CUYAHOGA COMMUNITY COLLEGE

Single Audit Report
for the Year Ended
June 30, 2005

Auditor of State
Betty Montgomery

Board of Trustees
Cuyahoga Community College
700 Carnegie Ave.
Cleveland, Ohio 44115-2878

We have reviewed the Independent Auditor's Report of the Cuyahoga Community College, Cuyahoga County, prepared by Hausser & Taylor LLC, for the audit period July 1, 2004 to June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 30, 2005

This Page is Intentionally Left Blank.

CUYAHOGA COMMUNITY COLLEGE

TABLE OF CONTENTS

This Page is Intentionally Left Blank.

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

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

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, 2005 and 2004, 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, 2005 and 2004, 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 August 31, 2005 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 conducted 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 supplemental schedule of expenditures of federal awards for the year ended June 30, 2005 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. This supplemental schedule is the responsibility of the management of the College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements as of and for the year ended June 30, 2005 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
August 31, 2005

NEXIA INTERNATIONAL Cleveland Akron Canton Columbus

CUYAHOGA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

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 2004 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, 2005, the College's net assets increased to $223.7 million from $211.6 million as of June 30, 2004. Operating revenues increased $10.2 million due mainly to increased enrollment and tuition rates ($1.6 million) and federal, state and private grant activity ($8.8 million). Operating expenses increased $7.0 million principally from a $6.0 million increase in scholarships provided to students, due to enrollment increases; a $3.3 million increase in instruction and department research expenses due mainly to the increase in full and part-time faculty salaries and fringes; a $765 thousand increase in public service as a result of increased salaries and fringes; and a $836 thousand increase in depreciation expense due to placing approximately $44.4 million of buildings, moveable equipment, and other assets into service in fiscal year 2005. The increases in expense were offset by a decrease of $1.3 million in academic support due to a net decrease in staffing expense; and a decrease of $2.4 million in institutional support due to reduced equipment rental expenses. 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, 2005 and 2004, 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, which is similar to the accounting used by most private-sector institutions. Condensed information from the College's statements of net assets follows:

	(in thousands) June 30 2005	2004	Increase (Decrease)	Percent Change
Current assets	$ 143,600	$ 149,180	$ (5,580)	(3.7)%
Non current assets:				
Capital assets, net of depreciation	199,361	172,395	26,966	15.6 %
Other	53,079	67,101	(14,022)	(20.9)%
Total assets	396,040	388,676	7,364	1.9 %
Current liabilities	102,590	105,630	(3,040)	(2.9)%
Non-current liabilities	69,799	71,403	(1,604)	(2.2)%
Total liabilities	172,389	177,033	(4,644)	(2.6)%
Net assets:				
Invested in capital assets, net of related debt	134,521	106,332	28,189	26.5 %
Restricted - expendable	3,465	4,529	(1,064)	(23.5)%
Unrestricted	85,665	100,782	(15,117)	(15.0)%
Total net assets	$ 223,651	$ 211,643	$ 12,008	5.7 %

Assets

Total assets increased $7.4 million from 2004 principally due to the following factors:

- Cash and cash equivalents decreased due to the use of the proceeds from the 2003 bond issuance to fund the construction of Corporate College East, which was completed and placed in service at the end of fiscal year 2005.

- Property taxes receivable decreased approximately $1.5 million from 2004 due to an adjustment in the tax base and anticipated collection delinquencies, and is offset by a decrease of $1.5 million in deferred property tax revenue.

- Other long term investments increased $11.3 million as cash and cash equivalents were invested in longer term investments in order to maximize the College's rate of return.

- Capital assets, net of accumulated depreciation, increased by $27.0 million due to the addition of $36.8 million in buildings and building improvements, and the acquisition of $7.6 million in non-building related capital assets, offset by $16.1 million in depreciation expense.

Liabilities

Total liabilities decreased approximately $4.6 million principally due to the following factors:

- Accounts payable and accrued liabilities decreased due to the timing of payment of these liabilities.

- Deferred property tax revenues decreased $1.5 million 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 $753 thousand, due to the timing of student registration and payment of account.

- Capital lease obligations decreased $243 thousand due to the College entering into seven new capital leases in 2005, totaling $3.0 million, offset by $3.3 million of principal payments in the ordinary course of business.

- Long-term debt decreased $980 thousand as a result of scheduled payments on the outstanding Series A and B General Receipt Bonds.

