

STARK STATE COLLEGE OF TECHNOLOGY
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, OH 44720-7299

We have reviewed the Independent Auditor's Report of the Stark State College of Technology, Stark County, prepared by Gary B. Fink & Associates, Inc., 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 Stark State College of Technology is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 27, 2001

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**STARK STATE COLLEGE OF TECHNOLOGY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the accompanying financial statements of the Stark State College of Technology (the College) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark State College of Technology, as of June 30, 2001, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. This results in a change to the College's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2001 on our consideration of the College's internal control over financial reporting and on 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements of the College, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 8, 2001

FINANCIAL STATEMENTS

STARK STATE COLLEGE OF TECHNOLOGY
BALANCE SHEET
JUNE 30, 2001

ASSETS

CURRENT FUNDS:

Unrestricted:

Educational and General:

Cash and Cash Equivalents	\$5,390,782
Accounts Receivable, Less Allowance of \$340,195	3,179,010
Insurance Reserve	395,816
Inventories at Cost	925
Prepaid Expenses and Deferred Charges	<u>392,372</u>

Total Educational and General 9,358,905

Auxiliary Enterprises:

Cash	1,524
Accounts Receivable, Less Allowance of \$14,019	150,398
Prepaid Expenses and Deferred Charges	36,846
Inventories at Cost	205,188
Due from Unrestricted Educational and General	<u>334,906</u>

Total Auxiliary Enterprises 728,862

Total Unrestricted 10,087,767

Restricted:

Accounts Receivable	256,700
Prepaid Expenses and Deferred Charges	233,313
Due from Unrestricted Educational and General	<u>215,091</u>

Total Restricted 705,104

Total Current Funds \$10,792,871

ENDOWMENT AND SIMILAR FUNDS:

Cash Equivalents and Investments	<u>\$366,564</u>
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Total Endowment and Similar Funds \$366,564

The notes to the financial statements are an integral part of this statement.

**STARK STATE COLLEGE OF TECHNOLOGY
BALANCE SHEET
JUNE 30, 2001**

ASSETS

PLANT FUNDS:

Unexpended:

Cash Equivalents and Investments	\$89,811
State Appropriations Receivable	468,232
Due from Unrestricted Educational and General	<u>41,428</u>

Total Unexpended	<u>599,471</u>
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Renewals and Replacements:

Cash Equivalents	<u>107,691</u>
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Total Renewals and Replacements	<u>107,691</u>
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Investment in Plant (at cost):

Land	531,105
Improvements and Roads	1,555,685
Buildings	29,766,018
Movable Equipment, Furniture and Library Books	<u>7,666,174</u>

Total Investment in Plant	<u>39,518,982</u>
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Total Plant Funds	<u><u>\$40,226,144</u></u>
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AGENCY FUNDS:

Accounts Receivable	\$91,340
Due from Unrestricted Educational and General	<u>176,897</u>

Total Agency Funds	<u><u>\$268,237</u></u>
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(continued)

STARK STATE COLLEGE OF TECHNOLOGY
BALANCE SHEET (Continued)
JUNE 30, 2001

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted:

Educational and General:

Accounts Payable	\$197,354
Salaries and Wages Payable	520,687
Accrued Liabilities	492,889
Deferred Income	3,064,672
Insurance Claims Payable	200,294
Accrued Vacation Benefits Payable	82,267
Accrued Sick Benefits Payable	382,997
Early Retirement Payable	480,040
Installment Purchase Agreements	20,761
Due to Agency Funds	176,897
Due to Auxiliary Enterprises	334,906
Due to Restricted Educational and General	215,091
Due to Plant Funds	41,428
Fund Balances:	
Allocated	543,009
Unallocated	<u>2,605,613</u>

Total Educational and General 9,358,905

Auxiliary Enterprises:

Accounts Payable	16,010
Accrued Liabilities	6,419
Accrued Sick Benefits Payable	6,736
Fund Balances - Unallocated	<u>699,697</u>

Total Auxiliary Enterprises 728,862

Total Unrestricted 10,087,767

Restricted:

Accounts Payable	385,935
Accrued Liabilities	17,992
Fund Balances	<u>301,177</u>

Total Restricted 705,104

Total Current Funds \$10,792,871

The notes to the financial statements are an integral part of this statement.

