

**Deloitte &
Touche**



***CINCINNATI STATE
TECHNICAL AND
COMMUNITY COLLEGE***

*Office of Management and Budget Circular A-133
Reports for the Year Ended June 30, 1999*

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

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OFFICE OF THE AUDITOR

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Board of Trustees
Cincinnati State Technical and Community College

We have reviewed the independent auditor's report of the Cincinnati State Technical and Community College, Hamilton County, prepared by Deloitte & Touche LLP for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a printed name and title.

JIM PETRO
Auditor of State

January 7, 2000

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheet of Cincinnati State Technical and Community College (the "College"), a component unit of the State of Ohio, as of June 30, 1999, and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the year then ended. 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 generally accepted auditing standards 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 provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Cincinnati State Technical and Community College at June 30, 1999, and the changes in fund balances, and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the College is or will become year 2000 compliant, that the College's year 2000 remediation efforts will be successful in whole or in part, or that third parties with which the College does business are or will become year 2000 compliant.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying schedule of expenditures of federal awards, is presented for the purpose 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 schedule is the responsibility of the College's management. Such information has been subjected to the auditing procedures applied in

the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered 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 22, 1999 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.

Deloitte & Touche LLP

October 22, 1999

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

BALANCE SHEET, JUNE 30, 1999 (With Comparative Figures for 1998)

| ASSETS | 1999 | 1998 | LIABILITIES AND FUND BALANCE |
|--|----------------------|----------------------|---------------------------------------|
| CURRENT FUNDS: | | | CURRENT FUNDS: |
| Unrestricted educational and general: | | | Unrestricted educational and general: |
| Cash and cash equivalents (Notes 1,2) | \$ 8,294,182 | \$ 8,261,152 | Accounts payable |
| Accounts receivable, less allowance of \$210,000 in 1999 and \$160,000 in 1998 | 1,594,538 | 1,483,086 | Accrued salaries |
| Due from investment in plant funds (Note 6) | 714,461 | 1,126,010 | Accrued liabilities (Note 5) |
| Due from current restricted funds | 337,092 | | Deferred income (Note 1) |
| Due from loan funds | 23,552 | | Fund balances (Note 1): |
| Due from unexpended plant fund | 85,455 | | Unallocated |
| Prepaid expenses and deferred charges | 94,607 | 163,387 | Allocated |
| Total educational and general | <u>11,143,887</u> | <u>11,033,635</u> | Total educational and general |
| Unrestricted auxiliary enterprises: | | | Unrestricted auxiliary enterprises: |
| Cash and cash equivalents (Notes 1,2) | 727,603 | 232,310 | Accounts payable |
| Accounts receivable | 6,020 | | Accrued salaries |
| Total auxiliary enterprises | <u>733,623</u> | <u>232,310</u> | Deferred income (Note 1) |
| | | | Fund balance (Notes 1,9) |
| | | | Total auxiliary enterprises |
| | | | Unrestricted auxiliary enterprises: |
| | | | Accounts payable |
| | | | Accrued salaries |
| | | | Deferred income (Note 1) |
| | | | Fund balance (Notes 1,9) |
| | | | Total auxiliary enterprises |
| | | | Unrestricted auxiliary enterprises: |
| | | | Accounts payable |
| | | | Accrued salaries |
| | | | Deferred income (Note 1) |
| | | | Fund balance (Notes 1,9) |
| | | | Total auxiliary enterprises |
| | | | Restricted: |
| | | | Due to current unrestricted funds |
| | | | Accounts payable |
| | | | Accrued salaries |
| | | | Deferred income (Note 1) |
| | | | Total restricted |
| | | | |
| | | | TOTAL CURRENT FUNDS |
| | <u>\$ 12,357,197</u> | <u>\$ 11,851,045</u> | <u>\$ 12,357,197</u> |
| | | | <u>\$ 11,851,045</u> |

