

**NORTHEASTERN  
OHIO UNIVERSITIES  
COLLEGE OF MEDICINE**

*Single Audit Report  
for the Year Ended  
June 30, 2000*



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

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4209 State Route 44, PO Box 95  
Rootstown, Ohio 44272-0095

We have reviewed the Independent Auditor's Report of the Northeastern Ohio Universities College of Medicine, Portage County, prepared by Deloitte & Touche LLP, for the audit period July, 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

January 25, 2001

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Northeastern Ohio Universities College of Medicine  
4209 State Route 44  
PO Box 95  
Rootstown, Ohio 44272-0095

We have audited the accompanying balance sheet of the Northeastern Ohio Universities College of Medicine (the "College") as of June 30, 2000, and the related statement of changes in undesignated fund balances, statement of current funds revenues, expenditures and other changes, and statement of changes in current funds designated fund balances 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 for the year ended June 30, 1999 were audited by other auditors whose report, dated December 15, 1999, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2000, and the changes in fund balances and the 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.

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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This supplemental schedule is the responsibility of the management of the College. 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 17, 2000 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Deloitte &amp; Touche LLP". The signature is written in a cursive, flowing style.

November 17, 2000

## NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

### BALANCE SHEETS

**JUNE 30, 2000**

**With comparative amounts on June 30, 1999**

<b>ASSETS</b>	<b>2000</b>	<b>1999</b>	<b>LIABILITIES AND FUND BALANCES</b>	<b>2000</b>	<b>1999</b>
<b>CURRENT FUNDS:</b>			<b>CURRENT FUNDS:</b>		
Unrestricted:			Unrestricted:		
Educational and general:			Educational and general:		
Cash and temporary investments	\$ 7,276,773	\$ 7,228,840	Accounts payable	\$ 846,436	\$ 745,649
Accounts receivable	126,399	202,118	Accrued wages and benefits	698,335	561,591
Unbilled charges	472,405	145,915	Payroll withholdings payable	127,566	187,020
Inventories (at cost)	152,695	182,035	Compensated absences	835,956	750,236
Prepaid expenses and deferred charges	<u>197,814</u>	<u>213,187</u>	Deferred revenue	16,366	15,646
Total educational and general	<u>8,226,086</u>	<u>7,972,095</u>	Other accrued liabilities	1,188,134	1,791,600
Auxiliary enterprises:			Fund balances:		
Cash and temporary investments	49,654	78,363	Designated	2,983,417	2,390,837
Accounts receivable	12,765	12,410	Undesignated	<u>1,529,876</u>	<u>1,529,516</u>
Inventories (at cost)	<u>60,732</u>	<u>65,210</u>	Total educational and general	<u>8,226,086</u>	<u>7,972,095</u>
Total auxiliary enterprises	<u>123,151</u>	<u>155,983</u>	Auxiliary enterprises:		
Total unrestricted	<u>8,349,237</u>	<u>8,128,078</u>	Accounts payable	5,337	15,400
Restricted:			Accrued wages and benefits	16,644	13,554
Cash and temporary investments	1,214,304	1,390,025	Compensated absences	10,843	9,532
Accounts receivable	691,809	454,852	Other accrued liabilities	6,664	10,000
Unbilled charges	292,885	362,886	Fund balances:		
Prepaid expenses	<u>10,918</u>	<u>          </u>	Designated	3,874	-
Total restricted	<u>2,209,916</u>	<u>2,207,763</u>	Undesignated	<u>79,789</u>	<u>107,497</u>
			Total auxiliary enterprises	<u>123,151</u>	<u>155,983</u>
			Total unrestricted	<u>8,349,237</u>	<u>8,128,078</u>
			Restricted:		
			Accounts payable	365,480	151,052
			Accrued wages and benefits	52,454	36,149
			Compensated absences	45,570	46,285
			Other accrued liabilities	287,373	928,265
			Fund balances:		
			Restricted	<u>1,459,039</u>	<u>1,046,012</u>
			Total restricted	<u>2,209,916</u>	<u>2,207,763</u>
<b>TOTAL CURRENT FUNDS</b>	<u><b>\$ 10,559,153</b></u>	<u><b>\$ 10,335,841</b></u>	<b>TOTAL CURRENT FUNDS</b>	<u><b>\$ 10,559,153</b></u>	<u><b>\$ 10,335,841</b></u>

