

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

*Office of Management and Budget Circular
A-133 Reports for the Year Ended June 30,
2001*



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Cincinnati State Technical and Community College
Cincinnati, Ohio 45223

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, 2000 to June 30, 2001. 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

February 5, 2002

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

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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, 2001, 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 2000 financial statements and, in our report dated October 27, 2000, 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, 2001, 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 November 30, 2001 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

November 30, 2001

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

BALANCE SHEET, JUNE 30, 2001 (With Comparative Figures for 2000)

ASSETS	2001	2000	LIABILITIES AND FUND BALANCE	2001	2000
LOAN FUNDS:					
Cash and cash equivalents (Notes 1,2)	\$ 28,941	\$ 59,870	Fund balances (Note 1):		
Notes receivable, less allowance of			Federal Perkins Loan Program	\$ 370,192	\$ 407,496
\$413,390 in 2001 and \$382,146 in 2000	354,765	359,789	College funds	13,514	12,163
TOTAL LOAN FUNDS	\$ 383,706	\$ 419,659	TOTAL LOAN FUNDS	\$ 383,706	\$ 419,659
PLANT FUNDS:					
Unexpended:			PLANT FUNDS:		
Accounts receivable	\$ 51,715	\$ 23,238	Unexpended:		
Total unexpended	51,715	23,238	Accounts payable	\$ 51,715	\$ 23,238
Investment in plant:			Total unexpended	51,715	23,238
Land	2,096,976	1,650,696	Investment in plant:		
Land improvements	1,653,070	1,653,070	Capital lease obligations (Note 8)	15,437	31,273
Buildings	47,669,137	47,669,137	Due to current funds (Note 6)	407,980	561,221
Equipment	13,926,596	17,492,241	Net investment in plant (Note 1)	66,250,565	69,142,146
Library books	1,328,203	1,269,496	Total investment in plant	66,673,982	69,734,640
Total investment in plant	66,673,982	69,734,640	TOTAL PLANT FUNDS	\$ 66,725,697	\$ 69,757,878
TOTAL PLANT FUNDS	\$ 66,725,697	\$ 69,757,878	TOTAL PLANT FUNDS	\$ 66,725,697	\$ 69,757,878

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2001

	Current Funds			Plant Funds		
	Unrestricted	Auxiliary	Restricted	Loan Funds	Unexpended Plant Funds	Investment In Plant
	Educational and General	Enterprises				
REVENUES AND OTHER ADDITIONS:						
Unrestricted current funds revenues	\$ 42,123,056	\$ 1,177,696			\$ 181,539	\$ 654,658
State appropriations - restricted			\$ 4,218,547			
Expended for plant facilities (including \$473,118 charged to current fund expenditures)			2,959,847			
Federal grants and contracts - restricted (Note 7)						
State and local grants and contracts - restricted (Note 7)						
Donation of land			453,237			446,279
Private gifts and grants						
Interest on loans receivable				\$ 9,154		153,241
Repayment of loan charged to educational and general expenditures (Note 6)				2,935		15,836
Other (including \$15,836 of capital lease obligations charged to current fund expenditures)				12,089		1,270,014
Total revenues and other additions	<u>42,123,056</u>	<u>1,177,696</u>	<u>7,631,631</u>	<u>12,089</u>	<u>181,539</u>	<u>1,270,014</u>
EXPENDITURES AND OTHER DEDUCTIONS:						
Educational and general expenditures	41,495,402		7,838,506			
Auxiliary enterprises expenditures		919,937				
Loan cancellation and write-offs				48,042	181,540	
Expended for plant facilities						
Write-offs and other disposals (Note 1)						
Total expenditures and other deductions	<u>41,495,402</u>	<u>919,937</u>	<u>7,838,506</u>	<u>48,042</u>	<u>181,540</u>	<u>4,161,595</u>
TRANSFERS AMONG FUNDS - Additions (deductions):						
Mandatory - Restricted grant matching requirements	(52,312)		52,312			
Nonmandatory - Support from (to) other funds	(154,564)		154,563		1	
Total transfers	<u>(206,876)</u>		<u>206,875</u>		<u>1</u>	
NET INCREASE (DECREASE) FOR YEAR	420,778	257,759		(35,953)		(2,891,581)
FUND BALANCE, Beginning of year	4,507,287	1,113,108		419,659		69,142,146
FUND BALANCE, End of year	<u>\$ 4,928,065</u>	<u>\$ 1,370,867</u>	<u>\$</u>	<u>\$ 383,706</u>	<u>\$</u>	<u>\$ 66,250,565</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, 2001 (WITH COMPARATIVE FIGURES FOR 2000)

