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**CUYAHOGA COMMUNITY COLLEGE**

**Single Audit Report  
for the Year Ended  
June 30, 1999**

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# CUYAHOGA COMMUNITY COLLEGE

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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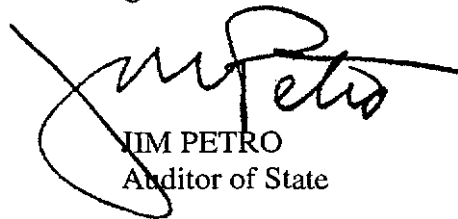
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Board of Trustees  
Cuyahoga Community College  
Cleveland, Ohio

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

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



JIM PETRO  
Auditor of State

February 7, 2000



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Cuyahoga Community College

We have audited the accompanying balance sheet of the Cuyahoga Community College (the "College") as of June 30, 1999, and the related statement of changes in fund balances, and statement of 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 financial statements of the College as of and for the year ended June 30, 1998 were audited by other auditors whose report, dated October 8, 1998 expressed an unqualified opinion on those statements.

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

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

The year 2000 supplementary information on page 16 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the College is or will become year 2000 compliant, that the College's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the College does business are or will become year 2000 compliant.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The accompanying supplemental 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 basic financial statements. 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, 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 12, 1999 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Deloitte & Touche LLP*

November 12, 1999

# CUYAHOGA COMMUNITY COLLEGE

## BALANCE SHEETS JUNE 30, 1999 AND 1998

ASSETS	1999	1998
<b>CURRENT FUNDS:</b>		
Unrestricted:		
Cash and cash equivalents	\$ 8,110,634	\$ 314,241
Investments	57,269,523	53,574,466
Accounts receivable, less allowance for doubtful receivables of \$1,721,070 and \$1,474,034 in 1999 and 1998, respectively	5,290,228	5,011,329
Interest receivable	747,866	710,270
Inventories	1,646,921	1,321,807
Prepaid expenses	1,194,581	208,546
Due from other funds	582	2,002,585
Total unrestricted	<u>74,260,335</u>	<u>63,143,244</u>
Restricted:		
Cash and cash equivalents	1,976,136	453,137
Accounts receivable	3,671,381	3,264,097
Prepaid expenses	749	
Total restricted	<u>5,648,266</u>	<u>3,717,234</u>
<b>TOTAL CURRENT FUNDS</b>	<b><u>\$ 79,908,601</u></b>	<b><u>\$ 66,860,478</u></b>
<b>LOAN FUNDS:</b>		
Cash and cash equivalents	\$ 63,415	\$ 22,929
Notes receivable, less allowance for doubtful receivables of \$434,800 in 1999 and 1998, respectively	598,001	681,285
<b>TOTAL LOAN FUNDS</b>	<b><u>\$ 661,416</u></b>	<b><u>\$ 704,214</u></b>
<b>PLANT FUNDS:</b>		
Unexpended:		
Cash and cash equivalents	\$ 4,939,904	\$ 15,216,882
State appropriations receivable	397,160	8,037,075
Total unexpended	<u>5,337,064</u>	<u>23,253,957</u>
Renewals and replacements - cash and cash equivalents	<u>214,619</u>	<u>165,104</u>
Investment in plant:		
Land	4,536,424	4,536,424
Buildings	137,974,039	130,953,808
Improvements other than buildings	26,818,605	26,712,568
Movable equipment, furniture and library books	63,973,323	62,673,000
Construction in progress	25,911,546	14,822,729
Total investment in plant	<u>259,213,937</u>	<u>239,698,529</u>
<b>TOTAL PLANT FUNDS</b>	<b><u>\$ 264,765,620</u></b>	<b><u>\$ 263,117,590</u></b>
<b>AGENCY FUNDS:</b>		
Cash	\$ 127,731	\$ 103,770
Accounts receivable	4,564	2,350
Inventories	10,020	10,020
<b>TOTAL AGENCY FUNDS</b>	<b><u>\$ 142,315</u></b>	<b><u>\$ 116,140</u></b>

(Continued)