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, 2005	2004	Increase (Decrease)	Percent Change
Operating revenue:				
Net tuition and fees	$ 35,414	$ 33,858	$ 1,556	4.6 %
Contracts and grants	53,257	44,473	8,784	19.8 %
Auxiliary enterprises	10,288	10,214	74	0.7 %
Other	6,015	6,243	(228)	(3.7)%
Total operating revenue	104,974	94,788	10,186	10.7 %
Operating expenses:				
Education and general:				
Instruction and departmental research	58,650	55,359	3,291	5.9 %
Public service	17,738	16,973	765	4.5 %
Academic support	17,820	19,096	(1,276)	(6.7)%
Student services	17,191	17,062	129	0.8 %
Institutional support	29,700	32,068	(2,368)	(7.4)%
Operation and maintenance of plant	17,468	17,954	(486)	(2.7)%
Student Aid	37,189	31,199	5,990	19.2 %
Depreciation	16,112	15,276	836	5.5 %
Auxiliary enterprises	9,597	9,493	104	1.1 %
Total operating expenses	221,465	214,480	6,985	3.3 %
Net operating loss	(116,491)	(119,692)	3,201	(2.7)%
Nonoperating revenues (expenses):				
State appropriations	52,974	46,674	6,300	13.5 %
Property taxes	72,798	74,192	(1,394)	(1.9)%
Investment income	1,765	563	1,202	213.5 %
Other revenue (expense)	(2,035)	(2,101)	66	(3.1)%
Total nonoperating revenue	125,502	119,328	6,174	5.2 %
Income (loss) before state capital appropriations	9,011	(364)	9,375	(2575.5)%
State capital appropriations	2,997	2,059	938	45.6 %
Increase in net assets	12,008	1,695	10,313	608.4 %
Net assets - beginning of year	211,643	209,948	1,695	0.8 %
Net assets - end of year	$ 223,651	$ 211,643	$ 12,008	5.7 %

Operating Revenues

The increase in net tuition and fees is due to two factors; increased enrollment and increased tuition rates.

Contract and grant revenue increased $8.8 million overall, with an increase of $9.3 million in federal and state grants and contracts and a decrease of $490 thousand in local and private grants and contracts. The main factors for the increase in federal grants relate to increases in grants obtained from the U. S. Department of Education within the student financial aid cluster, as well as newly realized grant sources through the U. S. Department of Labor to fund the College's workforce and economic development efforts. Local grants and contracts decreased due to the expiration of approximately $384 thousand of grants provided during the prior fiscal year.

Auxiliary enterprises consist of book centers, and parking facilities, and food service. Book center and parking facilities' revenues are directly related to enrollment in that both are dependent upon the number of students purchasing books and supplies and attending classes. It is consistent with increased enrollment that these revenues would increase as well.

Other operating revenues include non-credit revenues and other services provided by the Workforce and Economic Development Division. These revenues decreased due to local market conditions.

Operating Expenses

Operating expenses increased in almost all categories due to salary and benefits increases of approximately $3.4 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 and public service costs increased $3.3 million and $765 thousand, respectively, due to increases in salaries and fringes as noted above.
- Academic support decreased $1.3 million as a result of reallocation in staffing.
- Institutional support decreased $2.4 million due to a decrease in the rental expense related to equipment and computers.
- Operations and maintenance of plant decreased approximately $486 thousand with a larger portion of these expenses meeting the College's capitalization policy.
- Student aid expenses increased approximately $6.0 million due to increased scholarship revenues, as noted above.
- Depreciation expense increased $836 thousand mainly due to the completion of Corporate College East and the depreciation of buildings, improvements, moveable equipment and other assets placed in service in 2005.

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

Nonoperating Revenues

State operating appropriations increased approximately $6.3 million due entirely to increases in enrollment. Local appropriations consist entirely of property tax revenues. The $1.4 million decrease is due to slight changes in the tax base and anticipated collection delinquencies.

The increase of $1.2 million in investment income is attributable primarily to increased investment principal available during the fiscal year due to the repositioning of the investment portfolio in order to capitalize on favorable U.S. Treasury rates.

Included in other income and expense is interest expense on long-term debt and capital leases. The seven new capital leases account for the majority of the increase.

Capital appropriations from the State of Ohio increased approximately $938 thousand. 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. During fiscal year 2005, the College's capital assets additions totaled $44.4 million and were offset by disposals of $2.3 million and a net increase in accumulated depreciation of $15.2 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 2005, the College added $3.0 million in capital lease liabilities, and paid $4.2 million as a result of debt maturities. 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 expected increases in costs of energy and employee benefits, will be vital to its continued success.

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF NET ASSETS
JUNE 30, 2005 and 2004

	2005		2004	
ASSETS	Cuyahoga Community College	Component Unit CCC Foundation	Cuyahoga Community College	Component Unit CCC Foundation
CURRENT ASSETS:				
Cash and cash equivalents	$ 44,385,301	$ 53,918	$ 48,661,225	$ 92,625
Short-term investments	175,249		123,516	
Property taxes receivable	74,760,146		76,327,208	
Accounts receivable, net	20,914,377	2,874,525	21,241,184	1,962,717
Inventories	2,241,222		1,553,303	
Prepaid expenses	1,122,920		1,273,454	
Total current assets	143,599,215	2,928,443	149,179,890	2,055,342
NONCURRENT ASSETS:				
Restricted cash and cash equivalents		2,050,859	25,496,815	2,658,293
Restricted investments		12,058,658		9,680,161
Other assets	2,037,505		1,813,259	
Other long-term investments	51,041,621		39,791,025	
Capital assets, net	199,361,230		172,395,134	
Total noncurrent assets	252,440,356	14,109,517	239,496,233	12,338,454
Total assets	396,039,571	17,037,960	388,676,123	14,393,796
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	15,445,642	1,364,554	17,039,252	1,227,200
Deferred property tax revenue	68,457,313		69,978,631	
Deferred revenue	12,893,079		13,645,915	
Capital lease obligations - current portion	4,005,124		3,052,985	
Long-term debt - current portion	975,000		950,000	
Compensated absences - current portion	813,582		963,183	
Total current liabilities	102,589,740	1,364,554	105,629,966	1,227,200
NONCURRENT LIABILITIES:				
Long-term debt - less current portion	45,585,777		46,590,621	
Capital lease obligations - less current portion	14,274,246		15,469,388	
Compensated absences - less current portion	5,820,545		5,574,971	
Claims and other liabilities	4,118,307		3,767,812	
Total noncurrent liabilities	69,798,875	0	71,402,792	0
Total liabilities	172,388,615	1,364,554	177,032,758	1,227,200
NET ASSETS				
Invested in capital assets, net of related debt	134,521,128		106,332,140	
Restricted : nonexpendable		1,799,997		1,681,858
expendable	3,464,658	13,851,844	4,528,729	11,392,107
Unrestricted	85,665,170	21,565	100,782,496	92,631
Total net assets	$ 223,650,956	$ 15,673,406	$ 211,643,365	$ 13,166,596