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

## NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

### BALANCE SHEETS

JUNE 30, 2000

With comparative amounts on June 30, 1999

<b>ASSETS</b>	<b>2000</b>	<b>1999</b>	<b>LIABILITIES AND FUND BALANCES</b>	<b>2000</b>	<b>1999</b>
LOAN FUNDS:			LOAN FUNDS:		
Cash and temporary investments	\$ 240,931	\$ 220,283	Fund balances:		
Notes receivable	<u>2,862,092</u>	<u>2,720,764</u>	U.S. government grants refundable:		
			Perkins student loan fund	\$ 1,480,787	\$ 1,395,566
<b>TOTAL LOAN FUNDS</b>	<b><u>\$ 3,103,023</u></b>	<b><u>\$ 2,941,047</u></b>	Health professionals student loan fund	1,315,494	1,252,466
			Health professionals loans to disadvantaged students	210,261	205,520
ENDOWMENT FUNDS:			College funds - restricted	<u>96,481</u>	<u>87,495</u>
Cash and temporary investments	<u>\$ 371,708</u>	<u>\$ 368,708</u>			
			<b>TOTAL LOAN FUNDS</b>	<b><u>\$ 3,103,023</u></b>	<b><u>\$ 2,941,047</u></b>
PLANT FUNDS:			ENDOWMENT FUNDS:		
Unexpended plant funds:			Fund balances - restricted	<u>\$ 371,708</u>	<u>\$ 368,708</u>
Cash and temporary investments	\$ 2,967,667	\$ 3,315,604			
Unbilled charges	9,449	69,474	PLANT FUNDS:		
Prepaid expenses	<u>146,668</u>	<u>200,832</u>	Unexpended plant funds:		
Total unexpended plant funds	<u>3,123,784</u>	<u>3,585,910</u>	Accounts payable	\$ 52,774	\$ 58,895
			Accrued liabilities		52,325
Investment in plant:			Fund balances - Unrestricted	<u>3,071,010</u>	<u>3,474,690</u>
Land and improvements other than buildings	1,163,313	1,163,313	Total unexpended plant funds	<u>3,123,784</u>	<u>3,585,910</u>
Buildings	43,836,902	43,127,012			
Movable equipment, furniture and library books	<u>20,793,107</u>	<u>18,936,102</u>	Investment in plant:		
Total investment in plant	<u>65,793,322</u>	<u>63,226,427</u>	Fund balances - net investment in plant	<u>65,793,322</u>	<u>63,226,427</u>
<b>TOTAL PLANT FUNDS</b>	<b><u>\$ 68,917,106</u></b>	<b><u>\$ 66,812,337</u></b>			
			<b>TOTAL PLANT FUNDS</b>	<b><u>\$ 68,917,106</u></b>	<b><u>\$ 66,812,337</u></b>
AGENCY FUNDS:			AGENCY FUNDS:		
Cash and temporary investments	\$ 198,346	\$ 135,872	Accounts payable	\$ 10,462	\$ 3,276
Accounts receivable	65	29,614	Other accrued liabilities	42,160	46,074
Unbilled charges	<u>975</u>	<u>          </u>	Deposits held in custody for others	<u>146,764</u>	<u>116,136</u>
<b>TOTAL AGENCY FUNDS</b>	<b><u>\$ 199,386</u></b>	<b><u>\$ 165,486</u></b>			
			<b>TOTAL AGENCY FUNDS</b>	<b><u>\$ 199,386</u></b>	<b><u>\$ 165,486</u></b>

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

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## STATEMENT OF CHANGES IN UNDESIGNATED FUND BALANCES YEAR ENDED JUNE 30, 2000

	Current Funds					Loan Funds	Endowment Funds	Plant Funds	
	Unrestricted			Restricted	Total Current Funds			Unexpended	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General					
REVENUES AND OTHER ADDITIONS:									
Unrestricted current fund revenues	\$25,758,575	\$810,210	\$26,568,785		\$26,568,785				
State appropriations-restricted				\$2,295,054	2,295,054			\$48,845	
Federal grants and contracts-restricted				2,656,615	2,656,615	\$76,357			
State grants and contracts-restricted				564,376	564,376				
Local grants and contracts-restricted				77,211	77,211				
Private gifts, grants, and contracts-restricted				1,431,790	1,431,790	100	\$3,000		\$241,908
Endowment income-restricted				11,940	11,940	8,596			
Investment income-restricted						7,855			
Interest on loans receivable						54,018			
Expended for plant facilities (including \$678,106 charged to current fund expenditures)									1,995,384
State of Ohio projects capitalized									946,224
Total revenues and other additions	<u>25,758,575</u>	<u>810,210</u>	<u>26,568,785</u>	<u>7,036,986</u>	<u>33,605,771</u>	<u>146,926</u>	<u>3,000</u>	<u>48,845</u>	<u>3,183,516</u>
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general expenditures	23,701,802		23,701,802	5,944,622	29,646,424				
Auxiliary enterprises expenditures		834,044	834,044		834,044				
Indirect costs recovered				675,422	675,422				
Refunded to grantors				3,915	3,915				
Loan cancellations and write-offs						2,768			
Administrative and collection costs						337			
Expended for plant facilities (including \$413,318 not capitalized)								1,898,203	
Disposal and write-offs of plant facilities									616,621
Total expenditures & other deductions	<u>23,701,802</u>	<u>834,044</u>	<u>24,535,846</u>	<u>6,623,959</u>	<u>31,159,805</u>	<u>3,105</u>		<u>1,898,203</u>	<u>616,621</u>
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):									
Mandatory - Loan fund matching grants	(18,155)		(18,155)		(18,155)	18,155			
Nonmandatory:									
Change in current designated fund balances	(592,580)	(3,874)	(596,454)		(596,454)				
Capital improvements	(1,445,678)		(1,445,678)		(1,445,678)			1,445,678	
Total transfers	<u>(2,056,413)</u>	<u>(3,874)</u>	<u>(2,060,287)</u>		<u>(2,060,287)</u>	<u>18,155</u>		<u>1,445,678</u>	
NET INCREASE/(DECREASE) FOR THE YEAR	360	(27,708)	(27,348)	413,027	385,679	161,976	3,000	(403,680)	2,566,895
UNDESIGNATED FUND BALANCE, BEGINNING OF YEAR	<u>1,529,516</u>	<u>107,497</u>	<u>1,637,013</u>	<u>1,046,012</u>	<u>2,683,025</u>	<u>2,941,047</u>	<u>368,708</u>	<u>3,474,690</u>	<u>63,226,427</u>
UNDESIGNATED FUND BALANCE, END OF YEAR	<u>\$1,529,876</u>	<u>\$79,789</u>	<u>\$1,609,665</u>	<u>\$1,459,039</u>	<u>\$3,068,704</u>	<u>\$3,103,023</u>	<u>\$371,708</u>	<u>\$3,071,010</u>	<u>\$65,793,322</u>