# CUYAHOGA COMMUNITY COLLEGE

## BALANCE SHEETS JUNE 30, 1999 AND 1998

LIABILITIES AND FUND BALANCES	1999	1998
<b>CURRENT FUNDS:</b>		
Unrestricted:		
Accounts payable	\$ 2,631,152	\$ 2,649,813
Accrued liabilities	9,132,155	8,169,459
Deferred revenue	5,863,053	4,908,737
Other liabilities	3,680,446	4,404,794
	<u>21,306,806</u>	<u>20,132,803</u>
Fund balances:		
Allocated	52,274,884	42,331,796
Unallocated	678,645	678,645
Total fund balances	<u>52,953,529</u>	<u>43,010,441</u>
Total unrestricted	<u>74,260,335</u>	<u>63,143,244</u>
Restricted:		
Accounts payable	405,098	200,362
Accrued liabilities	183,590	177,621
Due to other funds		2,000,000
Other liabilities	7,913	12,413
Fund balances	5,051,665	1,326,838
Total restricted	<u>5,648,266</u>	<u>3,717,234</u>
<b>TOTAL CURRENT FUNDS</b>	<u>\$ 79,908,601</u>	<u>\$ 66,860,478</u>
<b>LOAN FUNDS:</b>		
Fund balances:		
U.S. government grants refundable	\$ 631,359	\$ 684,157
College funds - restricted	30,057	20,057
<b>TOTAL LOAN FUNDS</b>	<u>\$ 661,416</u>	<u>\$ 704,214</u>
<b>PLANT FUNDS:</b>		
Unexpended:		
Accounts payable	\$ 202,039	\$ 603,797
Deferred state appropriations	197,000	197,243
Fund balance	4,938,025	22,452,917
Total unexpended	<u>5,337,064</u>	<u>23,253,957</u>
Renewals and replacements - fund balance	214,619	165,104
Investment in plant - fund balance	<u>259,213,937</u>	<u>239,698,529</u>
<b>TOAL PLANT FUNDS</b>	<u>\$ 264,765,620</u>	<u>\$ 263,117,590</u>
<b>AGENCY FUNDS:</b>		
Accounts payable	\$ 1,500	\$ 2,150
Due to other funds	582	2,585
Deposits held in custody for others	140,233	111,405
<b>TOTAL AGENCY FUNDS</b>	<u>\$ 142,315</u>	<u>\$ 116,140</u>

See notes to financial statements.

(Concluded)



**CUYAHOGA COMMUNITY COLLEGE**

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

	Current Funds		Loan Funds	Quasi-Endowment Fund	Plant Funds	
	Unrestricted	Restricted			Unexpended	Renewals and Replacements
<b>REVENUES AND OTHER ADDITIONS:</b>						
Unrestricted current fund revenues	\$ 128,106,112					
Restricted:						
State appropriations		\$ 69,599				
Federal grants and contracts		20,496,687				
State grants and contracts		8,631,733				
Local grants and contracts		73,930				
Private gifts, grants, and contracts		1,419,658	\$ 10,000			
Interest on loans receivable			18,993			
Donation of equipment						\$ 108,638
Expended for plant facilities (including \$6,365,861 charged to current funds expenditures)						25,074,656
Interest earned on proceeds from sale						
Total revenues and other additions	128,106,112	30,691,607	28,993		14,746	25,183,294
					1,983,851	
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>						
Educational and general expenditures	112,146,984	26,519,741				
Auxiliary enterprise expenditures	6,663,161	34,451	20,624			
Loan cancellations and write-offs			590			
Refunded to grantors		15,060	50,300			
Administrative and collection costs						
Expended for plant facilities (including non-capitalized expenditures \$93,589)					18,802,384	5,667,886
Disposals and write-offs of plant facilities						
Indirect costs recovered		397,528				
Total expenditures and other deductions	118,810,145	26,966,780	71,514		18,802,384	5,667,886
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):</b>						
Mandatory - Loan fund matching grant	277		(277)			
Nonmandatory - capital improvements	646,844				(696,359)	\$ 49,515
Total transfers	647,121		(277)		(696,359)	49,515
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	9,943,088	3,724,827	(42,798)		(17,514,892)	19,515,408
<b>FUND BALANCE, BEGINNING OF YEAR</b>	43,010,441	1,326,838	704,214		22,452,917	239,698,529
<b>FUND BALANCE, END OF YEAR</b>	\$ 52,953,529	\$ 5,051,665	\$ 661,416	\$ -	\$ 4,938,025	\$ 259,213,937

See notes to financial statements.

# CUYAHOGA COMMUNITY COLLEGE

## STATEMENTS OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds		Loan Funds	Quasi-Endowment Fund	Plant Funds		
	Unrestricted	Restricted			Unexpended	Renewals and Replacements	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS:</b>							
Unrestricted current fund revenues	\$ 124,796,991						
Restricted:							
State appropriations		\$ 78,471					
Federal grants and contracts		16,403,736	\$ 591				
State grants and contracts		5,670,482			\$ 6,223,117		
Local grants and contracts		120,743					
Private gifts, grants, and contracts		1,010,499	29,301				
Interest on loans receivable							\$ 545,536
Donation of equipment							
Expended for plant facilities (including \$8,182,850 charged to current funds expenditures)					12,926		18,365,070
Interest earned on proceeds from sale					6,236,043		18,910,606
Total revenues and other additions	<u>124,796,991</u>	<u>23,283,931</u>	<u>29,892</u>				
	107,039,954	23,391,267					
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>							
Educational and general expenditures	7,119,806	40,727					
Auxiliary enterprise expenditures			65,939				
Loan cancellations and write-offs			729				
Refunded to grantors			32,834				
Administrative and collection costs					12,092,676		2,544,549
Expended for plant facilities							
Disposals and write-offs of plant facilities							
Indirect costs recovered		168,295					
Total expenditures and other deductions	<u>114,159,760</u>	<u>23,600,289</u>	<u>99,502</u>		<u>12,092,676</u>		
	72						
<b>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):</b>							
Mandatory - loan fund matching grant	(1,401,509)		(72)		1,401,509		
Nonmandatory - capital improvements	<u>(1,401,437)</u>		<u>(72)</u>		<u>1,401,509</u>		
Total transfers	9,235,794	(316,358)	(69,682)		(4,455,124)		16,366,057
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>33,774,647</u>	<u>1,643,196</u>	<u>773,896</u>		<u>26,908,041</u>		<u>223,332,472</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>\$ 43,010,441</u>	<u>\$ 1,326,838</u>	<u>\$ 704,214</u>	<u>\$ -</u>	<u>\$ 22,452,917</u>	<u>\$ 165,104</u>	<u>\$ 239,698,529</u>
<b>FUND BALANCE, END OF YEAR</b>							

