

CENTRAL OHIO TECHNICAL COLLEGE
ANNUAL REPORT
70645-77-3690-00
COLUMBUS REGION, LICKING COUNTY
SINGLE AUDIT
JULY 1, 2004 THROUGH JUNE 30, 2005



**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, 2004 through June 30, 2005. 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

February 6, 2006

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CENTRAL OHIO TECHNICAL COLLEGE
Licking County

ANNUAL REPORT
June 30, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR YEAR ENDED JUNE 30, 2005

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, 2005 with comparative information for the year ended June 30, 2004. 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.

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 New 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, 2005, with comparative information as of June 30, 2004. 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 during fiscal year 2005, with comparative information for fiscal year 2004. 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 2005. 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 2005 report net assets of \$21.3 million at June 30, 2005. This represents an increase of approximately \$882 thousand from the previous fiscal year. Below is a condensed version of the Statement of Net Assets followed by a discussion of the changes:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
ASSETS			
Current assets	\$ 7,167,830	\$ 6,256,151	\$ 5,754,593
Capital assets, net	16,578,963	16,352,102	11,268,551
Other non-current assets	<u>1,833,566</u>	<u>1,790,427</u>	<u>1,583,453</u>
Total assets	25,580,359	24,398,680	18,606,597
LIABILITIES			
Current liabilities	3,238,787	2,854,087	2,431,843
Non-current liabilities	<u>1,058,073</u>	<u>1,143,487</u>	<u>707,366</u>
Total liabilities	4,296,860	3,997,574	3,139,209
NET ASSETS			
Invested in capital assets, Net of related debt	15,994,194	15,597,737	10,891,784
Restricted			
Nonexpendable	960,309	929,473	811,062
Expendable	924,036	911,500	821,684
Unrestricted	<u>3,404,960</u>	<u>2,962,396</u>	<u>2,942,858</u>
Total net assets	<u>\$ 21,283,499</u>	<u>\$ 20,401,106</u>	<u>\$ 15,467,388</u>

Assets: As of June 30, 2005, the College's total assets amount to \$25.6 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$16.6 million or 65% of total assets. Capital assets increased by a net amount of approximately \$226 thousand as a result of recording capitalized assets purchased.

Liabilities: At June 30, 2005 the College's liabilities totaled \$4.3 million, a \$300 thousand increase over last fiscal year. Deferred revenue represents \$2.1 million or 49.4% of total liabilities and increased approximately \$372 thousand due primarily to deferred summer 2005 tuition and fee revenues.

Net Assets: Net assets at June 30, 2005 totaled approximately \$21.3 million. Net assets invested in capital assets totaled \$15.9 million, which represents 75% of total net assets. Total net assets increase \$882 thousand during the year ended June 30, 2005. Unrestricted net assets totaled \$3.4 million with \$2.5 million representing unrestricted operating funds and the balance designated for capital improvements. By way of comparison, total net assets increased a total of \$4.9 million during fiscal year 2004.

Statement of Revenues, Expenses and Changes in Net Assets

Total operating revenues for fiscal year 2005 are \$12.8 million, an increase of \$2 million over last fiscal year. Below is the Statement of Revenues, Expenses and Changes in Net Assets followed by a discussion of the major variances:

	Year Ended <u>June 30, 2005</u>	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>
OPERATING REVENUES			
Tuition and fees, net	\$ 6,423,917	\$ 5,375,262	\$ 4,298,709
Federal grants and contracts	3,702,778	3,331,970	2,861,457
State contracts and grants	1,819,334	1,186,377	1,847,439
Sales and services of educational departments	451,875	490,660	554,604
Auxiliary enterprises	94,365	254,560	26,715
Other operating revenues	<u>309,733</u>	<u>160,455</u>	<u>155,714</u>
Total operating revenues	12,802,002	10,799,284	9,744,638
OPERATING EXPENSES			
Education and general	17,144,852	14,446,095	13,164,770
Depreciation expense	900,087	834,087	661,265
Auxiliary enterprises	<u>148,847</u>	<u>418,237</u>	<u>5,112</u>
Total operating expenses	<u>18,193,786</u>	<u>15,698,419</u>	<u>13,831,147</u>
Operating loss	(5,391,784)	(4,899,135)	(4,086,509)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	6,076,585	4,727,334	4,170,400
State appropriations – capital	--	2,209,807	--
Investment income (loss)	79,658	240,729	44,049
Other revenues (expenses)	<u>117,934</u>	<u>2,654,923</u>	<u>36,653</u>
Net nonoperating revenues	<u>6,274,177</u>	<u>9,832,793</u>	<u>4,251,102</u>
Increase in net assets	882,393	4,933,658	164,593
Net assets-beginning of year	<u>20,401,106</u>	<u>15,467,388</u>	<u>15,302,795</u>
Net assets-end of year	<u>\$ 21,283,499</u>	<u>\$ 20,401,046</u>	<u>\$ 15,467,388</u>

Net **tuition and fees** increased \$1.05 million in fiscal year 2005. This increase is a result of a 1.9% increase in student full-time equivalency (FTE) and a 3.7% increase in the tuition and fees rate in Autumn 2004. Net tuition and fees for fiscal year 2004 increased \$1.07 million over the previous year, again due to increases in tuition as well as increases in enrollment.

Net **grants and contracts** (federal and state) increased \$1 million, due mainly to increases in student aid programs.

For fiscal year 2005, **Educational and general** expenditures increased 18.7%, for a total of approximately \$2.7 million. Additional details are provided below.

Educational and General Expenses

	<u>Year Ended</u> <u>June 30, 2005</u>	<u>Year Ended</u> <u>June 30, 2004</u>	<u>Year Ended</u> <u>June 30, 2003</u>
Instructional	\$ 6,447,350	\$ 5,156,203	\$ 4,245,627
Public service	381,523	367,262	448,631
Academic support	2,109,979	1,921,044	2,152,733
Student services	1,794,642	1,710,999	1,414,236
Institutional support	2,234,854	1,744,552	1,675,053
Operation and maintenance of plant	1,636,884	1,359,348	1,216,708
Student school and financial aid	<u>2,539,620</u>	<u>2,186,687</u>	<u>2,011,782</u>
	<u>\$ 17,144,852</u>	<u>\$ 14,446,095</u>	<u>\$ 13,164,770</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. The increases in expenditures from the previous year for **Academic support** are generally in the area of salary and benefit increases for staff. 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. **Operation and maintenance** expenditures increased over the previous fiscal year as a result of utilities, specifically natural gas prices. 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. Additionally, the position of the President of COTC was established and the full cost of the salary and benefits is now borne by COTC. In past fiscal years, a similar position had been included in the cost-share arrangement with the Ohio State University – Newark.

Statement of Cash Flows

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

	<u>Year Ended</u> <u>June 30, 2005</u>	<u>Year Ended</u> <u>June 30, 2004</u>	<u>Year Ended</u> <u>June 30, 2003</u>
Net cash provided by operating activities	\$ (3,960,582)	\$ (4,126,263)	\$ (3,440,163)
Net cash from noncapital financing activities	6,513,484	4,761,227	4,204,428
Net cash from capital financing activities	(1,634,349)	(709,184)	(274,040)
Net cash from capital investing activities	<u>54,909</u>	<u>67,648</u>	<u>76,839</u>
Net increase (decrease) in cash	<u>\$ 973,462</u>	<u>\$ (6,572)</u>	<u>\$ 567,064</u>

The overall change in COTC's cash balances in 2005 is due to the normal operations of the College.

Summary

Fiscal Year 2005 marks another successful year of progress for COTC both in growth and expansion of facilities. Expenditures have been closely monitored to result in a positive return for the campus. Record setting enrollment continues to be served as the campus grows from a small technical college to the goal of being the number one technical college in the State of Ohio.