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

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000

With comparative amounts on June 30, 1999

	Unrestricted			Restricted Educational and General	Total Current Funds 2000	Total Current Funds 1999
	Educational and General	Auxiliary Enterprises	Total Unrestricted			
REVENUES:						
Tuition, fees and other student charges	\$ 5,742,805		\$ 5,742,805		\$ 5,742,805	\$ 5,614,360
State appropriations	17,168,105		17,168,105	\$ 1,971,062	19,139,167	18,750,177
Federal grants and contracts	641,534		641,534	2,033,010	2,674,544	2,434,949
State grants and contracts	916,085		916,085	490,190	1,406,275	1,256,771
Local grants and contracts				77,211	77,211	74,885
Private gifts, grants and contracts	185,644		185,644	1,362,649	1,548,293	1,331,070
Endowment income				10,500	10,500	13,000
Sales and services	330,776	\$ 810,210	1,140,986		1,140,986	1,176,800
Other sources	<u>773,626</u>		<u>773,626</u>		<u>773,626</u>	<u>614,568</u>
Total revenues	<u>25,758,575</u>	<u>810,210</u>	<u>26,568,785</u>	<u>5,944,622</u>	<u>32,513,407</u>	<u>31,266,580</u>
EXPENDITURES AND						
MANDATORY TRANSFERS:						
Educational and general:						
Instruction and departmental research	8,683,204		8,683,204	2,610,968	11,294,172	11,726,551
Separately budgeted research	696,172		696,172	2,114,021	2,810,193	2,403,114
Public service	12,397		12,397	155,646	168,043	122,647
Academic support	3,942,646		3,942,646	793,364	4,736,010	4,634,452
Student services	1,553,223		1,553,223	1,763	1,554,986	1,552,235
Institutional support	6,210,351		6,210,351	372	6,210,723	5,592,822
Operation and maintenance of plant	2,555,418		2,555,418		2,555,418	2,389,057
Scholarships and fellowships	<u>48,391</u>		<u>48,391</u>	<u>268,488</u>	<u>316,879</u>	<u>314,019</u>
Total educational and general expenditures	23,701,802		23,701,802	5,944,622	29,646,424	28,734,897
Auxiliary enterprises - expenditures		834,044	834,044		834,044	864,581
Mandatory transfers for loan fund matching grants	<u>18,155</u>		<u>18,155</u>		<u>18,155</u>	<u>19,800</u>
Total expenditures and mandatory transfers	<u>23,719,957</u>	<u>834,044</u>	<u>24,554,001</u>	<u>5,944,622</u>	<u>30,498,623</u>	<u>29,619,278</u>
NONMANDATORY TRANSFERS AND OTHER ADDITIONS (DEDUCTIONS):						
Nonmandatory transfers for:						
Change in current designated fund balances	(592,580)	(3,874)	(596,454)		(596,454)	82,324
Capital improvements	(1,445,678)		(1,445,678)		(1,445,678)	(1,643,223)
Excess/(deficiency) of restricted receipts over transfers to revenue				1,092,364	1,092,364	556,009
Indirect costs recovered				(675,422)	(675,422)	(562,039)
Refunded to grantors				<u>(3,915)</u>	<u>(3,915)</u>	<u>(10,122)</u>
NET INCREASE/(DECREASE) IN UNDESIGNATED FUND BALANCE						
	<u>\$ 360</u>	<u>\$ (27,708)</u>	<u>\$ (27,348)</u>	<u>\$ 413,027</u>	<u>\$ 385,679</u>	<u>\$ 70,251</u>

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



# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## STATEMENT OF CHANGES IN CURRENT FUNDS DESIGNATED FUND BALANCES YEAR ENDED JUNE 30, 2000

	Balances July 1, 1999	Undesignated Fund Balance		Balances June 30, 2000
		Transfer from	Transfer to	
<b>EDUCATIONAL AND GENERAL:</b>				
Reserve for encumbrances	\$ 234,652	\$ 233,047	\$ 234,652	\$ 233,047
Reserve for subsequent year operations	213,187	197,814	213,187	197,814
Continuing medical education conferences	123,423		13,694	109,729
Recruitment of faculty/staff	186,734	194,158	122,993	257,899
Intramural research support	660,145	322,223	309,868	672,500
Recruitment of students	106,606	42,483	64,089	85,000
General liability	75,000			75,000
Unemployment compensation	40,000	6,682	6,682	40,000
Fire/theft loss	50,000	718	718	50,000
Alumni relations	33,023		33,023	
Collaborative research support	116,296	17,685	8,480	125,501
Departmental carryover	83,373	54,616	26,989	111,000
Legal support	125,000	67,930	67,930	125,000
Faculty leaves	145,628	84,764	92,420	137,972
Course development	50,000	59,800	7,624	102,176
Sick leave donation program	20,000	9,566	9,566	20,000
Training and development	127,770	23,861	31,631	120,000
Education and technology development-operating		549,489	93,710	455,779
CHS faculty development		15,000		15,000
Special initiatives		50,000		50,000
	<u>\$ 2,390,837</u>	<u>\$ 1,929,836</u>	<u>\$ 1,337,256</u>	<u>\$ 2,983,417</u>
<b>TOTAL AND EDUCATIONAL AND GENERAL</b>				
<b>AUXILIARY ENTERPRISES:</b>				
Reserve for encumbrances:				
Bookstore	\$	\$ 999	\$	\$ 999
Parking		2,875		2,875
Dining service				
	<u>\$</u>	<u>\$ 3,874</u>	<u>\$</u>	<u>\$ 3,874</u>
<b>TOTAL AUXILIARY ENTERPRISES</b>				

