

**CENTRAL OHIO TECHNICAL COLLEGE**  
**ANNUAL REPORT**  
70645-77-3690-00  
COLUMBUS REGION, LICKING COUNTY  
SINGLE AUDIT  
JULY 1, 2003 THROUGH JUNE 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Central Ohio Technical College  
1179 University Drive  
Newark, Ohio 43055

We have reviewed the Independent Auditor's Report of the Central Ohio Technical College, Licking County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 6, 2005

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CENTRAL OHIO TECHNICAL COLLEGE  
Licking County

ANNUAL REPORT  
June 30, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Central Ohio Technical College (COTC) for the year ended June 30, 2004, with comparative information for the year ended June 30, 2003. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

### About Central Ohio Technical College

Central Ohio Technical College offers an aggressive approach to technical education providing state-of-the-art training in the areas of allied health and public service, nursing, business and engineering. Chartered in 1971 to meet the region's growing need for technical training and education, COTC is the primary link between the region's businesses and the training and retraining of the workforce, a partnership that directly impacts the economic growth of the area. Recognized on a state and national level for its unique and state-of-the-art programming and with a growing student population of more than 2,500, COTC was recently named the fastest growing college in Ohio.

Central Ohio Technical College is governed by a board of nine trustees who are responsible for the oversight of academic programs, budgets and general administration. The Governor of Ohio appoints four members and the Newark School Board appoints five members.

### About the Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The Statement of Net Assets reflects the total assets, liabilities and net assets of COTC as of June 30, 2004, with comparative information as of June 30, 2003. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable (endowments funds)
- Restricted – Expendable (quasi-endowment funds)
- Unrestricted

The Statement of Revenues, Expenses and Changes in Net Assets details how net assets have increased (or decreased) during fiscal year 2004, with comparative information for fiscal year 2003. GASB 35 requires State appropriations to be classified as non-operating revenues; so, generally, State-supported colleges and universities will reflect an operating loss until non-operating items are included.

The Statement of Cash Flows details how cash has increased (or decreased) during the fiscal year. It breaks out the sources and uses of COTC cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

The Notes to the Financial Statements provide additional details on the numbers in the financial statements. In addition to the Summary of Significant Accounting Policies, the report includes notes on capital assets, long-term debt, and operating expenses by natural classification.

### Financial Highlights

#### Statement of Net Assets

The College's financial statements for fiscal year 2004 report net assets of \$20.4 million at June 30, 2004. This represents an increase of approximately \$4.9 million from the previous fiscal year. Below is a condensed version of the Statement of Net Assets followed by a discussion of the variances:

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>ASSETS</b>			
Current assets	\$ 6,256,151	5,754,593	\$ 4,764,143
Capital assets, net	16,352,102	11,268,551	11,710,227
Other non-current assets	<u>1,790,427</u>	<u>1,583,453</u>	<u>1,582,215</u>
Total assets	24,398,680	18,606,597	18,056,585
<b>LIABILITIES</b>			
Current liabilities	2,854,087	2,431,843	2,022,487
Non-current liabilities	<u>1,143,487</u>	<u>707,366</u>	<u>731,303</u>
Total liabilities	3,997,574	3,139,209	2,753,790
<b>NET ASSETS</b>			
Invest in capital assets, net of related debt	15,597,737	10,891,784	11,275,914
Restricted			
Nonexpendable	929,473	811,062	791,502
Expendable	911,500	821,684	839,074
Unrestricted	<u>2,962,396</u>	<u>2,942,858</u>	<u>2,396,305</u>
Total net assets	<u>\$ 20,401,106</u>	<u>\$ 15,467,388</u>	<u>\$ 15,302,795</u>



**Assets:** As of June 30, 2004, the College's total assets amount to \$24.4 million. Investment in capital assets, net of depreciation, represented the college's largest asset, totaling \$16.4 million or 67% of total assets. Capital assets increased by approximately \$5.1 million as a result of recording COTC's proportional share of the J. Gilbert Reese Center which opened in October 2003.

**Liabilities:** At June 30, 2004, the College's liabilities totaled \$4.0 million, an \$858 thousand increase over last fiscal year. Deferred revenue represents \$1.7 million or 43.8% of total liabilities and increased approximately \$404 thousand due primarily to summer 2003 tuition and fee revenues.