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

BALANCE SHEET, JUNE 30, 1999 (With Comparative Figures for 1998)

| | 1999 | 1998 | LIABILITIES AND FUND BALANCE | 1999 | 1998 |
|---|----------------------|----------------------|-------------------------------------|----------------------|----------------------|
| ASSETS | | | | | |
| LOAN FUNDS: | | | LOAN FUNDS: | | |
| Cash and cash equivalents (Notes 1,2) | \$ 29,906 | \$ 2,937 | Due to current unrestricted funds | \$ 23,552 | |
| Notes receivable, less allowance of | | | Fund balances (Note 1): | | |
| \$345,046 in 1999 and \$344,878 in 1998 | <u>451,897</u> | <u>407,992</u> | Federal Perkins Loan Program | 440,343 | \$ 384,389 |
| | | | College funds | <u>17,908</u> | <u>26,540</u> |
| TOTAL LOAN FUNDS | <u>\$ 481,803</u> | <u>\$ 410,929</u> | TOTAL LOAN FUNDS | <u>\$ 481,803</u> | <u>\$ 410,929</u> |
| PLANT FUNDS: | | | PLANT FUNDS: | | |
| Unexpended: | | | Unexpended: | | |
| Cash and cash equivalents (Notes 1,2) | | \$ 9,332 | Accounts payable | \$ 495,392 | \$ 165,935 |
| Accounts receivable | \$ 580,847 | 156,603 | Due to current unrestricted funds | <u>85,455</u> | |
| Total unexpended | <u>580,847</u> | <u>165,935</u> | Total unexpended | <u>580,847</u> | <u>165,935</u> |
| Investment in plant: | | | Investment in plant: | | |
| Land | 1,372,596 | 1,372,596 | Capital lease obligations (Note 8) | 56,743 | 87,169 |
| Land improvements | 1,653,070 | 1,581,939 | Accrued liability | 41,041 | 41,041 |
| Buildings | 46,671,649 | 43,120,154 | Due to current funds (Note 6) | 714,461 | 1,126,010 |
| Equipment | 16,853,777 | 15,207,791 | Net investment in plant (Note 1) | <u>66,919,694</u> | <u>62,325,032</u> |
| Library books | 1,180,847 | 1,161,655 | | | |
| Construction in progress | | 1,135,117 | Total investment in plant | <u>67,731,939</u> | <u>63,579,252</u> |
| Total investment in plant | <u>67,731,939</u> | <u>63,579,252</u> | | | |
| TOTAL PLANT FUNDS | <u>\$ 68,312,786</u> | <u>\$ 63,745,187</u> | TOTAL PLANT FUNDS | <u>\$ 68,312,786</u> | <u>\$ 63,745,187</u> |

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1999**

| | Current Funds | | | Plant Funds | | |
|--|-------------------------|-----------------------|--------------|-------------|------------------------|---------------------|
| | Unrestricted | | | Loan Funds | Unexpended Plant Funds | Investment In Plant |
| | Educational and General | Auxiliary Enterprises | Restricted | | | |
| REVENUES AND OTHER ADDITIONS: | | | | | | |
| Unrestricted current funds revenues | \$ 36,286,503 | \$ 786,193 | | | \$ 1,885,410 | \$ 4,051,681 |
| State appropriations - restricted | | | \$ 3,366,796 | | | |
| Expended for plant facilities (including \$1,503,184 charged to current fund expenditures) | | | 1,888,319 | | | |
| Federal grants and contracts - restricted (Note 7) | | | 476,420 | | | |
| State and local grants and contracts - restricted (Note 7) | | | | \$ 8,203 | | 406,321 |
| Private gifts and grants | | | | | | |
| Interest on loans receivable | | | | | | |
| Repayment of loan (\$153,241 changed to educational and general expenditures and \$258,308 to unexpended plant funds) (Note 6) | | | | 56,188 | | 411,549 |
| Other (including \$30,426 reductions of capital lease obligations charged to current fund expenditures) | | | | 64,391 | 1,885,410 | 4,899,977 |
| Total revenues and other additions | 36,286,503 | 786,193 | 5,731,535 | 17,069 | 2,644,215 | 305,315 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | | | |
| Educational and general expenditures | 34,389,509 | | 5,948,913 | | 258,308 | |
| Auxiliary enterprises expenditures | | 411,760 | | | | |
| Loan cancellation and write-offs | | | | 17,069 | | |
| Expended for plant facilities (including noncapital expenditures of \$95,718) | | | | | 2,902,523 | 305,315 |
| Repayment of loan (Note 6) | | | | | | |
| Write-offs and other disposals | | | | | | |
| Total expenditures and other deductions | 34,389,509 | 411,760 | 5,948,913 | 17,069 | 2,902,523 | 305,315 |
| TRANSFERS AMONG FUNDS - Additions (deductions): | | | | | | |
| Mandatory - Restricted grant matching requirements | (27,153) | | 27,153 | | | |
| Nonmandatory - Support from (to) other funds | (1,332,424) | 125,086 | 190,225 | | 1,017,113 | |
| Total transfers | (1,359,577) | 125,086 | 217,378 | | 1,017,113 | |
| NET INCREASE FOR YEAR | 537,417 | 499,519 | | 47,322 | | 4,594,662 |
| FUND BALANCE, Beginning of year | 4,342,529 | 155,131 | | 410,929 | | 62,325,032 |
| FUND BALANCE, End of year | \$ 4,879,946 | \$ 654,650 | \$ - | \$ 458,251 | \$ - | \$ 66,919,694 |

