CUYAHOGA COMMUNITY COLLEGE

Single Audit Report
for the Year Ended
June 30, 2002

Auditor of State
Betty Montgomery

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Board of Trustees
Cuyahoga Community College
Cleveland, Ohio

We have reviewed the Independent Auditor's Report of the Cuyahoga Community College, Cuyahoga County, prepared by Deloitte & Touche, for the audit period July 1, 2001 through June 30, 2002. 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
Auditor of State

January 22, 2003

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CUYAHOGA COMMUNITY COLLEGE

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cuyahoga Community College

We have audited the accompanying statement of net assets of Cuyahoga Community College (the "College") as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended, which collectively comprise the College's basic financial statements. 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 audit provided 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 College at June 30, 2002, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, effective July 1, 2001, the College has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, GASB 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 No. 34* and, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended June 30, 2002 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, 2002 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 11, 2002

Deloitte
Touche
Tohmatsu

CUYAHOGA COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2002

The College

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.

The College offers credit and non-credit programs to its students. For the Fall 2002 semester, the College offered 78 two-year technical associate degree programs and 27 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.

New Accounting Standards

In June 1999, the Governmental Accounting Standards Board (the "GASB") issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which established a new reporting format for annual financial statements of governmental units. In November 1999, the GASB released Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies the new reporting standards to public colleges and universities. The provisions of these statements were implemented by the College for the year ended June 30, 2002.

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. Since this is a transition year for the new format, only one year of information is presented in the audited financial statements. For comparative purposes, we have restated the prior year financial information and included it in this section. Beginning next year, the financial statements will display two years of comparative information.

The new accounting standards resulted in a prior period adjustment of $132.6 million to the beginning fund balance as of July 1, 2001. The components of this adjustment are included in the footnotes to the financial statements and primarily represent the recognition of accumulated depreciation as capital assets were not depreciated under the previous reporting model.

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 and No. 35. The College follows the "business-type activities" reporting requirements of GASB Statement 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, 2002, and the results of its operations and cash flows for the year then ended.

Financial Highlights

As of June 30, 2002, the College's net assets increased slightly to $199 million from $197.6 million as of June 30, 2001. Operating revenues increased $5.7 million due mainly to increased enrollment and tuition rates ($3 million) and federal, state and private grant activity ($2.7 million). Operating expenses increased $11.7 million principally from a $2 million increase in instruction expenses, due to enrollment increases and standard salary increases; an increase in bad debt expense of $941,000 related to student and third party sponsor accounts; a $2.1 million increase in institutional support expenses due to the change in policy from buying computers to leasing them; and an increase of $4.1 million resulting from purchases of institutional supplies and small equipment. The remainder of the increase is due to normal inflationary increases and other factors.

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			
	2002	2001	Increase (Decrease)	Percent Change
Current assets	$ 121,798	$ 103,797	$ 18,001	17.3 %
Non current assets:				
Capital assets, net of depreciation	144,266	128,374	15,892	12.4 %
Other	34,207	54,720	(20,513)	(37.5)%
Total assets	300,271	286,891	13,380	4.7 %
Current liabilities	80,655	68,267	12,388	18.1 %
Non-current liabilities	20,665	21,070	(405)	(1.9)%
Total liabilities	101,320	89,337	11,983	13.4 %
Net assets:				
Invested in capital assets	135,201	130,548	4,653	3.6 %
Restricted - expendable	3,154	2,211	943	42.7 %
Unrestricted	60,596	64,795	(4,199)	(6.5)%
Total net assets	$ 198,951	$ 197,554	$ 1,397	0.7 %

Assets

Total assets increased $13.4 million from 2001 principally due to the following factors:

- Cash and cash equivalents and investments decreased approximately $16.6 million from 2001. This decrease is due to the use of $7.4 million of the escrow funds set aside for the House Bill 7 Lease and Phone System Lease projects. An additional $7 million was used to fund other capital projects and $2.2 million was used to fund current operations.

- Property taxes receivable increased approximately $13.5 million over 2001. This is due to the anticipated receipt of an additional $11.1 million in collections in 2003 from the passage of a 1.6 mill replacement levy in November 2001. In addition, $2.4 million of monies, generally received in June were not remitted until July 2002, and are considered receivable at year end.