**Net Assets:** Net assets at June 30, 2004 totaled approximately \$20.4 million, or 83.6% of total assets. Net assets invested in capital totaled \$15.6 million, which represents 76.5% of total net assets. Total net assets increase \$4.9 million during the year ended June 30, 2004. Unrestricted net assets totaled \$2.9 million with \$2.3 million representing unrestricted operating funds and the balance designated for capital improvements. By way of comparison, fiscal year 2002 vs. 2003 total net assets increased a total of approximately \$164,000 for a net asset value of \$15.5 million at June 30, 2003.

## Statement of Revenues, Expenses and Changes in Net Assets

Total operating revenues for fiscal year 2004 are \$10.8 million, an increase of \$798 thousand over last fiscal year. Below is the condensed Statement of Revenues, Expenses and Changes in Net Assets followed by a discussion of the major variances:

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Year Ended <u>June 30, 2002</u>
<b>OPERATING REVENUES</b>			
Tuition and fees, net	\$ 5,375,262	\$ 4,298,709	\$ 3,017,979
Federal grants and contracts	3,331,970	2,861,457	2,191,773
State contracts and grants	1,186,377	1,847,439	1,457,255
Sales & services of education or departments	490,660	554,604	414,243
Auxiliary enterprises	254,560	26,715	27,380
Other operating revenues	<u>160,455</u>	<u>155,714</u>	<u>331,191</u>
Total Operating Revenues	10,799,284	9,744,638	7,439,821
<b>OPERATING EXPENSES</b>			
Education and general	14,446,095	13,164,770	10,418,996
Depreciation expense	834,087	661,265	688,753
Auxiliary enterprises	<u>418,237</u>	<u>5,112</u>	<u>7,276</u>
Total Operating Expenses	<u>15,698,419</u>	<u>13,831,147</u>	<u>11,115,025</u>
Operating loss	(4,899,135)	(4,086,509)	(3,675,204)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	4,727,334	4,170,400	4,082,786
State appropriations - capital	2,209,867	--	--
Investment income (loss)	240,729	44,049	(160,022)
Other revenues (expenses)	<u>2,654,923</u>	<u>36,653</u>	<u>(51,207)</u>
Net nonoperating revenues	<u>9,832,853</u>	<u>4,251,102</u>	<u>3,871,557</u>
Increase in net assets	4,933,718	164,593	196,353
Net assets-beginning of year	<u>15,467,388</u>	<u>15,302,795</u>	<u>15,106,442</u>
Net assets-end of year	<u>\$ 20,401,106</u>	<u>\$ 15,467,388</u>	<u>\$ 15,302,795</u>

**Net tuition and fees** increased \$1.07 million in fiscal year 2004. This increase is a result of a 6.3% increase in student full-time equivalency (FTE) and a 9.8% increase in the tuition and fees rate in Autumn 2003. Net tuition and fees for fiscal year 2003 increased \$1.03 million over the previous year due to increases in tuition as well as increases in enrollment.

**Net grants and contracts** (federal and state) decreased \$190 thousand, due mainly to increases in federal student aid programs and a decrease in a state grant from the prior year.

For fiscal year 2004, **Educational and General** expenditures increased 9.73%, for a total of approximately \$1.3 million. Additional details are provided below.

#### Educational and General Expenses

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Year Ended <u>June 30, 2002</u>
Instructional	\$ 5,156,203	\$ 4,245,627	\$ 3,615,769
Public service	367,262	448,631	477,834
Academic support	1,921,044	2,152,733	1,595,260
Student services	1,710,999	1,414,236	1,105,701
Institutional support	1,744,552	1,675,053	1,506,974
Operation and maintenance of plant	1,359,348	1,216,708	855,538
Student School and financial aid	2,186,687	2,011,782	1,261,920
	<u>\$ 14,446,095</u>	<u>\$ 13,164,770</u>	<u>\$ 10,418,996</u>

Increases in **Instructional Support** are primarily attributed to the addition of course sections taught to accommodate the increase in enrollment and salary increases for faculty. During the 2003 fiscal year, **Academic Support** received an Appalachia Grant to assist in the start-up of the Coshocton Education Center; for fiscal year 2004 this grant was not available, so a net decrease is the result between the two years. Increases in the **Student Support** area are primarily due to the continued expansion of programs directly related to students brought about by the increase in enrollment. **Institutional Support** reflects an increase in advertising for open positions, recording of bad debts and the increased costs associated with the insurance coverage for building, etc. **Operation and Maintenance** expenditures increased over to the previous fiscal year as a result of the Reese Center coming online. Additionally the unique association with the Ohio State University - Newark had an impact on the expenditures attributed to COTC. Because of the shift in enrollment between the two campuses, COTC held a higher percentage responsibility for expenditures made by the cost shared departments than in the previous fiscal year.