STARK STATE COLLEGE OF TECHNOLOGY
BALANCE SHEET (Continued)
JUNE 30, 2001

LIABILITIES AND FUND BALANCES

ENDOWMENT AND SIMILAR FUNDS:

Fund Balances:

Restricted	\$321,528
Unrestricted - Quasi-Endowment	<u>45,036</u>

Total Endowment and Similar Funds	<u><u>\$366,564</u></u>
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PLANT FUNDS:

Unexpended:

Accounts Payable	\$461,494
Fund Balances - Restricted	<u>137,977</u>

Total Unexpended	<u>599,471</u>
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Renewals and Replacements:

Fund Balances - Unrestricted	<u>107,691</u>
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Total Renewals and Replacements	<u>107,691</u>
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Investment in Plant (at cost):

Installment Purchase Agreements	259,870
Fund Balances	<u>39,259,112</u>

Total Investment in Plant	<u>39,518,982</u>
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Total Plant Funds	<u><u>\$40,226,144</u></u>
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AGENCY FUNDS:

Accounts Payable	\$3,229
Deposits Held in Custody for Others	<u>265,008</u>

Total Agency Funds	<u><u>\$268,237</u></u>
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**STARK STATE COLLEGE OF TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Current Funds		
	Unrestricted		
	Educational and General	Auxiliary Enterprises	Total Unrestricted
REVENUES AND OTHER ADDITIONS:			
Unrestricted Current Fund Revenues	\$20,626,762	\$1,789,166	\$22,415,928
State Appropriations	0	0	0
Federal Grants and Contracts	0	0	0
State Grants and Contracts	0	0	0
Local Grants and Contracts	0	0	0
Private Gifts, Grants and Contracts	0	0	0
Investment Income	0	0	0
Endowment Income	0	0	0
Gain on Investment	0	0	0
Expended for Plant Facilities (including \$331,030 charged to current funds expenditures)	0	0	0
Total Revenues and Other Additions	20,626,762	1,789,166	22,415,928
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and General Expenditures	19,806,599	0	19,806,599
Auxiliary Enterprises Expenditures	0	1,645,399	1,645,399
Indirect Costs Recovered	0	0	0
Expended for Plant Facilities	0	0	0
Loss on Investment	0	0	0
Disposal and Write-Offs of Plant Facilities	0	0	0
Total Expenditures and Other Deductions	19,806,599	1,645,399	21,451,998
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):			
Nonmandatory Transfers			
Auxiliary Enterprises	2,000	(2,000)	0
Total Transfers	2,000	(2,000)	0
Net Increase/(Decrease) for the Fiscal Year	822,163	141,767	963,930
Fund Balances at Beginning of the Fiscal Year	1,783,450	557,930	2,341,380
Fund Balances at End of the Fiscal Year	\$2,605,613	\$699,697	\$3,305,310

The notes to the financial statements are an integral part of this statement.

