

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

*Office of Management and Budget Circular  
A-133 Reports for the Year Ended June 30,  
2000*



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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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, 1999 through June 30, 2000. 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.

**JIM PETRO**  
Auditor of State

January 8, 2001

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000:	
Balance Sheet	3
Statement of Changes in Fund Balances	5
Statement of Current Fund Revenues, Expenditures and Other Changes	6
Notes to Financial Statements	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2000	14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM	17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS	23

## 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, 2000, 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. The prior year summarized comparative information has been derived from the College's 1999 financial statements and, in our report dated October 22, 1999, we expressed an unqualified opinion on those 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. 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, 2000, and the changes in fund balances, and the current fund revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 27, 2000 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 performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

October 27, 2000

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## BALANCE SHEET, JUNE 30, 2000 (With Comparative Figures for 1999)

ASSETS	2000	1999	LIABILITIES AND FUND BALANCE	2000	1999
<b>CURRENT FUNDS:</b>			<b>CURRENT FUNDS:</b>		
Unrestricted educational and general:			Unrestricted educational and general:		
Cash and cash equivalents (Notes 1,2)	\$ 7,551,666	\$ 8,294,182	Accounts payable	\$ 670,404	\$ 907,501
Accounts receivable, less allowance of			Accrued salaries	725,166	556,113
\$415,000 in 2000 and \$210,000 in 1999	2,218,523	1,594,538	Accrued liabilities (Note 5)	3,260,490	2,867,750
Due from investment in plant funds			Deferred income (Note 1)	2,180,679	1,932,577
(Note 6)			Fund balances (Note 1):		
Due from current restricted funds	561,221	714,461	Unallocated	682,920	1,982,218
Due from loan funds	817,926	337,092	Allocated	3,824,367	2,897,728
Due from unexpended plant fund					
Prepaid expenses and deferred charges	194,690	85,455			
Total educational and general	<u>11,344,026</u>	<u>11,143,887</u>	Total educational and general	<u>11,344,026</u>	<u>11,143,887</u>
Unrestricted auxiliary enterprises:			Unrestricted auxiliary enterprises:		
Cash and cash equivalents (Notes 1,2)	1,227,624	727,603	Accounts payable	98,232	41,747
Accounts receivable	4,375	6,020	Accrued salaries	10,176	3,676
Inventory	14,481		Deferred income (Note 1)	24,964	33,550
Total auxiliary enterprises	<u>1,246,480</u>	<u>733,623</u>	Fund balance (Notes 1,9)	1,113,108	654,650
			Total auxiliary enterprises	<u>1,246,480</u>	<u>733,623</u>
Restricted - accounts receivable	976,646	479,687	Restricted:		
Total restricted	<u>976,646</u>	<u>479,687</u>	Due to current unrestricted funds	817,926	337,092
			Accounts payable	4,221	52,236
			Accrued salaries	6,219	14,637
			Deferred income (Note 1)	148,280	75,722
			Total restricted	<u>976,646</u>	<u>479,687</u>
<b>TOTAL CURRENT FUNDS</b>	<u>\$ 13,567,152</u>	<u>\$ 12,357,197</u>	<b>TOTAL CURRENT FUNDS</b>	<u>\$ 13,567,152</u>	<u>\$ 12,357,197</u>

See accompanying notes to financial statements.

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## BALANCE SHEET, JUNE 30, 2000 (With Comparative Figures for 1999)

