

CENTRAL OHIO TECHNICAL COLLEGE
ANNUAL REPORT
70645-77-3690-00
COLUMBUS REGION, LICKING COUNTY
SINGLE AUDIT
JULY 1, 2000 THROUGH JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Trustees
Central Ohio Technical College
1179 University Dr.
Newark, OH 43055

We have reviewed the independent auditor's report of the Central Ohio Technical College, Licking County, prepared by Crowe, Chizek and Company, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 3, 2002

CENTRAL OHIO TECHNICAL COLLEGE

Licking County

ANNUAL REPORT

June 30, 2001

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REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

Board of Trustees
Central Ohio Technical College
Licking County
Newark, Ohio

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

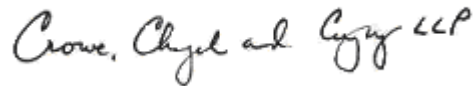
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2001 on our consideration of Central Ohio Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Crowe, Chizek and Company LLP".

Crowe, Chizek and Company LLP

Columbus, Ohio
October 18, 2001

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
BALANCE SHEET
June 30, 2001

	<u>Current Funds</u>		Loan Fund	Endowment Fund	<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>			<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
ASSETS							
Cash (Note 2)	\$ 2,333,158		\$ 47,227		\$ 610,608		
Investments (Note 2)				\$ 1,796,015			
Accounts receivable (net of allowance for doubtful accounts) (Note 3)							
Ohio State University Intergovernmental grants	470,446	\$ 290,299					
Other	457,082	11,054					
Prepaid expenses	78,533						
Loans to students (Note 4)			809				
Due from other funds		53,568					
Buildings							\$ 13,036,174
Equipment, furniture and library books							4,860,706
Construction in progress					321,527		
Total assets	<u>\$ 3,339,219</u>	<u>\$ 354,921</u>	<u>\$ 48,036</u>	<u>\$ 1,796,015</u>	<u>\$ 932,135</u>	<u>\$ --</u>	<u>\$ 17,896,880</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
BALANCE SHEET (Continued)
June 30, 2001

	<u>Current Funds</u>		<u>Loan Fund</u>	<u>Endowment Fund</u>	<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>			<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
LIABILITIES							
Accounts payable	\$ 229,905	\$ 109,466			\$ 77,680		
Accrued liabilities	1,116,234	7,956					
Deferred income	487,488	237,499					
Due to other funds	53,568						
Note payable (Note 5)							\$ 270,726
Total liabilities	<u>1,887,195</u>	<u>354,921</u>			<u>77,680</u>		<u>270,726</u>
FUND BALANCES							
Unrestricted	1,452,024				854,455		
Restricted			\$ 48,036				
Endowment				\$ 825,626			
Funds functioning as endowment - unrestricted				970,389			
Net investment in plant							17,626,154
Total fund balances	<u>1,452,024</u>		<u>48,036</u>	<u>1,796,015</u>	<u>854,455</u>		<u>17,626,154</u>
Total liabilities and fund balances	<u>\$ 3,339,219</u>	<u>\$ 354,921</u>	<u>\$ 48,036</u>	<u>\$ 1,796,015</u>	<u>\$ 932,135</u>	<u>\$ --</u>	<u>\$ 17,896,880</u>

See accompanying notes to the financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
STATEMENT OF CHANGES IN FUND BALANCES
Year ended June 30, 2001

	<u>Current Funds</u>			Endowment Funds	<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loan Fund</u>		<u>Unex- pended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
Revenues and other additions							
Unrestricted current fund revenues	\$ 8,425,572						
Federal grants		\$ 1,780,176					
State grants and contracts		1,426,344	\$ 30,000				
Private gifts and grants		290,070		\$ 14,444	\$ 590,282		
Endowment income		39,985					
Net loss - unrestricted				(144,029)			
Net loss - restricted				(120,399)			
Finance charges on loans receivable			8				
Expended for plant facilities (including \$101,864 charged to current funds expenditures)							\$ 401,581
Retirement of indebtedness							34,581
Other sources		6,561					
Total revenues and other additions	8,425,572	3,543,136	30,008	(249,984)	590,282		436,162
Expenditures and other deductions							
Educational and general expenditures	7,999,908	3,543,136					
Auxiliary enterprises expenditures	15,843						
Loan cancellations and write-offs			(366)				
Expended for plant facilities					299,717		
Retirement of indebtedness						\$ 34,581	
Interest on indebtedness						25,751	
Disposal of plant facilities							845,988
Total expenditures and other deductions	8,015,751	3,543,136	(366)		299,717	60,332	845,988

