

TERRA COMMUNITY COLLEGE

AUDIT REPORT

For the year ending June 30, 2000

Charles E. Harris & Associates, Inc.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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We have reviewed the Independent Auditor's Report of the Terra Community College, Sandusky County, prepared by Charles E. Harris & Associates, 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 Terra Community College is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 4, 2001

TERRA COMMUNITY COLLEGE
Audit Report
For the Year Ending June 30, 2000

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REPORT OF INDEPENDENT ACCOUNTANT'S

**The Board of Trustees
Terra Community College**

We have audited the accompanying balance sheet of Terra Community College, a component unit of the State of Ohio, as of June 30, 2000, and the related statements of changes in fund balances and current funds, 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.

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 Terra Community College as of June 30, 2000, and the related statements of changes in its fund balances and current funds, revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2000 on our consideration of Terra Community College's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Charles E. Harris & Associates, Inc.
November 2, 2000

TERRA COMMUNITY COLLEGE

Balance Sheet - Current Funds

June 30, 2000

ASSETS	Current Funds	LIABILITIES AND FUND BALANCES	
<u>Unrestricted:</u>			
Educational and General:		Educational and General:	
Cash and cash equivalents	\$ 998,255	Accounts payable	\$ 47,265
Investments	1,045,342	Accrued liabilities	651,349
Accounts receivable, (net of allowance of \$74,540)	779,984	Deferred revenue	328,677
Accrued interest receivable	1,552	Accrued salaries	274,911
Inventories at cost	32,811	Due to agency	9,300
Prepaid expenses and deferred charges	50,816	Fund Balances:	
Due from Restricted Fund	<u>210,706</u>	Allocated	428,340
Total Educational and General	\$ 3,119,466	Unallocated	<u>1,379,624</u>
		Total Educational and General	\$ 3,119,466
 Auxiliary Enterprises:		 Auxiliary Enterprises:	
Cash in register	\$ 1,114	Accounts payable	\$ 3,399
Investments	4,658	Accrued liabilities	1,081
Accounts receivable	5,048	Fund balances:	
Credit memos due	71,339	Unallocated	373,485
Inventories at cost	295,370	Total Auxiliary Enterprises	\$ 377,965
Due from Restricted Fund	<u>436</u>		
Total Auxiliary Enterprises	\$ 377,965		
 <u>Restricted Funds:</u>		 <u>Restricted Funds:</u>	
Cash	\$ 84,193	Accounts payable	\$ 34,774
Appropriations receivable	<u>323,507</u>	Due to Educational and General Fund	210,706
Total Restricted Funds	\$ <u>407,700</u>	Due to Auxiliary Fund	436
		Fund balances:	
		Allocated	114,110
		Unallocated	<u>47,674</u>
		Total Restricted Funds	\$ <u>407,700</u>
 Total Current Funds	 \$ <u><u>3,905,131</u></u>	 Total Current Funds	 \$ <u><u>3,905,131</u></u>

See accompanying notes to the financial statements

TERRA COMMUNITY COLLEGE

Balance Sheet - Plant Funds and Agency Funds
June 30, 2000

ASSETS

LIABILITIES AND FUND BALANCES

Plant funds

Unexpended Plant:

Cash and cash equivalents	\$ <u>764,995</u>
 Total Unexpended Plant	\$ 764,995

Investment in Plant:

Land	\$ 302,404
Improvements Other Than Buildings	2,290,786
Buildings	23,287,111
Construction in Progress	17,466
Moveable equipment, furniture and library books	<u>11,423,127</u>
 Total Investment in Plant	\$ <u>37,320,894</u>

Total Plant Funds	\$ <u><u>38,085,889</u></u>
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Unexpended Plant:

Fund Balance:	
Allocated	\$ 281,134
Unallocated	<u>483,861</u>
 Total Unexpended Plant	\$ 764,995

Investment in Plant:

Fund Balance	\$ <u>37,320,894</u>
 Total Investment in Plant	\$ <u>37,320,894</u>

Total Plant Funds	\$ <u><u>38,085,889</u></u>
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Agency Funds

Agency Funds:

Due from Educational and General Fund	\$ 9,300
Loan Receivable	<u>6,730</u>

Total Agency Funds	\$ <u><u>16,030</u></u>
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Agency Funds:

Accounts Payable	\$ <u>16,030</u>
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Total Agency Funds	\$ <u><u>16,030</u></u>
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See accompanying notes to the financial statements

TERRA COMMUNITY COLLEGE

Statement of Current Fund Revenues, Expenditures, and Other Changes in Fund Balances
For the year ended June 30, 2000

	CURRENT FUNDS				
	<u>Unrestricted</u>			<u>Restricted</u>	<u>Total</u>
	<u>Educational and General</u>	<u>Auxiliary Enterprises</u>	<u>Total Unrestricted</u>	<u>Educational and General</u>	<u>Current Funds (Memo Only)</u>
<u>Revenues:</u>					
Tuition, fees and other charges	\$ 4,113,225	-	\$ 4,113,225	-	\$ 4,113,225
Non-credit and contract training	896,052	-	896,052	-	896,052
State appropriations	6,522,912	-	6,522,912	\$ 329,282	6,852,194
Federal grants and contracts	-	-	-	1,830,331	1,830,331
Interest	179,701	-	179,701	1,488	181,189
Private gifts	-	-	-	9,896	9,896
Sales and services	96,312	\$ 918,631	1,014,943	-	1,014,943
Other sources	<u>38,858</u>	<u>-</u>	<u>38,858</u>	<u>-</u>	<u>38,858</u>
 Total Revenues	 11,847,060	 918,631	 12,765,691	 2,170,997	 14,936,688
<u>Expenditures - Educational and General:</u>					
Instructional and departmental research	5,363,592	-	5,363,592	183,723	5,547,315
Non-credit instruction	1,129,772	-	1,129,772	437,177	1,566,949
Academic support	667,159	-	667,159	20,000	687,159
Student services	1,465,201	-	1,465,201	118,777	1,583,978
Institutional support	2,100,519	-	2,100,519	-	2,100,519
Plant operations and maintenance	1,356,114	-	1,356,114	-	1,356,114
Scholarships and grants	<u>12,875</u>	<u>-</u>	<u>12,875</u>	<u>1,441,784</u>	<u>1,454,659</u>
 Total Expenditures - Educational and General	 12,095,232	 -	 12,095,232	 2,201,461	 14,296,693
Expenditures - Auxiliary Enterprises	<u>-</u>	<u>838,593</u>	<u>838,593</u>	<u>-</u>	<u>838,593</u>
 Total Expenditures	 12,095,232	 838,593	 12,933,825	 2,201,461	 15,135,286
<u>Transfers and Additions/(Deductions):</u>					
Nonmandatory transfers for current allocated fund balance - net	51,903	539	52,442	(45,504)	6,938
Support from auxiliary enterprises	5,706	(5,706)	-	-	-
Indirect costs recovered	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,357</u>	<u>39,357</u>
 Total Transfers and Additions/(Deductions)	 <u>57,609</u>	 <u>(5,167)</u>	 <u>52,442</u>	 <u>(6,147)</u>	 <u>46,295</u>
 Net Increase/(Decrease) in Fund Balance	 <u>\$ (190,563)</u>	 <u>\$ 74,871</u>	 <u>\$ (115,692)</u>	 <u>\$ (36,611)</u>	 <u>\$ (152,303)</u>

See accompanying notes to the financial statements

TERRA COMMUNITY COLLEGE
Statement of Changes in Fund Balances
For the year ended June 30, 2000