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, 2005 AND 2004

	2005		2004	
	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 $6,786,203 in 2005 and $5,189,193 in 2004	$ 35,413,884		$ 33,857,536	
Federal grants and contracts	43,878,879		36,274,613	
State grants and contracts	7,300,971		5,632,414	
Local grants and contracts	5,181		464,268	
Private grants and contracts	2,071,781	$3,953,910	2,102,169	$2,590,032
Sales and services	5,309,566		5,710,123	
Auxiliary enterprises	10,287,665		10,213,850	
Other operating revenues	705,695	794,122	533,028	1,129,081
Total operating revenues	104,973,622	4,748,032	94,788,001	3,719,113
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	58,650,086		55,359,113	
Public service	17,738,404		16,973,109	
Academic support	17,820,864		19,095,840	
Student services	17,191,016		17,061,563	
Institutional support	29,699,504	3,084,312	32,068,055	4,356,807
Operation and maintenance of plant	17,467,562		17,953,818	
Student Aid	37,188,837	270,299	31,199,152	296,821
Depreciation	16,111,564		15,275,537	
Auxiliary enterprises	9,596,839		9,493,481	
Total operating expenses	221,464,676	3,354,611	214,479,668	4,653,628
Operating income (loss)	(116,491,054)	1,393,421	(119,691,667)	(934,515)
NONOPERATING REVENUES (EXPENSES):				
State appropriations	52,973,793		46,674,045	
Property taxes	72,797,639		74,191,760	
Unrestricted investment income, net of investment expense of $461,090 in 2005 and $ 356,955 in 2004	1,479,752	(3,119)	313,297	21,797
Restricted investment income	285,230	1,114,975	249,522	1,250,737
Interest on capital asset-related debt	(1,981,887)		(1,969,518)	
Other nonoperating revenues (expenses)	(53,053)	1,533	(130,617)	64,540
Net nonoperating revenues	125,501,474	1,113,389	119,328,489	1,337,074
INCOME (LOSS) BEFORE STATE CAPITAL APPROPRIATIONS	9,010,420	2,506,810	(363,178)	402,559
State capital appropriations	2,997,171		2,058,866	
INCREASE IN NET ASSETS	12,007,591	2,506,810	1,695,688	402,559
NET ASSETS - BEGINNING OF YEAR	211,643,365	13,166,596	209,947,677	12,764,037
NET ASSETS - END OF YEAR	$ 223,650,956	$ 15,673,406	$ 211,643,365	$ 13,166,596

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

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005 Cuyahoga Community College	2005 Component Unit CCC Foundation	2004 Cuyahoga Community College	2004 Component Unit CCC Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student tuition and fees	$ 35,629,726		$ 33,131,256	
Grants and contracts	50,561,542	$ 3,042,102	44,337,029	$ 3,654,699
Sales and services	6,015,261	794,122	6,243,151	1,129,081
Auxiliary enterprises	10,353,780		10,150,290	
Employee and related payments	(120,034,148)		(115,340,515)	
Supplier and vendor payments	(52,347,267)	(2,946,958)	(51,547,381)	(3,597,922)
Payments for scholarships	(36,984,073)	(270,299)	(31,364,101)	(296,821)
Net cash provided by (used in) operating activities	(106,805,179)	618,967	(104,390,271)	889,037
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Property tax receipts	72,843,383		72,614,022	
State appropriations	52,973,793		46,674,045	
Other receipts (payments)	2,997	1,533	(234,749)	64,540
Net cash provided by noncapital financing activities	125,820,173	1,533	119,053,318	64,540
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
State capital appropriations	3,866,552		1,515,426	
Loss on sales of capital assets			614,915	
Bond issue costs	(29,845)		(29,845)	
Purchases of capital assets	(36,689,878)		(11,219,916)	
Principal paid on capital debt and leases	(4,204,329)		(2,270,122)	
Interest paid on capital debt and leases	(2,080,356)		(1,936,282)	
Net cash used in capital and related financing activities	(39,137,856)	0	(13,325,824)	0
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	14,833,438	7,109,054	38,437,880	2,943,432
Purchases of investments	(26,300,558)	(8,702,229)	(48,435,118)	(3,868,476)
Investment income	1,817,243	326,534	1,118,237	247,015
Net cash used in investing activities	(9,649,877)	(1,266,641)	(8,879,001)	(678,029)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,772,739)	(646,141)	(7,541,778)	275,548
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	74,158,040	2,750,918	81,699,818	2,475,370
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 44,385,301	$ 2,104,777	$ 74,158,040	$ 2,750,918