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
STATEMENT OF CHANGES IN FUND BALANCES (Continued)
Year ended June 30, 2001

	<u>Current Funds</u>				<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loan Fund</u>	<u>Endowment Funds</u>	<u>Unex- pended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
Transfers among funds –additions/(deductions)							
Mandatory							
Principal and interest	\$ (60,332)					\$ 60,332	
Nonmandatory							
Transfers to plant	<u>(153,000)</u>				\$ 153,000		
Total transfers	<u>(213,332)</u>				<u>153,000</u>	<u>60,332</u>	
Net increase/(decrease) for year	196,489		\$ 30,374	\$ (249,984)	443,565		\$ (409,826)
Fund balance at beginning of year	<u>1,255,535</u>		<u>17,662</u>	<u>2,045,999</u>	<u>410,890</u>		<u>18,035,980</u>
Fund balance at end of year	<u>\$ 1,452,024</u>	<u>\$ --</u>	<u>\$ 48,036</u>	<u>\$ 1,796,015</u>	<u>\$ 854,455</u>	<u>\$ --</u>	<u>\$ 17,626,154</u>

See accompanying notes to the financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Current Funds</u>
Revenues			
Tuition and fees	\$ 3,480,701		\$ 3,480,701
State appropriations	3,852,300		3,852,300
Federal grants		\$ 1,780,176	1,780,176
State grants and contracts	533,523	1,426,344	1,959,867
Private gifts and grants		290,070	290,070
Endowment income	40,707	39,985	80,692
Sales and services of departments	237,819		237,819
Sales and services of auxiliary enterprises	35,228		35,228
Other sources	<u>245,294</u>	<u>6,561</u>	<u>251,855</u>
Total revenues	8,425,572	3,543,136	11,968,708
Expenditures and mandatory transfers			
Education and general			
Instruction	3,571,100	57,042	3,628,142
Public service	95,656	336,534	432,190
Academic support	1,062,513	631,742	1,694,255
Student services	1,101,990	268,286	1,370,276
Institutional support	1,389,698	76,464	1,466,162
Operation and maintenance of plant	778,951	203,567	982,518
Student financial aid	<u> </u>	<u>1,969,501</u>	<u>1,969,501</u>
Total educational and general expenditures	7,999,908	3,543,136	11,543,044
Auxiliary expenses	15,843		15,843
Mandatory transfers			
Principal and interest	<u>60,332</u>	<u> </u>	<u>60,332</u>
Total expenditures and mandatory transfers	8,076,083	3,543,136	11,619,219
Nonmandatory transfers and additions/(deductions)			
Nonmandatory transfers			
Transfers for capital projects	<u>(153,000)</u>	<u> </u>	<u>(153,000)</u>
Net increase in fund balance	<u>\$ 196,489</u>	<u>\$ --</u>	<u>\$ 196,489</u>

See accompanying notes to the financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity: Central Ohio Technical College was chartered by the Ohio Board of Regents in 1971, subject to the directives and constraints set forth by the Ohio General Assembly and the Ohio Board of Regents. The College was created in direct response to a demonstrated need for quality college-level technical education in Licking County. The service area was expanded to include Coshocton and Knox counties in the spring of 1980. In 1986, COTC established offices in both counties to offer off-campus courses.

These financial statements include only the activities, funds and accounts of the College. The College applies the criteria found in GASB Statement No. 14, "The Financial Reporting Entity," to determine if other entities should be included, for financial reporting purposes, as a component of Central Ohio Technical College. The College considers such criteria as degree of oversight and authority, responsibility for funding deficits and operating deficiencies, or responsibility for debt of the possible component unit. As a result of the application of these criteria, no other units have been included in these financial statements.

Accrual Basis: The financial statements of the College are prepared on the accrual basis except for depreciation as described below. The accounts of the College are maintained in accordance with accounting principles generally accepted in the United States of America for governmental colleges and universities.