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

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Accrual Basis** - The financial statements of the Northeastern Ohio Universities College of Medicine (hereinafter referred to as the "College" or "NEOUCOM") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for educational institutions. Depreciation of the College's plant and facilities is not recognized. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**Fund Accounting** - Under this accounting method, resources for various purposes are classified into funds in accordance with specified activities or objectives with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups and all financial transactions are recorded and reported by such fund groups, described as follows:

Current funds include all funds available for current operations. They consist of unrestricted current funds, which are available for general operating purposes, and restricted current funds, which are restricted by the donor or external organization to specific operating purposes or departments. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Loan funds include resources, primarily from the federal government, available for loans to students. Loans granted are recorded as receivables of the fund until repaid, at which time the money becomes available for new loans. Interest on loans receivable is recorded when received.

Endowment and similar funds include resources subject to the restrictions of the gift instruments requiring in perpetuity that the principal be invested and the income only be utilized for donor specified purposes. These purposes include scholarships and loans.

Plant funds include unexpended funds for the purpose of acquiring, constructing or improving the physical property of the College, and the College's investment in institutional property and facilities.

Agency funds include amounts held in custody for College related organizations and others.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds designated to specific institutional purposes by action of the Board of Trustees.

All gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which 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.

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

***Inventories*** - Inventories are stated at the lower of cost or market. Cost is generally determined on an average cost basis.

***Investment in Plant*** - Land, buildings and equipment are recorded at cost at the date of acquisition, or if acquired by gift, at an appraised value at the date of donation.

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 debt amortization and interest, and equipment renewal and replacement; and (3) as transfers of a nonmandatory nature for all other cases.

The College does not provide depreciation on assets in the investment in plant fund. As a public-sector entity, the College is not required to adopt the provisions of Financial Accounting Standards Board Statement (“FASB”) No. 93, *Recognition of Depreciation by Not-For-Profit Organizations*. The Governmental Accounting Standards Board (“GASB”) is currently assessing the future public-sector reporting requirements for this matter.

***Compensated Absences*** - The College records a liability for vacation accrued by full time employees, all of whom are eligible for this benefit. Within certain limitations, payment is made for accrued vacation upon separation from the College.

Accumulated sick leave is also accrued by the College. All leave will either be absorbed by time off from work or, within certain limitations, be paid to employees only upon retirement or termination of employment with the College.

***Income Taxes*** - The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, with the exception of unrelated business income, which is not significant.

***Gifts and Pledges*** - The College does not report pledges in the financial statements until the gifts are collected. The College’s gift records indicate that no material pledges were outstanding on June 30, 2000. Since the pledges are often payable either at the discretion of the donors or through their estates, neither the realizable value nor the period of collection can be determined.

***Recently Issued Accounting Pronouncements*** - During December 1998, the GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and, during April 2000, the GASB issued Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues* (an amendment of GASB Statement No. 33). In general, GASB Statements No. 33 and 36 establish 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. The statements are effective for the College’s year ending June 30, 2001 and management has not yet determined the impact that implementation of GASB Statements No. 33 and 36 will have on its financial statements.

During November 1999, the GASB issued Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, which establishes comprehensive, new financial reporting requirements for governmental colleges and universities throughout the United States. When implemented, it will provide additional information and restructure much of the financial information that the College has presented in the past in an effort to make the College’s annual report more comprehensive and easier to understand and use. In this regard, the College will be required to make certain accounting changes, such as the depreciation of its investment in plant (excluding land), prepare its annual financial statements in accordance with a revised format and include with the financial statements a management discussion and analysis and certain required supplementary information. The statement is effective for the College’s fiscal year ending June 30, 2003 and management has not yet determined the impact that the implementation of the statement will have on its reported financial position and changes therein.

## 2. ORGANIZATION

The College was created as a public institution of higher learning by the General Assembly of the State of Ohio on November 23, 1973 by statutory act under Chapter 3350 of the Ohio Revised Code. The principal goal of the College is to graduate physicians oriented to the practice of medicine at the community level, especially family physicians.

Established as a consortium of three state-funded institutions, The University of Akron, Kent State University, and Youngstown State University, the College is a free-standing, state-supported, community-based medical school, which offers a combined BS/MD program. The College has established collaborative arrangements with Kent State University and The University of Akron to offer graduate-level education in the biomedical sciences and biomedical engineering leading to master's and doctoral degrees. The College and its associated hospitals co-sponsor graduate and continuing medical education programs for residents, physicians and allied health professionals.

The College is governed by a nine-member Board of Trustees consisting of the president of each university, one member from each of the three universities' board of trustees, and one public member appointed by each of the three universities' board of trustees.

The College is fully accredited by the Joint Liaison Committee on Medical Education of the Association of American Medical Colleges, and the American Medical Association, and the North Central Association of Colleges and Schools.