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1999 (WITH COMPARATIVE FIGURES FOR 1998)

| | Unrestricted | | | Restricted | 1999 Total | 1998 Total |
|--|----------------------------|--------------------------|-----------------------|------------------|---------------------|---------------------|
| | Educational and General | Auxiliary Enterprises | Total Unrestricted | | | |
| REVENUE: | | | | | | |
| Tuition, fees and other charges | \$ 16,127,857 | | \$ 16,127,857 | | \$ 16,127,857 | \$ 14,909,868 |
| State appropriation | 16,470,318 | | 16,470,318 | | 16,470,318 | 16,136,437 |
| Federal grants (Note 7) | | | | \$ 3,366,796 | 3,366,796 | 2,805,518 |
| State and local grants (Note 7) | | \$ 764,291 | 3,597,425 | 1,888,319 | 1,888,319 | 1,791,558 |
| Sales and services | 2,833,134 | 21,902 | 877,096 | 476,420 | 3,597,425 | 4,261,010 |
| Other sources | 855,194 | | | | 1,353,516 | 1,387,706 |
| Total revenues | <u>36,286,503</u> | <u>786,193</u> | <u>37,072,696</u> | <u>5,731,535</u> | <u>42,804,231</u> | <u>41,292,097</u> |
| EXPENDITURES AND MANDATORY TRANSFERS: | | | | | | |
| Educational and general: | | | | | | |
| Instruction | 15,505,044 | | 15,505,044 | 430,156 | 15,935,200 | 15,369,402 |
| Public service | 2,276,833 | | 2,276,833 | 180,835 | 2,457,668 | 2,870,801 |
| Academic support | 3,872,188 | | 3,872,188 | 88,477 | 3,960,665 | 3,909,895 |
| Student services | 2,636,367 | | 2,636,367 | 433,182 | 3,069,549 | 2,835,454 |
| Institutional support | 6,960,748 | | 6,960,748 | 305,998 | 7,266,746 | 6,567,705 |
| Operation and maintenance of plant | 2,912,254 | | 2,912,254 | | 2,912,254 | 2,645,997 |
| Scholarships and grants | 226,075 | | 226,075 | 4,510,265 | 4,736,340 | 3,997,664 |
| Total educational and general expenditures | <u>34,389,509</u> | | <u>34,389,509</u> | <u>5,948,913</u> | <u>40,338,422</u> | <u>38,196,918</u> |
| Auxiliary enterprises expenditures | | 411,760 | 411,760 | | 411,760 | 982,772 |
| Mandatory transfers - restricted grant matching requirements | 27,153 | | 27,153 | (27,153) | | 18,000 |
| Total expenditures and mandatory transfers | <u>34,416,662</u> | <u>411,760</u> | <u>34,828,422</u> | <u>5,921,760</u> | <u>40,750,182</u> | <u>39,197,690</u> |
| REVENUES OVER (UNDER) EXPENDITURES AND MANDATORY TRANSFERS | 1,869,841 | 374,433 | 2,244,274 | (190,225) | 2,054,049 | 2,094,407 |
| NONMANDATORY TRANSFERS: | | | | | | |
| Support from (to) other funds (Note 6) | (1,332,424) | 125,086 | (1,207,338) | 190,225 | (1,017,113) | 22,961 |
| NET INCREASE IN FUND BALANCE | <u>\$ 537,417</u> | <u>\$ 499,519</u> | <u>\$ 1,036,936</u> | <u>\$</u> | <u>\$ 1,036,936</u> | <u>\$ 2,117,368</u> |