ASSETS	2000	1999	LIABILITIES AND FUND BALANCE
<b>LOAN FUNDS:</b>			
Cash and cash equivalents (Notes 1,2)	\$ 59,870	\$ 29,906	Due to current unrestricted funds
Notes receivable, less allowance of \$382,146 in 2000 and \$345,046 in 1999	<u>359,789</u>	<u>451,897</u>	Fund balances (Note 1):
			Federal Perkins Loan Program
			College funds
<b>TOTAL LOAN FUNDS</b>	<u>\$ 419,659</u>	<u>\$ 481,803</u>	<b>TOTAL LOAN FUNDS</b>
<b>PLANT FUNDS:</b>			
Unexpended:			Unexpended:
Accounts receivable	\$ 23,238	\$ 580,847	Accounts payable
Total unexpended	<u>23,238</u>	<u>580,847</u>	Due to current unrestricted funds
Investment in plant:			Total unexpended
Land	1,650,696	1,372,596	Investment in plant:
Land improvements	1,653,070	1,653,070	Capital lease obligations (Note 8)
Buildings	47,669,137	46,671,649	Accrued liability
Equipment	17,492,241	16,853,777	Due to current funds (Note 6)
Library books	1,269,496	1,180,847	Net investment in plant (Note 1)
Total investment in plant	<u>69,734,640</u>	<u>67,731,939</u>	Total investment in plant
<b>TOTAL PLANT FUNDS</b>	<u>\$ 69,757,878</u>	<u>\$ 68,312,786</u>	<b>TOTAL PLANT FUNDS</b>
			<u>\$ 69,757,878</u>
			<u>\$ 68,312,786</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, 2000**

	Current Funds			Plant Funds		
	Unrestricted			Loan Funds	Unexpended Plant Funds	Investment In Plant
	Educational and General	Auxiliary Enterprises	Restricted			
<b>REVENUES AND OTHER ADDITIONS:</b>						
Unrestricted current funds revenues	\$ 40,128,001	\$ 1,247,819			\$ 96,776	\$ 2,261,126
State appropriations - restricted			\$ 3,421,311			
Expended for plant facilities (including \$995,045 charged to current fund expenditures)			2,168,646			
Federal grants and contracts - restricted (Note 7)			374,030			
State and local grants and contracts - restricted (Note 7)				\$ 8,295		
Private gifts and grants						
Interest on loans receivable						
Repayment of loan charged to educational and general expenditures (Note 6)				6,002		153,240
Other (including \$25,470 of capital lease obligations charged to current fund expenditures)						66,511
Total revenues and other additions	<u>40,128,001</u>	<u>1,247,819</u>	<u>5,963,987</u>	<u>14,297</u>	<u>96,776</u>	<u>2,480,877</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>						
Educational and general expenditures	38,989,418		6,177,474			
Auxiliary enterprises expenditures		917,811				
Loan cancellation and write-offs				52,889	1,266,081	258,425
Expended for plant facilities						
Write-offs and other disposals						
Total expenditures and other deductions	<u>38,989,418</u>	<u>917,811</u>	<u>6,177,474</u>	<u>52,889</u>	<u>1,266,081</u>	<u>258,425</u>
<b>TRANSFERS AMONG FUNDS - Additions (deductions):</b>						
Mandatory - Restricted grant matching requirements	(36,167)	(1,006)	37,173			
Nonmandatory - Support from (to) other funds	(1,475,075)	129,456	176,314		1,169,305	
Total transfers	<u>(1,511,242)</u>	<u>128,450</u>	<u>213,487</u>		<u>1,169,305</u>	
<b>NET INCREASE (DECREASE) FOR YEAR</b>	<u>(372,659)</u>	<u>458,458</u>		<u>(38,592)</u>		<u>2,222,452</u>
<b>FUND BALANCE, Beginning of year</b>	<u>4,879,946</u>	<u>654,650</u>		<u>458,251</u>		<u>66,919,694</u>
<b>FUND BALANCE, End of year</b>	<u>\$ 4,507,287</u>	<u>\$ 1,113,108</u>	<u>\$ -</u>	<u>\$ 419,659</u>	<u>\$ -</u>	<u>\$ 69,142,146</u>

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, 2000 (WITH COMPARATIVE FIGURES FOR 1999)