	CURRENT FUNDS					PLANT FUNDS	
	Educational and General	Unrestricted Auxiliary Enterprises	Total Unrestricted	Restricted Educational and General	Total Current Funds	Unexpended	Investment in Plant
<u>Revenues and Other Additions:</u>							
Unrestricted Current Fund Revenues	\$ 11,847,060	\$ 918,631	\$ 12,765,691	-	\$ 12,765,691	-	-
State Appropriations and Grants	-	-	-	\$ 401,536	401,536	\$ 148,287	-
Federal Grants and Contracts	-	-	-	1,800,591	1,800,591	-	-
Private Gifts, Grants and Contracts	-	-	-	6,739	6,739	-	-
Interest Income	-	-	-	1,488	1,488	14,360	-
Expended for plant facilities (including \$687,076 charged to current fund expenses)	-	-	-	-	-	8,466	\$ 704,542
Total Revenues and Other Additions	11,847,060	918,631	12,765,691	2,210,354	14,976,045	171,113	704,542
<u>Expenditures and Other Deductions:</u>							
Educational and General Expenditures	12,095,232	-	12,095,232	2,201,461	14,296,693	-	-
Auxiliary Enterprises	-	838,593	838,593	-	838,593	-	-
Expended for plant facilities (including non- capitalized expenditures of \$ 0)	-	-	-	-	-	11,666	-
Disposals and write-offs of plant facilities	-	-	-	-	-	-	42,489
Total Expenditures and Other Deductions	12,095,232	838,593	12,933,825	2,201,461	15,135,286	11,666	42,489
<u>Transfers and Additions/(Deductions):</u>							
Nonmandatory							
Current allocated fund balan	51,903	539	52,442	(45,504)	6,938	(31,134)	-
Support from auxiliary enterprises	5,706	(5,706)	-	-	-	-	-
Total Transfers and Additions/(Deductions)	57,609	(5,167)	52,442	(45,504)	6,938	(31,134)	-
Net Increase/(Decrease) in Fund Balance	(190,563)	74,871	(115,692)	(36,611)	(152,303)	128,313	662,053
Beginning Fund Balance - 7/1/99	1,570,187	298,614	1,868,801	84,285	1,953,086	355,548	36,658,841
Ending Fund Balance - 6/30/00	<u>\$ 1,379,624</u>	<u>\$ 373,485</u>	<u>\$ 1,753,109</u>	<u>\$ 47,674</u>	<u>\$ 1,800,783</u>	<u>\$ 483,861</u>	<u>\$ 37,320,894</u>

See accompanying notes to the financial statements

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The significant accounting policies followed by Terra Community College are described below to enhance the usefulness of the financial statements to the reader.

The Reporting Entity

Terra Community College was created pursuant to Section 3358 of the Ohio Revised Code. The College's purpose is to provide instruction in post secondary education programs. Students who satisfactorily complete such programs receive certificates or associates degrees and are qualified to pursue careers in technical or professional fields. The College is treated as a component unit of the State of Ohio and, therefore, is included in its Comprehensive Annual Financial Report.

In evaluating how to define the College for financial reporting purposes, management has considered all agencies, departments and organizations making up Terra Community College (the College) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current period.

Component units are legally separate organizations for which the College, as the primary government, is financially accountable. The College is financially accountable for an organization if the College appoints a voting majority of the organization's governing board and 1) the College is able to significantly influence the programs or services performed or provided by the organization; or 2) the College is legally entitled to or can otherwise access the organizations resources; the College is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the College is obligated for the debt of the organization. Component units may also include organizations for which the College approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the College has determined that there were no component units required to be included in the financial statements.

Basis of Accounting

The financial statements of Terra Community College have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for colleges and universities. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred, without regard to the time of receipt or payment. The statement of current fund 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 operation or the net income or loss as would a statement of income or statement of revenues and expenditures.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to Terra Community College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the 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 group.

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (continued)

Fund Accounting - (continued)

Within each fund group, fund balances restricted by outside sources are so indicated or distinguished from unrestricted funds allocated to specific purposes by actions of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use on achieving any of its institutional purposes.

All accounts are classified into the following groups:

Current Funds
Plant Funds
Agency Funds

Current Funds are available for current operations and are subdivided as follows:

Unrestricted Educational and General Funds are unrestricted and available for general operating purposes.

Auxiliary Enterprise (Bookstore) funds are available for the operation of the bookstore, operated primarily for students and staff.

Restricted funds are available for current operating purposes but only in compliance with restrictions specified by donors or grantors.

Plant funds are stated at cost and are included into three self-balancing fund groups:

Unexpected funds include resources derived from various sources to finance the acquisition of long-life assets.