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999 (WITH COMPARATIVE FIGURES FOR 1998)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - The accompanying financial statements are presented on the accrual basis of accounting in accordance with standards set forth in *Audits of Colleges and Universities*, an industry audit guide of the American Institute of Certified Public Accountants.

The accompanying financial statements do not include the assets, liabilities, fund balances, and current revenues and expenditures relating to Cincinnati State Technical and Community College Foundation (the Foundation). The College is the primary beneficiary of the Foundation. The Foundation is a separate not-for-profit entity organized for the purpose of promoting the educational mission of the College. For the year ended June 30, 1999, the College recorded restricted current fund revenues from the Foundation of \$400,678 and provided certain administrative services to the Foundation without a charge. At June 30, 1999, total assets of the Foundation were approximately \$1,230,000.

The statement of current fund revenues, expenditures, and other changes is a statement of financial activity of current funds related to the current period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal acquisition and/or replacement of movable equipment and library books; (2) expenditures in the case of repairs and renovations to existing facilities or small construction projects; and (3) nonmandatory transfers in other cases.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, the College's financial statements are included as a discrete entity in the State of Ohio's Consolidated Annual Financial Report.

Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying

financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

Current funds are used primarily to account for the transactions affecting the general operations of the College. These resources are expendable for performing the primary and support objectives of the College, i.e., instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and grants, and auxiliary enterprises. The allocated fund balance represents funds restricted by the Board of Trustees primarily for funding certain planned capital and educational department projects and contingencies.

Loan funds are composed of resources initially received through gifts and grants to be used for student loans. A significant portion of the fund balance represents money granted from the federal government. In some cases the grants require a partial match with College funds.

Plant funds are used to account for the transactions relating to investment in College property. They include (1) unexpended plant fund and (2) investment in plant.

The unexpended plant fund comprises amounts that have been appropriated or designated for land, land improvements, buildings, and equipment. The primary sources of funding are restricted state appropriations. The investment in plant represents the total of physical properties and related liabilities.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets. All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Cash and Cash Equivalents - In accordance with the State of Ohio and College policy, the College is authorized to invest cash in United States Government Securities, Federal Agencies' Securities, State of Ohio Securities and certificates of deposit all of which are stated at market.

Investment in Plant - Land, land improvements, buildings, equipment and library books are stated at cost at date of acquisitions or, in the case of gifts, fair value at date of donation. Fixed assets acquired prior to June 30, 1988, have been recorded on the basis of a cost-based appraisal prepared by an independent appraisal firm. Subsequent additions have been recorded at cost. The College capitalizes all expenditures for equipment with a value of \$500 or more. Capital expenditures reported in the current funds or unexpended plant funds are added to net investment in plant. In accordance with generally accepted accounting principles for public universities, no provision is made for depreciation of plant and equipment. A reduction in net investment in plant is recorded when the disposal of assets occurs.

Deferred Income - Assessed student tuition and fees as well as parking receipts for the 1999 summer sessions are recognized as deferred income in current unrestricted funds. Restricted funds received but not yet expended for grant purposes are recognized as deferred income in current restricted funds.