Fund Accounting: The College maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Current Fund: The current fund is the general operating fund of the College. It is used to account for all financial resources except those that are accounted for in another fund.

Loan Fund: The loan fund includes emergency short-term loans to students for tuition, fees and books.

Endowment Funds: The College classifies as endowment funds those that are subject to the restrictions of gift instruments requiring the principal to be invested for a specific term or in perpetuity with only the income utilized for current and future needs. Use of the income of restricted endowment funds is limited to purposes specified by donors. The Board of Trustees designates certain funds as quasi-endowment funds (funds functioning as endowment funds). These funds may be expended at the discretion and direction of the Board.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant Funds: Buildings, equipment and furniture are carried at cost. The cost of certain equipment and furniture purchased for the campus is shared by the College and The Ohio State University - Newark Campus under a cost sharing agreement (see below). Such assets are carried at full historical cost by the institution holding title; cost sharing amounts are treated as increases or decreases in expense. In accordance with accounting practices generally followed by public educational institutions, depreciation is not provided. To the extent current funds are used to finance assets, the amounts so provided are accounted for as expenditures from current funds and additions to assets in the plant fund. Gifts and grants restricted for the acquisition of fixed assets, as well as donations of fixed assets, are recorded as additions to the plant fund. Unexpended portions of such receipts are carried as unexpended funds in the plant fund balance.

Cost Sharing between Related Parties: The College shares campus facilities and staff, including senior administration with The Ohio State University - Newark Campus. Jointly incurred costs of \$5,642,597 were allocated between the institutions by use of a formula based on student enrollment; COTC's allocation was \$2,667,709. Additionally, certain services are purchased by each institution from the other.

State Support: The College is a state-assisted institution of higher education that 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.

Investments: The College has adopted GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments*. Under GASB 31, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the balance sheet. Unrealized gains and losses are included in net gains in the statement of changes in fund balances. Securities received as gifts are recorded at fair market value at the date of the gift.

NOTE 2 - CASH AND INVESTMENTS

The College maintains a cash and investment pool used by all funds except the endowment fund. Each fund's portion of this pool is displayed on the balance sheet as "Cash." The deposits and investments of the endowment fund are held separately from those of other College funds.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits: At June 30, 2001, the carrying amount of the College's deposits was \$2,990,993 and the bank balances were \$3,818,921. Of the bank balances, all amounts in excess of the amounts insured by the Federal Deposit Insurance Corporation were covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Legal Requirements: Statutes require the classification of monies held by the College into three categories as listed below.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the College. Such monies must be maintained either as cash in the College treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts.

Category 3 consists of "interim" monies, those monies that are not needed for immediate use but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

The College has a portion of its endowment funds in corporate bonds and notes and equity mutual funds. During the year, the endowment funds were also invested in common stock and foreign equities.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 2 - CASH AND INVESTMENTS (Continued)

The College's investments are categorized to give an indication of the level of credit risk assumed by the College at June 30, 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent, in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the College's name.

Endowment Fund investments categorized for the year ended June 30, 2001:

	Risk Category			<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	\$ 70,347			\$ 70,347	\$ 70,347
Equity mutual funds	812,834			812,834	1,090,171
Government bonds and notes	149,426			149,426	153,319
Corporate bonds and notes	<u>526,488</u>			<u>526,488</u>	<u>482,178</u>
Total	<u>\$ 1,559,095</u>			<u>\$ 1,559,095</u>	<u>\$ 1,796,015</u>

These investments are accounted for on a pooled basis. The College employs the share method of accounting for pooled investments and for proportionate distribution of income between the unrestricted and restricted endowment funds.

The classification of investments on the financial statements is based on criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the College.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consists mainly of fees due from students and sponsoring agencies. For the year ended June 30, 2001, the unrestricted accounts receivable are shown net of an allowance for doubtful accounts of \$126,476. Restricted fund accounts receivable were deemed to be fully collectible.

NOTE 4 - LOANS TO STUDENTS

The loan fund consists of loans to students for books, tuition and fees.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 5 - LONG-TERM DEBT

Long-term debt at June 30, 2001 consists of a mortgage note payable to bank, totaling \$270,726 with interest at prime, due April 2007. It is collateralized by the Child Care Facility.