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 financial statements of the business-type activities of Central Ohio Technical College (the College), a component unit of the State of Ohio, as of and for the years ended June 30, 2005 and 2004, which comprise the College's basic financial statements as listed in the table of contents. 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 business-type activities of the College, as of June 30, 2005 and 2004, and its operations and 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 23, 2005 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.

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
Crowe Chizek and Company LLC

Columbus, Ohio
September 23, 2005

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Current assets		
Cash and cash equivalents	\$ 4,729,554	\$ 3,756,092
Accounts receivable		
Students, net of allowance of \$341,115 and \$264,171		
in 2005 and 2004, respectively	541,320	498,807
Ohio State University	479,787	451,885
Intergovernmental grants	826,897	970,286
Other	405,619	446,325
Other assets	<u>184,653</u>	<u>132,756</u>
Total current assets	<u>7,167,830</u>	<u>6,256,151</u>
Noncurrent assets		
Endowment investments	1,833,566	1,790,427
Capital assets, net	<u>16,578,963</u>	<u>16,352,102</u>
Total noncurrent assets	<u>18,412,529</u>	<u>18,142,529</u>
Total assets	<u>25,580,359</u>	<u>24,398,680</u>
LIABILITIES		
Current liabilities		
Accounts payable	298,684	457,688
Accrued liabilities	756,358	537,458
Deferred revenue	2,122,600	1,749,774
Current portion of long term debt	<u>61,145</u>	<u>109,167</u>
Total current liabilities	<u>3,238,787</u>	<u>2,854,087</u>
Noncurrent liabilities		
Accrued liabilities	534,448	498,288
Deferred revenue	483,784	353,307
Long-term debt	<u>39,841</u>	<u>291,892</u>
Total noncurrent liabilities	<u>1,058,073</u>	<u>1,143,487</u>
Total liabilities	<u>4,296,860</u>	<u>3,997,574</u>
NET ASSETS		
Invested in capital assets, net of related debt	15,994,194	15,597,737
Restricted		
Nonexpendable		
Scholarships, fellowships, and research	960,309	929,473
Expendable		
Scholarships, fellowships, and research	924,036	911,500
Unrestricted	<u>3,404,960</u>	<u>2,962,396</u>
Total net assets	<u>\$ 21,283,499</u>	<u>\$ 20,401,106</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, 2005 and 2004

REVENUES	<u>2005</u>	<u>2004</u>
Operating revenues		
Tuition and fees (net of scholarship allowances of \$1,909,039 and \$1,734,976 in 2005 and 2004)	\$ 6,423,917	\$ 5,375,262
Federal grants and contracts	3,702,778	3,331,970
Private, state and local gifts, grants and contracts	1,819,334	1,186,377
Sales and services of educational departments	451,875	490,660
Auxiliary enterprises	94,365	254,560
Other operating revenues	<u>309,733</u>	<u>160,455</u>
Total operating revenues	<u>12,802,002</u>	<u>10,799,284</u>
 EXPENSES		
Operating expenses		
Educational and general		
Instructional	6,447,350	5,156,203
Public service	381,523	367,262
Academic support	2,109,979	1,921,044
Student services	1,794,642	1,710,999
Institutional support	2,234,854	1,744,552
Operation and maintenance of plant	1,636,884	1,359,348
Depreciation expense	900,087	834,087
Student federal financial aid	2,539,620	2,186,687
Auxiliary enterprises	<u>148,847</u>	<u>418,237</u>
Total operating expenses	<u>18,193,786</u>	<u>15,698,419</u>
Operating loss	<u>(5,391,784)</u>	<u>(4,899,135)</u>
 NONOPERATING REVENUES (EXPENSES)		
State appropriations	6,076,585	4,727,334
State appropriations-capital	--	2,209,867
Nongovernmental grants and contracts	436,899	2,834,815
Investment income (loss)	79,658	240,729
Interest on indebtedness	(18,090)	(13,569)
Other revenue (expenses)	<u>(300,875)</u>	<u>(166,323)</u>
Net nonoperating revenues	<u>6,274,177</u>	<u>9,832,853</u>
 Increase in net assets	882,393	4,933,718
 NET ASSETS		
Net assets at beginning of year	<u>20,401,106</u>	<u>15,467,388</u>
 Net assets at end of year	<u>\$ 21,283,499</u>	<u>\$ 20,401,106</u>