Investment in Plant includes all long-life assets in the service of the College and construction in progress. Physical properties, which include land, buildings, improvements, and equipment are principally stated at cost. In accordance with generally accepted accounting principles for colleges and universities, depreciation is not provided.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for (a) as expenditures of current funds and additions to property and equipment in the plant funds, in the case of moveable equipment; (b) as transfers of a non-mandatory nature in other cases, principally provisions for construction or other renovations, and (c) as current fund revenues and expenses in the case of third party grants solely for the purpose of buying plant funds, and the college purchases of equipment.

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (continued)

Fund Accounting - (continued)

Agency Funds include resources held by the College on behalf of others in the capacity of custodian or fiscal agent.

Cash and Investments - To improve cash management, cash received by the College is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the College's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to STAROhio, certificates of deposit and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurers Office which 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.

Following Ohio statues, the College has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Unrestricted Educational and General Fund amounted to \$179,701 the Restricted Educational and General fund amounted to \$1,488, and the Unexpended Plant Fund amounted to \$14,360 during fiscal year 2000.

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

Inventories - The College's inventories consist principally of books and supplies of the bookstores. Bookstore inventories at year end are stated at the lower of cost or market value on the first-in, first-out basis.

Prepaid expenses and deferred charges - Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid expenses using the consumption method by recording the asset and reflecting the expense in the year which it is consumed.

Due to other funds/Due from other funds - Receivables and payables arising between funds for goods or services rendered are classified as "Due to/Due from other funds."

Deferred revenue - Cash collected, or to be collected, which will not be earned or available until after year-end.

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES - (continued)

Fund Accounting - (continued)

Accrued wages and benefits - A liability is set up for salaries earned during fiscal year 2000 and not paid until fiscal year 2001, due to faculty members earning all of their pay in the current year, but two months of the annual contracts are not paid until after year-end. Also included are vacation benefits, which the College has implemented the provisions of Governmental Accounting Standards Board statement number 16, "Accounting for Compensated Absences". Vacation leave benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The College also provides sick pay benefits to all full time employees. Sick pay benefits are accrued for faculty members only using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

Budget vs. Estimated Revenue

Annually the College develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

Income Taxes

Terra Community College is exempt from income taxes under Section 115 of the Internal Revenue Service Code, as a political Subdivision.

Fund Balance

Terra Community College records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unappropriated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Appropriated fund balance in unrestricted funds is reserved for future improvements in land, buildings and equipment purchases.

Estimates

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

2. DEPOSITS AND INVESTMENTS

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and Ohio domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposits, savings accounts, money market accounts, STAR Ohio, obligations of the United States government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

2. DEPOSITS AND INVESTMENTS - (continued)

The College Treasurer's Office is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation, qualified securities pledged in the name of the College and held at the federal reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit. At least quarterly the College determines that the collateral has a market value adequate to cover the deposits.

At year end, the carrying amount of the College's deposits was \$775,231 and the bank balance was \$2,069,347. On the bank balance:

1. \$384,193 was covered by federal depository insurance.
2. \$1,685,154 was uninsured and uncollateralized. Although the securities were held in pooled collateral by the pledging institution in the pledging institution's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the money held in the College's name to a successful claim by the FDIC.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amount and market value of investments, classified by risk. The College's investments are categorized as either (1) insured or registered or for which the securities are held by the college or its agent in the College's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the College's name or (3) uninsured and unregistered 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.

	Risk Category			Carrying Value	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agree.	\$ - 0 -	- 0 -	\$ 769,300	\$ 769,300	\$ 769,300
STAR Ohio	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>1,352,912</u>	<u>1,352,912</u>
TOTAL	<u>\$ - 0 -</u>	<u>- 0 -</u>	<u>\$ 769,300</u>	<u>\$2,122,212</u>	<u>\$2,122,212</u>

Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry forms.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

2. **DEPOSITS AND INVESTMENTS** - (continued)