CUYAHOGA COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005 AND 2004

	2005		2004	
	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)	$ (116,491,054)	$ 1,393,421	$ (119,691,667)	$ (934,515)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	16,111,564		15,275,537	
Changes in assets and liabilities:				
Receivables, net	(673,279)	(911,808)	(2,557,109)	1,064,667
Inventories	(687,919)		45,830	
Prepaid expenses	150,534		36,356	
Accounts payable and accrued liabilities	(4,908,657)	137,354	(492,051)	758,885
Deferred revenues	(752,836)		2,388,840	
Compensated absences	95,973		373,724	
Claims and other liabilities	350,495		230,269	
Net cash provided by (used in) operating activities	$ (106,805,179)	$ 618,967	$ (104,390,271)	$ 889,037
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital lease obligations incurred for the acquisition of capital assets	$ 3,011,325	$ -	$ 9,267,733	$ -

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).

Restricted Cash and Cash Equivalents – Certain unspent proceeds from bonds are classified as restricted assets on the June 30, 2004 Statement of Net Assets since their use is limited by applicable bond covenants (see Note 2).

Investments - Investments are stated at fair value, based on published market quotations. The College does not invest in derivatives.

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.

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.

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, 2005 and 2004 bank balances of $16,388,505 and $19,083,691, $300,000 was covered by federal depository insurance, and the remaining $16,088,505 and $18,783,691 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.

Investments – As of June 30, 2005 and 2004, the College's investments were as follows:

Type of Investment	Fair Value	2005 Weighted Average Maturity (Years)	Fair Value	2004 Weighted Average Maturity (Years)
Treasury Notes	$ 51,089,688	1.29	$ 39,840,003	1.71
Treasury Bills	9,458,187	0.04	3,191,944	0.01
Certificates of Deposit	101,059	0.44	54,246	0.04
Mutual Funds	75,096		69,269	
STAROhio	24,343,708		53,958,470	
Totals	$ 85,067,738	0.70	$ 97,113,932	0.59

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 2005, the College's Weighted Average Maturity was 0.70 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, 2005, the College had approximately 29% of its investments 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.

The following summarizes the fair value of investments for the Foundation at June 30, 2005 and 2004:

	2005	**2004**
Common Stock	$ 4,803,525	$ 3,114,333
U.S. Government Bonds	1,943,171	1,814,176
Foreign Bonds	75,244	51,409
Corporate Bonds	729,685	872,205
Mutual Funds	4,507,033	3,828,038
Totals	$ 12,058,658	$ 9,680,161

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30:

	2005	**2004**
Tuition and fees receivable	$ 12,651,672	$ 13,617,438
Grants receivable	8,557,886	7,277,720
State capital appropriations receivable	84,180	484,350
Interest receivable	264,709	156,385
Other receivables	499,431	476,305
Allowance for doubtful accounts	(1,143,501)	(771,014)
Total	$ 20,914,377	$ 21,241,184

4. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2005 and 2004 was as follows:

Description	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Non-depreciable:				
Land	$ 5,437,138			$ 5,437,138
Construction in progress, net	7,569,024		$ 1,319,629	6,249,395
Depreciable:				
Buildings	146,866,730	34,420,945		181,287,675
Building improvements	84,279,538	2,371,080		86,650,618
Improvements other than buildings	29,765,389	339,709		30,105,098
Library books	1,320,428	167,562	320,421	1,167,569
Moveable equipment	60,927,566	7,140,984	646,476	67,422,074
Total capital assets	336,165,813	44,440,280	2,286,526	378,319,567
Less accumulated depreciation:				
Buildings	61,356,488	4,064,550		65,421,038
Building improvements	38,115,352	4,427,423		42,542,775
Improvements other than buildings	23,839,448	678,783		24,518,231
Library books	801,188	193,314	320,421	674,081
Moveable equipment	39,658,203	6,747,494	603,485	45,802,212
Total accumulated depreciation	163,770,679	16,111,564	923,906	178,958,337
Capital assets, net	$ 172,395,134	$ 28,328,716	$ 1,362,620	$ 199,361,230