In serving the seventeen county region of northeastern Ohio, the College functions as a consortium of the three aforementioned regional universities, which provide the undergraduate arts and sciences curriculum. Scientists present the basic medical sciences curriculum on the College's campus; associated community hospitals serve as a base for clinical education, and more than 1,500 practicing physicians teach clinical medicine. The associated community hospitals are:

### **Major Teaching Hospitals and Health Departments:    Other Associated Hospitals:**

Akron General Medical Center  
Akron Health Department  
Aultman Hospital, Canton  
Barberton Citizens Hospital  
Children's Hospital Medical Center of Akron  
Humility of Mary Health Partners, Youngstown  
St. Elizabeth Health Center  
Mercy Medical Center, Canton  
Summa Health System Hospitals, Akron  
Akron City Hospitals  
St. Thomas Hospital  
Forum Health Organization  
Northside Medical Center, Youngstown  
Tod Children's Hospital, Youngstown

Edwin Shaw Hospital for Rehabilitation, Akron  
Forum Health Organization  
Hillside Rehabilitation Hospital, Warren  
Trumbull Memorial Hospital, Warren  
Heartland Behavioral Healthcare  
Lodi Community Hospital  
Massillon Psychiatric Center  
Robinson Memorial Hospital, Ravenna  
Salem Community Hospital  
Wadsworth-Rittman Hospital, Wadsworth

NEOUCOM has established collaborative arrangements with the consortium universities to offer graduate-level education in the biomedical sciences and biomedical engineering leading to masters and doctoral degrees. In addition, the Northeastern Ohio Universities Master of Public Health program is a partnership between The University of Akron, Cleveland State University, Kent State University, NEOUCOM and Youngstown State University. This program is a non-traditional course of study geared toward the working professional who seek to broaden their role in improving community health, enhance current job skill or seek career advancement.

The College and its associated hospitals co-sponsor and continuing medical education programs for residents, physicians and allied health professionals.

### 3. STATE SUPPORT

The College is a state-assisted institution of higher education, which receives a student-based subsidy from the State of Ohio (the "State"). This subsidy is determined annually based upon a formula developed by the Ohio Board of Regents.

In addition to student subsidies, the state of Ohio provides the funding for construction of major plant facilities on the College's campus and medical education facilities at associated teaching hospitals. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission ("OPFC"), which in turn causes the construction and subsequent transfer of the facility to the College by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns control over to the College. Not included in these financial statements are medical education facilities financed by the state agencies, which have been constructed at the locations of the associated hospitals.

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 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.

Plant facilities on the College's campus are reflected as buildings or construction in progress in the accompanying balance sheet. The State appropriations for these facilities are recognized as fund additions in the plant funds when funds are expended by the State. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

### 4. CASH AND INVESTMENTS

**Cash** - The College's bank deposits and cash on hand for all fund groups at June 30, 2000 and 1999 are summarized as follows:

	2000	1999
College's book value (overdraft)	\$ (1,531,915)	\$ (678,168)
Cash on hand	\$ 5,163	\$ 5,188
Bank balances	\$ 15,903	\$ 38

The difference in the College's book values and bank balances is caused by cash on hand and items in transit, consisting primarily of outstanding checks. All of the bank balances are covered by Federal depository insurance.

**Investments** - In accordance with the policies of the Board of Trustees of the College, the types of investments which may be purchased by the College are restricted to United States government securities, Federal agencies' securities, certificates of deposit and bank repurchase agreements. The practice of the College's management has been to invest in the short-term.

The College's investments for all fund groups at June 30, 2000, and 1999 are summarized as follows:

	<b>Carrvina Market Value 2000</b>	<b>Carrvina Market Value 1999</b>
Bank money market fund	\$ 4,358,847	\$ 581,684
State Treasury Asset Reserve of Ohio	<u>9,487,288</u>	<u>12,828,991</u>
	<u>\$13,846,135</u>	<u>\$13,410,675</u>

Statement No. 3 of the GASB requires government entities to categorize investments to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes investments that are insured or registered for which securities are held by the College or its agent in the name of the College. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the College. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the College's name.

The money market fund investment is fully collateralized through the investment department of the financial institution through which the investments were acquired, which maintains the supporting U.S. government and agency securities in its safekeeping account at the Federal Reserve Bank in "book entry" form in the name of the financial institution, but which also internally designates the securities as owned by or pledged to the College (Category 3).

The College's investment in the State Treasury Asset Reserve of Ohio ("STAROhio") is not classified by custodial credit risk category because it represents an investment pool managed by the Treasurer of the State of Ohio and is not evidenced by securities that exist in physical or book entry form. STAROhio allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2000.

## 5. COMMITMENTS AND CONTINGENCIES

The College has entered into various contractual service agreements with its associated hospitals primarily for clinical instruction, and for research and other services. For fiscal years ended June 30, 2000, and 1999, these contracts totaled \$3,060,194 and \$3,524,163, respectively. At June 30, 2000 and 1999, the College had recorded accrued liabilities in the current funds of \$1,074,140 and \$2,577,409, respectively, which represented unbilled services rendered by the associated hospitals under these contracts.

The College receives grants and contracts from certain federal, state, and private agencies to fund research and other programs. The costs, both direct and indirect, which have been charged to the grant or contract, are audited annually in accordance with Office of Management and Budget Circular A-133. Such audits are subject to the approval of the granting agency which reserves the right to conduct further examinations. It is the opinion of the College's management that any potential disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

Not included in these financial statements are unexpended capital appropriations due from the State for various construction and improvement projects as described in Note 3. During the year ended June 30, 2000, approximately \$1.4 million was expended from these capital appropriations, of which \$946,224 was capitalized in the College's financial statements. On June 30, 2000, capital appropriations of approximately \$2.7 million remained unexpended for various capital improvements.