Restricted			Total Current Funds	Endowment and Similar Funds	Plant Funds		
Educational and General	Auxiliary Enterprises	Total Restricted			Unexpended	Renewals and Replacements	Investment In Plant
\$0	\$0	\$0	\$22,415,928	\$0	\$0	\$0	\$0
280,923	0	280,923	280,923	0	2,004,036	0	0
3,054,037	3,329	3,057,366	3,057,366	0	0	0	0
1,141,243	0	1,141,243	1,141,243	0	0	0	0
39,263	0	39,263	39,263	0	0	0	0
264,476	0	264,476	264,476	0	123,166	0	92,466
0	0	0	0	0	2,874	0	0
17,840	0	17,840	17,840	0	0	0	0
0	0	0	0	0	356	0	0
0	0	0	0	0	0	0	1,960,556
4,797,782	3,329	4,801,111	27,217,039	0	2,130,432	0	2,053,022
4,684,974	0	4,684,974	24,491,573	0	0	0	0
0	3,329	3,329	1,648,728	0	0	0	0
172,372	0	172,372	172,372	0	0	0	0
0	0	0	0	0	2,025,543	0	0
0	0	0	0	70,031	0	0	0
0	0	0	0	0	0	0	2,925,722
4,857,346	3,329	4,860,675	26,312,673	70,031	2,025,543	0	2,925,722
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(59,564)	0	(59,564)	904,366	(70,031)	104,889	0	(872,700)
360,741	0	360,741	2,702,121	436,595	33,088	107,691	40,131,812
\$301,177	\$0	\$301,177	\$3,606,487	\$366,564	\$137,977	\$107,691	\$39,259,112

**STARK STATE COLLEGE OF TECHNOLOGY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Unrestricted		
	Educational and General	Auxiliary Enterprises	Total Unrestricted
REVENUES:			
Tuition, Fees and Other Student Charges	\$7,897,496	\$0	\$7,897,496
State Appropriations	11,687,624	0	11,687,624
Federal Grants and Contracts	0	0	0
State Grants and Contracts	68,486	0	68,486
Local Grants and Contracts	0	0	0
Private Gifts, Grants and Contracts	319,682	0	319,682
Endowment Income	0	0	0
Sales and Services	13,714	1,782,812	1,796,526
Other Sources	639,760	6,354	646,114
Total Revenues	20,626,762	1,789,166	22,415,928
EXPENDITURES:			
Educational and General:			
Instructional and Departmental Research	10,038,748	0	10,038,748
Public Service	1,236,349	0	1,236,349
Academic Support	1,714,575	0	1,714,575
Student Services	1,595,003	0	1,595,003
Institutional Support	3,409,061	0	3,409,061
Operation and Maintenance of Plant	1,672,204	0	1,672,204
Scholarships and Other Student Aid	140,659	0	140,659
Total Educational and General Expenditures	19,806,599	0	19,806,599
Auxiliary Enterprises	0	1,645,399	1,645,399
Total Expenditures	19,806,599	1,645,399	21,451,998
NONMANDATORY TRANSFERS AND OTHER ADDITIONS/(DEDUCTIONS):			
Nonmandatory Transfers:			
Support from Auxiliary Enterprises	2,000	(2,000)	0
Indirect Costs Recovered	0	0	0
Excess of Restricted Receipts Over Transfers to Revenue	0	0	0
Total Transfers	2,000	(2,000)	0
Net Increase/(Decrease) in Fund Balances	\$822,163	\$141,767	\$963,930

The notes to the financial statements are an integral part of this statement.

Educational and General	Restricted		Total Current Funds
	Auxiliary Enterprises	Total Restricted	
\$0	\$0	\$0	\$7,897,496
328,874	0	328,874	12,016,498
3,017,409	3,329	3,020,738	3,020,738
1,106,498	0	1,106,498	1,174,984
15,263	0	15,263	15,263
198,436	0	198,436	518,118
18,494	0	18,494	18,494
0	0	0	1,796,526
0	0	0	646,114
<u>4,684,974</u>	<u>3,329</u>	<u>4,688,303</u>	<u>27,104,231</u>
317,368	0	317,368	10,356,116
714,803	0	714,803	1,951,152
81,742	0	81,742	1,796,317
129,442	0	129,442	1,724,445
364,858	0	364,858	3,773,919
73,177	0	73,177	1,745,381
<u>3,003,584</u>	<u>0</u>	<u>3,003,584</u>	<u>3,144,243</u>
<u>4,684,974</u>	<u>0</u>	<u>4,684,974</u>	<u>24,491,573</u>
<u>0</u>	<u>3,329</u>	<u>3,329</u>	<u>1,648,728</u>
<u>4,684,974</u>	<u>3,329</u>	<u>4,688,303</u>	<u>26,140,301</u>
0	0	0	0
(172,372)	0	(172,372)	(172,372)
<u>112,808</u>	<u>0</u>	<u>112,808</u>	<u>112,808</u>
<u>(59,564)</u>	<u>0</u>	<u>(59,564)</u>	<u>(59,564)</u>
<u>(\$59,564)</u>	<u>\$0</u>	<u>(\$59,564)</u>	<u>\$904,366</u>