Description	Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Non-depreciable:				
Land	$ 5,437,138			$ 5,437,138
Construction in progress, net	48,891,131	$ (40,706,996)	$ 615,111	7,569,024
Depreciable:				
Buildings	102,946,454	43,920,276		146,866,730
Building improvements	80,936,966	3,342,572		84,279,538
Improvements other than buildings	29,765,389	0		29,765,389
Library books	1,881,363	182,377	743,312	1,320,428
Moveable equipment	48,270,082	14,203,858	1,546,374	60,927,566
Total capital assets	318,128,523	20,942,087	2,904,797	336,165,813
Less accumulated depreciation:				
Buildings	57,491,025	3,865,463		61,356,488
Building improvements	33,438,551	4,676,801		38,115,352
Improvements other than buildings	23,188,654	650,794		23,839,448
Library books	1,330,653	213,846	743,311	801,188
Moveable equipment	35,219,780	5,868,633	1,430,210	39,658,203
Total accumulated depreciation	150,668,663	15,275,537	2,173,521	163,770,679
Capital assets, net	$ 167,459,860	$ 5,666,550	$ 731,276	$ 172,395,134

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2005	2004
Accounts payable	$ 4,148,640	$ 3,139,186
Accrued liabilities	6,603,871	9,259,402
Payroll and fringe liablilities	4,693,131	4,640,664
Total	$ 15,445,642	$ 17,039,252

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 .6 and 1.0 mills were renewed by voters in 1992 and combined as one levy which expired during the year ended June 30, 2004. During November 2001, Cuyahoga County voters approved an eight year, 1.6 mill replacement of the .6 and 1.0 mill levies, which commenced during the year ended June 30, 2004.

An additional levy was renewed by voters in 1996 for 1.2 mills and expires in 2006.

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. 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, 2005 and 2004:

	STRS	OPERS	ARP
Faculty:			
Plan member	10.00%		10.00%
College	14.00%		14.00% *
Staff:			
Plan member		8.50%	8.50%
College		13.55%	13.55%
Law enforcement staff:			
Plan member		9.00%	9.00%
College		16.70%	16.70%

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

The College's contributions for the year ended June 30, 2005 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,	Contribution	Contribution	Contribution
2005	$5,573,000	$6,063,000	$561,000
2004	5,535,000	5,864,000	505,000
2003	5,259,000	5,772,000	458,000

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% of covered payroll during fiscal year 2005 and 5% during fiscal year 2004) 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, 2005 and 2004 (which is included in the College's total OPERS contribution) were $2,675,000 and $2,548,000.

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, 2003.

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.

Investment Return – The investment assumption rate for 2003 was 8.00%.

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 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increased at 4% (the projected wage inflation rate).

At December 31, 2004 (latest information available), there were 369,885 active participants contributing to the Traditional and Combined plans. In addition, at December 31, 2003, the actuarial value of the plan's net assets available for OPEB approximated $10.5 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were $26.9 billion and $16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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, 2005 and 2004, 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, 2005 and 2004 (which is included in the College's total STRS contribution) was $438,000 and $404,000, respectively. The balance in the Health Care Reserve Fund was $3.1 billion on June 30, 2004 (latest information available). For the year ended June 30, 2004 (latest information available), net healthcare costs paid by STRS were $268.7 million. There were 111,853 eligible benefit recipients on June 30, 2004.

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.

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		Workers' Compensation	
	2005	2004	2005	2004
Liability at the beginning of year	$ 574,925	$ 532,636	$ 664,140	$ 541,642
Current year claims, net of changes in estimates	4,735,710	4,695,262	149,885	181,084
Claim payments	(4,792,538)	(4,652,973)	(19,452)	(58,586)
Balance at end of year	$ 518,097	$ 574,925	$ 794,573	$ 664,140

	Disability		Retiree Death	
	2005	2004	2005	2004
Liability at the beginning of year	$ 1,381,700	$ 1,369,087	$ 812,169	$ 777,169
Current year claims, net of changes in estimates	83,187	59,413	50,000	58,000
Claim payments	(12,887)	(46,800)	(20,000)	(23,000)
Balance at end of year	$ 1,452,000	$ 1,381,700	$ 842,169	$ 812,169

Self-insured liabilities amounted to $3,606,839 and $3,432,934 at June 30, 2005 and 2004, respectively. Other miscellaneous liabilities amounted to $511,468 and $334,878, as June 30, 2005 and 2004, 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 sixteen capital leases as described below. The changes in the lease obligations during the years ended June 30, 2005 and 2004 are shown below:

2005	Beginning Balance	Additions	Reductions	Ending Balance
Apple Computer Lease	$ 296,200		$ 144,900	$ 151,300
Academic Systems Lease	242,618		121,309	121,309
255 IBM MP 50 PC's	326,804		79,259	247,545
Minolta Copiers CF 3102	47,884		12,762	35,122
Server Lease	222,301		59,248	163,053
Computer Leases	429,282		117,312	311,970
Mainframe Lease	6,472,074		1,147,682	5,324,392
HP Phone Lease	702,838		209,614	493,224
House Bill 7 Lease	9,706,118		987,000	8,719,118
Phone System Lease	76,254		76,254	
IBM PC's Schedule 9		$ 490,125	76,545	413,580
Meritech Printers		735,636	67,147	668,489
IBM PC's Schedule 8		220,883	52,377	168,506
SSI Servers Schedule 8		681,597	51,590	630,007
Copiers Schedule 12		64,659	3,909	60,750
HP Comp Schedule 13		773,850	44,838	729,012
Comp Hardware Schedule 14		44,575	2,582	41,993
Total	$ 18,522,373	$ 3,011,325	$ 3,254,328	$ 18,279,370