- Despite an increase in operating revenues of 8 percent, accounts receivable increased only 1.7 percent or $214,000 over 2001. The major changes in accounts receivable include: an increase in student receivables of $2.8 million due to increased enrollment and increased tuition rates; an increase in the allowance for bad debts of $941,000; a $433,000 decrease in receivables relating to the Workforce and Economic Development Division programs; and a decrease in grants receivable of approximately $1 million. The remainder of the change was due to various other factors.

- Capital assets, net of accumulated depreciation, increased by $15.9 million due mainly to approximately $27 million in new construction, offset by approximately $11 million in depreciation expense. Projects that were completed in 2002 include improvements at the Eastern Campus and the Crile Building on the Western Campus, as well as various other improvement projects.

Liabilities

Total liabilities increased approximately $12 million principally due to the following factors:

- Deferred property tax revenues have increased approximately $11.1 million over 2001. This is the offset to the increase in the amount receivable from the passage of a 1.6 mill replacement levy in November 2001.

- Deferred revenues, relating mainly to student revenues for the summer term and cash advances on certain grants with eligibility requirements, increased $720,000. An increase in tuition rates and an increase in enrollment over 2001 increased deferred revenues approximately $1.9 million. Tuition rates increased approximately 6 percent and enrollment increased approximately 12 percent over the Summer 2001 semester. Approximately $1.1 million of the cash advanced on grants was remitted to students as scholarships in the current year, which partially offset the increase in deferred revenues caused by the increase in tuition rates and enrollment.

- Accounts payable and accrued liabilities decreased approximately $1 million due to the timing of payments.

- Other liabilities, which are mainly comprised of self-insurance reserves, increased $430,000 due to increased health-care and disability costs and the aging of the College's workforce.

- Capital lease obligations increased $565,000 due to the College entering into a $1.3 million capital lease for a new phone system in August 2001 and an increase in the House Bill 7 capital lease obligation of approximately $250,000. The difference represents repayment of principal of $986,000 during fiscal 2002.

- The College's obligation for compensated absences increased approximately $240,000 due to salary increases and the aging of the College's workforce.

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 non-operating revenues and expenses. Annual state appropriations and local property taxes, while budgeted for operations, are considered non-operating 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, 2002	2001	Increase (Decrease)	Percent Change
Operating revenue:				
Net tuition and fees	$ 25,604	$ 22,595	$ 3,009	13.3 %
Contracts and grants	35,592	32,775	2,817	8.6 %
Auxiliary enterprises	8,555	7,853	702	8.9 %
Other	5,959	6,785	(826)	(12.2)%
Total operating revenue	75,710	70,008	5,702	8.1 %
Operating expenses:				
Education and general:				
Instruction and departmental research	50,640	47,394	3,246	6.8 %
Public service	18,000	19,549	(1,549)	(7.9)%
Academic support	16,369	16,155	214	1.3 %
Student services	15,251	14,710	541	3.7 %
Institutional support	28,040	22,088	5,952	26.9 %
Operation and maintenance of plant	16,015	14,392	1,623	11.3 %
Scholarships and fellowships	17,522	16,137	1,385	8.6 %
Depreciation	10,952	11,538	(586)	(5.1)%
Auxiliary enterprises	8,575	7,675	900	11.7 %
Operating expenses	181,364	169,638	11,726	6.9 %
Net operating loss	(105,654)	(99,630)	(6,024)	6.0 %
Non-operating revenues:				
State appropriations	44,469	47,404	(2,935)	(6.2)%
Property taxes	49,704	49,666	38	0.1 %
Investment income	2,667	5,911	(3,244)	(54.9)%
Other income and expense	(747)	(1,731)	984	(56.8)%
Total non-operating revenue	96,093	101,250	(5,157)	(5.1)%
Income (loss) before other revenues, expenses, gains or losses	(9,561)	1,620	(11,181)	(690.0)%
State capital appropriations	10,958	2,679	8,279	309.0 %
Increase in net assets	1,397	4,299	(2,902)	(67.5)%
Net assets - beginning of year	197,554	193,255	4,299	2.2 %
Net assets - end of year	$ 198,951	$ 197,554	$ 1,397	0.7 %

Operating Revenues

The increase in net tuition and fees is due to two factors; increased enrollment and increased tuition rates. Enrollment increased approximately 7 percent over 2001, while tuition rates increased 3 percent for Fall semester and another 3 percent for Spring semester. Tuition increases were imposed as a result of state funding cuts made throughout the year.