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

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

2. CASH AND CASH EQUIVALENTS

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

At June 30, 1999, the carrying amount of the College's deposits was \$9,051,691 and the depository bank balance was \$9,278,744. The difference between the carrying amount and the depository bank balance is principally due to outstanding checks and deposits-in-transit. The bank balance includes \$7,263,134 in the State Treasury Asset Reserve of Ohio (STAROhio) for which the collateral requirements mentioned above do not apply. Of the remaining \$2,015,610 bank balance, \$200,000 was covered by federal depository insurance and \$1,815,610 was collateralized by pledged, pooled securities not in the College's name.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governmental entities within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC 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 June 30, 1999.

3. EMPLOYEE BENEFIT PLANS

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

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

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

SERS
45 North Fourth St.
Columbus, OH 43215-3634
(614) 222-5853

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

SERS plan members are required to contribute 9.0% of their annual salary, and STRS members contributed 9.3%. The College is currently required to contribute 14% of annual covered payroll for SERS and STRS. The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to SERS and STRS for the years ending June 30, 1999, 1998, and 1997 were as follows:

| Year | Contribution | |
|------|--------------|--------------|
| | SERS | STRS |
| 1999 | \$ 750,939 | \$ 2,052,493 |
| 1998 | 701,906 | 1,867,019 |
| 1997 | 670,870 | 1,771,832 |

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

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

4. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 3, SERS and STRS provide postretirement health care coverage. The Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions. Information presented herein about the financial activities and position of SERS and STRS has been extracted from information provided to the College by officials of SERS and STRS.

SERS - SERS coverage is made available to service retirees, with ten or more years of qualifying service credit, for disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 years of service credit must pay a portion of their premium for health care. Such portion is based on years of service up to a maximum of 75% of the premium.

Of the employer's 14% contribution rate discussed in Note 3, a portion (4.98% for the year ended June 30, 1998 - date of the most recent available information) is allocated to providing health care benefits. In addition, SERS levies a surcharge to fund health care benefits for employees earning less

than a defined minimum pay (\$12,400 for fiscal year 1998). Surcharge amounts billed to the College have not been significant.

For the year ended June 30, 1998, benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. SERS's expenses for health care for the year ended June 30, 1998 were \$111.9 million and the target level was \$139.9 million. At June 30, 1998, the SERS's net assets available for payment of health care benefits was \$160.3 million.

The number of retirees and covered dependents receiving benefits from SERS was approximately 50,000 at June 30, 1998.

STRS - STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. Of the employer's 14% contribution rate discussed in Note 3, a 3.5% and 8% portion for the years ended June 30, 1998 and 1999, respectively, is allocated to a health care reserve fund from which payments for health care benefits are made. The balance in STRS's health care reserve fund was \$2,156 million at June 30, 1998 (date of most recent available information). For the year ended June 30, 1998, the net health care costs paid by STRS was approximately \$219 million. For the year ended June 30, 1998, there were 91,999 eligible STRS's benefit recipients.

5. COMPENSATED ABSENCES

All full-time non-union and 925 employees earn 15 days (or 120 hours) of personal and/or sick leave each year. All remaining full-time employees earn 13 days (or 104 hours) of personal and/or sick leave each year. Part-time 925 employees have sick leave prorated according to their normal work schedule.

Leave days may be accumulated and are absorbed by time off due to illness or injury, or, within certain limitations, paid to the employee upon retirement or termination. The amount paid to an employee upon retirement or termination is limited to one-third of the accumulated leave days up to a maximum payout of 65 days. Full-time employees who are not in the College's American Association of University Professors bargaining unit and were hired on or after March 1, 1990 are entitled to a maximum payout of 30 days. The College has accrued a liability for all accumulated days earned by the employees up to the maximum payout upon retirement. At June 30, 1999, the liability for personal and/or sick leave was approximately \$1,551,000.

Contract employees earn 20 days vacation leave each year. Non-contract employees earn 10 days vacation leave after one full year of service, 15 days after five years, and 20 days after 10 years. Upon retirement or termination, an employee is entitled to payment for all accrued vacation days up to a maximum of three times the annual vacation leave earned. The College has accrued a vacation liability for all employees equal to amounts earned but not taken up to the maximum. At June 30, 1999, the liability for vacation was approximately \$615,000.