See accompanying notes to financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS - DIRECT METHOD
For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 6,561,550	\$ 5,526,630
Grants, gifts and contracts	5,878,669	4,694,865
Payments to suppliers	(3,848,127)	(3,450,947)
Payments for utilities	(301,066)	(295,635)
Payments to employees	(8,314,935)	(7,134,885)
Payments for benefits	(2,273,914)	(2,024,320)
Payments for scholarships and fellowships	(2,539,620)	(2,186,687)
Auxiliary enterprise receipts	94,365	254,560
Sales and service	472,763	329,701
Other resources	309,733	160,455
Net cash from operating activities	<u>(3,960,582)</u>	<u>(4,126,263)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	6,076,585	4,727,334
Gifts and grants other than capital	436,899	33,893
Net cash from noncapital financing activities	<u>6,513,484</u>	<u>4,761,227</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State appropriations		2,209,867
Gifts and grants		3,494,898
Proceeds from new borrowings		310,000
Purchases on capital assets	(1,316,186)	(6,614,612)
Principal paid on capital debt	(300,073)	(95,768)
Interest on capital assets related debt	(18,090)	(13,569)
Net cash from financing activities	<u>(1,634,349)</u>	<u>(709,184)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	54,909	67,648
Net cash from investing activities	<u>54,909</u>	<u>67,648</u>
NET INCREASE (DECREASE) IN CASH	973,462	(6,572)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,756,092</u>	<u>3,762,664</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,729,554</u>	<u>\$ 3,756,092</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (5,391,784)	\$ (4,899,135)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	900,087	834,087
Changes in assets and liabilities		
Receivables, net	114,130	(504,827)
Other assets	(51,897)	(3,303)
Accounts payable	(159,004)	100,489
Accrued liabilities	255,061	(57,520)
Deferred revenue	372,825	403,946
Net cash from operating activities	<u>\$ (3,960,582)</u>	<u>\$ (4,126,263)</u>

See accompanying notes to financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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.

Accounts Receivable: The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Intergovernmental grants include amounts due from the federal government in connection with reimbursement of allowable expenditures made under federal grants.

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, 2005 and 2004 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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Principle: For the year ended June 30, 2005, the College implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This new statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

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 2004 items have been reclassified to conform to the 2005 presentation.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The College invests in those instruments identified by state statute. Specifically, authorized investment instruments consist of obligations of the U. S. Treasury, agencies and instrumentalities of the U. S. Government, bonds and other obligations of the State of Ohio and its political subdivisions, collateralized certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAR Ohio), which is managed by the State of Ohio.

Deposits

Custodial credit risk: At June 30, 2005, the carrying amount of the College's deposits, (which consists of cash, excluding cash on hand of \$5,056) deposits held by trustee, and investments, was \$4,729,554 and the bank balance was \$4,917,896. The difference in the carrying amount and bank balance results from outstanding checks and deposits in transit. Of the bank balance, \$100,000 is covered by federal deposit insurance. The remaining balance at June 30, 2005 of \$4,817,896 is collateralized by eligible securities or other obligations of the kind permitted to be deposited under the provisions of the Uniform Depository Act.