Not included in these financial statements are the following outstanding contractual commitments at June 30, 2000 and 1999 in the form of College purchase orders.

	2000	1999
Funded by College current and unexpended plant funds	\$ 635,760	\$ 1,057,109
Funded by State of Ohio capital appropriations	<u>715,177</u>	<u>590,733</u>
Total contractual commitments	<u>\$ 1,350,937</u>	<u>\$ 1,647,842</u>

## 6. EMPLOYEE BENEFIT PLANS

**Retirement Plans** - Retirement benefits are available to substantially all College employees by participation in either the Public Employers Retirement System of Ohio (“PERS”), the State Teachers Retirement System of Ohio (“STRS”), or an Alternative Retirement Plan (“ARP”).

PERS and STRS are statewide, cost-sharing, multiple-employer defined benefit pension plans. PERS and STRS 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 PERS and STRS issue separate, publicly available financial reports that include financial statements and required supplementary information. The PERS financial report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085, or 1-800-222 PERS (7377).

The STRS financial report may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for employee and employer contributions to PERS and STRS. For PERS, the required, actuarially determined, contribution rates for plan members and the College are 8.50% and 13.31% of covered payroll, respectively. The required, actuarially determined contribution rates for STRS plan members and the College are 9.30% and 14.00% of covered payroll, respectively.

Eligible College employees may choose an ARP in lieu of PERS or STRS. For employees electing an ARP, the College is required to make employer contributions of 6% of earned compensation to PERS or STRS. In addition, the College contributes 8% or 7.31% of earned compensation for PERS or STRS-eligible employees respectively, to the employees’s account with the ARP provider.

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 PERS and STRS 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 healthcare 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.

The College's contributions, including employer contributions for pensions and other postretirement benefits, for the year ended June 30, 2000 and for each of the two preceding years are:

Year Ended June 30	PERS Annual Required Contributions	STRS Annual Required Contributions	ARP Annual Contributions
2000	\$ 1,075,747	\$ 555,978	\$ 193,163
1999	1,101,098	547,771	72,949
1998	1,032,715	616,978	(Not Applicable)

**Postretirement Benefits Other Than Pensions** - In addition to basic retirement benefits, both the Public Employees and State Teachers Retirement Systems also provide eligible members with disability, health care, survivor and death benefits based on eligible credited service. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care benefits through their contributions to PERS and STRS.

PERS provides postretirement health care coverage to eligible retirants and their dependents with ten or more years of qualifying Ohio service. Employer contributions equal to 4.2% of member covered payroll are set aside to fund health care expenses.

PERS's expenditures for postretirement health care benefits (OPEB) during 1999 were \$524 million. As of December 31, 1999 (latest information available), the unaudited, estimated net assets available for future OPEB payments were \$9.9 billion. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

STRS' postretirement health care benefits are advance funded, but not on an actuarially determined basis. Of the total required employer contributions of 14% for STRS, 8%, is the portion used to fund postretirement health care benefits for fiscal years ended June 30, 1999 and 2000. Net health care costs paid by the Plan were \$250 million for the year ended June 30, 1999 (latest information available). Eligible benefit recipients totaled 95,796. The balance in the health care reserve fund was \$2.8 billion.

## 7. RELATED ORGANIZATION

Not included in the accompanying financial statements is the NEOUCOM Foundation ("Foundation"), a legally separate, not-for-profit organization incorporated in 1978 and operated exclusively for the benefit of the College. The primary purpose of the Foundation is to provide developmental support to increase resources benefiting all groups of the College including students, faculty, and employees.

Management of the College has determined that the Foundation is not a component unit of the College as defined by Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity".

Foundation funds available for student scholarships and loans are disbursed directly to the recipients by the Foundation. Amounts received by the College directly from the Foundation are included in private gifts, grants, and contracts in the accompanying financial statements.

The College provides accounting and various other services and office space for the Foundation at no charge.



Unaudited summary financial information of the Foundation is as follows for the years ended June 30, 2000 and 1999:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2000 Total	1999 Total
Contributions, gains, and other support*	\$ 1,647,614	\$ (496,410)	\$ 824,811	\$ 1,976,015	\$ 1,734,783
Expenditures*	1,450,525			1,450,525	1,365,753
Donor specified transfers	<u>-</u>	<u>(108,306)</u>	<u>108,306</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	197,089	(604,716)	933,117	525,490	369,030
Net assets, beginning of year	<u>664,295</u>	<u>2,717,646</u>	<u>1,955,888</u>	<u>5,337,829</u>	<u>4,968,799</u>
Net assets, end of year	<u>\$ 861,384</u>	<u>\$ 2,112,930</u>	<u>\$ 2,889,005</u>	<u>\$ 5,863,319</u>	<u>\$ 5,337,829</u>

\*Includes \$341,206 and \$427,695, respectively, of in-kind support from the College for years ended June 30, 2000 and 1999.

## 8. AGENCY FUNDS

The College provides banking services for various student activities, clubs and groups.

In addition, the College serves as the fiscal agent for the Canton Area Regional Health Education Network (“CARHEN”) and the Summit-Portage Area Regional Health Education Network (“SPAHEN”). Both CARHEN and SPAHEN are separately incorporated not-for-profit organizations.

