

**Central Ohio Technical
College**

Audited Financial Statements

June 30, 2006



Mary Taylor, CPA
Auditor of State

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 Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 23, 2007

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**CENTRAL OHIO TECHNICAL COLLEGE
NEWARK, OHIO**

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

October 26, 2006

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

Independent Auditor's Report

We have audited the accompanying financial statements of Central Ohio Technical College (the College) as of and for the year ended June 30, 2006, which collectively 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 opinions on these financial statements based on our audit. The financial statements of the College as of June 30, 2005, were audited by other auditors whose report dated September 23, 2005, expressed an unqualified opinion on those statements.

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

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Central Ohio Technical College
Independent Auditor's Report
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kea & Associates, Inc.

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

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, 2006, with comparative information for fiscal year 2005. 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.

Using the Annual Report

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, 2006, with comparative information as of June 30, 2005. 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 2006, with comparative information for fiscal year 2005. 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.

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2006. 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 2006 report net assets of \$24.8 million at June 30, 2006. This represents an increase of approximately \$2.9 million from the previous fiscal year. Below is a condensed version of the Statement of Net Assets followed by a discussion of the changes:

ASSETS

Current Assets	\$ 10,329,197	\$ 7,167,830	\$ 6,256,151
Capital Assets, net	18,309,552	16,578,963	16,352,102
Other non-current	2,340,447	1,833,566	1,790,427
Total Assets	<u>30,979,196</u>	<u>25,580,359</u>	<u>24,398,680</u>

LIABILITIES

Current Liabilities	3,079,279	3,238,787	2,854,087
Non-current Liabilities	3,083,808	1,058,073	1,143,487
Total Liabilities	<u>6,163,087</u>	<u>4,296,860</u>	<u>3,997,574</u>

NET ASSETS

Invested in Capital Assets, net of related debt	16,197,333	15,994,194	15,597,737
Restricted			
Nonexpendable	967,357	960,309	929,473
Expendable	4,022,045	924,036	911,500
Unrestricted	<u>3,629,374</u>	<u>3,404,960</u>	<u>2,962,396</u>
Total Net Assets	<u>\$ 24,816,109</u>	<u>\$ 21,283,499</u>	<u>\$ 20,401,106</u>

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

Assets As of June 30, 2006, the College's total assets are \$30.9 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$18.3 million or 59.1% of total assets. Capital assets increased by a net amount of approximately \$1.7 million as a result of recording capitalized assets purchased with the offsetting depreciation for the fiscal year.

Liabilities At June 30, 2006 the College's liabilities totaled \$6.2 million, a \$2.4 million increase over last fiscal year. Deferred revenue represents \$2.1 million or 34% of total liabilities and decreased approximately \$487 thousand due primarily to summer 2006 tuition and fee revenues and recognizing capital contributions as revenue in FY2006.

Net Assets Net assets at June 30, 2006 totaled approximately \$24.8 million. Net assets invested in capital assets totaled \$16.2 million, which represents 65.3% of total net assets. Total net assets increase \$3.5 million during the year ended June 30, 2006. Unrestricted net assets totaled \$3.6 million with \$3.0 million representing restricted for capital improvements.

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CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

Statement of Revenues, Expenses and Changes in Net Assets

Total operating revenues for fiscal year 2006 are \$14.0 million, an increase of \$1.2 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:

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
OPERATING REVENUES			
Tuition & Fees, net	\$ 7,381,556	\$ 6,423,917	\$ 5,375,262
Federal grants and contracts	4,083,546	3,702,778	3,331,970
State contracts and grants	1,695,434	1,819,334	1,186,377
Sales & srv of ed depts	528,488	451,875	490,660
Auxiliary enterprises	40,435	94,365	254,560
Other Operating revenues	<u>298,612</u>	<u>309,733</u>	<u>160,455</u>
Total Operating Revenues	14,028,071	12,802,002	10,799,284
OPERATING EXPENSES			
Education & General	19,791,373	17,144,852	14,446,095
Depreciation expense	944,702	900,087	834,087
Auxiliary Enterprises	<u>4,852</u>	<u>148,847</u>	<u>418,237</u>
Total Operating Expenses	<u>20,740,927</u>	<u>18,193,786</u>	<u>15,698,419</u>
Operating loss	(6,712,856)	(5,391,784)	(4,899,135)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	6,751,027	6,076,585	6,937,201
Nongovernmental grants and contracts	0	436,899	0
Investment income	151,289	79,658	240,729
Other revenues (expenses)	<u>(123,055)</u>	<u>(318,965)</u>	<u>2,654,923</u>
Net nonoperating revenues	6,779,261	6,274,177	9,832,853
Capital appropriation and gifts and grants	3,466,205	0	0
Increase in net assets	3,532,610	882,393	4,933,718
Net assets-beginning	<u>21,283,499</u>	<u>20,401,106</u>	<u>15,467,388</u>
Net assets-end of year	<u>\$ 24,816,109</u>	<u>\$ 21,283,499</u>	<u>\$ 20,401,106</u>

Net **tuition and fees** increased \$957 thousand in fiscal year 2006. This increase is a result of a 9.9% increase in student full-time equivalency (FTE) and a 3.9% increase in the tuition and fees rate in Autumn 2005 and an additional approved increase of 2.1% effective Spring quarter 2006. Net tuition and fees for fiscal year 2005 increased \$1.05 million over the previous year again due to increases in tuition as well as increases in enrollment.