See notes to financial statements.

# CUYAHOGA COMMUNITY COLLEGE

## STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES FOR THE YEAR ENDED JUNE 30, 1999

	Unrestricted	Restricted	Total
<b>REVENUES:</b>			
Educational and general:			
Tuition, fees, and other student charges	\$ 25,799,559		\$ 25,799,559
State appropriations	40,340,319	\$ 61,243	40,401,562
Local appropriations	48,150,373		48,150,373
Federal grants and contracts	486,567	19,522,927	20,009,494
State grants and contracts	24,826	5,702,211	5,727,037
Local grants and contracts	1,254	228,958	230,212
Private gifts, grants and contracts	145,136	1,004,402	1,149,538
Sales and services	2,400,852		2,400,852
Investment income	3,763,956		3,763,956
Other sources	339,896		339,896
Total educational and general	<u>121,452,738</u>	<u>26,519,741</u>	<u>147,972,479</u>
Auxiliary enterprises	6,653,374	34,451	6,687,825
Total revenues	<u>128,106,112</u>	<u>26,554,192</u>	<u>154,660,304</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
Educational and general:			
Instruction and departmental research	42,223,800	884,292	43,108,092
Public service	6,868,270	5,679,885	12,548,155
Academic support	13,704,100	880,211	14,584,311
Student services	12,895,281	493,042	13,388,323
Institutional support	24,197,697	484,435	24,682,132
Operation and maintenance of plant	11,892,774	841	11,893,615
Scholarships	365,062	18,097,035	18,462,097
Total educational and general	<u>112,146,984</u>	<u>26,519,741</u>	<u>138,666,725</u>
Mandatory transfers - Loan funds matching grant	(277)		(277)
Auxiliary enterprises	6,663,161	34,451	6,697,612
Total expenditures and mandatory transfers	<u>118,809,868</u>	<u>26,554,192</u>	<u>145,364,060</u>
<b>OTHER TRANSFERS AND DEDUCTIONS:</b>			
Capital improvements	857,991		857,991
Current allocated fund balance, net	(191,000)		(191,000)
Renewals and replacements	(20,147)		(20,147)
Refunded to grantors		(15,060)	(15,060)
Indirect costs recovered		(397,528)	(397,528)
Excess of restricted receipts over transfers to revenues		4,137,415	4,137,415
Total other transfers and deductions	<u>646,844</u>	<u>3,724,827</u>	<u>4,371,671</u>
<b>NET INCREASE IN FUND BALANCES</b>	<u>\$ 9,943,088</u>	<u>\$ 3,724,827</u>	<u>\$ 13,667,915</u>

See notes to financial statements.

# CUYAHOGA COMMUNITY COLLEGE

## STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Restricted	Total
<b>REVENUES:</b>			
Educational and general:			
Tuition, fees, and other student charges	\$ 25,973,759		\$ 25,973,759
State appropriations	39,417,983	\$ 78,118	39,496,101
Local appropriations	45,192,061		45,192,061
Federal grants and contracts	277,316	16,256,120	16,533,436
State grants and contracts	183,832	5,966,398	6,150,230
Local grants and contracts	2,289	276,655	278,944
Private gifts, grants and contracts	278,449	813,976	1,092,425
Sales and services	1,475,635		1,475,635
Investment income	3,747,368		3,747,368
Other sources	1,368,909		1,368,909
Total educational and general	<u>117,917,601</u>	<u>23,391,267</u>	<u>141,308,868</u>
Auxiliary enterprises	6,879,390	40,727	6,920,117
Total revenues	<u>124,796,991</u>	<u>23,431,994</u>	<u>148,228,985</u>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
Educational and general:			
Instruction and departmental research	41,028,341	879,904	41,908,245
Public service	6,363,578	4,185,444	10,549,022
Academic support	13,245,456	679,452	13,924,908
Student services	12,243,562	609,294	12,852,856
Institutional support	22,885,111	111,108	22,996,219
Operation and maintenance of plant	10,758,165	813	10,758,978
Scholarships	515,741	16,925,252	17,440,993
Total educational and general	<u>107,039,954</u>	<u>23,391,267</u>	<u>130,431,221</u>
Mandatory transfers - Loan funds matching grant	(72)		(72)
Auxiliary enterprises	7,119,806	40,727	7,160,533
Total expenditures and mandatory transfers	<u>114,159,688</u>	<u>23,431,994</u>	<u>137,591,682</u>
<b>OTHER TRANSFERS AND DEDUCTIONS:</b>			
Capital improvements	(1,401,509)		(1,401,509)
Indirect costs recovered		(168,295)	(168,295)
Deficiency of restricted receipts over transfers to revenues		(148,063)	(148,063)
Total other transfers and deductions	<u>(1,401,509)</u>	<u>(316,358)</u>	<u>(1,717,867)</u>
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	<u>\$ 9,235,794</u>	<u>\$ (316,358)</u>	<u>\$ 8,919,436</u>