## Statement of Cash Flows

COTC's Statement of Cash Flows reflects cash flows for the fiscal years presented.

### Cash Flow Summary

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Year Ended <u>June 30, 2002</u>
Net cash provided by operating activities	\$ (4,126,263)	\$ (3,440,163)	\$ (3,191,250)
Net cash from noncapital financing activities	4,761,227	4,204,428	4,112,026
Net cash from capital financing activities	(709,184)	(274,040)	(799,189)
Net cash provided from investing activities	<u>67,648</u>	<u>76,839</u>	<u>83,020</u>
Net increase in cash	<u>\$ (6,572)</u>	<u>\$ 567,064</u>	<u>\$ 204,607</u>

The overall change in COTC's cash balances in 2004 is due to the normal operations of the college. Cash flows from capital financing had activity this fiscal year due to the construction of the J. Gilbert Reese Center. State appropriations, as well as, community donations contributed to the construction of this facility. Other items listed relate to the mortgage balance for the Child Development Center and a note payable for advance purchases made by Flik International, the management team operating the conference center located in this new building. The change in the cash balance for 2003 vs. 2002 is due to normal operations of the College.

### Summary

Fiscal Year 2004 marks another successful year of progress COTC both in growth and expansion of facilities. Overall, enrollment grew from 2,225 in the Autumn quarter of 2003 to 2,593 in the Autumn quarter of 2004, reflecting a 16.5% growth rate. The primary areas responsible for this growth are the continued expansion of Nursing and Allied Health as well as the tremendous success of the Coshocton Campus. This same Coshocton Campus is being considered statewide as a model of bringing higher education to under served communities in an efficient manner. In September of 2003, the opening of the John Gilbert Reese Center further exemplifies the progress of the campus. This building represents the growth of the campus by its classrooms, community connection by its conference center and commitment to technology through its dynamic infrastructure and capabilities. The addition of this facility through state capital allocations and private giving, combined with the growth of the campus, has significantly improved the fiscal position of the campus in this fiscal year.

The challenge facing Central Ohio Technical College is inherent due to its connection with the State of Ohio as a major source of funding. The next biennial state budget is of concern to higher education. Despite this challenge, COTC will continue to seek opportunities to enhance its presence in the region by creatively leveraging its available resources to meet the needs of both central Ohio students as well as the workplace they are preparing to enter.



**Crowe Chizek and Company LLC**  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statements of net assets of Central Ohio Technical College (the College), a component unit of the State of Ohio, as of June 30, 2004 and 2003 and the statements of revenue, expenses and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

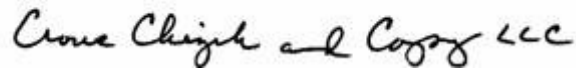
In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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

The Management's Discussion and Analysis (MD&A) on pages 1 to 6 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.



Crowe Chizek and Company LLC

Columbus, Ohio  
September 30, 2004

CENTRAL OHIO TECHNICAL COLLEGE  
STATEMENTS OF NET ASSETS  
June 30, 2004 and 2003

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,756,092	\$ 3,762,664
Accounts receivable		
Ohio State University	451,885	184,034
Intergovernmental grants	883,081	615,950
Other	1,033,007	1,063,162
Other assets	<u>132,086</u>	<u>128,783</u>
Total current assets	<u>6,256,151</u>	<u>5,754,593</u>
<b>Noncurrent assets</b>		
Endowment investments	1,790,427	1,583,453
Capital assets, net	<u>16,352,102</u>	<u>11,268,551</u>
Total noncurrent assets	<u>18,142,529</u>	<u>12,852,004</u>
Total assets	<u>24,398,680</u>	<u>18,606,597</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 457,688	\$ 323,348
Accrued liabilities	537,458	716,994
Deferred revenue	1,749,774	1,345,828
Current portion of long term debt	<u>109,167</u>	<u>45,673</u>
Total current liabilities	<u>2,854,087</u>	<u>2,431,843</u>
<b>Noncurrent liabilities</b>		
Accrued liabilities	498,288	376,273
Deferred revenue	353,307	189,940
Long-term debt	<u>291,892</u>	<u>141,153</u>
Total noncurrent liabilities	<u>1,143,487</u>	<u>707,366</u>
Total liabilities	<u>3,997,574</u>	<u>3,139,209</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,597,737	10,891,784
Restricted		
Nonexpendable		
Scholarships, fellowships, and research	929,473	811,062
Expendable		
Scholarships, fellowships, and research	911,500	821,684
Unrestricted	<u>2,962,396</u>	<u>2,942,858</u>
Total net assets	<u>\$ 20,401,106</u>	<u>\$ 15,467,388</u>