6. INTERFUND CONSTRUCTION LOANS

An asset modernization of the College's heating and air-conditioning systems completed in fiscal 1998 was funded in part by a loan from the current unrestricted fund to the plant fund. At June 30, 1999, the loan balance was \$714,461 and was recorded as a due from (to) other funds. Repayment of the loan (\$411,549 during fiscal year 1999, of which \$153,241 was recognized as educational and general fund expenditures and the remaining \$258,308 was recognized as repayment of loan in the unexpended plant fund) is to be recognized through energy and operational savings and is to end no later than 2007. The projected energy savings have been guaranteed by the performance contractor for the project.

7. GRANTS AND CONTRACTS

The College receives grants and contracts from certain federal, state and local agencies. The costs, both direct and indirect, that have been charged to the grant or contract are subject to examination and approval by the granting agency.

It is the opinion of the College administration that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

8. LEASES

The College leases various equipment and facilities under operating and capital leases. Rental expenditures relating to operating lease agreements were approximately \$155,000 for the year ended June 30, 1999. The future minimum payments under operating leases and capital leases at June 30, 1999 are due as follows:

| | Operating Leases | Capital Leases |
|-----------------------------------|---------------------|-------------------|
| 2000 | \$ 130,844 | \$ 33,143 |
| 2001 | 140,662 | 19,655 |
| 2002 | 96,646 | 15,114 |
| 2003 | 88,793 | 3,314 |
| 2004 | 88,793 | |
| Thereafter | 14,799 | |
| Total | <u>\$ 560,537</u> | <u>\$ 71,226</u> |
| Less amount representing interest | | <u>(14,483)</u> |
| Net capital lease obligations | | <u>\$ 56,743</u> |

9. AUXILIARY ENTERPRISES

Changes in the fund balances of the College's auxiliary enterprises for the year ended June 30, 1999 consist of the following:

| | 1999 | | |
|---|-------------------|--------------------|-------------------|
| | Parking | Cafeteria | Total |
| Revenues | \$ 704,623 | \$ 81,570 | \$ 786,193 |
| Expenditures | 311,289 | 100,471 | 411,760 |
| Net change before transfers | <u>393,334</u> | <u>(18,901)</u> | <u>374,433</u> |
| Nonmandatory transfers from - Unrestricted educational and general funds | <u>125,086</u> | <u> </u> | <u>125,086</u> |
| Net increase (decrease) for year | 518,420 | (18,901) | 499,519 |
| Fund balance, beginning of year | <u>155,131</u> | <u> </u> | <u>155,131</u> |
| Fund balance, end of year | <u>\$ 673,551</u> | <u>\$ (18,901)</u> | <u>\$ 654,650</u> |

* * * * *

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

YEAR 2000 REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 1999 (UNAUDITED)

The approach of the Year 2000 presents many significant issues for many financial, informational and operational systems. Many systems in use today may not be able to appropriately interpret dates after December 31, 1999, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000 from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of the information processed, causing safety, operational and financial issues.

The College recognized the urgency in dealing with potential Year 2000 issues and assigned responsibility to an individual for the Year 2000 projects. Weekly the individual completes an executive team report that includes information on year 2000, meets with the President's Cabinet and provides status reports to all College Vice Presidents.

The College has developed a comprehensive plan to address Year 2000 issues. The plan was to inventory and conduct a risk assessment of all potentially vulnerable equipment and systems. This effort was completed in 1998. The College is subjecting such equipment and systems to the following stages of work to address Year 2000 issues:

- *Awareness stage* – Establishing a budget and project plan for dealing with the Year 2000 issue.
- *Assessment stage* – Identifying the systems and components for which Year 2000 compliance work is needed.
- *Remediation stage* – Making changes to systems and equipment.
- *Validation/Testing stage* – Validating and testing the changes that were made during the remediation stage.