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,848,557	\$ 1,050,000
Cash on Hand	(1,114)	
Investments:		
Certificates of Deposit over 90 days	1,050,000	(1,050,000)
Star Ohio	(1,352,912)	1,352,912
Repurchase Agreement	<u>(769,300)</u>	<u>769,300</u>
GASB Statement 3	<u>\$ 775,231</u>	<u>\$ 2,122,212</u>

3. **ACCOUNTS RECEIVABLE**

Receivables at June 30, 2000 consisted of accounts (tuition and other fees), interfund, interest and intergovernmental grants. All receivables, except for doubtful accounts receivables in collection with the Ohio Attorney General, are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. Accounts receivable at June 30, 2000 of \$779,984 in the Current Unrestricted (Educational and General) Fund are net of allowance for doubtful accounts of \$74,540.

A summary of the principal items of appropriation receivables follows:

House Bill Equipment	\$ 3,520
Distance Learning	123,962
Cultural Competence	4,696
Tech Prep	55,392
Perkins	8,196
OIPT/ISO/9000	1,552
SDBC Mid-Ohio	1,500
SBDC DOD	3,188
SBDC SBA	19,063
Work & Training	19,249
Pell	28,703
JTPA/EDWA	45,387
FSEOG	6,004
FWS	<u>3,095</u>
 Total	 <u>\$ 323,507</u>

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

4. INVESTMENT IN PLANT

Investment in plant at June 30, 2000 is composed of the following:

<u>Description</u>	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30,2000</u>
Land	\$ 302,404	\$ -0-	\$ -0-	\$ 302,404
Improvements other than Buildings	2,290,787	-0-	-0-	2,290,787
Building and Building Improvements	23,287,111	-0-	-0-	23,287,111
Moveable Equipment and Furniture	10,778,539	687,077	(42,490)	11,423,126
Construction in Progress	<u>-0-</u>	<u>17,466</u>	<u>-0-</u>	<u>17,466</u>
Total Plant Funds	<u>\$ 36,658,841</u>	<u>\$ 704,543</u>	<u>\$ (42,490)</u>	<u>\$ 37,320,894</u>

5. STATE SUPPORT

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

In addition to the current operating subsidies, the State of Ohio provides the funding for the construction of major plant facilities on Terra Community College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents. The Ohio Public Facilities Commission distributes construction funds to the College through appropriations.

Upon completion of a facility, the Ohio Board of Regents transfers control to the College. Construction in progress for any portion of the facilities being financed by State agencies for use by the College is recorded on the College's books of account as costs are incurred. Such facilities are reflected as building or construction in progress in the accompanying balance sheet. Neither the obligation 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.

6. ACCRUED WAGES AND BENEFITS

The following is the composition of Accrued Wages and Benefits:

SERS Payable	\$ 565
STRS Payable	971
Alternative Retirement	1,613
Vacation/Sick Leave Payable	561,310
Salaries and Wages Payable	274,911
Miscellaneous	<u>87,971</u>
Total	<u>\$ 927,341</u>

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

6. ACCRUED WAGES AND BENEFITS - (continued)

The SERS and STRS payable represents withholdings made from employees in fiscal 2000 to be paid to the School Employees Retirement System and the State Teachers Retirement System in fiscal 2001. Vacation/Sick Leave payable is management's estimation of earned benefits that would be paid to employees upon termination, retirement or by usage of vacation and sick leave. It is recorded in accordance with Statement No. 16 of the Governmental Accounting Standards Board. Salaries and wages payable represent employee earnings for fiscal year 2000 but not paid until fiscal year 2001. It is mostly faculty contracts that are earned but not yet paid at year-end. The obligations are reflected on the financial statements in the Unrestricted and Auxiliary Enterprises.

7. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System (SERS)

Terra Community College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirements System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their covered salary and Terra Community College is required to contribute 14 percent; 7.7% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$427,687, \$371,638, and \$309,072, respectively. Ninety-nine percent been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$ 565, representing the unpaid contributions for fiscal year 2000, is recorded as a liability within the respective funds.

State Teachers Retirement System (STRS)

Terra Community College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer retirement system administered by the State Teachers Retirement System. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and Terra Community College is required to contribute 14 percent, 6 percent (the latest information available) was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 members for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$587,061, \$593,583 and \$615,363, respectively. Ninety-nine percent has been contributed for fiscal years 2000, 1999 and 1998. \$ 971, representing the unpaid contributions for fiscal year 1999, is recorded as a liability within the respective funds.