2004	Beginning Balance	Additions	Reductions	Ending Balance
Apple Computer Lease		$ 454,311	$ 158,111	$ 296,200
Academic Systems Lease		363,927	121,309	242,618
255 IBM MP 50 PC's		333,285	6,481	326,804
Minolta Copiers CF 3102		53,071	5,187	47,884
Server Lease		246,380	24,079	222,301
Computer Leases		486,410	57,128	429,282
Mainframe Lease		6,472,074		6,472,074
HP Phone Lease		858,275	155,437	702,838
House Bill 7 Lease	$ 10,721,183		1,015,065	9,706,118
Phone System Lease	523,580		447,326	76,254
Total	$ 11,244,763	$ 9,267,733	$ 1,990,123	$ 18,522,373

On October 30, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new IBM PC's. The agreement requires payments of principal and interest in equal monthly installments of $11,034 through October 2008. The components financed by the lease had a net book value of $424,775 at June 30, 2005, which was composed of a capitalized cost of $490,125 less accumulated depreciation of $65,350.

On December 30, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Meritech printers. The agreement requires payments of principal and interest in equal monthly installments of $13,545 through December 2009. The components financed by the lease had a net book value of $622,072 at June 30, 2005, which was composed of a capitalized cost of $735,636 less accumulated depreciation of $76,564.

On June 15, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new IBM PC's. The agreement requires payments of principal and interest in equal monthly installments of $4,936 through June 2008. The components financed by the lease had a net book value of $176,706 at June 30, 2005, which was composed of a capitalized cost of $220,883 less accumulated depreciation of $44,177.

On January 30, 2005, the College entered into a long-term lease-purchase agreement with a financial institution to finance its Servers. The agreement requires payments of principal and interest in equal monthly installments of $12,592 through January 2010. The components financed by the lease had a net book value of $624,797 at June 30, 2005, which was composed of a capitalized cost of $681,597 less accumulated depreciation of $56,800.

On February 1, 2005, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Copiers. The agreement requires payments of principal and interest in equal monthly installments of $1,195 through February 2010. The components financed by the lease had a net book value of $62,504 at June 30, 2005, which was composed of a capitalized cost of $64,659 less accumulated depreciation of $2,155.

On March 22, 2005, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new HP Computers. The agreement requires payments of principal and interest in equal monthly installments of $17,469 through March 2009. The components financed by the lease had a net book value of $735,158 at June 30, 2005, which was composed of a capitalized cost of $773,850 less accumulated depreciation of $38,693.

On March 22, 2005, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Servers. The agreement requires payments of principal and interest in equal monthly installments of $1,006 through March 2009. The components financed by the lease had a net book value of $42,346 at June 30, 2005, which was composed of a capitalized cost of $44,575 less accumulated depreciation of $2,229.

On March 31, 2001, the College entered into a long-term lease-purchase agreement with a financial institution to finance certain energy conservation improvements under Ohio House Bill 7. The agreement requires payments of principal and interest in equal monthly installments of $120,861 through August 2012. The building improvements under the capital lease had a net book value of $11,513,416 at June 20, 2004, which was composed of a capitalized cost of $12,792,685 less accumulated depreciation of $1,279,269.

On August 24, 2001, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new phone system. The agreement requires payments of principal and interest in equal monthly installments of $38,312 through August 2004. The components financed by the lease had a net book value of $646,376 at June 30, 2004, which was composed of a capitalized cost of $1,292,732 less accumulated depreciation of $646,356.

On October 1, 2003, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new communication system. The agreement requires payments of principal and interest in equal monthly installments of $18,859 through September 2007. The components financed by the lease had a net book value of $643,707 at June 30, 2004, which was composed of a capitalized cost of $858,275 less accumulated depreciation of $214,568.

On October 1, 2003, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new mainframe computer system. The agreement requires payments of principal and interest in equal monthly installments of $138,284 through October 2008. The components financed by the lease had a net book value of $5,609,131 at June 30, 2004, which was composed of a capitalized cost of $6,472,074 less accumulated depreciation of $862,943.

On December 1, 2003, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new IBM PC computers. The agreement requires payments of principal and interest in equal monthly installments of $10,879 through December 2007. The components financed by the lease had a net book value of $405,342 at June 30, 2004, which was composed of a capitalized cost of $486,410 less accumulated depreciation of $81,068.

On January 16, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new servers. The agreement requires payments of principal and interest in equal monthly installments of $5,510 through January 2008. The components financed by the lease had a net book value of $221,742 at June 30, 2004, which was composed of a capitalized cost of $246,380 less accumulated depreciation of $24,638.

On January 16, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new copiers. The agreement requires payments of principal and interest in equal monthly installments of $1,187 through January 2008. The components financed by the lease had a net book value of $45,700 at June 30, 2004, which was composed of a capitalized cost of $53,071 less accumulated depreciation of $7,371.

On May 15, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new IBM PC's. The agreement requires payments of principal and interest in equal monthly installments of $7,448 through May 2008. The components financed by the lease had a net book value of $324,027 at June 30, 2004, which was composed of a capitalized cost of $333,285 less accumulated depreciation of $9,258.