	Unrestricted		Total	Restricted	2000 Total	1999 Total
	Educational and General	Auxiliary Enterprises				
REVENUE:						
Tuition, fees and other charges	\$ 16,946,935		\$ 16,946,935		\$ 16,946,935	\$ 16,127,857
State appropriation	19,423,308		19,423,308		19,423,308	16,470,318
Federal grants (Note 7)				\$ 3,421,311	3,421,311	3,366,796
State and local grants (Note 7)	2,889,247	\$ 1,162,618	4,051,865	2,168,646	2,168,646	1,888,319
Sales and services	868,511	85,201	953,712		4,051,865	3,597,425
Other sources				374,030	1,327,742	1,353,516
Total revenues	<u>40,128,001</u>	<u>1,247,819</u>	<u>41,375,820</u>	<u>5,963,987</u>	<u>47,339,807</u>	<u>42,804,231</u>
EXPENDITURES AND MANDATORY TRANSFERS:						
Educational and general:						
Instruction	15,766,937		15,766,937	414,342	16,181,279	15,935,200
Public service	2,313,355		2,313,355	196,849	2,510,204	2,457,668
Academic support	3,741,423		3,741,423	99,684	3,841,107	3,960,665
Student services	2,734,916		2,734,916	402,696	3,137,612	3,069,549
Institutional support	10,344,092		10,344,092	158,454	10,502,546	7,266,746
Operation and maintenance of plant	3,547,908		3,547,908		3,547,908	2,912,254
Scholarships and grants	540,787		540,787	4,905,449	5,446,236	4,736,340
Total educational and general expenditures	<u>38,989,418</u>		<u>38,989,418</u>	<u>6,177,474</u>	<u>45,166,892</u>	<u>40,338,422</u>
Auxiliary enterprises expenditures		917,811	917,811		917,811	411,760
Mandatory transfers - restricted grant matching requirements				(37,173)		
Total expenditures and mandatory transfers	<u>36,167</u>	<u>1,006</u>	<u>37,173</u>	<u>(37,173)</u>	<u>46,084,703</u>	<u>40,750,182</u>
REVENUES OVER (UNDER) EXPENDITURES AND MANDATORY TRANSFERS	1,102,416	329,002	1,431,418	(176,314)	1,255,104	2,054,049
NONMANDATORY TRANSFERS:						
Support from (to) other funds	(1,475,075)	129,456	(1,345,619)	176,314	(1,169,305)	(1,017,113)
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (372,659)</u>	<u>\$ 458,458</u>	<u>\$ 85,799</u>	<u>\$</u>	<u>\$ 85,799</u>	<u>\$ 1,036,936</u>

See accompanying notes to financial statements.

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (WITH COMPARATIVE FIGURES FOR 1999)

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### 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, 2000, the College recorded restricted current fund revenues from the Foundation of \$312,650 and provided certain administrative services to the Foundation without a charge. At June 30, 2000, total assets of the Foundation were approximately \$1,386,000.

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 accounting principles generally accepted in the United States of America 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 2000 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from those estimates.

## **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, 2000, the carrying amount of the College's deposits was \$8,839,160 and the depository bank balance was \$9,120,794. 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 \$6,123,067 in the State Treasury Asset Reserve of Ohio (STAROhio) for which the collateral requirements mentioned above do not apply. Of the remaining \$2,997,727 bank balance, \$100,000 was covered by federal depository insurance and \$2,897,727 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, 2000.

## **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, 2000, 1999, and 1998 were as follows:

Year	Contribution	
	SERS	STRS
2000	\$ 784,824	\$ 2,154,314
1999	750,939	2,052,493
1998	701,906	1,867,019

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, 2000, 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 (6.30% for the year ended June 30, 1999 - 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 1999). Surcharge amounts billed to the College have not been significant.

For the year ended June 30, 1999, benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. SERS's expenses for health care for the year ended June 30, 1999 were \$126.4 million and the target level was \$189.6 million. At June 30, 1999, the SERS's net assets available for payment of health care benefits was \$188.0 million.

The number of retirees and covered dependents receiving benefits from SERS was approximately 51,000 at June 30, 1999.