Contract and grant revenue increased due to several large new state and private grants in 2002 totaling approximately $3.6 million, offset by a decrease of approximately $2.5 in Federal grants. In addition, Federal scholarship revenues increased approximately $1.7 million.

Auxiliary enterprises consist of book centers and parking facilities. 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 consist of sales and services and miscellaneous revenues. A decline in activities in the areas of customized training, special events and other services provided by the Workforce and Economic Development Division accounted for a decrease of $1.1 million in revenues in this area. However, non-credit revenues, health careers and child care training, and conferences and seminars generated an increase of $600,000 in revenues. The remainder of the change was due to various other factors.

Operating Expenses

Operating expenses increased in almost all categories due to three factors. First, approximately $2.1 million more was spent on operating leases for computers in 2002. This is due to the College changing its practice from purchasing computers to leasing computers. Second, the purchase of supplies and small equipment led to an increase of $4.1 million. Finally, salaries and benefits increased approximately $3.1 million due to scheduled salary increases and increased general benefit costs.

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

- Instruction and departmental research costs increased $651,000 due to contract instructor expenses for a new construction program, $941,000 in bad debt expense related to student and third party sponsor accounts, and other normal inflationary increases.
- Public service costs decreased approximately 7.8 percent, or $1.5 million. $1.3 million of the decrease relates to the loss of the financial aid provided by the Cuyahoga Training Academies program that was discontinued for 2002. Due to the loss of this program, costs supported by this program, such as salaries and benefits, supplies and travel have all decreased proportionately.
- Institutional support increased $6 million mainly due to the three factors noted above.
- Scholarships and fellowships expenses increased approximately $1.4 million due to increased scholarship revenues, as noted above.
- Cost of sales, which is a component of auxiliary enterprises expense, increased approximately $552,000, which yields a gross margin consistent with the prior year.
- Depreciation expense decreased $586,000 due in part to the increase in capitalization threshold from $1,000 to $5,000 for moveable equipment and the increased use of computer operating leases. In addition, approximately $15 million in assets that were not fully depreciated were disposed of in 2001.

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

Non-Operating Revenues

State operating appropriations are down approximately 6 percent due entirely to state budget cuts. Local appropriations consist entirely of property tax revenues. No new levies were in effect during 2002; therefore, it is reasonable that revenues would remain flat.

The decrease in investment income is attributable primarily to interest rate reductions and a decrease in investment balances due to the spending of proceeds from capital lease obligations.

Included in other income and expense is loss on disposals of capital assets. In 2001, the disposal of computer equipment resulted in a loss of approximately $1.3 million. Loss on disposals was approximately $640,000 in 2002.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flows, its ability to meets its obligations as they come due, and its need for external financing. Condensed information from the College's statement of cash flows follows:

	(in thousands) Year ended June 30, 2002
Cash provided by (used in):	
Operating activities	$ (95,445)
Non-capital financing activities	91,862
Capital and related financing activities	(16,167)
Investing activities	30,158
Net increase in cash	10,408
Cash - beginning of year	34,303
Cash - end of year	$ 44,711

The primary cash receipts from operating activities consist of tuition revenues, grants and contracts, sales and services, and auxiliary enterprises. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships.

Property tax receipts and state appropriations are the primary source of non-capital financing. The new accounting standards require that we reflect these sources of revenue as non-operating even though the College's budget depends on these revenue sources to continue its current level of operations. Operating appropriations from the State of Ohio decreased 6 percent in 2002.

The main sources of cash from capital and related financing activities relate to proceeds from capital leases and capital appropriations received from the State of Ohio for the Technical Learning Center at Western Campus, the Humanities Building at Metro Campus, the East Campus Plaza Connector, and various smaller projects. Financing cash receipts are offset by $27.6 million in capital expenditures and $1.1 million in principal and interest repayment on capital leases.

Capital Commitments and Financing Activities

In March 2002, the College announced its intentions to open two new locations as part of its "Corporate College" initiative. Corporate College is an initiative that will offer customized corporate training, professional development courses, select college credit courses, and certification programs to workers and employers in the Greater Cleveland area. The total cost of the project is expected to approximate $52.9 million. To fund the project, the College issued a total of $46,980,000 in General Receipts Bonds during September and October 2002. In July 2002, the College purchased land and an office building in Westlake, Ohio for $10 million. After it is renovated, this facility will be utilized as one of the College's Corporate College locations. It is anticipated that this renovation will be completed by the Spring of 2003.