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accrual Basis - The financial statements of the Stark State College of Technology (the "College") have been prepared on the accrual basis except that depreciation is not provided on the physical plant and equipment. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activity of current funds related to the current reporting period. It does not intend to present the result of operations or the net income or loss for the period as would a statement of income or statement of revenues and expenditures.

To the extent that current funds are used to finance plant assets, the amount so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

- B. 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 and Governmental Accounting and Financial Reporting Standards. 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 recorded and reported by fund groups described as follows:

Current Funds

This group accounts for all funds which are available for current operations. It is further subdivided into three separately balanced groups: educational and general funds, which are unrestricted and available for general operating purposes; auxiliary enterprise funds, which are available for the operation of enterprises primarily for service to students and staff and which are intended to be self-supporting; and restricted funds, which are available for current operating purposes but only in compliance with restrictions specified by the donors or grantors. Additions to current restricted funds are considered as earned income only to the extent expenditures are made for the restricted purposes specified.

Endowment and Similar Funds

This group accounts for funds whose principal is generally nonexpendable and that are intended to be invested to provide earnings for institutional use. The designated use of these earnings is established by the donor or the College depending upon the type of endowment fund. These funds are traditionally used for student loans, scholarships and departmental support.

STARK STATE COLLEGE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant Funds

Plant funds consist of three self-balancing subgroups:

1. Unexpended funds include resources derived from various sources to finance the acquisition of long-life assets.
2. Renewals and replacements funds include resources specifically accumulated for the renewal and replacement of plant fund assets as distinguished from additions and improvements to plant.
3. Investment in plant fund includes all long-life assets in the service of the College and construction in progress. Physical properties, which include land; improvements and roads; buildings; and equipment, furniture and library books, are principally stated at cost. In accordance with generally accepted accounting principles for state-assisted colleges and universities, depreciation is not provided. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures in the case of normal replacement of long-life assets; (b) mandatory transfers in the case of required provisions for debt amortization and interest; and (c) transfers of a nonmandatory nature for all other cases. When assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts, and net investments in plant is reduced accordingly.

Agency Funds

This group accounts for funds that are received by the College acting in a depository capacity. They are disbursed only on the instructions and on behalf of the person or organization from which they were received.

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 governing board. 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 governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal is invested and the income only is utilized. Term endowment funds are similar to endowment funds except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended, while quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

STARK STATE COLLEGE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All gains and losses arising from the sale, collection or other disposition of investments or other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income 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.

C. Deferred Amounts - In accordance with the State of Ohio policy of recording instructional revenues and expenditures in the fiscal year in which the courses are primarily conducted, the College defers certain revenues and expenditures at June 30 that are applicable to courses conducted during the following summer.

D. Investments – To improve cash management, cash received by the College is pooled. Monies for all funds are maintained in this pool. Each fund’s interest in the pool is presented as “Cash, Cash Equivalents and/or Investments” on the Balance Sheet.

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

During fiscal year 2001, investments were limited to STAR Ohio, overnight repurchase agreements, mutual funds and donated common stock.

For purposes of the presentation on the Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventories - Inventory consists principally of merchandise in the College’s bookstore that is valued at cost on a first-in, first-out basis.

F. Investment in Plant – Land; buildings; improvements and roads; and equipment, furniture and library books are stated at original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated land; buildings; improvements and roads; and equipment, furniture and library books are capitalized at estimated fair market value on the date of the gift. Depreciation on physical plant and equipment is not recorded.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets consisting of roads, sidewalks, parking lots, lighting systems and signage are capitalized and reported.