Annual maturities of long-term debt for the next five years are due as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 38,556	\$ 21,398	\$ 59,954
2003	41,964	17,990	59,954
2004	45,673	14,281	59,954
2005	49,710	10,244	59,954
2006	54,104	5,850	59,954
Thereafter	40,719	1,272	41,991
	<u>\$ 270,726</u>	<u>\$ 71,035</u>	<u>\$ 341,761</u>

Interest expense for the year ended June 30, 2001 was \$25,751.

NOTE 6 - LEASE COMMITMENTS

The College leases certain office equipment and a vehicle under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2001:

2002	\$ 101,857
2003	86,813
2004	<u>5,031</u>
	<u>\$ 193,701</u>

Rent expense was \$116,174 for the year ended June 30, 2001.

The lease expense is part of the cost share calculation with The Ohio State University-Newark Campus (Note 1).

NOTE 7 - RETIREMENT PLANS

State Teachers Retirement System: All full-time faculty members are eligible to participate in the State Teachers Retirement System (STRS), a multiple-employer, defined benefit, cost sharing public employee retirement system.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 7 - RETIREMENT PLANS (Continued)

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2001, and can be requested by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Any member who has five years of service credit and attained age sixty, twenty-five years of service credit and attained age fifty-five, or thirty years of service credit regardless of age, may retire. The maximum annual-retirement allowance, payable for life, is greater of the "formula benefit" or the "money purchase benefit." Under the "formula benefit," the annual retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest year's salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of thirty years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary. Under the "money purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

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

Retirement benefits are increased three percent for each year that the U.S. Bureau of Labor Statistics Consumer Price Index increases three percent or more. A member under the age of sixty with five or more years of credited service who becomes disabled is entitled to a disability allowance. A limited disability allowance is provided to teachers who become disabled after age sixty. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the State Teachers Retirement Board on recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements for the fiscal years ended June 30, 2001, 2000 and 1998 were 9.3% of covered payroll for members and 14% for employers. The payroll for employees covered by the System for the years ended June 30, 2001, 2000 and 1999 were approximately \$2,695,000, \$2,818,000 and \$2,609,000, respectively. Employer contributions by the College were \$367,338, \$393,589 and \$364,782 for the years ending June 30, 2001, 2000 and 1999, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 7 - RETIREMENT PLANS (Continued)

The System allocates an amount equal to two percent of the employers' contribution to fund health care benefits. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure which the actuarial present value of credited projected benefits, is intended to help users assess the systems' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among Public Employees Retirement Systems. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

Public Employees Retirement System: Substantially all other College employees are eligible to participate in the Public Employees Retirement System (PERS), a multiple-employer, defined benefit, cost sharing public employee retirement system.

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Employees are eligible for retirement benefits at age sixty with five or more years of service credit, at age fifty-five with twenty-five years of credit service, or at any age with thirty years of service credit. The annual retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of thirty years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the Public Employees Retirement Board upon recommendations of its consulting actuary, not to exceed statutory maximums. Contribution requirements for the fiscal years ended June 30, 2001, 2000, and 1999 were 8.5% of covered payroll for employees and 13.31% for employers. The payroll for employees covered by the System for the years ended June 30, 2001, 2000 and 1999 were approximately \$2,368,000, \$2,212,000 and \$2,125,000, respectively. Employer contributions by the College were \$262,784, \$294,402 and \$282,825 for the years ending June 30, 2001, 2000 and 1999, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 7 - RETIREMENT PLANS (Continued)

The System allocates an amount equal to 4.2% of the employers' contribution to fund health care benefits. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in Employees Retirement Systems. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

Alternative Retirement Plan: The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System or the Public Employees Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal 2001 and 2000, the employer match was \$29,976 and \$38,463, respectively.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired faculty members and their dependents through STRS and to retired nonfaculty employees and their dependents through PERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12.

STRS: The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid, however for June 30, 2000 and 2001 the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the date of the most recent information available). The net health care costs paid by STRS were \$283,137,000. Eligible recipients totaled approximately 99,011 for the System as a whole.