In addition to the Corporate College facilities, the College has commitments approximating $8 million for other capital projects in progress at June 30, 2002. These include the Ohio House Bill 7 - Energy Conservation Project, East I Building modifications and improvements at the Eastern Campus, Metro Humanities Building, West Technical Learning Center, and District Office Building.

CUYAHOGA COMMUNITY COLLEGE

STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	$ 41,341,623
Short-term investments (Note 2)	52,804
Property taxes receivable	64,664,714
Accounts receivable, net (Note 3)	12,749,506
Inventories	1,561,230
Prepaid expenses	1,427,856
Total current assets	121,797,733
NONCURRENT ASSETS:	
Restricted cash and cash equivalents (Note 2)	3,369,361
Restricted investments (Note 2)	651,100
Loans receivable, less allowance for doubtful loans of $538,313	354,681
Other long-term investments (Note 2)	29,831,613
Capital assets, net (Note 4)	144,266,449
Total noncurrent assets	178,473,204
Total assets	300,270,937
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities (Note 5)	11,881,721
Deferred property tax revenue	58,075,566
Deferred revenue	8,574,137
Capital lease obligations - current portion (Note 11)	1,395,943
Compensated absences - current portion	727,884
Total current liabilities	80,655,251
NONCURRENT LIABILITIES:	
Capital lease obligations (Note 11)	11,168,616
Compensated absences	5,316,636
Other liabilities	4,179,142
Total noncurrent liabilities	20,664,394
Total liabilities	101,319,645
NET ASSETS	
Invested in capital assets, net of related debt	135,201,005
Restricted - expendable	3,153,832
Unrestricted	60,596,455
Total net assets	$ 198,951,292

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

CUYAHOGA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2002

REVENUES:	
Operating revenues:	
Student tuition and fees, net of scholarship allowances of $3,458,834	$ 25,604,316
Federal grants and contracts	25,888,786
State grants and contracts	5,746,711
Private grants and contracts	3,956,615
Sales and services	5,771,352
Auxiliary enterprises	8,554,705
Other operating revenues	187,411
Total operating revenues	75,709,896
EXPENSES:	
Operating expenses:	
Educational and general:	
Instruction and departmental research	50,639,669
Public service	17,999,499
Academic support	16,369,408
Student services	15,251,072
Institutional support	28,040,135
Operation and maintenance of plant	16,014,937
Scholarships and fellowships	17,521,764
Depreciation	10,952,077
Auxiliary enterprises	8,575,126
Total operating expenses	181,363,687
Operating loss	(105,653,791)
NONOPERATING REVENUES (EXPENSES):	
State appropriations	44,469,248
Property taxes	49,703,454
Unrestricted investment income, net of investment expense of $337,123	2,591,534
Restricted investment income	75,565
Interest on capital asset-related debt	(66,581)
Other nonoperating expenses	(680,650)
Net nonoperating revenues	96,092,570
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(9,561,221)
STATE CAPITAL APPROPRIATIONS	10,958,444
INCREASE IN NET ASSETS	1,397,223
NET ASSETS - BEGINNING OF YEAR, AS RESTATED (Note 1)	197,554,069
NET ASSETS - END OF YEAR	$ 198,951,292

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

CUYAHOGA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	$ 25,101,286
Grants and contracts	35,052,291
Sales and services	5,958,763
Auxiliary enterprises	8,668,191
Employee and related payments	(101,636,565)
Supplier and vendor payments	(50,768,008)
Payments for scholarships	(17,821,548)
Net cash used in operating activities	(95,445,590)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property tax receipts	47,286,042
State appropriations	44,469,248
Other receipts	107,274
Net cash provided by noncapital financing activities	91,862,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
State capital appropriations	10,985,662
Proceeds from capital leases	1,550,235
Purchases of capital assets	(27,575,793)
Principal paid on capital leases	(985,677)
Interest paid on capital leases	(141,699)
Net cash used in capital and related financing activities	(16,167,272)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	82,409,917
Purchases of investments	(55,552,340)
Investment income	3,300,675
Net cash provided by investing activities	30,158,252
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,407,954
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	34,303,030
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 44,710,984

(Continued)

CUYAHOGA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (105,653,791)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	10,952,077
Changes in assets and liabilities:	
Receivables, net	(710,912)
Inventories	(133,750)
Other assets	(341,648)
Accounts payable and accrued liabilities	(974,365)
Deferred revenues	719,840
Compensated absences	242,453
Other liabilities	454,506
Net cash used in operating activities	$ (95,445,590)

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

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. 14, *The Financial Reporting Entity*, the College is a primary government with no component units. Accordingly, 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 (see Note 15), is not included in the accompanying financial statements.