See accompanying notes to financial statements.

CENTRAL OHIO TECHNICAL COLLEGE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the years ended June 30, 2004 and 2003

<b>REVENUES</b>	<u>2004</u>	<u>2003</u>
Operating revenues		
Tuition and fees (net of scholarship allowances of \$1,734,976 and \$1,310,582 in 2004 and 2003)	\$ 5,375,262	\$ 4,298,709
Federal grants and contracts	3,331,970	2,861,457
Private, state and local gifts, grants and contracts	1,186,377	1,847,439
Sales and services of educational departments	490,660	554,604
Auxiliary enterprises	254,560	26,715
Other operating revenues	<u>160,455</u>	<u>155,714</u>
Total operating revenues	<u>10,799,284</u>	<u>9,744,638</u>
 <b>EXPENSES</b>		
Operating expenses		
Educational and general		
Instructional	5,156,203	4,245,627
Public service	367,262	448,631
Academic support	1,921,044	2,152,733
Student services	1,710,999	1,414,236
Institutional support	1,744,552	1,675,053
Operation and maintenance of plant	1,359,348	1,216,708
Depreciation expense	834,087	661,265
Student federal financial aid	2,186,687	2,011,782
Auxiliary enterprises	<u>418,237</u>	<u>5,112</u>
Total operating expenses	<u>15,698,419</u>	<u>13,831,147</u>
Operating loss	<u>(4,899,135)</u>	<u>(4,086,509)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	4,727,334	4,170,400
State appropriations-capital	2,209,867	--
Nongovernmental grants and contracts	2,834,815	34,028
Investment income (loss)	240,729	44,049
Interest on indebtedness	(13,569)	(9,931)
Other revenue (expenses)	<u>(166,323)</u>	<u>12,556</u>
Net nonoperating revenues	<u>9,832,853</u>	<u>4,251,102</u>
 Increase in net assets	4,933,718	164,593
 <b>NET ASSETS</b>		
Net assets at beginning of year	<u>15,467,388</u>	<u>15,302,795</u>
 Net assets at end of year	<u>\$ 20,401,106</u>	<u>\$ 15,467,388</u>

See accompanying notes to financial statements.



CENTRAL OHIO TECHNICAL COLLEGE  
STATEMENTS OF CASH FLOWS - DIRECT METHOD  
For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 5,526,630	\$ 4,797,167
Grants, gifts and contracts	4,694,865	4,281,047
Payments to suppliers	(3,450,947)	(3,234,527)
Payments for utilities	(295,635)	(279,563)
Payments to employees	(7,134,885)	(6,211,085)
Payments for benefits	(2,024,320)	(1,574,718)
Payments for scholarships and fellowships	(2,186,687)	(2,011,782)
Auxiliary enterprise receipts	254,560	26,715
Sales and service	329,701	610,869
Other resources	160,455	155,714
Net cash from operating activities	<u>(4,126,263)</u>	<u>(3,440,163)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	4,727,334	4,170,400
Gifts and grants other than capital	<u>33,893</u>	<u>34,028</u>
Net cash from noncapital financing activities	<u>4,761,227</u>	<u>4,204,428</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	2,209,867	--
Gifts and grants other than capital	3,494,898	--
Proceeds from new borrowings	310,000	--
Purchases on capital assets	(6,614,612)	(219,588)
Principal paid on capital debt	(95,768)	(44,521)
Interest on capital assets related debt	<u>(13,569)</u>	<u>(9,931)</u>
Net cash from financing activities	<u>(709,184)</u>	<u>(274,040)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>67,648</u>	<u>76,839</u>
Net cash from investing activities	<u>67,648</u>	<u>76,839</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(6,572)	567,064
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,762,664</u>	<u>3,195,600</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 3,756,092</u>	<u>\$ 3,762,664</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (4,899,135)	\$ (4,086,509)
Adjustments to reconcile operating loss to net cash		
Depreciation expense	834,087	661,265
Changes in assets and liabilities		
Receivables, net	(504,827)	(432,654)
Other Assets	(3,303)	(25,217)
Accounts payable	100,489	89,319
Accrued liabilities	(57,520)	59,552
Deferred revenue	<u>403,946</u>	<u>294,081</u>
Net cash from operating activities	<u>\$ (4,126,263)</u>	<u>\$ (3,440,163)</u>