In prior fiscal years, the College had established a \$200 capitalization threshold for equipment, furniture and library books. Land, improvements and roads and buildings are capitalized at cost. Effective in fiscal year 2001, the College elected to increase the capitalization threshold for equipment, furniture and library books to \$1,000. Any equipment, furniture and library books acquired in past fiscal years with an original cost less than \$1,000 has been eliminated from the accounts. These amounts are considered to be a change in accounting estimate in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes". This change had the effect of increasing "Disposal and Write-Offs of Plant Facilities Expenditures and Other Deductions" and decreasing "Fund Balances at End of the Fiscal Year" by \$2,616,004 in the investment of plant fund.

G. Compensated Absences

Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences" specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

H. Interfund Amounts – Amounts due to and from the fund group are considered to be temporary advances.

I. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

A. Policies and Practices

It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice is to limit investments to United States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements.

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with the face value of which is at least 110 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

2. CASH AND INVESTMENTS (continued)

B. Cash on Hand

At June 30, 2001, the College had \$2,324 in undeposited cash on hand which is reported as "Cash" on the Balance Sheet.

C. Deposits

At June 30, 2001, the reported amount of the College's deposits was \$93,685 and the bank balance was \$194,631. Of the bank balance, \$100,000 was covered by federal depository insurance and \$94,361 was uninsured and uncollateralized as defined by the GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", because the collateral pledged by the financial institution or their trust departments or agents is not in the College's name. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the College to a successful claim by the FDIC.

D. Investments

The College's investments are categorized below to give an indication of the level of credit risk assumed at fiscal year end. Category 1 includes investments that are insured, registered or for which the securities are held by the College or its agents in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the College's name. STAR Ohio is not classified since it is not evidenced by securities that exist in physical or book entry form.

	Category			Fair Market
	1	2	3	Value
Overnight Repurchase Agreements	\$0	\$0	\$263,263	\$263,263
Donated Common Stock	730	0	0	730
Mutual Funds	289,802	0	0	289,802
Subtotal	<u>\$290,532</u>	<u>\$0</u>	<u>\$263,263</u>	\$553,795
STAR Ohio				5,306,568
Total Investments				<u>\$5,860,363</u>

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

2. CASH AND INVESTMENTS (continued)

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year ended June 30, 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price that is the price the investment could be sold for on June 30, 2001.

3. STATE SUPPORT

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. The subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to State resources available.

In addition to the student subsidies, the State of Ohio provides the funding for and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion of the facility, the Board of Regents turns over control to the College. Construction in progress for any portion of the facilities being financed by the state agencies for use by the College is recorded on the College's book of account as costs are incurred.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Balance Sheet. In addition, the appropriations by the Ohio General Assembly to the Board of Regents for payment of debt services are not shown as appropriation revenue received by the College, and the related debt service payments are not recorded on the College's financial statements.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

4. PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in property, plant and equipment during fiscal year 2001 follows:

	Balance <u>07/01/2000</u>	Additions	Deletions	Balance <u>06/30/2001</u>
Land	\$531,105	\$0	\$0	\$531,105
Improvements and Roads	1,245,162	310,523	0	1,555,685
Buildings	28,703,499	1,062,519	0	29,766,018
Movable Equipment, Equipment and Library Books	<u>9,960,988</u>	<u>630,908</u>	<u>(2,925,722)</u>	<u>7,666,174</u>
Total	<u>\$40,440,754</u>	<u>\$2,003,950</u>	<u>(\$2,925,722)</u>	<u>\$39,518,982</u>

5. DEFINED BENEFIT PENSION PLANS

All employees of the College are eligible to participate in one of two cost-sharing, multiple employer defined benefit pension plans. Academic personnel participate in the State Teachers Retirement System (STRS) and nonacademic personnel participate in the Public Employees Retirement System (PERS).