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. Prior to the year ended June 30, 2002, the College prepared its financial statements in accordance with the *College Guide Model* prescribed by the American Institute of Certified Public Accountants. Under this reporting model, the College's financial activities were classified and reported in its financial statements in the form of certain fund groups. The College now 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.

In connection with the implementation of the GASB statements described above, during the year ended June 30, 2002, the following adjustments have been made to reflect the cumulative effect of this accounting change as of the beginning of the year:

Fund balances previously reported at June 30, 2001	$ 330,186,375
Accumulated depreciation not previously recognized under *College Guide Model*	(132,632,306)
Net assets at June 30, 2001, as restated	$ 197,554,069

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.

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. In fiscal year 2001-2002, the College increased its capitalization limit for moveable equipment from $1,000 to $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	4-10 years

Compensated Absences **-** Compensated absence costs are accrued when earned by employees.

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.

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 **-** All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, property tax revenues and investment income.

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.

Recently Issued Accounting Pronouncements **-** During May 2002 the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14)*. This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units of the primary institution based on the nature and significance of their relationship with the primary institution. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2003. The College has not determined the impact, if any, that this statement will have on its financial statements.

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. 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.

Deposits **-** At June 30, 2002, the carrying amount of the College's deposits was an overdraft of $266,385, as compared to actual bank balances of $2,052,975, with the difference representing outstanding checks and normal reconciling items. Of the June 30, 2002 bank balances, $300,000 was covered by federal depository insurance and the remaining $1,508,648 was uncollateralized, as defined by the GASB; however, 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 under Ohio law.

Investments **-** Investments are categorized to give an indication of the level of credit risk assumed by the College at year end. These categories of credit risk are summarized below:

Category 1 **-** Insured or registered investments held by the College or its agent in the name of the College.

Category 2 **-** Uninsured and unregistered investments, for which securities are held by the counterparty's trust department or agent in the name of the College.

Category 3 **-** Uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the College's name.

At June 30, 2002, the College's investments were as follows:

Type of Investment	Category 1	Category 2	Category 3	Fair Value
Government securities		$ 13,689,281	$ 21,626,458	$ 35,315,739
U.S. treasury bills			459,577	459,577
Totals	$ -	$ 13,689,281	$ 22,086,035	35,775,316
Unclassified investment - State Treasurer's Asset Reserve Fund (STAROhio)				39,737,570
				$ 75,512,886

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.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2002:

Tuition and fees receivable	$ 11,294,035
Grants receivable	1,958,830
State capital appropriations receivable	1,637,584
Interest receivable	400,357
Other receivables	301,150
Allowance for doubtful accounts	(2,842,450)
	$ 12,749,506

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

Description	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Land	$ 5,437,138			$ 5,437,138
Buildings	102,946,454			102,946,454
Building improvements	53,616,791	$ 8,517,497		62,134,288
Improvements other than buildings	27,572,884	1,256,116		28,829,000
Library books	1,536,911	178,856		1,715,767
Moveable equipment	47,713,973	1,184,076	$ (3,633,577)	45,264,472
Construction in progress, net	22,182,229	16,347,878		38,530,107
Totals	261,006,380	27,484,423	(3,633,577)	284,857,226

Description	Beginning Balance	Additions	Disposals	Ending Balance
Accumulated depreciation (Note 1):				
Buildings	$ 52,343,703	$ 2,573,661		$ 54,917,364
Building improvements	26,001,558	3,340,751		29,342,309
Improvements other than buildings	21,887,420	658,407		22,545,827
Library books	642,657	280,079		922,736
Moveable equipment	31,756,968	4,099,179	$ (2,993,606)	32,862,541
Totals	132,632,306	10,952,077	(2,993,606)	140,590,777
Capital assets, net	$ 128,374,074	$ 16,532,346	$ (639,971)	$ 144,266,449

Included in construction in progress at June 30, 2002 are costs associated with the Ohio House Bill 7 - Energy Conservation Project, East I Building modifications and improvements at the Eastern Campus, Metro Humanities Building, West Technical Learning Center, and District Office Building. At June 30, 2002, $7,953,000 was yet to be spent under contractual commitments pertaining to these improvements and other minor projects and will be funded through unspent proceeds from existing capital leases, state capital appropriations, and general operations.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 2002:

Accounts payable	$ 2,649,506
Accrued liabilities	5,638,237
Payroll and fringe liablilities	3,593,978
Total	$ 11,881,721

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 fund balance 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 expires during the year ending June 30, 2003. An additional levy was renewed by voters in 1996 for 1.2 mills and expires in 2006.