See notes to financial statements.

# CUYAHOGA COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 1999 AND 1998

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The accompanying financial statements of Cuyahoga Community College (the "College") have been prepared in conformity with generally accepted accounting principles ("GAAP") applicable to governmental colleges as prescribed by the American Institute of Certified Public Accountants College Guide Model.

In accordance with Governmental Accounting Standards Board Statement ("GASB Statement") No. 14, *The Financial Reporting Entity*, the College is a primary government with no component units. In addition, the Cuyahoga Community College Foundation (the "Foundation"), which is a legally separate not-for-profit organization incorporated and operated exclusively for the benefit of the College (see Note 12), is not included in the accompany financial statements. The College's financial statements are included, as a discretely presented entity, in the State of Ohio's Comprehensive Annual Financial Report.

Effective August 26, 1998, the College changed its academic curriculum from quarters to semesters. As a result, with registration commencing in June 1998, the College's accounts receivable and deferred revenue accounts increased.

The financial statements of the College have been prepared on the accrual basis in accordance with generally accepted principles of fund accounting for educational institutions. The statements of current fund revenues, expenditures and other changes are statements of financial activities of the current funds related to the periods presented.

**Fund Accounting** - The accounts of the College are maintained in accordance with the principles of "fund accounting." Under this accounting method, 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.

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 only be utilized in accordance with the purpose 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.

**Description of Funds** - Generally, unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes.

Quasi-endowment funds are funds that have been set aside at the College's discretion. Accordingly, these funds may be expended at any time.

Loan funds consist of loans made to students and of resources available for such purposes.

Funds held by the College as custodian or fiscal agent for others are accounted for in the agency funds.

Plant funds consist of funds to be used for the acquisition of physical properties that are unexpended at the date of reporting, funds set aside for the renewal and replacement of College properties, funds set aside for debt service charges and for the retirement of indebtedness, and funds expended for and thus invested in College properties.

**Cash and Cash Equivalents** - Cash and cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

**Interfund Activity** - Interfund borrowings are recorded in each fund as due to/due from other funds.

**Investments** - Investments are stated at fair value, based on published market quotations. The College does not invest in derivatives.

**Land, Buildings, and Equipment** - Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. 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 replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for principal and interest payments (if any) and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases. When property is sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Depreciation on buildings and equipment is not recorded.

**Inventories** - Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory costs are charged to operations when inventory is sold or consumed.

**Deferred Revenue** - Revenues and expenditures related to academic terms conducted over two fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominantly conducted.

**Use of 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 disclosure in the notes to financial statements. Actual results could differ from those estimates.

**Recently Issued Accounting Pronouncement** - Effective July 1, 2000, the College will adopt GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In general, GASB No. 33 establishes accounting and financial reporting standards about when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. College management has not yet determined the impact that implementation of GASB Statement No. 33 will have on the College's financial statements.

## 2. DEPOSITS AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or building and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation. Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least ten percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions or from registered brokers/dealers.

**Deposits** - At June 30, 1999 and 1998, the carrying amount of the College's deposits was \$(1,769,132) and \$1,540,612, respectively, as compared to actual bank balances of \$1,029,362 and \$3,553,324, respectively, with the difference representing outstanding checks and normal reconciling items. Of the June 30, 1999 and 1998 bank balances, \$337,229 and \$320,219, respectively, were covered by federal depository insurance and are thus a category (1) deposit risk in accordance with the provisions of GASB Statement No. 3. Another \$634,811 and \$3,233,045 of deposits, respectively, were secured by collateral pools of U.S. Government and municipal securities from each respective financial institution that pledges a pool of collateral against all public deposits it holds. The securities were held by the College's agent but not in its name and thus are category (3) deposit risk. The remaining deposits of \$57,320 at June 30, 1999 were uninsured and uncollateralized.