	Unrestricted			Restricted	2001 Total	2000 Total
	Educational and General	Auxiliary Enterprises	Total Unrestricted			
REVENUE:						
Tuition, fees and other charges	\$ 17,478,559		\$ 17,478,559		\$ 17,478,559	\$ 16,946,935
State appropriation	21,595,577		21,595,577		21,595,577	19,423,308
Federal grants (Note 7)				\$ 4,218,547	4,218,547	3,421,311
State and local grants (Note 7)		\$ 1,160,495	3,133,928	2,959,847	2,959,847	2,168,646
Sales and services	1,075,487	17,201	1,092,688		3,133,928	4,051,865
Other sources				453,237	1,545,925	1,327,742
Total revenues	<u>42,123,056</u>	<u>1,177,696</u>	<u>43,300,752</u>	<u>7,631,631</u>	<u>50,932,383</u>	<u>47,339,807</u>
EXPENDITURES AND MANDATORY TRANSFERS:						
Educational and general:						
Instruction	18,491,244		18,491,244	424,193	18,915,437	16,181,279
Public service	2,362,618		2,362,618	481,343	2,843,961	2,510,204
Academic support	3,919,770		3,919,770	112,708	4,032,478	3,841,107
Student services	3,172,747		3,172,747	509,011	3,681,758	3,137,612
Institutional support	8,436,821		8,436,821	153,301	8,590,122	10,502,546
Operation and maintenance of plant	4,613,428		4,613,428		4,613,428	3,547,908
Scholarships and grants	498,774		498,774	6,157,950	6,656,724	5,446,236
Total educational and general expenditures	<u>41,495,402</u>		<u>41,495,402</u>	<u>7,838,506</u>	<u>49,333,908</u>	<u>45,166,892</u>
Auxiliary enterprises expenditures		919,937	919,937		919,937	917,811
Mandatory transfers - restricted grant matching requirements	52,312		52,312	(52,312)		
Total expenditures and mandatory transfers	<u>41,547,714</u>	<u>919,937</u>	<u>42,467,651</u>	<u>7,786,194</u>	<u>50,253,845</u>	<u>46,084,703</u>
REVENUES OVER (UNDER) EXPENDITURES AND MANDATORY TRANSFERS	575,342	257,759	833,101	(154,563)	678,538	1,255,104
NONMANDATORY TRANSFERS:						
Support from (to) other funds	(154,564)		(154,564)	154,563	(1)	(1,169,305)
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 420,778</u>	<u>\$ 257,759</u>	<u>\$ 678,537</u>	<u>\$</u>	<u>\$ 678,537</u>	<u>\$ 85,799</u>

See accompanying notes to financial statements.

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001 (WITH COMPARATIVE FIGURES FOR 2000)

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, 2001, the College recorded restricted current fund revenues from the Foundation of \$298,216 and provided certain administrative services to the Foundation without a charge. At June 30, 2001, total assets of the Foundation were approximately \$1,698,000.

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 fair value.