During November 2001, Cuyahoga County voters approved an eight year, 1.6 mill replacement of the .6 and 1.0 mill levies, commencing during the year ending June 30, 2003.

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 Public Employees Retirement System of Ohio ("PERS"). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit pension plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both STRS and PERS 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	PERS
275 East Broad Street	277 East Town Street
Columbus, OH 43215-3771	Columbus, OH 43215-4642
(614) 227-4090	(614) 466-2085 or (800) 222-PERS

In addition to the retirement benefits described above, STRS and PERS 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 PERS or STRS. For the employees who elected participation in ARP, prior employee contributions to STRS and PERS 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, PERS and the ARP. Contributions equal to those required by STRS and PERS 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 PERS 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 year ended June 30, 2002:

	STRS	PERS	ARP
Faculty:			
Plan member	9.30%		9.30%
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, 2002 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	PERS Contribution	ARP Contribution
2002	$4,954,000	$5,624,000	$358,000
2001	5,329,000	4,226,000	346,000
2000	5,017,000	4,970,000	225,000

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

9. POSTRETIREMENT BENEFITS

PERS **-** PERS provides postretirement healthcare coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Healthcare coverage provided by the retirement system is considered an OPEB as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS (4.3% of covered payroll in 2002) is set aside for funding of postretirement healthcare. The ORC provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The statutory healthcare contribution requirement from the College for the year ended June 30, 2002 (which is included in the College's total PERS contribution) was $1,785,000.

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.

At December 31, 2000 (latest information available), there were 411,076 active participants contributing to the plan. In addition, at December 31, 2000, the actuarial value of the plan's net assets available for OPEB approximated $11.7 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were $14.4 billion and $2.7 billion, respectively.

STRS **-** STRS provides comprehensive healthcare benefits to retired teachers 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. Monthly premiums were paid during the year by most benefit recipients.

The ORC grants authority to STRS to provide healthcare coverage to benefit recipients, spouses, and dependents. By Ohio law, 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 year ended June 30, 2002, STRS allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which healthcare benefits are paid. The healthcare contribution requirement from the College for the year ended June 30, 2002 (which is included in the College's total STRS contribution) was $1,592,000. The balance in the Health Care Reserve Fund was $3.3 billion on June 30, 2001 (latest information available). For the year ended June 30, 2001 (latest information available), net healthcare costs paid by STRS were $301 million. There were 102,132 eligible benefit recipients on June 30, 2001.

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 other liabilities on the statements of net assets) during the past two fiscal years resulted from the following:

	Healthcare		Workers' Compensation	
	2002	2001	2002	2001
Liability at the beginning of year	$1,151,000	$1,009,000	$ 481,562	$ 388,295
Current year claims, net of changes in estimates	4,883,306	3,557,802	242,054	94,874
Claim payments	(4,720,306)	(3,415,802)	(253,847)	(1,607)
Balance at end of year	$1,314,000	$1,151,000	$ 469,769	$ 481,562

	Disability 2002	Disability 2001	Retiree Death 2002	Retiree Death 2001
Liability at the beginning of year	$1,004,847	$1,128,491	$ 742,169	$ 667,581
Current year claims, net of changes in estimates	516,747	78,687	40,000	92,588
Claim payments	(252,794)	(202,331)	(20,000)	(18,000)
Balance at end of year	$1,268,800	$1,004,847	$ 762,169	$ 742,169

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 two capital leases as described below. The changes in the lease obligations is shown below:

	Beginning Balance	Additions	Reductions	Ending Balance
House Bill 7 Lease	$12,000,000	$ 250,235	$ 639,585	$11,610,650
Phone System Lease	-	1,300,000	346,091	953,909
Total	$12,000,000	$1,550,235	$ 985,676	$12,564,559

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 improvements financed by the lease and interest earned on the lease escrow amounted to $12,782,685, which is included in construction in progress at June 30, 2002. The agreement requires payments of principal and interest in equal monthly installments of $120,861 through August 2012.