See accompanying notes to financial statements.

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: Central Ohio Technical College (the 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.

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis –for Public Colleges and Universities* and subsequent pronouncements establish standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
  
- **Restricted:**
  - Nonexpendable* – Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College’s permanent endowment funds.
  
  - Expendable* – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
  
- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual Basis: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Other Accounts Receivable: Other accounts receivable includes federal financial aid that has been expended to students and is received from the federal government on a reimbursement basis. These receivables also include funds generated from the Business and Industry program that provides training for various groups. As the majority of these receivables are under government agreements, no allowance for doubtful accounts is recorded.

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment with a unit cost of \$2,500 or more and having an estimated useful life of greater than one year, is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets.

Investments: Investments are stated at fair value.

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 are allocated between institutions based on student enrollment and utilization factors. Additionally, certain services are purchased by each institution from each other.

Deferred Revenue: Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2004 and 2003 but relate to the subsequent accounting period.

Restricted Asset Spending Policy: The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities: The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, grants, contracts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain 2003 items have been reclassified to conform to the 2004 presentation.

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The balance sheet classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than three months. At June 30, 2004 the carrying amount of the College's deposits was \$3,756,092 with a corresponding total bank balance of \$4,046,672. Of the bank balances, all amounts in excess of the amount covered by the Federal Depository Insurance Corporation were covered by collateral held by a qualified third party trustee in the name of the College.

The College's investments as of June 30, 2004 were all category 1 and have a carrying and market value of \$1,790,427.

*Category 1:* Insured or registered, or securities held by the University or its agent in the College's name.

*Category 2:* Uninsured and unregistered, with securities held by the counter party's trust department or agent in the College's name.

*Category 3:* Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the College's name.

Endowment Fund investments categorized for the year ended June 30, 2004:

	Risk Category			Cost	Market Value
	1	2	3		
Cash	\$ 35,709			\$ 35,709	\$ 35,709
Equity mutual funds	843,282			843,282	1,155,979
Government bonds and notes	99,975			99,975	99,531
Unit investment trust	103,054			103,054	39,627
Corporate bonds and notes	447,350			447,350	459,581
<b>Total</b>	<b><u>\$ 1,529,370</u></b>	<b><u>\$ --</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 1,529,370</u></b>	<b><u>\$ 1,790,427</u></b>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 3 - CAPITAL ASSETS, NET**

Capital assets as of June 30, 2004 and 2003 are summarized as follows:

	June 30, 2003			June 30, 2004
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>Cost</u>				
Buildings	\$ 13,036,174	\$ 5,894,347		\$18,930,521
Leasehold improvements	21,071			21,071
Equipment, furniture, and library books	5,182,890	597,147	\$ 23,227	5,756,810
Construction in progress	<u>693,975</u>	<u>(570,858)</u>		<u>123,117</u>
	18,934,110	5,920,636	<u>23,227</u>	24,831,519
 <u>Accumulated depreciation</u>				
Buildings	3,379,865	505,737		3,885,602
Leasehold improvements	12,638	2,107		14,745
Equipment, furniture, and library books	<u>4,273,056</u>	<u>326,242</u>	<u>20,228</u>	<u>4,579,070</u>
	<u>7,665,559</u>	<u>834,086</u>	<u>20,228</u>	<u>8,479,417</u>
 Capital assets, net	 <u>\$ 11,268,551</u>	 <u>\$ 5,086,550</u>	 <u>\$ 2,999</u>	 <u>\$16,352,102</u>

**NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at of June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Payable to vendors and contractors	\$ 457,688	\$ 323,348
Accrued expenses, primarily payroll and vacation leave	1,033,065	977,089
Employee withholdings and deposits payable to third parties	<u>2,681</u>	<u>116,178</u>
	<u>\$ 1,493,434</u>	<u>\$ 1,416,615</u>