**STRS** - STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial 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, an 8% portion for the year ended June 30, 1999 (date of the most recent information), 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 \$2.783 billion at June 30, 1999. For the year ended June 30, 1999, the net health care costs paid by STRS was approximately \$250 million. For the year ended June 30, 1999, there were 95,796 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, 2000, the liability for personal and/or sick leave was approximately \$1,696,000.

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, 2000, the liability for vacation was approximately \$745,000.

**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, 2000, the loan balance was \$561,221 and was recorded as a due from (to) other funds. Repayment of the loan (\$153,240 during fiscal year 2000, which was recognized as educational and general fund expenditures) 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 \$146,122 for the year ended June 30, 2000. The future minimum payments under operating leases and capital leases at June 30, 2000 are due as follows:

	<b>Operating Leases</b>	<b>Capital Leases</b>
2001	\$ 140,662	\$ 19,876
2002	96,646	14,949
2003	88,793	5,760
2004	88,793	
2005	<u>14,799</u>	
Total	<u>\$ 429,693</u>	40,585
Less amount representing interest		<u>(9,312)</u>
Net capital lease obligations		<u>\$ 31,273</u>

**9. AUXILIARY ENTERPRISES**

Changes in the fund balances of the College's auxiliary enterprises for the year ended June 30, 2000 consist of the following:

	<b>2000</b>		
	<b>Parking</b>	<b>Cafeteria</b>	<b>Total</b>
Revenues	\$ 733,658	\$ 514,161	\$ 1,247,819
Expenditures	<u>341,807</u>	<u>576,004</u>	<u>917,811</u>
Net change before transfers	391,851	(61,843)	330,008
Mandatory transfer to - restricted funds		(1,006)	(1,006)
Nonmandatory transfers from - Unrestricted educational and general funds	<u>129,456</u>	<u>          </u>	<u>129,456</u>
Net increase (decrease) for year	521,307	(62,849)	458,458
Fund balance, beginning of year	<u>673,551</u>	<u>(18,901)</u>	<u>654,650</u>
Fund balance, end of year	<u>\$ 1,194,858</u>	<u>\$ (81,750)</u>	<u>\$ 1,113,108</u>

\* \* \* \* \*



# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2000

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		\$ 6,146
Federal Work Study Program	84.033		176,014
Federal Supplemental Educational Opportunity Grant Program	84.007		216,742
Federal Pell Grant Program	84.063		2,812,733
Federal Family Education Loan Program (Note 2)	84.032		-
Total Student Financial Aid Cluster			<u>3,211,635</u>
Student Support Services	84.042A		196,804
Eisenhower Grant, Passed through the Ohio Department of Education	84.164	7-16, 8-12	68,593
Basic Grants to States, Passed through the Ohio Department of Education	84.048	20-A598	831,249
Greater Cincinnati Tech Prep Consortium, Passed through the University of Cincinnati	84.243		54,046
Total U.S. Department of Education			<u>4,362,327</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>39,312</u>
U.S. DEPARTMENT OF LABOR:			
Job Training Partnership Act, Passed through the City of Cincinnati	17.250	85X8517	<u>17,202</u>
 TOTAL			 <u><u>\$ 4,418,841</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 \$7,533,689 for the year ended June 30, 2000.
3. The College administers the Federal Perkins Loan Program (CFDA 84.038). Disbursements, expenditures and transfers for this program totaled \$86,356 (\$80,210 of loans to students and \$6,146 of administrative/collection expenditures) for the year ended June 30, 2000. Only the administrative/collection expenditures are included in the accompanying Schedule of Expenditures of Federal Awards. The outstanding loan balances totaled \$621,214 at June 30, 2000.

**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, 2000, and have issued our report thereon dated October 27, 2000. 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 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 27, 2000.

**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 27, 2000.

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 27, 2000

## **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, 2000. 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 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; 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, 2000. 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 items 00-1 and 00-2.