On May 22, 2003, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new academic systems software. The agreement requires payments of principal and interest in equal semi annual installments of $65,439 through February 2006. The components financed by the lease had a net book value of $291,142 at June 30, 2004, which was composed of a capitalized cost of $363,927 less accumulated depreciation of $72,785.

On March 31, 2004, the College entered into a long-term lease-purchase agreement with a financial institution to finance its new Apple computers. The agreement requires payments of principal and interest in equal annual installments of $159,395 through May 2006. The components financed by the lease had a net book value of $439,168 at June 30, 2004, which was composed of a capitalized cost of $454,311 less accumulated depreciation of $15,143.

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

Fiscal Year	**Amount**
2006	$ 4,667,930
2007	4,377,657
2008	4,101,717
2009	2,541,855
2010	1,629,296
2011-2013	3,142,376
Total minimum lease payments	20,460,831
Less amount representing interest	2,181,461
Present value of net minimum lease payments	$ 18,279,370

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, 2005 are as follows:

Fiscal Year	Amount
2006	$ 996,599
2007	11,340
Total	$ 1,007,939

The College's rent expense under these leases was $996,599 and $2,627,000 for the years ended June 30, 2005 and 2004, 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 $318,000 in 2005.

12. NONCURRENT LIABILITIES

Description	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Current Portion
Long-term debt	$47,540,621		$979,844	$46,560,777	$975,000
Capital lease obligations	18,522,373	$3,011,325	3,254,328	18,279,370	4,005,124
Compensated absences	6,538,154	95,973		6,634,127	813,582
Claims and other liabilities	3,767,812	5,195,372	4,844,877	4,118,307	
Total	$76,368,960	$8,302,670	$9,079,049	$75,592,581	$5,793,706
Less: current portion				5,793,706	
Total noncurrent liabilities				$69,798,875	

Description	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Long-term debt	$47,570,466		$29,845	$47,540,621	$950,000
Capital lease obligations	11,244,763	$9,267,733	1,990,123	18,522,373	3,052,985
Compensated absences	6,164,429	373,725		6,538,154	963,183
Claims and other liabilities	3,537,543	5,011,628	4,781,359	3,767,812	
Total	$68,517,201	$14,653,086	$6,801,327	$76,368,960	$4,966,168
Less: current portion				4,966,168	
Total noncurrent liabilities				$71,402,792	

The College's long-term debt at June 30, 2005 consisted of the following:

Series A bonds, including premium of $810,777	$	29,070,777
Series B bonds		17,490,000
Total		46,560,777
Less current portion		975,000
Long-term portion	$	45,585,777

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 are being 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, 2004 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 9, 2004, 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 1.10% on June 30, 2005.

The bonds are payable as follows (with an assumed interest rate of 3.15% on the Series B Bonds):

Fiscal Year	Principal	Interest	Total
2006	$ 975,000	$ 1,838,425	$ 2,813,425
2007	1,000,000	1,813,090	2,813,090
2008	1,030,000	1,785,234	2,815,234
2009	1,055,000	1,754,727	2,809,727
2010	1,085,000	1,722,073	2,807,073
2011-2015	6,010,000	8,038,374	14,048,374
2016-2020	7,335,000	6,714,219	14,049,219
2021-2025	9,060,000	4,985,558	14,045,558
2026-2030	11,180,000	2,847,218	14,027,218
2031-2033	7,020,000	452,604	7,472,604
Total	$ 45,750,000	$ 31,951,522	$ 77,701,522

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.

* * * * * *

CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

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	$ 26,084,959
Federal Supplemental Education Opportunity Grant		84.007	498,982
Federal Work-Study Program		84.033	599,101
Federal Perkins Loan Program		84.038	1,061
Total Student Financial Aid Cluster			27,184,103
OTHER PROGRAMS			
Academic Support—U.S. Department of Education:			
Pass-Through Programs from			
Ohio Department of Education:			
Tech-Prep	VETP-2004-05 FB	84.243	258,157
Pass-Through Programs from			
Stevens Institute of Technology:			
Community College Pathways to Improved Teacher Prep		84.342	30,311
Total Other Programs—Academic Support			288,468
PUBLIC SERVICE			
U.S. Department of Education:			
Direct Programs:			
Trio Cluster:			
Student Support Services		84.042	264,983
Disabled Student Services		84.042	281,198
Total CFDA #84.042			546,181
Project Talent Search		84.044	518,578
Upward Bound		84.047	396,946
Veterans Upward Bound		84.047	280,256
Total CFDA #84.047			677,202
Education Opportunity Center		84.066	298,247
Total Trio Cluster			2,040,208