Investments

All investments are stated at fair value. Investments acquired by gift are stated at fair value at date of gift if a fair value is available, and otherwise at an appraised or nominal value. Investments are shown in the statement of net assets non-current.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2005 and 2004

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of June 30, 2005, the University had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>(in years)</u>	
		<u>< 1</u>	<u>1-5</u>
Fixed Income	\$ 500,171	\$ 99,516	\$ 400,655
Cash Equivalents	98,319		
Equity Funds	1,235,076		
	<u>\$ 1,833,566</u>		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy limits investments in fixed income securities to government and agency issues and corporate issues in the top four quality rating of recognized credit services.

As of June 30, 2005, the College had the following investments and quality ratings:

<u>Endowment Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Cash Equivalents		\$ 98,319
Fixed Income		
US Gov't Agency/Nonexempt State	AAA	49,284
US Treasury Bonds and Notes	AAA	49,547
US Gov't Agency/Exempt State	AAA	49,953
Corporate Bonds and Notes	AAA	49,008
	AA-	49,974
	A	101,764
	A-	50,261
	BBB+	100,380
Equity		
Common Stock		856,581
Mutual Fund - Equity		378,495
		<u>\$ 1,833,566</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy limits investment in any single issuer other than U.S. Government securities to 10% of the total investment portfolio.

NOTE 3 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2005 and 2004 are summarized as follows:

	July 1, 2004			June 30, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>Cost</u>				
Buildings	\$ 18,930,521	\$ 764,626		\$19,695,147
Leasehold improvements	21,071	40,099		61,170
Equipment, furniture, and library books	5,756,810	615,392	\$ 210,341	6,161,861
Construction in progress	<u>123,117</u>	<u>(123,117)</u>		<u> </u>
	24,831,519	1,297,000	210,341	25,918,178
 <u>Accumulated depreciation</u>				
Buildings	3,885,602	492,379		4,377,981
Leasehold improvements	14,745	14,056		28,801
Equipment, furniture, and library books	<u>4,579,070</u>	<u>393,652</u>	<u>40,289</u>	<u>4,932,433</u>
	<u>8,479,417</u>	<u>900,087</u>	<u>40,289</u>	<u>9,339,215</u>
 Capital assets, net	 <u>\$ 16,352,102</u>	 <u>\$ 396,913</u>	 <u>\$ 170,052</u>	 <u>\$16,578,963</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2005 and 2004

NOTE 3 - CAPITAL ASSETS, NET (Continued)

	July 1, 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, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Payable to vendors and contractors	<u>\$ 298,684</u>	<u>\$ 457,688</u>
Accrued expenses, primarily payroll and vacation leave	\$ 1,236,834	\$ 1,033,065
Employee withholdings and deposits payable to third parties	<u>53,972</u>	<u>2,681</u>
	1,290,806	1,035,746
Current	<u>756,358</u>	<u>537,458</u>
Noncurrent	<u>\$ 534,448</u>	<u>\$ 498,288</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2005 and 2004

NOTE 5 – LONG-TERM DEBT

Long-term debt at June 30, 2005 and 2004, consists of a mortgage note payable to bank, totaling \$90,985 and \$139,879, 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”) during 2004 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 balances on these loans at June 30, 2004 were \$177,846 and \$83,334, respectively. During 2005, the College terminated its agreement with FLIK and paid off the balances on the two notes payable. In addition to the payment of the notes, the College also paid operating expenses to FLIK for services performed with the exception of \$10,000, which has yet to be paid and is classified as short-term debt on the financial statements.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 61,145	\$ 2,699	\$ 63,844
2007	<u>39,841</u>	<u>661</u>	<u>40,502</u>
	<u>\$ 100,986</u>	<u>\$ 3,360</u>	<u>\$ 104,346</u>

Interest expense for the year ended June 30, 2005 and 2004 was \$18,090 and \$13,569, 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:

2006	\$ 409,396
2007	384,013
2008	222,139
2009	115,298
2010	<u>22,009</u>
	<u>\$ 1,152,855</u>

Rent expense was \$329,737 and \$347,206 for the years ended June 30, 2005 and 2004.