PERS: The Public Employees Retirement System of Ohio (PERS) provides postemployment health care coverage to retirees, with ten or more years of qualifying Ohio service credit and their dependents. The ORC grants authority to PERS to provide health care coverage to benefit recipients, spouses and dependents. The Board currently allocates employer contributions equal to 8% of covered payroll to fund health care.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2001

Federal Grantor Agency/ Pass-Through Agency/ <u>Grant Title</u>	<u>Federal CFDA Number</u>	Pass- Through Entity <u>Number</u>	<u>Disbursements</u>
<u>United States Department of Education</u>			
Student Financial Aid Cluster:			
Federal Family Education Loans (Note 2)	84.032		\$ 2,290,318
Pell Grant	84.063		1,229,591
Federal Supplemental Education Opportunity Grant	84.007		70,068
Federal Work Study	84.033		<u>65,231</u>
Total Student Financial Aid			3,655,208
Passed Through State Department of Education:			
Perkins Grant	84.048	06507820-C2	68,977
Technical Preparation Grant	84.243	0650783E-00	<u>269,869</u>
			<u>338,846</u>
Total U.S. Department of Education			3,994,054
<u>United States Department of Health & Human Services</u>			
Jobs Grant	93.561		33,659
Temporary Assistance to Needy Families	93.558		64,247
<u>United States Department of Agriculture/ by Ohio State Department of Education</u>			
Child and Adult Care Food Program	10.558	09765916- CC/21-ML	<u>19,200</u>
Total Federal Awards			<u>\$ 4,111,160</u>

See accompanying notes to the schedule of
expenditures of federal awards.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2001

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purposes financial statements.

NOTE 2 - OUTSTANDING LOANS

The College originates but does not provide funding for Federal Family Education Loans. The amount presented represents the value of new Federal Family Education Loans processed by the government during the year ended June 30, 2001.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2001

1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Central Ohio Technical College for the year ended June 30, 2001.
- b. An unqualified opinion was issued to Central Ohio Technical College for compliance with major programs.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).
- e. Major programs identified:
 - Student Financial Aid Cluster:
 - Federal Supplemental Educational Opportunity Grant
 - Federal Work Study
 - Pell Grant
 - Federal Family Education Loan
- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The auditee was considered a low-risk auditee.

2. Findings related to financial statements which are required to be reported in accordance with GAGAS:

None.

3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a).

None.

PRIOR YEAR FINDINGS

No findings or questioned costs for federal awards, including audit findings as defined in OMB Circular A-133 Section 510(a), were reported in the prior audit period.



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

Board of Trustees
Central Ohio Technical College
Licking County
Newark, Ohio

We have audited the financial statements of Central Ohio Technical College (College) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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

A handwritten signature in cursive script that reads "Crowe, Chizek and Company LLP".

Crowe, Chizek and Company LLP

Columbus, Ohio
October 18, 2001



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

Board of Trustees
Central Ohio Technical College
Licking County
Newark, Ohio

Compliance

We have audited the compliance of Central Ohio Technical College (College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College. 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 each of its major federal programs for the year ended June 30, 2001.

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 material weaknesses.

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



Crowe, Chizek and Company LLP

Columbus, Ohio
October 18, 2001

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
APPOINTED OFFICIALS
As of June 30, 2001

Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u>			
Barry M. Riley	2004	(2)	\$1 million
<u>Vice-Chairpersons</u>			
Donna M. Alvarodo (1)	2003	(2)	\$1 million
Jill Harms Griesse (1)	2003	(2)	\$1 million
<u>Members</u>			
William J. Andrews (1)	2003	(2)	\$1 million
Joseph J. Bernat (1)	2003	(2)	\$1 million
Jane C. McConnell (1)	2002	(2)	\$1 million
Dennis R. McElroy (1)	2001	(2)	\$1 million
Robert B. Robinson (1)	2001	(2)	\$1 million

(1) School Board Caucus

(2) National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The College also has a \$10 million umbrella insurance policy with Cigna Property and Casualty.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
ADMINISTRATIVE PERSONNEL
As of June 30, 2001

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Anne Cairns Federlein	President, Newark Campus	(1)	\$1 million
Mr. David Brillhart	Chief Financial Officer	(1)	\$1 million
Mr. John Berry	Director of Student Services	(1)	\$1 million
Dr. Bonnie Coe	Vice President and Dean of Faculty	(1)	\$1 million

(1) National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The College also has a \$10 million umbrella insurance policy with Cigna Property and Casualty.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CENTRAL OHIO TECHNICAL COLLEGE

LICKING 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 22, 2002**