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 components financed by the lease amounted to $864,375, which is included in construction in progress at June 30, 2002. The agreement requires payments of principal and interest in equal monthly installments of $38,312 through August 2004.

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

Fiscal Year	Amount
2003	$ 2,030,929
2004	1,910,069
2005	1,526,951
2006	1,450,327
2007	1,450,327
2008-2012	7,251,637
2013	241,721
Total minimum lease payments	15,861,961
Less amount representing interest	3,297,402
Present value of net minimum lease payments	$12,564,559

The unspent funds received from these capital leases are held in escrow at certain financial institutions and are included in restricted cash equivalents and restricted investments, as appropriate. The balance of the escrow accounts (approximately $686,000 at June 30, 2002) will be utilized to satisfy the remaining portion of the purchase commitments related to the House Bill 7 and Phone System Leases.

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, 2002 are as follows:

Year	Amount
2003	$3,856,397
2004	3,264,738
2005	734,590
2006	71,126
Total	$7,926,851

The College's rent expense under these leases was $2,843,000 for the year ended June 30, 2002.

12. INCOME TAXES

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

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. FOUNDATION

The Foundation was formed in 1973 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating excellent academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Cleveland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The Foundation has total assets of $11.9 million at June 30, 2002 and total revenues, investment income and other support of $2.1 million for the year then ended.

16. SUBSEQUENT EVENTS

In March 2002, the College announced its intention to open two new locations as a part of its "Corporate College" initiative. Corporate College is an initiative that will offer customized corporate training, professional development courses, select college credit courses, and certification programs to workers and employers in the Greater Cleveland area. The total cost of the project is expected to approximate $52,875,000, which includes the construction of one of the campuses, the acquisition and renovation of certain real estate described below that will be utilized for the other campus, and the purchase of necessary equipment and furniture and fixtures.

In July 2002, the College purchased land and an office building in Westlake, Ohio for $10 million. After it is renovated, this facility will be utilized as one of the College's Corporate College locations.

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.

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CUYAHOGA COMMUNITY COLLEGE

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

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	$ 13,466,968
Federal Supplemental Education Opportunity Grant		84.007	418,666
Federal Work-Study Program		84.033	511,613
Total Student Financial Aid Cluster			14,397,247
OTHER PROGRAMS			
Academic Support - U.S. Department of Education:			
Pass-Through Programs from			
Ohio Department of Education:			
Tech-Prep	VETP-2002-04	84.243	32,263
Tech-Prep - College Transition	VETP-2002-04-TG	84.243	250,000
Total Other Programs - Academic Support and CFDA #84.243			282,263
Institutional Support - U.S. Department of Education:			
Direct Programs:			
Alliance & Innovation		84.303	250,852
Early Childhood Literacy		84.215	149,041
Pass-Through Programs from			
Stevens Institute of Technology:			
Internet-in-Education Teacher Training	43780401	84.215	7,537
Total CFDA #84.215			156,578
Total Other Programs - Institutional Support			407,430

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, 2002

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:			
Direct Programs:			
Trio Cluster:			
Student Support Services		84.042	246,321
Disabled Student Services		84.042	268,134
Total CFDA #84.042			514,455
Project Talent Search		84.044	526,400
Upward Bound		84.047	327,229
Veterans Upward Bound		84.047	293,841
Total CFDA #84.047			621,070
Education Opportunity Center		84.066	236,496
Total Trio Cluster			1,898,421
Gear-Up Partnership Program		84.334	351,956
Title III - Strengthening Institutions		84.031	468,495
Pass-Through Programs from			
Ohio Department of Education:			
Adult Basic and Literacy Education	PROJECT #063404-AB-SI-2002	84.002	22,853
Adult Basic and Literacy Education	PROJECT #063404-AB-SI-2001C	84.002	17,185
Adult Basic and Literacy Education	PROJECT #063404-AB-SI-2002P	84.002	39,160
Total CFDA #84.002			79,198
Vocational Administration	VECPII-P2001	84.048	17,971
Transition to Technology	VECPII-P2001	84.048	29,962
Orientation to Non-Traditional Occupation for Women	KESC-080-ONOW	84.048	15,000
Vocational Education - Special Needs	VECPII-P2001	84.048	149,955
EOC-Sex Equity	VECPII-P2001	84.048	170,140
Pass-Through Programs from			
Polaris Joint Vocational School District:			
Orientation to Non-Traditional Occupation for Women	VESE-ONOW-2001	84.048	4,002
Total CFDA #84.048			387,030
Total Public Service			3,185,100
Total U.S. Department of Education			18,272,040