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

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

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

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

At June 30, 1999 and 1998, investments reported in cash and cash equivalents and investments include:

Type of Investment	Category			Fair Value
	1	2	3	
1999:				
Government securities		<u>\$ 11,626,029</u>	<u>\$ 45,643,494</u>	\$ 57,269,523
State Treasurer Asset Reserve Fund (STAROhio)				<u>16,986,952</u>
				<u>\$ 74,256,475</u>
1998:				
Government securities		<u>\$ 11,031,018</u>	<u>\$ 42,543,448</u>	\$ 53,574,466
State Treasurer Asset Reserve Fund (STAROhio)				<u>14,735,451</u>
				<u>\$ 68,309,917</u>

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. STAROhio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on the balance sheet date. The amount invested with STAROhio is not classified by risk category because it is not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

### 3. CONSTRUCTION IN PROGRESS

During 1999, major construction projects aggregating \$7,126,158 were completed and transferred to the appropriate investment in plant account. Major projects included the Technical Learning Center at the Metro Campus (\$4 million), hardware and administrative software (\$1.2 million) and exterior building renovations at the Metro and East Campuses (\$946,000). Included in the June 30, 1999 construction in progress balance are costs associated with the Main Building addition project at the East Campus.

### 4. STATE APPROPRIATIONS

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula determined by the State of Ohio.

In addition to the student subsidies, the State of Ohio provides funding for the construction of major academic plant facilities on the College's campuses. Funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"). Bond proceeds are used for the construction and subsequent transfer of the facility to the College.

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

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Ohio Board of Regents for payment of debt service and the related debt service payments are not recorded in the College's accounts.

The College follows the practice of recording additions to fund balance and accounts receivable, in the unexpended plant fund, for appropriations approved by the State but not yet expended for plant facilities.

### 5. LOCAL APPROPRIATIONS

The College receives funds from property taxes levied on all real and public utility property and tangible personal property used in businesses located in Cuyahoga County. Two levies for .6 and 1.0 mills were renewed by voters in 1992 as one levy which expires in 2002. An additional levy was renewed by voters in 1996 for 1.2 stated mills and expires in 2006.

### 6. PENSION AND RETIREMENT PLANS

**Defined Benefit Plans** - The College faculty is covered by the State Teachers Retirement System of Ohio ("STRS"). Substantially all other employees are covered by the Public Employees Retirement System of Ohio ("PERS"). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit pension plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Both STRS and PERS issue separate, publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by contacting the two organizations at the following locations:

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

PERS  
277 East Town Street  
Columbus, OH 43215-4642  
(614) 466-2085 or (800) 222-PERS



In addition to the retirement benefits described above, STRS and PERS provide postretirement healthcare benefits (see Note 7).

**Defined Contribution Plan** - An Alternative Retirement Plan ("ARP") was established by the College's Board of Trustees on February 5, 1999. The ARP is a defined contribution pension plan available to full-time administrative and professional staff in lieu of PERS or STRS. For the employees who elected participation in ARP, prior employee contributions to STRS and PERS were transferred from those plans and invested in individual accounts established with selected external investment managers.

The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

**Funding** - The ORC provides statutory authority for employee and employer contributions to STRS, PERS and the ARP. Contributions equal to those required by STRS and PERS are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to STRS or PERS to enhance the stability of those plans. The required contribution rates (as a percentage of covered payroll) for plan members and the College are follows:

	STRS	PERS	ARP
<b>Faculty:</b>			
Plan Member	9.3%		9.3%
College	14.0%		14.0%*
<b>Staff:</b>			
Plan Member		8.5%	8.5%
College		13.31%	13.31%*
<b>Law Enforcement Staff:</b>			
Plan Member		9.0%	9.0%
College		16.7%	16.7%*

\* Employer contributions include 6.0% paid to STRS or PERS. The remaining amount is credited to the participant's ARP account.

The College's contributions for the year ended June 30, 1999 and for each of the two preceding years, including the portion applicable to postretirement benefits (see Note 7), are as follows:

Year Ended June 30,	STRS Contribution	PERS Contribution	ARP Annual Required Contribution
1999	\$4,947,000	\$4,733,000	\$38,000
1998	\$4,664,000	\$4,455,000	\$ -
1997	\$4,519,000	\$4,472,000	\$ -

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

## 7. POSTRETIREMENT BENEFITS

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

A portion of each employer's contribution to PERS is set aside for funding of postretirement healthcare. The ORC provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The portion of the employer contribution rate used to fund healthcare was 5.11 percent of covered payroll prior to January 1, 1998. During 1997, PERS adopted a new calculation methodology for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions equal to 4.2 percent of member covered payroll are set aside to fund healthcare expenses. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely.