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS), which is a cost-sharing, multiple employer defined benefit pension plan. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached.

STARK STATE COLLEGE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

5. DEFINED BENEFIT PENSION PLANS (continued)

Legislation passed in April, 2000 with a July, 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2 percent from 2.1 percent per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5 percent for the 31st year, 2.6 percent for the 32nd year, 2.7 percent for the 33rd year, etc. until 100 percent of final average salary is reached.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eligible faculty of the College may choose to enroll in either STRS or an alternative retirement plan (ARP) offered by the College. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS. Employees hired after the ARP is established have 90 days from their employment date to select a retirement plan.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of three percent of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years’ credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members’ beneficiaries.

Benefits are established and may be amended by Chapter 3307, Revised Code.

STARK STATE COLLEGE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

5. DEFINED BENEFIT PENSION PLANS (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. The College's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$824,178, \$512,732 and \$467,054, respectively, equal to the required contributions for each fiscal year.

STRS issues a stand-alone financial report. Copies of STRS' 2000 *Comprehensive Annual Financial Report* will be available after January 1, 2001, and can be requested by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3371, or by calling (614)227-4090.

B. Public Employees Retirement System of Ohio

Nonacademic personnel of the College participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides 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 Chapter 145 of the Ohio Revised Code. PERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20%. Plan members are required to contribute 8.5% of their annual covered salary to fund pension benefit obligations and the College is required to contribute 10.65%; 6.35% was the portion used to fund pension obligations. Contributions are authorized by state statute. The contribution rates are determined actuarially. The College's contributions for pension obligations to PERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$309,828, \$398,957 and \$370,013, respectively, equal to the required contributions for each fiscal year.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

6. POSTEMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the Public Employees Retirement System (PERS). Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled \$390,400 during fiscal 2001.

The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients statewide.

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients or such retirants. Health care coverage for disability recipients and primary survivor is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employee contribution rate was rolled back for the year 2000. The fiscal 2001 employer contribution rate was 10.65% of covered payroll; 4.3% was the portion that was used to fund health care for the fiscal year 2001. The College's actual contributions for fiscal year 2001 which were used to fund post-employment benefits were \$209,805.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

6. POSTEMPLOYMENT BENEFITS (continued)

The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

OPEBs are advance-funded on an actuarially determined basis. As of December 31, 1999 (the latest information available), the actuarial value of PERS' net assets available for OPEB was \$10,805.5 million. The number of active contributing participants statewide at December 31, 1999 was 401,339. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million respectively.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20%. The Board reallocated employer contributions from 4.2% to 4.3% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

7. STATE APPROPRIATIONS RECEIVABLE

State appropriations receivables are subject to budgetary requirements of the State of Ohio, and therefore, may not be fully realized.

8. CONTINGENCIES

A. Federal and State Grants

The College participates in certain State and Federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

Some lawsuits are pending against the College. It is management's opinion that the ultimate liability will be covered by insurance and/or will not have a material effect on the financial statements.

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

The College is a member of the Stark County Schools Council of Governments, which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage. The health plan is self-sustaining through member premiums and reinsures through an insurance company to pay claims in excess of \$200,000 per individual and \$42,383,000 for the group as a whole.

The claims liability of \$200,294 reported in the unrestricted educational and general fund at June 30, 2001 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years are as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2000	\$178,748	\$1,222,248	(\$1,215,662)	\$185,334
2001	\$185,334	\$1,350,103	(\$1,335,143)	\$200,294

10. CAPITAL LEASES

Capital lease obligations recorded in the unrestricted educational and general fund and the investment in plant fund relate to computers, copier equipment and automobiles which are leased under long-term agreements which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13 "Accounting for Leases". Such agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending June 30,	Amount
2002	\$101,383
2003	97,300
2004	86,063
2005	14,163
Total	298,909
Less - amount representing interest	(18,278)
Present value of minimum lease payments	<u>\$280,631</u>

STARK STATE COLLEGE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

11. RELATED ORGANIZATIONS

The Stark State College Foundation (the Foundation) is a not-for-profit organization which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2001 financial statements. At June 30, 2001, the total net assets of the Foundation, not included in the financial statements of the College, were \$2,829,987.

12. NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2001, the College has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". This change in accounting principles had no effect on fund balances as stated as of July 1, 2000.

In November, 1999, GASB issued Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34". As originally issued, Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" was not applicable to public institutions. Rather than issuing separate standards, GASB decided to provide financial reporting guidance for public institutions by amending Statement No. 34 to extend its applicability to them. Statement No. 35 supersedes GASB Statement No. 15, which currently allows public institutions to choose one of two models when reporting their financial statements – the model contained in the 1973 American Institute of Certified Public Accountants (AICPA) Industry Guide, Audits of Colleges and Universities (AICPA College Guide model), or the governmental model. The College must implement GASB Statement No. 35 no later than for the year ending June 30, 2003.

13. ALLOCATED FUND BALANCES

The allocations of the unrestricted educational and general fund balances as of June 30, 2001 are as follows:

<u>Allocations</u>	<u>Amount Allocated</u>
Faculty Staff and Development	\$10,000
Working Capital	315,000
Unemployment Compensation	88,532
Vacation Leave	12,500
Program Development	28,445
Sick Leave	88,532
Total	<u>\$543,009</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the financial statements of the Stark State College of Technology (the College), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 8, 2001. As discussed in Note 12 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

A handwritten signature in black ink, appearing to read 'G. B. Fink', written in a cursive style.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 8, 2001

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Trustees
Stark State College of Technology
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

Compliance

We have audited the compliance of the Stark State College of Technology with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the Stark State College of Technology complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

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 management, the Board of Trustees and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

November 8, 2001

Stark State College of Technology
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Education</u>				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	----	\$154,530	\$154,530
Federal Supplemental Educational Opportunity Grants	84.007	----	82,950	82,950
Federal Pell Grant Program	84.063	----	2,118,661	2,118,661
Federal Family Education Loans	84.032	----	<u>2,661,135</u>	<u>2,661,135</u>
Total Student Financial Assistance Programs Cluster			<u>5,017,276</u>	<u>5,017,276</u>
Higher Education - Institutional Aid (Title III Strengthening Institutions Program)	84.031	P031A990249	<u>327,528</u>	<u>327,528</u>
<i>Passed Through Ohio Department of Education:</i>				
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	VECPH-P2001-508	<u>114,269</u>	<u>114,269</u>
Tech-Prep Education (Transitions Grant)	84.243	VETP-2001-13-TG	1,645	1,645
Tech-Prep Education (Performance/Incentive)	84.243	VETP-2001-13-A2	84,520	84,520
Tech-Prep Education	84.243	VETP-2001-13-FPI	132,368	132,368
Tech-Prep Education (Information Technology Implementation)	84.243	VETP-2001-13-IT	<u>4,267</u>	<u>4,267</u>
Total Tech-Prep Education			<u>222,800</u>	<u>222,800</u>
Total Federal Assistance - U.S. Department of Education			<u>\$5,681,873</u>	<u>\$5,681,873</u>

The notes to this Schedule are an integral part of this Schedule.

STARK STATE COLLEGE OF TECHNOLOGY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Stark State College of Technology's federal awards programs. The Schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

STARK STATE COLLEGE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

STARK STATE COLLEGE OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

(d)(1)(vii)	Major Programs:	Higher Education – Institutional Aid (Title III Strengthening Institutions Program), CFDA #84.031 and Student Financial Assistance Programs Cluster: Federal Work-Study Program, CFDA #84.033; Federal Supplemental Educational Opportunity Grants, CFDA #84.007; Federal Pell Grant Program, CFDA #84.063; Federal Family Education Loans, CFDA #84.032
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
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STARK STATE COLLEGE OF TECHNOLOGY

STARK 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 10, 2002**