### **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 and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

October 27, 2000

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2000

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### 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**

<b>Reference Number</b>	<b>Findings</b>
00-1	<p><b><i>Federal Program Information:</i></b></p> <p>Federal Perkins Loan Program, CFDA #84.038</p> <p><b><i>Condition:</i></b></p> <p>The College did not maintain the required cohort default rate under the Federal Perkins Loan Program. The College's cohort default rate for 2000 was 25.33%, as reported on the 2000 Fiscal Operations Report and Application filed with the U.S. Department of Education.</p> <p><b><i>Criteria:</i></b></p> <p>The Perkins Loan Program required a cohort default rate of no greater than 15%.</p> <p><b><i>Effect:</i></b></p> <p>Having default rates greater than allowed may jeopardize the College's participation in the Perkins Loan Program.</p> <p><b><i>Cause:</i></b></p> <p>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. The College believes that the small number of borrowers entering repayment each year contributes to the high cohort default rate. One hundred and seven borrowers entered in repayment in 2000. Only twenty-nine borrowers were in default.</p> <p><b><i>Questioned Costs and Context:</i></b></p> <p>The College disbursed \$80,210 in loans to students during 2000 under this program and had \$621,214 in total loans outstanding at June 30, 2000.</p> <p><b><i>Recommendation:</i></b></p> <p>The College should continue their current effort to reduce the default rate below 15%, the current required rate.</p> <p><b><i>Management Response:</i></b></p> <p>The College's adjusted default rate for the FY 2000 cohort loans has been reduced to 24.3%. The College was able to remove one additional loan from cohort default status with an effective date prior to July 1, 2000. The College was also successful in reducing the average balance of the FY 2000 Perkins cohort default loans by 8% compared to the prior year.</p>

**Reference Number****Findings**

00-2

The Department of Education has enacted a revised cohort default penalty standard for FY 2001 that formally recognizes the innate difficulty of collecting Perkins Loans. The new penalty threshold has been raised significantly from 15% to 50%. The revised standard states that only those schools who experience a Perkins cohort default rate exceeding 50% for three consecutive years will lose eligibility to participate in the Perkins Loan Program.

***Federal Program Information:***

Federal Pell Grant Program, CFDA #84.063

***Condition:***

The Student Financial Aid office did not apply the standards of monitoring academic progress to one student. The Student Financial Aid office did not flag the student's account to prevent the receipt of financial aid since the student did not meet the academic standards of progress criteria. The student did not successfully complete a minimum of 60% of the credit hours attempted after the first complete year of classes. In early fall 1999, the student had attempted 62 hours and earned 31 hours, which is only 50%.

***Criteria:***

34 CFR part 668.16(e) of the Student Assistance General Provisions regulations state, in part, "that for purposes of determining student eligibility for assistance under a Title IV program the institution must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her education program. An institution's standards are considered to be reasonable if the standards provide for a determination at the end of each increment by the institution as to whether the student has met the qualitative and quantitative components."

***Effect:***

Having ineligible students receive Student Financial Aid may jeopardize the College receiving Federal funds in the future and/or prevent eligible students from receiving Federal funds.

***Cause:***

The College failed to mark the student's account with a status indicating that the student had not successfully met the academic standards of progress criteria.

***Questioned Costs and Context:***

The student could have been awarded a Pell Grant in the amount of \$625 that they were not eligible for. However, this did not occur because the student left college. The College disbursed \$2,812,733 to



**Reference Number**

**Findings**

students during 2000 under this program.

***Recommendation:***

The College should examine its computer program to ensure that it properly identifies all students that are not appropriately maintaining academic progress.

***Management Response:***

The College will more closely scrutinize the process for marking student's accounts with a status that will prevent them from receiving student financial aid if they have not met the quantitative standards of academic progress.

# CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

## SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2000

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<b>Year Reported</b>	<b>Finding Number</b>	
1997, 1998 and 1999	97-1 98-1 99-1 00-1	As reported in the prior years' audit reports, the College did not maintain the required cohort default rate of 15.0% for the Federal Perkins Loan Program for 1999, 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. The College did not maintain the required cohort default rate in 2000. This has been included as finding 00-1 in the current year's report.



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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 23, 2001**