PERS's expenditures for OPEB during 1998 were \$440.6 million. As of December 31, 1998 (latest information available), the unaudited, estimated net assets available for future OPEB payments were \$9.4 billion. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

**STRS** - STRS provides comprehensive healthcare benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for healthcare coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. Monthly premiums were paid during the year by all benefit recipients.

The ORC grants authority to STRS to provide healthcare coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

STRS allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which healthcare benefits are paid. However, for the fiscal year ended June 30, 1998, STRS allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.2 billion on June 30, 1998 (latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 1999, was 8% of covered payroll.

For the year ended June 30, 1998 (latest information available), net healthcare costs paid by STRS were \$219 million. There were 91,999 eligible benefit recipients on June 30, 1998.

## **8. SELF-INSURANCE LIABILITIES**

The College is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The College is self-insured for the purpose of providing employee healthcare and workers' compensation benefits. Losses from asserted claims and from unasserted claims identified under the College's incident reporting systems are accrued based on estimates that incorporate the College's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. The liabilities for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Changes in the reported liabilities during the past two fiscal years resulted from the following:

	Healthcare		Worker's Compensation	
	1999	1998	1999	1998
Liability at the beginning of year	\$ 822,926	\$ 1,487,190	\$ 1,010,962	\$ 946,606
Current year claims, net of changes in estimates	2,557,114	1,662,311	(265,934)	138,323
Claim payments	<u>(2,530,040)</u>	<u>(2,326,575)</u>	<u>(432,406)</u>	<u>(73,967)</u>
Balance at end of year	<u>\$ 850,000</u>	<u>\$ 822,926</u>	<u>\$ 312,622</u>	<u>\$ 1,010,962</u>

The College purchases insurance policies in varying amounts for general liability, property damage and employee and Board of Trustee's liability, including errors and omissions of the College's safety forces. Settled claims have not exceeded the College's insurance coverage in any of the past three years.

## 9. INCOME TAXES

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

## 10. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The College management believes such reimbursements, if any, will be immaterial.

## 11. LITIGATION

During the normal course of its operations, the College has been named as a defendant in certain legal actions and claims. The College management is of the opinion that the disposition of these legal actions and claims will not have a material adverse effect on the financial condition of the College. The College purchases commercial insurance to cover certain potential losses.

## 12. FOUNDATION

The Foundation was formed in 1973 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating excellent academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Cleveland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The Foundation has total unaudited assets of \$5,923,522 at June 30, 1999 and unaudited revenues of \$1,856,861 for the year then ended.

\* \* \* \* \*

# CUYAHOGA COMMUNITY COLLEGE

## SUPPLEMENTAL SCHEDULE OF YEAR 2000 ISSUES

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The College is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to the year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment containing computer chips that have date recognition features.

The College's management is responsible for addressing the year 2000 issue. Management has identified various computer systems and pieces of electronic equipment that are critical to conducting the College's operations and that need to be year 2000 compliant. Management is continuously monitoring year 2000 compliance efforts throughout the College and is providing assistance and resources to accelerate compliance for all mission-critical systems and equipment. Management recognizes that contingency plans may have to be developed in the event it becomes apparent that some software or equipment may not become year 2000 compliant when necessary. Individual College departments are solely responsible for the year 2000 compliance of systems and equipment that are not mission-critical.

The College has identified several computer systems that are mission-critical (that is, critical to conducting operations) and is subjecting those systems to the following stages of work to address year 2000 issues:

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

The College has completed each of the stages for all of its mission critical computer systems except for the Banner System which is still undergoing validation and testing procedures.

Substantially all of the work necessary to address year 2000 issues has been performed by College employees or outside vendors. At June 30, 1999, approximately \$150,000 was committed by the College to address year 2000 issues for computer systems and other electronic equipment.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot ensure that the College is or will be year 2000 ready, that the College's remediation efforts will be successful in whole or in part, and that parties with whom the College does business will be year 2000 ready.

# CUYAHOGA COMMUNITY COLLEGE

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	PASS- THROUGH NUMBER	FEDERAL CFDA NUMBER OR PRIMARY GRANT NUMBER	EXPENDITURES
<b>STUDENT FINANCIAL AID CLUSTER (SFA)</b>			
<b>U.S. Department of Education:</b>			
Direct Programs:			
Federal Pell Grant Program		84.063	\$ 10,616,310
Federal Supplemental Education Opportunity Grant		84.007	222,750
Federal Work-Study Program		84.033	694,712
Federal Perkins Loans (FPL)		84.038	47,287
Federal Direct Student Loan Program		84.268	
Total U.S. Department of Education			<u>11,581,059</u>
<b>U.S. Department of Health and Human Services:</b>			
Direct Program - Nursing Student Loans		93.364	7,129
Total Student Financial Aid Cluster			<u>11,588,188</u>
<b>JTPA CLUSTER</b>			
<b>U.S. Department of Labor:</b>			
Pass-Through Program from Cuyahoga County, Ohio			
Job Training Partnership Act	None	17.250	40,480
Total JPTA Cluster			<u>40,480</u>
<b>OTHER PROGRAMS</b>			
<b>Academic Support - U.S. Department of Education:</b>			
Direct Program:			
Tech-Prep Equity II		84.243	397,719
Pass-Through Programs from			
Ohio Department of Education:			
Sex Equity Tech Prep	VESE-SPTECH - 063401	84.048	30,345
Tech-Prep	VETP-99-04B	84.243	11,709
Consortia Leadership	VETP-99-04R	84.243	55,870
Subtotal - Ohio Department of Education			<u>97,924</u>
Total Other Programs - Academic Support			<u>495,643</u>
<b>Institutional Support - U.S. Department of Education:</b>			
Direct Program:			
Internet-in-Education Teacher Training		84.215	18,968