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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, 2005, 2004, and 2003 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, 2005, 2004, and 2003 were approximately \$2,973,000, \$2,594,000 and \$2,472,000, respectively. Employer contributions by the College were \$395,767, \$345,228 and \$328,794 for the years ending June 30, 2005, 2004, and 2003, respectively.

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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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

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.

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 \$634,259, \$503,958, and \$422,643 for the years ended June 30, 2005, 2004 and 2003, respectively.

The amount of the employer's covered payroll for the years ended June 30, 2005, 2004 and 2003 was approximately \$4,530,000, \$3,600,000, and \$3,019,000, 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 and shall be a defined-contribution plan. The College has implemented the alternative retirement plan. In fiscal years 2005, 2004, and 2003 the employer match was \$25,169, \$40,268, and \$41,139, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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 1% of the employer contribution rate of 14%.

The balance in the Health Care Reserve Fund was \$3.1 billion at June 30, 2004 (the date of the most recent information available). The net health care costs paid by STRS were \$425,709,000 and \$456,214,000 at June 30, 2004 and 2003, respectively. Eligible benefit recipients reported for STRS totaled 111,853 as of June 30, 2004.

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.

The rate used to fund post-employment benefits was 4% of the total employer contributions rate of 13.55% at June 30, 2004.

Health care benefits are financed on a pay-as-you-go basis. Expenses for health care at June 30, 2004 (the date of the most recent information available) and 2003 were approximately \$966,079,000 and \$910,449,000 respectively. The actuarial value of OPERS net assets available for Other Postretirement Benefits at December 31, 2003 (the date of the most recent information available) is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. The number of OPERS active contributing participants was 375,076 at year-end December 31, 2004.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

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

The Government Accounting Standards Board (GASB) has issued Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006.

NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Salaries and wages	\$ 8,429,018	7,190,683
Employee benefits	2,414,892	1,911,503
Supplies and other services	2,683,019	2,562,499
Utilities and minor equipment	813,900	611,283
Advertising	413,250	401,677
Depreciation	900,087	834,087
Student scholarships and financial aid	<u>2,539,620</u>	<u>2,186,687</u>
	<u>\$ 18,193,786</u>	<u>\$ 15,698,419</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.

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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2005 and 2004

NOTE 10 - RISK MANAGEMENT (Continued)

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.

NOTE 11 – SUBSEQUENT EVENTS

On June 14, 2005, a contract was drafted between the College and The Roscoe Village Foundation, Inc. for the College to purchase a building in Coshocton to use for additional classroom space for its Coshocton location. The purchase price will be \$1,000,000 with the College paying \$100,000 at closing and then entering into a promissory note for the remaining \$900,000. Under the contract, the College will take possession of the property on or before November 4, 2005.

SUPPLEMENTARY INFORMATION

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2005

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		\$ 6,838,947
Federal Pell Grant Program	84.063		3,364,018
Federal Supplemental Education Opportunity Grants	84.007		87,900
Federal Work-Study Program	84.033		<u>131,024</u>
Total Student Financial Aid			<u>10,421,889</u>
Passed Through State Department of Education:			
Perkins Grant	84.048	06507820-C2	91,040
Technical Preparation Grant	84.243	0650783E-00	105,257
Literacy Specialist Grant	84.UNK		<u>64,375</u>
Total U.S. Department of Education			10,682,561
<u>Federal Emergency Management Agency</u>			
FEMA Award	97.036		9,475
<u>United States Department of Agriculture/ passed through Ohio State Department of Education</u>			
Child and Adult Care Food Program	10.558	9769916-CC/ 21-ML	<u>19,321</u>
Total Federal Awards			<u>\$10,711,357</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, 2005

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, 2005.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

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, 2005.
- 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 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).