Net assets held in custody by the College on June 30, 2000 and 1999, were as follows:

	2000	1999
CARHEN	\$ 61,104	\$ 60,074
SPAHEN	53,256	25,927
Student activities and clubs	27,317	23,362
Other organizations	<u>5,087</u>	<u>6,773</u>
Total agency net assets	<u>\$ 146,764</u>	<u>\$ 116,136</u>

## 9. SUBSEQUENT EVENT

On August 4, 2000, the College was awarded a federal grant in the amount of \$2.6 million for construction of a Medical Education Conference and Learning Center. Total construction costs for the 26,000 square foot center are estimated at \$6.1 million, which includes anticipated state capital appropriations of \$2.0 million, and \$1.5 million expected to be raised from private sources. The Center will provide needed space to accommodate meetings for all six classes of 630 students in the BS/MD program, nearly half of the College’s 1,600 basic and clinical sciences faculty, and numerous continuing education programs in medicine, nursing, and allied health.

\* \* \* \* \*

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	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 Family Education Loans (FFEL)	84.032	\$ -
Federal Perkins Loans (FPL)	84.038	192
Federal Work Study (FWS)	84.033	<u>30,993</u>
Total U.S. Department of Education		<u>31,185</u>
<b>U.S. Department of Health and Human Services (Direct Programs):</b>		
Health Professions Student Loans/		
Health Professions Student Loans (HPSL)	93.342	145
Loans to Disadvantaged Students	93.342	<u>-</u>
Total CFDA #93.342		<u>145</u>
Scholarship Program for Students of Exceptional Need (EFNS)	93.820	42,811
Financial Aid to Disadvantaged Health Professions Students	93.139	31,005
Scholarships to Disadvantaged Students	93.925	<u>33,983</u>
Total U.S. Department of Health and Human Services		<u>107,944</u>
<b>TOTAL STUDENT FINANCIAL AID</b>		<u>139,129</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>		
<b>U.S. Department of Health and Human Services:</b>		
Passed through from the National Institute of Health:		
Natural Immunity and Bone Resorption	93.121	124,592
Downstream Effectors of Growth Hormone on Alveolar Bone	93.121	<u>31,881</u>
Total CFDA #93.121		<u>156,473</u>
Auditory Tecto-Thalamic Pathways Information Processing	93.173	150,012
LTP and Spatial Learning	93.242	98,761
Mechanism and Importance of Hypoxia-induced Hypothermia	93.837	2,411
Mechanisms of Resolution of Neurogenic Pulmonary Edema	93.838	106,510
Mineral-Matrix Relations in Calcifying Tissues (\$68,429 passed through to subrecipients)	93.846	384,467
The Role of BCL-2 Proteins in Chondrocyte Biology	93.846	<u>27,298</u>
Total CFDA#93.846		<u>411,765</u>
Molecular Biology of Bile Acid Synthesis	93.848	<u>168,637</u>

(Continued)

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER OR PRIMARY GRANT NUMBER	EXPENDITURES
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>		
<b>U.S. Department of Health and Human Services (Direct Programs):</b>		
Female Reproductive Organs and Their Innervation	93.854	163,156
Neurochemical Spinal Circuitry and Uterine Innervation	93.854	152,319
Intrafusal Fiber Expression of Cardiac Sarcomeric Genes	93.854	23,558
Microglia in Retrovirus-Induced Neurodegeneration	93.854	<u>83,830</u>
Total CFDA#93.854		<u>422,863</u>
Regulation of Bile Acid Synthesis	93.859	193,372
Thermal Hyperalgesia in Aged Rats	93.866	7,749
Cell Matrix Interactions in Corneal Stromal Development	93.867	6,542
Planning a Conference to Convene a Panel to Evaluate Findings on Research Exploring the Value Added by Educational Activities to Clinical Care	98-BHPR-A262737	<u>16,950</u>
Total National Institute of Health		<u>1,742,045</u>
Passed through from the National Science Foundation:		
Toward the Origin of Whales	47.050	1,922
Paleobiology of the First Whales: Radiation of Pakicetid Ceraceansin Eocene Pakist	47.050	<u>64,763</u>
Total CFDA#47.050		<u>66,685</u>
The Function of Nonprismatic Enamel in Fruit and Nectar Feeding Mannals	47.074	3,348
The Ecomorphology of Mammalian Frugivores: A Test of Congruence Between Cra Morphology and Feeding Behavior	47.074	77,565
Ecomorphological Analysis of Nectar-Feeding Performance in Flower-Visiting Bats	47.074	<u>845</u>
Total CFDA#47.074		<u>81,758</u>
Total National Science Foundation		<u>148,443</u>
Passed through from the Ohio Department of Human Services:		
A Comprehensive Assessment of Medicaid Purchased Healthcare in Rural Ohio	N/A	19,619
Passed through National Aeronautics and Space Administration:		
The Effect of Hypergravity on Bone Cell Cultures (\$16,064 passed through to subrecipients)	NAG5-7789	73,365

(Continued)

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

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

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER OR PRIMARY GRANT NUMBER	EXPENDITURES
Passed through Akron Health Department: Evaluation of a Lead Hazard Program	14.900	15,259
Passed through Summa Health System: A Primary Care Intervention for Obesity	93.226	<u>20,470</u>
<b>TOTAL RESEARCH AND DEVELOPMENT (ALL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)</b>		<u><b>2,019,201</b></u>
<b>OTHER PROGRAMS</b>		
<b>U.S. Department of Health and Human Services:</b>		
Direct Programs:		
Grants for Faculty Development in Family Medicine	93.895	123,111
Grants for Predoctoral Development in Family Medicine	93.896	58,840
Grants for Establishment of Depts in Family Medicine	93.984	64,072
Passed through from the Medical College of Ohio Model State Supported AHEC Program (\$146,027 passed through to subrecipients)	93.824	200,046
Passed through from the Ohio Department of Health Women's Health Month	93.991	15,726
Passed through Case Western Reserve University Grants for Geriatric Education Centers	93.969	<u>54,757</u>
<b>TOTAL OTHER PROGRAMS (ALL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES)</b>		<u><b>516,552</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$ 2,674,882</b></u>

See notes to Supplemental Schedule of Expenditures of Federal Awards.