See Notes to Schedule of Expenditures of Federal Awards.

(Continued)

# CUYAHOGA COMMUNITY COLLEGE

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	PASS- THROUGH NUMBER	FEDERAL CFDA NUMBER OR PRIMARY GRANT NUMBER	EXPENDITURES
<b>PUBLIC SERVICE</b>			
<b>National Aeronautics and Space Administration ("NASA"):</b>			
Direct Programs:			
Science, Engineering, Math and Aerospace Academy (including \$1,191,624 passed through to subrecipients)		43.001	2,367,913
Tech-Prep Scholarship		43.001	24,301
Internship/CAD Programs		43.001	9,320
Science and Math Pipeline		43.001	-
Academy Phase I		43.001	-
Subtotal Direct Programs			<u>2,401,534</u>
Pass-Through Program from			
Ohio Space Grant Consortium:			
Tech-Prep Ohio Space	None	43.001	<u>1,000</u>
Total NASA and CFDA #43.001			<u>2,402,534</u>
<b>U.S. Department of Education:</b>			
Direct Programs:			
Trio Cluster:			
Student Support Services		84.042	192,526
Disabled Student Services		84.042	220,681
Project Talent Search		84.044	420,633
Upward Bound		84.047	265,110
Veterans Upward Bound		84.047	231,623
Total Trio Cluster			<u>1,330,573</u>
Adult Basic and Literacy Education		84.002	19,178
Title III		84.031	142,444
Education Opportunity Center		84.066	225,563
Subtotal Other Direct Programs			<u>387,185</u>
Pass-Through Programs from			
Ohio Department of Education:			
Displaced Homemakers	VESP-CG99-063404	84.048	48,224
Special Needs Handicap	CP11-P95	84.048	109,169
Special Needs Disadvantaged	CP11-P95	84.048	54,987
Vocational Admin.	CP11-P95	84.048	8,640
Pate - Promoting Access in Technical Education	VESE-PATE99-063404	84.048	14,998
Total CFDA Number 84.048			<u>236,018</u>
Total U.S. Department of Education			<u>1,953,776</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Continued)

**CUYAHOGA COMMUNITY COLLEGE**

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	PASS- THROUGH NUMBER	FEDERAL CFDA NUMBER OR PRIMARY GRANT NUMBER	EXPENDITURES
<b>PUBLIC SERVICE</b>			
<b>National Institute of Health:</b>			
Direct Program:			
Bridges to Success		93.906	124,664
Pass-Through Program from Case Western Reserve University			
Bridges to the Future	R-25-GM49010-0152	93.906	<u>3,891</u>
Total National Institute of Health and CFDA # 93.906			<u>128,555</u>
<b>U.S. Small Business Administration:</b>			
Direct Program:			
Small Business Administration		59.005	<u>791,789</u>
<b>U.S. Department of Justice:</b>			
Direct Program:			
Cops Universal		16.710	<u>167,520</u>
<b>U.S. Department of Agriculture:</b>			
Pass-Through Programs from Ohio Department of Education:			
Child and Adult Care Food Programs	18-02450-7	10.558	45,042
Family and Childcare Program	IRN110270	10.558	<u>98,568</u>
Total U.S. Department of Agriculture and CFDA #10.558			<u>143,610</u>
<b>U.S. Department of Health and Human Services:</b>			
Pass-Through Program from Cuyahoga County, Ohio Department of Human Services	East-0696751C Metro-0696733C West-0696742C Quad-0733040C	Unknown	<u>440,155</u>
Total Public Service			<u>6,027,939</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 18,171,218</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

# CUYAHOGA COMMUNITY COLLEGE

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

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### 1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Cuyahoga Community College (the "College") under programs financed by the U.S. Government for the year ended June 30, 1999. The Schedule has been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles for state-assisted colleges and universities.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

All programs are presented by federal department. Pass-through programs are also presented by the entity through which the College received the federal award. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

### 2. FEDERAL LOAN PROGRAMS

*Federal Perkins Loan Program* - The College administers the following federal loan program:

	CFDA Number	Outstanding Balance at June 30, 1999
Federal Perkins Loan Program	84.038	<u>\$ 746,075</u>