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. Prior to July 1, 2000, the College capitalized all expenditures for equipment with a value of \$500 or more. Beginning July 1, 2000, the College increased their capitalization limit from \$500 to \$5,000 for furniture and fixtures and from \$500 to \$1,000 for all other assets. This resulted in the College writing off \$3,913,437 of property under these revised thresholds that had previously been capitalized. 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 2001 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 preparation 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.

Recent Accounting Pronouncements - In November 1999, the GASB issued Statement Number 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement Number 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." As amended, GASB Statement Number 35 has the effect of changing the financial reporting requirements for basic financial statements for public colleges and universities under accounting principles generally accepted in the United States of America. This statement is effective for financial statements for fiscal years beginning after June 15, 2001. It is expected that the adoption of GASB Statement Number 35 will have a material effect on the College's financial statements. Among other things, net assets (currently referred to as fund balances) will be reduced due to the requirement of the statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic financial statements will be significantly revised under this statement, including the addition of management's discussion and analysis as required supplementary information.

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, 2001, the carrying amount of the College's deposits was \$8,265,354 and the depository bank balance was \$7,930,163. 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 \$4,979,670 in the State Treasury Asset Reserve of Ohio (STAROhio) for which the collateral requirements mentioned above do not apply. Of the remaining \$2,950,493 bank balance, \$100,000 was covered by federal depository insurance and \$2,850,493 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, 2001.

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, 2001, 2000, and 1999 were as follows:

Year	Contribution	
	SERS	STRS
2001	\$ 861,319	\$ 2,325,805
2000	784,824	2,154,314
1999	750,939	2,052,493

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, 2001, 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 (8.45% for the year ended June 30, 2000 - 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 2000). Surcharge amounts billed to the College have not been significant.

For the year ended June 30, 2000, 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, 2000 were \$140.7 million and the target level was \$211 million. At June 30, 2000, the SERS's net assets available for payment of health care benefits was \$252.3 million.

The number of retirees and covered dependents receiving benefits from SERS was approximately 50,000 at June 30, 2000.

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, 2000 (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 \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, the net health care costs paid by STRS was approximately \$283.1 million. For the year ended June 30, 2000, there were 99,011 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, 2001, the liability for personal and/or sick leave was approximately \$1,812,000.

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, 2001, the liability for vacation was approximately \$881,000.

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, 2001, the loan balance was \$407,980 and was recorded as a due from (to) other funds. Repayment of the loan (\$153,241 during fiscal year 2001, 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 \$181,000 for the year ended June 30, 2001. The future minimum payments under operating leases and capital leases at June 30, 2001 are due as follows:

	Operating Leases	Capital Leases
2002	\$264,646	\$14,949
2003	256,793	5,760
2004	88,793	
2005	<u>14,799</u>	
Total	<u>\$625,031</u>	20,709
Less amount representing interest		<u>(5,272)</u>
Net capital lease obligations		<u>\$15,437</u>

9. AUXILIARY ENTERPRISES

Changes in the fund balances of the College's auxiliary enterprises for the year ended June 30, 2001 consist of the following:

	2001		
	Parking	Cafeteria	Total
Revenues	\$ 600,627	\$ 577,069	\$ 1,177,696
Expenditures	<u>241,558</u>	<u>678,379</u>	<u>919,937</u>
Net increase (decrease) for year	359,069	(101,310)	257,759
Fund balance, beginning of year	<u>1,194,858</u>	<u>(81,750)</u>	<u>1,113,108</u>
Fund balance, end of year	<u><u>\$ 1,553,927</u></u>	<u><u>\$ (183,060)</u></u>	<u><u>\$ 1,370,867</u></u>

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CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2001