The College's Year 2000 remediation work for its mission critical systems and electronic equipment are in the following stages of work as of June 30, 1999: A – needs to be addressed, P – in process, C – completed.

| Mission Critical Systems Requiring Year 2000 Remediation | Awareness Stage | Assessment Stage | Remediation Stage | Validation/ Testing Stage |
|---|----------------------------|-----------------------------|------------------------------|--|
| Accounts Receivable | C | C | C | C |
| Accounts Payable | C | C | C | C |
| Communication Systems | C | C | P | P |
| Financial Aid | C | C | C | C |
| Student Information System | C | C | C | C |
| Physical Plant | C | C | P | P |

The College completed the remediation and validation/testing stages for the Communication Systems and Physical Plant by November 5, 1999

Because of the unprecedented nature of the Year 2000 Issue, its effects and success of related remediation efforts will not be fully determinable until Year 2000 and thereafter. As a result of this uncertainty, management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be Year 2000 ready.

Contractual commitments outstanding at June 30, 1999 related to the Year 2000 remediation efforts total \$430,000.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 1999

| Federal Grant/Pass-Through Grant/Program Title | Federal CFDA Number | Pass-Through Grantor's Numbers | Federal Expenditures |
|---|---------------------|--------------------------------|---------------------------|
| U.S. DEPARTMENT OF EDUCATION: | | | |
| Student Financial Aid | | | |
| Federal Perkins Loan Program | 84.038 | | \$ 5,437 |
| Federal Work Study Program | 84.033 | | 204,082 |
| Federal Supplemental Educational Opportunity Grant Program | 84.007 | | 310,741 |
| Federal Pell Grant Program | 84.063 | | 2,747,733 |
| Federal Family Education Loan Program (Note 2) | 84.032 | | - |
| Total Student Financial Aid Cluster | | | <u>3,267,993</u> |
| Student Support Services | 84.042A | | 188,539 |
| Eisenhower Grant, Passed through the Ohio Department of Education | 84.164 | 7-16, 8-12 | 69,959 |
| Basic Grants to States, Passed through the Ohio Department of Education | 84.048 | 20-A598, 20-C298, 99 | 77,956 |
| Greater Cincinnati Tech Prep Consortium, Passed through the University of Cincinnati | 84.243 | | <u>76,502</u> |
| Total U.S. Department of Education | | | <u>3,680,949</u> |
| U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES - | | | |
| Jobs Student Retention Program, Passed through the Ohio Department of Human Services | 93.021 | N/A | <u>53,424</u> |
| U.S. DEPARTMENT OF LABOR: | | | |
| Job Training Partnership Act, Passed through the City of Cincinnati | 17.250 | 85X8516, 85X8517 | <u>39,080</u> |
| NATIONAL SCIENCE FOUNDATION: | | | |
| Biotechnology Laboratory Instrumentation Improvement Partnership for the Advancement of Chemical Technology | 47.076 | | 7,772 |
| Partnership for the Advancement of Chemical Technology | 47.076 | | 3,004 |
| Total National Science Foundation | | | <u>10,776</u> |
| TOTAL | | | <u><u>\$3,784,229</u></u> |

Notes:

1. The schedule of expenditures of federal awards is prepared on the accrual basis. Amounts presented are total federal expenditures for each program. Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award.
2. The College participates in the Federal Family Education Loan Program (including Stafford Loans and Supplemental Loans for Students). Loans processed by the College under this Loan Program totaled \$8,757,342 for the year ended June 30, 1999.
3. The College administers the Federal Perkins Loan Program (CFDA 84.038). Disbursements, expenditures and transfers for this program totaled \$101,610 (\$96,173 of loans to students and \$5,437 of administrative/collection expenditures) for the year ended June 30, 1999. Only the administrative/collection expenditures are included in the accompanying Schedule of Expenditures of Federal Awards. The outstanding loan balances totaled \$622,571 at June 30, 1999.

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

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

We have audited the financial statements of Cincinnati State Technical and Community College (the "College") as of and for the year ended June 30, 1999, and have issued our report thereon dated October 22, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the College in a separate letter dated October 22, 1999.

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 misstatements 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.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated October 22, 1999.

This report is intended for the information and use of the Board of Trustees and management of the College, officials of applicable federal, state and local 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.