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

8. POSTEMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999 (the latest information available), the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 million on June 30, 1999 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2001, will be 8 percent of covered payroll.

For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent is allocated to providing health care benefits. At June 30, 1999 (the latest information available) the allocation rate was 6.3 percent, an increase from 4.98 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 (the latest information available), the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of the employer contributions that were used to fund postemployment benefits was \$192,459.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2000, the College contracted with several insurance companies for coverage of buildings and contents.

The following is a list of insurance coverages of the College and the deductibles associated with each:

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

9. **RISK MANAGEMENT** - (continued)

<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Property		
Building	28,195,866	1,000 per occurrence
Personal Property	17,179,605	1,000 per occurrence
Difference in Conditions	15,000,000	25,000 per occurrence - Flood 25,000 per occurrence - Earthquake 1,000 per occurrence - all other
Business Income	5,000,000	None
Boiler and Machinery		
Direct Damage	7,000,000	1,000 per accident
Business Income and Extra Expense	5,000,000	1,000 per accident
Spoilage	10,000	1,000 per accident
Off Premises Services		
Interruption	200,000	1,000 per accident
Miscellaneous Items	25,000	1,000 per accident
Media	100,000	1,000 per accident
Expediting Expenses	25,000	1,000 per accident
Data Processing		
Equipment	1,000,000	1,000 per accident
Valuable Papers	500,000	100 per occurrence
Inland Marine	182,290	100 (80% co-insurance)
Combination Crime	1,000,000	1,000 per occurrence
Commercial General Liability		
Each Occurrence	1,000,000	None
Personal and Advertising	1,000,000	None
Premises Medical Expense	5,000	None
Fire Legal Liability	100,000	None
General Aggregate Limit	2,000,000	None
Products and Completed Operations Aggregate	1,000,000	None
Ohio Stop Gap Coverage	1,000,000	None
Employee Benefit Liability	1,000,000	1,000
Business Automobile		
Bodily Injury and Property per accident	1,000,000	100 comp. and 500 collision
Uninsured/Underinsured per accident	1,000,000	100 comp. and 500 collision
Medical Payments per person	5,000	100 comp. and 500 collision
Hired and Non-Owned Auto	1,000,000	50000
Garage Insurance		
Per accident	1,000,000	500
Aggregate	3,000,000	NA
Legal Liability		
Excess Comprehensive	50,000	500
Excess Collision	50,000	500
Umbrella Liability	Various	None

TERRA COMMUNITY COLLEGE
Notes to the Financial Statements
For the Year Ended June 30, 2000

9. RISK MANAGEMENT - (continued)

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the College did not significantly reduce coverages during the year.

All employees of the College are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher bond coverage.

The College pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The College provides health care insurance for full-time employees. The College contributes 90% of the premium for full-time employees.

The monthly premiums paid by the College are as follows:

	<u>Single Coverage</u>	<u>Family Coverage</u>
<u>Full- Time Staff</u>		
Health	\$178.06	\$468.54
Dental	20.80	20.80
<u>Full-Time Faculty</u>		
Health	165.38	498.86
Dental	20.80	20.80

10. PENDING LITIGATION

At June 30, 2000, there were lawsuits and claims pending against Terra Community College. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of Terra Community College.

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. College management believes disallowances, if any, will be immaterial.