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 5 - LONG-TERM DEBT**

Long-term debt at June 30, 2004 and 2003, consists of a mortgage note payable to bank, totaling \$139,879 and \$186,826, respectively, with interest at prime, due April 2007. It is collateralized by the Child Care Facility. In addition, the College obtained two notes payable from FLIK International, Corp. ("FLIK") that were part of an agreement for FLIK to provide food service and other management services for the J. Gilbert Reese Center ("Center") on the College's campus. The notes were obtained by the College to fund improvements to the Center. The notes were in the amounts of \$210,000 and \$100,000, with interest at 4.00% and zero percent, respectively. The balance on these loans at June 30, 2004 were \$177,846 and \$83,334, respectively. Both notes are due in August 2008.

Annual maturities of long-term debt are due as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 109,167	\$ 11,086	\$ 120,253
2006	112,800	7,453	120,253
2007	102,944	3,719	106,663
2008	65,118	1,291	66,409
2009	<u>11,030</u>	<u>39</u>	<u>11,069</u>
	<u>\$ 401,059</u>	<u>\$ 23,588</u>	<u>\$ 424,647</u>

Interest expense for the year ended June 30, 2004 and 2003 was \$13,569 and \$9,931, respectively.

**NOTE 6 - LEASE COMMITMENTS**

The College leases certain office equipment, vehicles, and classroom space under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2004:

2005	\$ 291,587
2006	289,072
2007	260,387
2008	136,635
2009	<u>96,154</u>
	<u>\$ 1,073,835</u>

Rent expense was \$347,206 and \$362,462 for the years ended June 30, 2004 and 2003.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES**

The College participates in the State Teachers' Retirement System (STRS) and the Public Employees' Retirement System (PERS) retirement plans for academic and nonacademic personnel.

Public Employees' Retirement System

The College contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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) 222-6705 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 service credit, 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, 2004, 2003, and 2002 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, 2004, 2003, and 2002 were approximately \$2,594,000, \$2,472,000 and \$2,292,000, respectively. Employer contributions by the College were \$345,228, \$328,794 and \$304,160 for the years ending June 30, 2004, 2003, and 2002, respectively.

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 and assess progress made in Employees Retirement Systems. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

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(Continued)



CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)**

State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of the "formula benefit" or the "money purchase benefit" calculation.

Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of 30 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 other STRS 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 college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculties, 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.

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

Retirement benefits are annually increased by the greater of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost of living increases, up to a maximum of 3% of the original benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)**

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003 (date of most recent information available), were 10% of covered payroll for members and 14% for employers. Employer contributions by the College were \$503,958, \$422,643, and \$385,088 for the years ended June 30, 2004, 2003 and 2002, respectively.

The amount of the employer's covered payroll for the years ended June 30, 2004, 2003 and 2002 was approximately \$3,600,000, \$3,019,000, and \$2,751,000, respectively.

STRS issues a stand-alone financial report. That report may be obtained by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

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. 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 years 2004, 2003, and 2002 the employer match was \$40,268, \$41,139, and \$45,373, respectively.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired non-certified employees and their dependents through the Public Employees' Retirement System. 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 Revised Code (RC), 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The RC 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.

The board currently allocates employer contributions equal to 8.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are made. The balance in the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the date of the most recent information available). The Health Care Reserve Fund allocation for the year ended June 30, 2002 and after will be 4.5% of covered payroll. The net health care costs paid by STRS were \$456,214,000 and \$438,000,000 at June 30, 2003 and 2002, respectively. There were 108,294 and 105,300 eligible benefit recipients at June 30, 2003 and 2002, respectively.

The Ohio Revised Code gives PERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2002 (the date of the most recent information available), the allocation rate was 8.45%. In addition, PERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002 (the date of the most recent information available), the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer-contribution rate, provides for maintenance of the asset target level for the health care fund.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the date of the most recent information available) and 2001 were \$182.9 and \$161.4 million, respectively, and the target levels were \$274 million and \$211 million, respectively. At June 30, 2002 (the date of the most recent information available), and 2001 the PERS' net assets available for payment of health care benefits was \$335.2 million and \$315.7 million, respectively.