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, 2002

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Number	Federal CFDA Number or Primary Grant Number	Expenditures
PUBLIC SERVICE			
National Institute of Health:			
Direct Program:			
Bridges to Success		93.859	101,156
Bridges to Success		93.906	948
Total National Institute of Health			102,104
U.S. Small Business Administration:			
Pass-Through Program from			
Ohio Department of Development:			
Small Business Development Center	None	59.037	53,262
U.S. Department of Agriculture:			
Pass-Through Program from			
Ohio Department of Education:			
Family and Childcare Program	IRN110270	10.558	99,251
U.S. Department of Health and Human Services:			
Direct Program:			
Healthcare Service Worker Training		93.558	184,322
Pass-Through Program from Cuyahoga County, Ohio:			
Cuyahoga Training Academies	CE1108-01	93.558	576,044
Total CFDA #93.558			760,366
Pass-Through Program from Western Reserve Area			
Agency on Aging:			
Health Education for Senior Adults	None	93.044	8,877
Total U.S. Department of Health and Human Services			769,243

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, 2002

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			
Direct Program:			
Carnegie Basic Skills		17.261	20,165
Pass-Through Program from Cuyahoga County, Ohio:			
Advance Tech Training Network	None	17.261	252,363
Total CFDA #17.261			272,528
Year-Round Youth Education and Training	None	17.259	10,196
Pass-Through Program from the City of Cleveland, Ohio:			
Youth Opportunity	None	17.263	26,050
Total U.S. Department of Labor			308,774
National Endowment for the Arts, National Foundation on the Arts and Humanities			
Direct Program:			
JazzFest - NEA		45.024	15,000
Pass-Through Program from Heartland Foundation:			
Ping Chong & Company	FY 02-0172	45.025	5,000
Total National Endowment for the Arts, National Foundation on the Arts and Humanities			20,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 19,624,674

See Notes to Supplemental Schedule of Expenditures of Federal Awards. (Concluded)

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, 2002. 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, 2002
Federal Perkins Loan Program	84.038	$ 612,683

Total loan disbursements under the program for the year ended June 30, 2002 are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	$ 55,000

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule only includes administrative costs of the loan program.

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

	CFDA Number	Outstanding Balance at June 30, 2002
Nursing Student Loan Program	93.364	$ 128,857

There were no loan expenditures or disbursements under the program during the year ended June 30, 2002.

Federal Direct Student Loan Program **-** During the fiscal year ended June 30, 2002, the College processed the following amount of new loans under the Federal Direct Student Loan Program:

	CFDA Number	Amount Disbursed
Federal Direct Student Loan Program	84.268	$3,241,784

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Cuyahoga Community College

We have audited the financial statements of Cuyahoga Community College (the "College") as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002, which includes an explanatory paragraph regarding the adoption of certain new accounting standards as described in Note 1 to the financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 misstatement 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.

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

Deloitte & Touche LLP

October 11, 2002

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Cuyahoga Community College

Compliance

We have audited the compliance of Cuyahoga Community College (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The College's major federal programs are identified in the summary of auditors' 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 the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the 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 the 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 material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants 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 operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP

October 11, 2002

CUYAHOGA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

Part I Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended June 30, 2002 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A (none reported).
- Noncompliance Noted that is Material to the Financial Statements of the College - None.
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements - N/A (none reported).
- Type of Report Issued on Compliance for Major Federal Award Programs - Unqualified.
- The audit disclosed no audit findings required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Award Programs Identified for the Year Ended June 30, 2002:
  - Student Financial Aid Cluster Programs (CFDA #84.007, 84.033, 84.038, 84.063, 84.268 and 93.364)
  - Public Service Trio Cluster (CFDA #84.042, 84.044, 84.047, and 84.066)
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - $709,890.
- The College is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

Part II Financial Statement Findings

None

Part III Federal Award Findings and Questioned Costs

None

CUYAHOGA COMMUNITY COLLEGE

STATUS OF PRIOR YEAR COMMENTS ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2002

There were no significant or material comments on internal control and legal compliance included in the prior year reports.

Auditor of State
Betty Montgomery

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CUYAHOGA COMMUITY 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
JANUARY 30, 2003