TERRA COMMUNITY COLLEGE
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u><i>U.S. Department of Education</i></u>				
Student Financial Aid Cluster				
Pell Grant - Financial Aid	Direct	84.063	\$ 918,703	\$ 918,703
Pell Grant - Adm. Allowance	"	84.063	3,825	3,825
Total Pell Grant			<u>922,528</u>	<u>922,528</u>
S.E.O.G. - Financial Aid	"	84.007	66,004	66,004
Federal Work Study	"	84.033	<u>36,583</u>	<u>36,583</u>
Total Student Financial Aid Cluster			1,025,115	1,025,115
Pass through Ohio Department of Education				
Perkins Grant	VEC PIT - P2000-50	84.048	58,777	58,777
Tech Prep	VETP-2000-18	84.243	<u>294,878</u>	<u>294,878</u>
Total Ohio Department of Education			353,655	353,655
Pass through Ohio Bureau of Vocational Rehab. Rehabilitation Services Basic Support	DLM 98094	84.126	<u>44,144</u>	<u>44,144</u>
Total U.S. Department of Education			1,422,914	1,422,914
<u><i>U.S. Department of Labor</i></u>				
Pass through Ohio Bureau of Employment Services				
J.T.P.A. Cluster				
J.T.P.A./E.D.W.A. Tuition Reimburse.	638	17.246	385,386	385,386
Training Readjustment Act	6170	17.245	<u>86,469</u>	<u>86,469</u>
Total J.T.P.A. Cluster			471,855	471,855
Total Ohio Bureau of Employment Services			471,855	471,855
Pass through Ohio Private Industry Council				
Private Industry Council	1579	17.250	2,796	2,796
Pass through Ohio Department of Education				
School-to-Work	STWFED-PRO-33	17.249	<u>10,000</u>	<u>10,000</u>
Total U.S. Department of Labor			484,651	484,651
<u><i>U.S. Department of Veteran's Affairs</i></u>				
Veteran's Rehabilitation	14923435	64.116	<u>8,951</u>	<u>8,951</u>
Total U.S. Department of Veteran's Affairs			8,951	8,951
<u><i>Small Business Administration</i></u>				
Pass through Ohio Dept. of Development				
Small Business Administration Center	56080	59.037	<u>68,529</u>	<u>68,529</u>
Total Small Business Administration			68,529	68,529
<u><i>Appalachian Regional Commission</i></u>				
Job Prep Program	6553	23.002	<u>60,000</u>	<u>60,000</u>
Total Appalachian Regional Commission			60,000	60,000
Total Federal Expenditures			<u>\$ 2,045,045</u>	<u>\$ 2,045,045</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

TERRA COMMUNITY COLLEGE
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

1. **General**

The accompanying Schedule of Federal Awards Expenditures of Terra Community College presents the activity of all federal awards of the College. The College reporting entity is defined in Note 1 to the financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on this schedule.

2. **Basis of Accounting**

The basis of accounting for this schedule is the accrual basis, which is consistent with the financial reporting basis. See Note 1 to the financial statements.

3. **Guaranteed Student Loans**

During the fiscal year ended June, 30, 2000, Terra Community College processed the following amount of new loans under the Guaranteed Student Loan Program (which includes Stafford Loans, Parent's Loans for Undergraduate Students, and Supplement Loans for Students). These loans are not required to be included on the Schedule of Federal Awards Expenditures.

	<u>CFDA Number</u>	<u>Amount Authorized</u>
Guaranteed Student Loans	84.002	\$ 1,070,557

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Board of Trustees of
Terra Community College
Fremont, Ohio

We have audited the financial statements of the Terra Community College as of and for the year ended June 30, 2000, and have issued our report thereon dated November 2, 2000. 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*.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the College in a separate letter dated November 2, 2000.

This report is intended for the information and use of management, the Board of Trustees, 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.

Charles E. Harris & Associates, Inc.
November 2, 2000

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Board of Trustees of
Terra Community College
Fremont, Ohio

Compliance

We have audited the compliance of Terra Community College with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 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 programs 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 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 intended for the information and use of management, the Board of Trustees, 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.

Charles E. Harris & Associates. Inc.
November 2, 2000

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**TERRA COMMUNITY COLLEGE
SANDUSKY COUNTY
June 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	J.T.P.A. Cluster CFDA 17.245, 17.246 Perkins Grant CFDA 84.048 Tech Prep CFDA 84.243 Training Readjustment Act CFDA 17.245 Small Business Admin. Center CFDA 59.037 Job Prep Program CFDA 23.002
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

TERRA COMMUNITY COLLEGE
SANDUSKY COUNTY
June 30, 2000

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 1999, included no material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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TERRA COMMUNITY COLLEGE

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**