Deloitte + Touche LLP
October 22, 1999

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

To the Board of Trustees
Cincinnati State Technical and Community College

COMPLIANCE

We have audited the compliance of Cincinnati State Technical and 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 its major federal program for the year ended June 30, 1999. The College's major federal program is identified in the Summary of Auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 its major federal program for the year ended June 30, 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

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 and management of the College, officials of applicable federal, state and local agencies and the Auditor of the State of Ohio, and is not intended to be a should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 22, 1999

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1999

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 N/A

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 weakness(es)? _____ yes X N/A

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? X yes _____ no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster Number</u> |
|-----------------------|--|
| 84.038 | Federal Perkins Loan Program |
| 84.033 | Federal Work Study Program |
| 84.007 | Federal Supplemental Education Opportunity Grant Program |
| 84.063 | Federal Pell Grant Program |
| 84.032 | Federal Family Education Loans Program |

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

Auditee qualified as low-risk auditee? _____ yes X no

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAS - No items are reportable

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Reference Number

Findings

99-1

Federal Program Information:

Federal Perkins Loan Program, CFDA #84.038

Condition:

The College did not maintain the required cohort default rate under the Federal Perkins Loan Program. The College's cohort default rate for 1999 was 18.99%, as reported on the 1999 Fiscal Operations Report and Application filed with the U.S. Department of Education.

Criteria:

The Perkins Loan Program required a cohort default rate of no greater than 15%.

Effect:

Having default rates greater than allowed may jeopardize the College's participation in the Perkins Loan Program.

Cause:

The College implemented a default reduction plan which parallels the default reduction plan recommended by the U.S. Department of Education during fiscal year 1998. Additional staff members had been hired specifically for the purpose of servicing and collecting Perkins Loans. As a result, the College has continually reduced its cohort default rate each year since 1997. The College believes that the small number of borrowers entering repayment each year contributes to the high cohort default rate. Seventy-nine borrowers entered into repayment in 1999. Only fifteen borrowers were in default. For fiscal year 2001, the Department of Education is revising the cohort default tiered penalty structure where 25% will be the required rate to remain eligible for Perkins Loan Program awards.

Questioned Costs and Context:

The College disbursed \$96,173 in loans to students during 1999 under this program and had \$622,571 in total loans outstanding at June 30, 1999.

Recommendation:

The College should continue their current efforts to reduce the default rate below 15%, the current required rate.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 1999

| Year Reported | Finding Number | |
|---------------|----------------|--|
| 1997 | 1 | As reported in the prior year audit report, the College did not maintain the required cohort default rate of 15.0% for the Federal Perkins Loan Program for 1998 and 1997. During 1998 in response to an inquiry by the Department of Education, the College had increased the number of staff servicing the Perkins Loan Program and developed and implemented a default reduction plan that detailed the procedures the College follows in monitoring Perkins loans from award through collection. The Department of Education has endorsed the administrative changes. |
| 1996 | 2 | <i>Department of Education Program Review Findings</i> – During fiscal year 1993, the U.S. Department of Education (D.O.E.) conducted a program review of the College's Student Financial Assistance Programs for the fiscal 1991 and 1992 award years. In a program review letter report dated April 18, 1994 (reference: PRCN 93305047), the D.O.E. identified 20 program findings related to matters involving determination of full-time status for a certain class of students, documentation of full-time status for a certain class of students, documentation of certain students income and reporting levels, following certain loan related procedures, etc. The College prepared responses to the findings in a letter to D.O.E. dated June 29, 1994 in which additional information was provided, the College expressed its belief that certain of the findings should be deleted, etc. A response letter was received from the D.O.E. dated August 18, 1995 (Reference: PRCN: 9330504047k) acknowledging that certain items were considered cleared and requesting additional information on numerous items. The College provided the additional requested information and again received a response requesting more information, which was furnished to the D.O.E. In 1997, the D.O.E. responded to the additional information and calculated the total amount of potential liability resulting from their findings. The College appealed the D.O.E.'s findings and their liability. As of October 1998, the D.O.E. and the College reached an agreement to resolve all outstanding issues for approximately \$431,000. During 1998, the College paid approximately \$41,000 related to this agreement and included approximately \$390,000 in accrued liabilities in the 1998 financial statements. These amounts were paid in fiscal year 1999. |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 18 2000