGE

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Cuyahoga Community College (the "College") under programs financed by the U.S. Government for the year ended June 30, 2007. The Schedule has been prepared using the accrual basis of accounting.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award. Catalog of Federal Domestic Assistance ("CFDA") Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

2. FEDERAL LOAN PROGRAMS

Federal Perkins Loan Program - The outstanding balance under this federal loan program administered by the College is as follows:

	CFDA Number	Balance at June 30, 2007
Federal Perkins Loan Program	84.038	$ 356,896

Federal Direct Student Loan Program - During the fiscal year ended June 30, 2007, the College processed the following amount of new loans under the Federal Direct Student Loan Program:

	CFDA Number	Balance at June 30, 2007
Federal Direct Student Loan Program	84.268	$ 7,050,699

* * * * * *

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

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Board of Trustees
Cuyahoga Community College
Cleveland, Ohio

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*

We have audited the financial statements of Cuyahoga Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated October 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain other matters that we reported to management of Cuyahoga Community College in a separate letter dated October 18, 2007.

Cleveland Elyria Akron Canton Columbus

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cuyahoga Community 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 which are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management of Cuyahoga Community College, the U.S. Department of Education, applicable pass-through agencies, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Hausser + Taylor LLC

Cleveland, Ohio
October 18, 2007

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

1001 Lakeside Avenue East, Suite 1400 • Cleveland, Ohio 44114-1152 216/523-1905 • FAX: 216/522-1490 • www.hausser.com

Board of Trustees
Cuyahoga Community College
Cleveland, Ohio

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Cuyahoga Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Cuyahoga Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cuyahoga Community College's management. Our responsibility is to express an opinion on Cuyahoga Community College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

Cleveland Elyria Akron Canton Columbus

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the Board of Trustees and management of Cuyahoga Community College, the U.S. Department of Education, applicable pass-through agencies, and the Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Hausser + Taylor LLC

Cleveland, Ohio
October 18, 2007

CUYAHOGA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes __X__ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ yes __X__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.042, 84.044, 84.047	Student Financial Aid Cluster
84.066	Trio Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$951,400
Auditee qualified as a low risk auditee?	__X__ yes _____ no

Section II - Financial Statement Findings – No findings were noted

Section III – Federal Award Findings and Questioned Costs – No findings were noted

CUYAHOGA COMMUNITY COLLEGE

PRIOR YEAR FINDINGS

For the Year Ended June 30, 2007

Prior Year Findings:

No findings of questioned costs for Federal awards including audit findings as defined by OMB Circular A-133 Section 510(a) were reported in the prior audit period.

Mary Taylor, CPA
Auditor of State

CUYAHOGA COMMUNITY COLLEGE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2007

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