Total loan expenditures and disbursements under the program for the year ended June 30, 1999 are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	<u>\$ 71,956</u>

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

*Nursing Student Loan Program* - The College administers the following federal loan program:

	CFDA Number	Outstanding Balance at June 30, 1999
Nursing Student Loan Program	93.364	<u>\$ 130,632</u>



Total loan expenditures and disbursements under the program for the year ended June 30, 1999 are identified below:

	CFDA Number	Disbursements
Nursing Student Loan Program	93.364	<u>\$ 7,129</u>

***Federal Direct Student Loan Program*** - During the fiscal year ended June 30, 1999, the College processed the following amount of new loans under the Federal Direct Student Loan Program:

	CFDA Number	Amount Disbursed
Federal Direct Student Loan Program	84.268	<u>\$3,254,180</u>

No amounts are included in the Schedule for this program as the College did not incur any administrative costs under the program.

\* \* \* \* \*



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

Board of Trustees  
Cuyahoga Community College

We have audited the financial statements of the Cuyahoga Community College (the "College") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated November 12, 1999.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated November 12, 1999.

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

*Deloitte & Touche LLP*

November 12, 1999

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

Board of Trustees  
Cuyahoga Community College

**Compliance**

We have audited the compliance of the Cuyahoga Community College (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. 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 finding 99-1.

## **Internal Control Over Compliance**

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the College's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Deloitte & Touche LLP*

November 12, 1999

# CUYAHOGA COMMUNITY COLLEGE

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

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### Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended June 30, 1999 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A.
- Noncompliance Noted that is Material to the Financial Statements of the College - None.
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements - N/A.
- Type of Report Issued on Compliance for Major Federal Award Programs - Unqualified.
- The audit did disclose an audit finding which is required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Award Programs Identified for the Year Ended June 30, 1999:
  - Student Financial Aid Cluster Programs (CFDA #84.007, 84.033, 84.038, 84.063, 84.268 and 93.364)
  - Trio Cluster Programs (CFDA #84.042, 84.044, and 84.047)
  - Education Opportunity Center CFDA #84.066
  - CFDA # 84.048 Programs
    - Displaced Homemakers CFDA #84.048
    - Sex Equity Tech Prep CFDA #84.048
    - Special Needs Handicap CFDA #84.048
    - Special Needs Disadvantaged CFDA #84.048
    - Vocational Admin CFDA #84.048
    - Pate - Promoting Access in Technical Education CFDA #84.048
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$669,803.
- The College is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

### **Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards***

None

# CUYAHOGA COMMUNITY COLLEGE

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

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### Findings and Questioned Costs Relating to Federal Awards

#### FINDING NO.

#### 99-1 Federal Work-Study Program (CFDA No. 84.033)

**Condition** - During our testing of the Federal Work-Study Program, it was noted that one of the five students selected for testing was paid \$6,720 from Federal Work-Study Funds; however, the student had not been awarded a Federal Work-Study grant. Expenditures totaling \$694,712 were made by the College under the program during the year ended June 30, 1999.

**Criteria** - The Federal Work-Study Program specifies the eligibility requirements under the program.

**Effect** - The College has received funds from the Federal government to which it is not entitled.

**Questioned Costs** - \$6,720

**Recommendation** - The College should reimburse the federal government for any grant funds received pertaining to ineligible students. In addition, the College should implement adequate controls (including controls within the College's electronic data processing system) to prevent similar instances from occurring in the future.

**CUYAHOGA COMMUNITY COLLEGE**

**STATUS OF PRIOR YEAR FINDINGS**

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

# CUYAHOGA COMMUNITY COLLEGE

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 1999

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### Findings and Questioned Costs Relating to Federal Awards

#### FINDING NO.

#### 99-1 Federal Work-Study Program (CFDA No. 84.033)

The finding is accurate. A student, not awarded College Work-Study, was classified as a work-study employee in the Human Resources System resulting in payment from federal funds rather than the appropriate part-time student employment budget. For this student the College was not in compliance with regulations addressing cash management procedures (The Blue Book; published by the U.S. Department of Education).

Review all student employees for the 9899 award year to ensure appropriate payroll assignment.	Armetia DeHart Bonnie Guyer
Restore the \$6,720 to the work-study fund and revise the FISAP.	Norm Wells
Utilize system reports for monitoring work-study earning for each pay period. These reports will also identify students with incorrect payroll assignments.	Armetia DeHart
Notify Human Resources, before the next pay period, of any required revisions.	Armetia DeHart
Implement procedures for processing student employees in the Human Resources System.	Marvin Pflaum Bonnie Guyer

Note: During the 1998-1999 school year, BANNER Financial Aid was operating in 3.0 while the other systems were in the 2.0 version. All systems are now operating in the same environment.

We will complete all corrective actions by December 31, 1999.





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CUYAHOGA COMMUNITY COLLEGE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MARCH 2, 2000