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

(Continued)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

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:			
Gear-Up Partnership Program		84.334	309,019
Community Music Program		84.116	75,808
Pass-Through Programs from			
Ohio Department of Education:			
Adult Basic and Literacy Education	PROJECT #063404-AB-S1-2003C	84.002	9,325
Adult Basic and Literacy Education	PROJECT #063404-AB-S1-2004	84.002	24,276
Adult Basic and Literacy Education	PROJECT #063404-AB-S1-2005	84.002	35,502
Adult Basic and Literacy Education	PROJECT #063404-AB-S2-2005	84.002	45,889
Total CFDA #84.002			114,992
Rainbow Terrace-Technology Learning Center	PROJECT #063404-T1S1-05	84.287	210,579
Vocational Education	None	84.048	100,736
Vocational Administration	CPIII-P05	84.048	35,579
Vocational Education—Sex Equity	CPIII-P05	84.048	486,194
Vocational Education—Special Needs	CPIII-P05	84.048	189,816
ONOW - Orient Nontraditional Occup for Women		84.048	18,000
Total CFDA #84.048			830,325
Pass-Through Programs from			
Greater Cleveland Partnership:			
Summer Bridges Program	None	84.215	24,426
Total Public Service			3,605,357
Total U.S. Department of Education			31,077,928
PUBLIC SERVICE			
National Institute of Health:			
Direct Program:			
Bridges to Success		93.859	260,863

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, 2005

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
PUBLIC SERVICE			
U.S. Department of Agriculture:			
Pass-Through Program from			
Ohio Department of Education:			
Family Daycare	IRN110270	10.558	36,803
U.S. Department of Health and Human Services:			
Pass-Through Program from Ohio Dept of Jobs and Family Svcs:			
Early Literacy Specialist	None	93.575	32,779
Pass-Through Program from Starting Point:			
Early Childhood Learning Opportunities	None	93.577	12,754
Direct Program:			
Health Care and Other Facilities		93.887	183,992
Total U.S. Department of Health and Human Services			229,525
National Science Foundation:			
Pass-Through Program from Brevard Community College:			
Spacetec-NSF	None	47.076	30,506
U.S. Department of Housing and Urban Development:			
Pass-Through Program from City of Cleveland:			
Empowerment Zone Digital Community Initiative	None	14.244	108,782
SEED Entrepreneur Development	None	14.418	241,907
SEED Entrepreneur Development	None	14.418	142,588
Total CFDA #14.418			384,495
Pass-Through Program from City of East Cleveland:			
SPG-33 HOPE Job Training Program	None	14.412	10,362
Pass-Through Program from Cuyahoga County Board of Health:			
Lead Based Paint Hazard Control	None	14.900	6,547
Lead Safe Work Practices Training	None	14.900	7,835
Total CFDA #14.900			14,382
Total U.S. Department of Housing and Urban Development			518,021
National Endowment for the Humanities			
Pass-Through Program from Ohio Humanities Council:			
Community linked Historical Research Project	None	45.129	1,250

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, 2005

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:			
Year-Round Youth Education and Training	CE 13742-01	17.259	243,858
Pass-Through Program from the City of Cleveland, Ohio:			
In-School Workforce Investment Act	None	17.259	112,158
Total CFDA #17.259			356,016
Youth Opportunity	None	17.263	472,413
Pass-Through Program from Illinois State University:			
WIA Dislocated Workers	None	17.260	283,666
Pass-Through Program from Greater Cleveland Growth Association:			
Third Frontier Internship Program	ECDD 04-192	17.255	130,639
Total U.S. Department of Labor			1,242,734
National Endowment for the Arts—National Foundation on the Arts and Humanities			
Direct Program:			
JazzMasters - NEA		45.024	15,000
JazzFest - NEA		45.024	20,000
CAC Dance Cleveland - NEA		45.024	10,000
Pass-Through Program from Heartland Foundation:			
Les Ballet Jazz De Montreal	FY05-0402	45.024	3,375
Pass-Through Program from New England Foundation for the Arts			
R. Brown & Evidence, Inc.	None	45.024	3,750
Pass-Through Program from Doris Duke Charitable Foundation:			
JazzFest	None	45.024	40,000
Total National Endowment for the Arts—National Foundation on the Arts and Humanities			92,125
U.S. Environmental Protection Agency			
Pass-Through Program from the City of Cleveland:			
Brownfields Assessment and Clean-up	None	66.818	24,841
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 33,514,596

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, 2005

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, 2005. 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	Outstanding Balance at June 30, 2005
Federal Perkins Loan Program	84.038	$ 461,955

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

	CFDA Number	Balance at June 30, 2005
Nursing Student Loan Program	84.364	$ 126,722

Federal Direct Student Loan Program - During the fiscal year ended June 30, 2005, the College processed the following amount of new loans under the Federal Direct Student Loan Program:

Federal Direct Student Loan Program	84.268	$5,396,390

* * * * * *

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

1001 Lakeside Avenue, 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 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, 2005, and have issued our report thereon dated August 31, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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
August 31, 2005

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

1001 Lakeside Avenue, 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, 2005. Cuyahoga Community College's major program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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
August 31, 2005

CUYAHOGA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

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, 84.003, 84.038, 84.063 84.364, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $1,005,438

Auditee qualified as a low risk auditee?	______	yes	X	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

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2005

Finding
Number

04-01

Finding
Summary

34 CFR section 668.22 requires that when determining a return of Title IV federal funds for withdrawn students, the College must calculate and return required funds within 30 days of the date of determination of the withdrawals.

Finding
Corrected

Corrected – The College's student management computer system now has a module to track and complete accurate and timely return of Title IV calculations when a student's status is changed to withdrawn.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 13, 2005