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		\$ 12,394
Federal Work Study Program	84.033		209,240
Federal Supplemental Educational Opportunity Grant Program	84.007		344,010
Federal Pell Grant Program	84.063		3,314,319
Federal Family Education Loan Program (Note 2)	84.032		-
Total Student Financial Aid Cluster			<u>3,879,963</u>
Student Support Services	84.042A		195,356
Eisenhower Grant, Passed through the Ohio Department of Education	84.164	7-16, 8-12	167,578
Basic Grants to States, Passed through the Ohio Department of Education	84.048	20-A598	263,466
Greater Cincinnati Tech Prep Consortium, Passed through the University of Cincinnati	84.243		66,163
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP), Passed through the University of Cincinnati	84.334A		<u>60,676</u>
Total U.S. Department of Education			<u>4,633,202</u>
NATIONAL SCIENCE FOUNDATION - An Evolving Program to Prepare Information Technologists in Southwest Ohio for the 21st Century, Passed through the University of Cincinnati			
	47.070		62,295
DEPARTMENT OF HEALTH AND HUMAN SERVICES - Temporary Assistance for Needy Families, Passed through the Hamilton County Department of Human Services			
	93.558		<u>51,298</u>
TOTAL			<u>\$ 4,746,795</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 \$7,670,076 for the year ended June 30, 2001.
3. The College administers the Federal Perkins Loan Program (CFDA 84.038). Disbursements, expenditures and transfers for this program totaled \$132,638 (\$120,244 of loans to students and \$12,394 of administrative/collection expenditures) for the year ended June 30, 2001. Only the administrative/collection expenditures are included in the accompanying Schedule of Expenditures of Federal Awards. The outstanding loan balances totaled \$654,765 at June 30, 2001.



**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, 2001, and have issued our report thereon dated November 30, 2001. 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*.

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.

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

November 30, 2001



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, 2001. 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, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 01-1.

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

Deloitte & Touche LLP

November 30, 2001

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2001

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
01-1	<p><i>Federal Program Information:</i></p> <p>Federal Perkins Loan Program, CFDA #84.038</p> <p><i>Condition:</i></p> <p>The College did not maintain the cohort default rate required to receive the federal capital contribution under the Federal Perkins Loan Program. The College's cohort default rate for 2001 was 38.98%, as reported on the 2001 Fiscal Operations Report and Application filed with the U.S. Department of Education.</p> <p><i>Criteria:</i></p> <p>The Perkins Loan Program required a cohort default rate of no greater than 25% in order to receive the federal capital contribution. (34 CFR Section 674.5)</p> <p><i>Effect:</i></p> <p>If the institution's cohort default rate equals or exceeds 25%, the institution's federal capital contribution is reduced to zero. The College did not receive a federal capital contribution in the current year.</p> <p><i>Cause:</i></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 eighteen borrowers entered in repayment in 2001. Forty-six borrowers were in default.</p> <p><i>Questioned Costs and Context:</i></p> <p>The College disbursed \$120,244 in loans to students during 2001 under this program and had \$654,765 in total loans outstanding at June 30, 2001.</p> <p><i>Recommendation:</i></p> <p>The College should continue their current effort to reduce the default rate below 25%, the current rate required to receive the federal capital contribution.</p> <p><i>Management Response:</i></p> <p>The College continues in our efforts to reduce our cohort default rate below the rate necessary to receive the federal capital contribution. The College is still eligible to participate in this program since our cohort default rate is less than 50%.</p>

CINCINNATI STATE TECHNICAL AND COMMUNITY COLLEGE

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2001

Year Reported	Finding Number	
1997, 1998, 1999 and 2000	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 2000, 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. In 2001 the requirements of the program were changed whereby the College is required to maintain a cohort default rate of no greater than 25% in order to receive the Federal Capital contribution and no greater than 50% to maintain eligibility in the program. The College's default rate was greater than 25% in 2001 and this has been included as finding 01-1 in the current year's report.
2000	00-2	As reported in the prior year audit report, the Student Financial Aid office did not flag one student's account to indicate that the student was not meeting the academic standards of progress criteria. However, the student was not awarded any federal funds for which they were not eligible. In fiscal year 2001, the College more closely scrutinized the process for marking students' accounts with a status that prevents them from receiving ineligible federal funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
FEBRUARY 12, 2002**