FINDING 05-01 – FEDERAL PELL GRANTS

Federal Program:

Federal Pell Grant Program, CFDA #84.063

Criteria:

34 CFR 690.62 (a); The amount of a student Pell Grant for an academic year is based upon the payment schedules published by the Secretary. 34 CFR 690.80(b)(2)(ii); If a student's projected enrollment status changes during a payment period

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

	before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.
Condition:	Pell Grant awards were calculated incorrectly for three students.
Questioned Costs:	One student was over-awarded \$192, another student was over-awarded \$616 and a third student was under-awarded \$292 under the Federal Pell Grant Program.
Context:	In a sample of sixty students, forty-six students received Pell Grants. Of these forty-six students, three student's Pell Grants were calculated incorrectly.
Recommendation:	We recommend the College adhere to the Pell Grant schedules published by the Secretary each year and devise a system to review the awards. We also recommend a policy be established to ensure that changes in determining factors of a Pell Grant be accounted for and properly reflected through a change in the Pell Grant if necessary.
Management's Response:	The College has a history and expectation of error free audits. The errors discovered during this audit period were as a result of a manual aid adjustment process due to system limitations. The errors were narrowed to one staff member and the issues discussed. In addition we have implemented a random compliance review of files each quarter to help ensure these errors will not occur again. In January 2006 we will participate in the NASFAA Standards of Excellence Review, a voluntary peer review program to assess our delivery of financial aid. Finally, the College will soon begin implementation of DATATEL, a fully integrated campus solution. It is believed that with full integration will come reduced opportunity for errors.

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.



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, 2005, and have issued our report thereon dated September 23, 2005. 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.

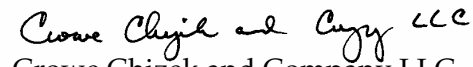
Internal Control Over Financial Reporting

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

Columbus, Ohio
September 23, 2005



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, 2005. 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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is to be reported in accordance with OMB Circular A-133 and which is discussed in the accompanying schedule of findings and questioned costs as Finding 05-01.

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 caused by error or fraud 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. However, we noted a matter involving the internal control over compliance that is to be reported in accordance with OMB Circular A-133 and which is discussed in the accompanying schedule of findings and questioned costs as Finding 05-01.

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 23, 2005

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
APPOINTED OFFICIALS
As of June 30, 2005

Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u>			
Sarah R. Wallace (1)	2005	(2)	\$1 million
<u>Vice-Chairperson</u>			
Richard H. McClain (1)	2005	(2)	\$1 million
<u>Members</u>			
Jill H. Griesse	2006	(2)	\$1 million
Dennis R. McElroy (1)	2007	(2)	\$1 million
Michael J. Menzer (1)	2006	(2)	\$1 million
Barry M. Riley (1)	2007	(2)	\$1 million
Robert B. Robinson	2007	(2)	\$1 million
Cheryl L. Snyder	2006	(2)	\$1 million
Lee Wyse	2005	(2)	\$1 million

(1) School Board Caucus

(2) Utica National Insurance Group, Republic Franklin Insurance Company of New Hartford, New York. The College also has a \$10 million umbrella insurance policy with Utica National Insurance Group.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
ADMINISTRATIVE PERSONNEL
As of June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Bonnie Coe	President of Central Ohio Technical College	(1)	\$1 million
Mr. David Brillhart	Chief Financial Officer	(1)	\$1 million
Mr. John Berry	Dean/Director of Student Services	(1)	\$1 million
Ms. Michelle Stapleton, J.D.	Dean of Faculty	(1)	\$1 million
Mr. Calvin Roebuck	Development Officer	(1)	\$1 million
Ms. Debra Smith	Chief Information Officer	(1)	\$1 million
Ms. Jacqueline Parrill	Director of Human Resources	(1)	\$1 million

(1) Utica National Insurance Group, Republic Franklin Insurance Company of New Hartford, New York.
The College also has a \$10 million umbrella insurance policy with Utica National Insurance Group.



**Auditor of State
Betty Montgomery**

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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 21, 2006**