(Concluded)

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2000

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### 1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Northeastern Ohio Universities College of Medicine (the "College") under programs financed by the U.S. government for the year ended June 30, 2000. The Schedule has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America 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 FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the College during the year ended June 30, 2000, totaled \$5,935,461. The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the College's financial statements or the Schedule.

### 3. OTHER FEDERAL LOAN PROGRAMS

The College administers the following additional federal loan programs:

	<b>CFDA Number</b>	<b>Outstanding Balance at June 30, 2000</b>
Federal Perkins Loan Program	84.038	\$ 1,428,190
Health Professions Student Loan Program - Loans to Disadvantaged Students	93.342	203,024
Health Professions Student Loan Program - Primary Care Loans	93.342	1,163,661

Total loan expenditures and disbursements under the U.S. Department of Education and the U.S. Department of Health and Human Services student financial assistance loan programs for the year ended June 30, 2000 are identified below:

	<b>CFDA Number</b>	<b>Disbursements</b>
Federal Perkins Loan Program	84.038	\$ 237,126
Health Professions Student Loan Program - Loans to Disadvantaged Students	93.342	28,000
Health Professions Student Loan Program - Primary Care Loans	93.342	123,574

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

\* \* \* \* \*



**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  
Northeastern Ohio Universities College of Medicine  
4209 State Route 44  
PO Box 95  
Rootstown, Ohio 44272-0095

We have audited the financial statements of the Northeastern Ohio Universities College of Medicine (the "College") as of and for the year ended June 30, 2000, and have issued our report thereon dated November 17, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial 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 17, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the College's internal control over financial reporting and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the College's internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding 00-01.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated November 17, 2000.

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 these specified parties.

*Deloitte & Touche LLP*

November 17, 2000





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

Board of Trustees  
Northeastern Ohio Universities College of Medicine  
4209 State Route 44  
PO Box 95  
Rootstown, Ohio 44272-0095

**Compliance**

We have audited the compliance of the Northeastern Ohio Universities College of Medicine (the "College") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The College's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit 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 College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**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 these specified parties.

*Deloitte & Touche LLP*

November 17, 2000

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

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

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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, 2000 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements – See Finding No. 00-01.
- 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 not disclose any audit findings that are required to be reported under section .510(a) of OMB Circular A-133.
- Major Federal Award Program Identified for the Year Ended June 30, 2000:
  - Student Financial Aid Cluster
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$349,834.
- 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*

#### *Finding No. 00-01 Account Reconciliations*

**Condition** - During the year ended June 30, 2000, the College utilized an accounting software application (Advantage) that served as an interim solution to the College's year 2000 remediation efforts. Because this system lacked many of the features available to the College under previously used packages, the College's accounting department (excluding the grants and student financial aid functions) did not perform, on a timely basis, many of its customary account reconciliations. As a result, certain processing errors went undetected until four to five months subsequent to year end with respect to cash and cash equivalents, fixed assets, and accounts payable.

**Criteria** - A periodic reconciliation of general ledger account balances to subsidiary ledgers to insure that differences are identified and corrected on a timely basis is an important element of strong internal control.

**Effect** - The matter described above could result in the inaccurate presentation of the College's financial position at interim dates during the year if unreconciled differences are undetected.

**Questioned Costs** - None

**Recommendation** - Although the task of reconciling general ledger accounts may be greatly expedited with the use of different accounting software, arrangements should be made to prepare the reconciliations manually if they cannot be prepared utilizing the computer system.

### Findings and Questioned Costs Relating to Federal Awards

None

# **NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE**

## **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.

# NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE

## CORRECTIVE ACTION PLAN

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A. Name of Contact Person: Robert Kaderle, Controller

B. Finding No. 00-01: Account Reconciliations

C. Corrective Action Plan:

During the year ended June 30, 2000, the College implemented and utilized the Advantage Financial System as an interim solution to the College's year 2000 remediation.

Advantage did not provide many reports necessary to reconcile accounts; and therefore, they had to be created by College personnel. Because these reports were not available until the third quarter of the fiscal year, reconciliations were not completed in a timely fashion. Monthly training and implementation of the new Banner system by Accounting staff further compounded the problem.

The College has implemented the new Banner Financial System effective July 1, 2000. The Banner system does maintain subsidiary detail on all accounts via online inquiry. In addition, Banner standard reports are available, and a number continue to be customized within the Banner system to permit timely reconciliations of general ledger account balances and subsidiary ledger balances.

D. Proposed Completion Date: Majority of the account reconciliations have been completed.

Bank reconciliation processes, specifically the automation of the preparation of the outstanding check list is scheduled to be completed February 28, 2001.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**NORTHEASTERN OHIO UNIVERSITIES COLLEGE OF MEDICINE**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 06, 2001**