The number of participants currently receiving health care benefits is approximately 60,000 and 59,000 at June 30, 2002 and 2001, respectively.

The employer contributions used to fund post-employment benefits can be determined by multiplying actual employer contributions by .450, then adding the surcharge due as of June 30, 2002, as certified by PERS for our district.

**NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Salaries and wages	\$ 7,190,683	6,246,272
Employee benefits	1,911,503	1,609,641
Utilities and minor equipment	1,012,960	1,154,093
Supplies and other services	2,562,499	2,148,094
Depreciation	834,087	661,265
Student scholarships and financial aid	<u>2,186,687</u>	<u>2,011,782</u>
	<u>\$ 15,698,419</u>	<u>\$ 13,831,147</u>

**NOTE 10 - RISK MANAGEMENT**

Central Ohio Technical College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors and omissions, injuries to employees and natural disasters. The College contracts with Utica National Insurance Company for property and general liability insurance, including boiler and machinery coverage.

Vehicles are covered by Utica National Insurance Company and hold a \$250 deductible. Automobile liability coverage has a \$1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2004 and 2003

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**NOTE 10 - RISK MANAGEMENT** (Continued)

Central Ohio Technical College pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost.

Central Ohio Technical College provides life insurance to its employees.

Central Ohio Technical College obtains hospitalization coverage for its employee through the Ohio State University. The carrier for the hospitalization coverage is Central Benefits, Delta Dental for dental insurance and Vision Service Plan for vision insurance. The college pays a composite rate per employee and the employees co pay based on their insurance plan and level of coverage. Premiums are paid from the same funds that pay the employees' salaries.

Central Ohio Technical College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operation.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2004

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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		\$ 5,187,548
Federal Pell Grant Program	84.063		2,956,345
Federal Supplemental Education Opportunity Grants	84.007		100,150
Federal Work-Study Program	84.033		<u>93,012</u>
Total Student Financial Aid			<u>8,337,055</u>
Passed Through State Department of Education:			
Perkins Grant	84.048	06507820-C2	80,361
Technical Preparation Grant	84.243	0650783E-00	<u>177,937</u>
Total U.S. Department of Education			<u>8,595,353</u>
<u>United States Department of Agriculture/ by Ohio State Department of Education</u>			
Child and Adult Care Food Program	10.558	9769916-CC/ 21-ML	<u>17,630</u>
Total Federal Awards			<u>\$ 8,612,983</u>

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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, 2004

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**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 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, 2004.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

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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, 2004.
- 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 Grants 84.007
    - Federal Work-Study Program 84.033
    - Federal Pell Grant Program 84.063
    - Federal Family Education Loans 84.032
- 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.

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**Crowe Chizek and Company LLC**  
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS 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, 2004, and have issued our report thereon dated September 30, 2004. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

## Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Columbus, Ohio  
September 30, 2004



**Crowe Chizek and Company LLC**  
Member Horwath International

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, 2004. 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, 2004.

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(Continued)

## Internal Control Over Compliance

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

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

Columbus, Ohio  
September 30, 2004

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
APPOINTED OFFICIALS  
As of June 30, 2004

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Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u>			
Jill H. Griesse	2004	(2)	\$1 million
<u>Vice-Chairperson</u>			
Sarah R. Wallace (1)	2005	(2)	\$1 million
<u>Members</u>			
Valerie R. Bailey (1)	2005	(2)	\$1 million
Joseph J. Bernat (1)	2004	(2)	\$1 million
Richard H. McClain (1)	2005	(2)	\$1 million
Dennis R. McElroy (1)	2004	(2)	\$1 million
Micheal J. Menzer (1)	2006	(2)	\$1 million
Barry M. Riley (1)	2004	(2)	\$1 million
Robert B. Robinson	2004	(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 Mt. Hawley Insurance Company.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
ADMINISTRATIVE PERSONNEL  
As of June 30, 2004

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<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Bonnie Coe	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
Ms. Michelle Stapleton, J.D.	Dean of Faculty	(1)	\$1 million
Mr. Cal Roebuck	Assistant to the President	(1)	\$1 million
Mr. Tim Link	Chief Information Officer	(1)	\$1 million
Ms. Jackie Parrill	Director of Human Resources	(1)	\$1 million

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

**SUPPLEMENTARY INFORMATION**







**Auditor of State  
Betty Montgomery**

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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  
FEBRUARY 10, 2005**