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

Net **grants and contracts** (federal and state) increased \$257 thousand, due mainly to increases in student aid programs.

Capital gifts and grants are mostly composed of revenues from the Coshocton Capital Campaign. These funds will be used to renovate the Roscoe Village building to provide additional classrooms for the Coshocton campus.

For fiscal year 2006 **Educational and General** expenditures increased 15.4%, for a total of approximately \$2.6 million. Additional details are provided below.

Educational and General Expenses

	Year Ended June 30, 2006	Year Ended June 30, 2005	Year Ended June 30, 2004
Instructional	\$ 7,125,098	\$ 6,447,350	\$ 5,156,203
Public Service	348,332	381,523	367,262
Academic Support	2,461,139	2,109,979	1,921,044
Student Services	2,131,907	1,794,642	1,710,999
Institutional Support	2,433,585	2,234,854	1,744,552
Operation & Maintenance of Plant	2,285,941	1,636,884	1,359,348
Student Schol & Financial Aid	3,005,371	2,539,620	2,186,687
	<u>\$ 19,791,373</u>	<u>\$ 17,144,852</u>	<u>\$ 14,446,095</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. Also, as with the academic support area, the expansion of the Knox Campus contributed to the increase in expenditures. Overall, 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.

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION & ANALYSIS
June 30, 2006 and 2005
(Unaudited)

Statement of Cash Flows

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

Cash Flow Summary

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Net cash provided by operating activities	(5,901,167)	(3,960,582)	(4,126,263)
Net cash from noncapital financing activities	6,751,027	6,513,484	4,761,227
Net cash from capital financing activities	29,017	(1,634,349)	(709,184)
Net cash from capital investing activities	<u>88,475</u>	<u>54,909</u>	<u>67,648</u>
Net increase in cash	<u>\$ 967,352</u>	<u>\$ 973,462</u>	<u>\$ (6,572)</u>

The overall change in COTC's cash balances in 2006 is due to the normal operations of the College.

Summary

Fiscal Year 2006 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.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 5,297,077	\$ 4,729,554
Accounts receivable		
Students, net of allowance of \$365,491 and \$341,115 in 2006 and 2005, respectively	552,021	541,320
Ohio State University	116,640	479,787
Intergovernmental grants	1,174,700	826,897
Pledges	2,073,447	0
Other	553,746	405,619
Other assets	561,566	184,653
Total current assets	<u>10,329,197</u>	<u>7,167,830</u>
Noncurrent Assets		
Restricted cash and cash equivalents	399,829	0
Endowment investments	1,940,618	1,833,566
Capital assets, net	<u>18,309,552</u>	<u>16,578,963</u>
Total noncurrent assets	<u>20,649,999</u>	<u>18,412,529</u>
Total assets	<u>30,979,196</u>	<u>25,580,359</u>
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	343,421	298,684
Accrued liabilities	906,017	756,358
Deferred revenue	1,527,127	2,122,600
Current portion of long-term debt	<u>302,714</u>	<u>61,145</u>
Total current liabilities	<u>3,079,279</u>	<u>3,238,787</u>
Noncurrent liabilities		
Accrued liabilities	682,423	534,448
Deferred revenue	591,880	483,784
Long-term debt	<u>1,809,505</u>	<u>39,841</u>
Total noncurrent liabilities	<u>3,083,808</u>	<u>1,058,073</u>
Total liabilities	<u>6,163,087</u>	<u>4,296,860</u>
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	16,197,333	15,994,194
Restricted		
Nonexpendable		
Scholarships, fellowships, and research	967,357	960,309
Expendable		
Scholarships, fellowships, and research	990,157	924,036
Capital uses	3,031,888	0
Unrestricted	<u>3,629,374</u>	<u>3,404,960</u>
Total net assets	<u>\$ 24,816,109</u>	<u>\$ 21,283,499</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the years ended June 30, 2006 and 2005

	2006	2005
REVENUES		
Operating Revenues		
Tuition & Fees (net of scholarship allowances of \$2,074,859 and \$1,909,039 in 2006 and 2005)	\$ 7,381,556	\$ 6,423,917
Federal grants and contracts	4,083,546	3,702,778
Private, state, and local gifts, contracts and grants	1,695,434	1,819,334
Sales and services of educational departments	528,488	451,875
Auxiliary enterprises	40,435	94,365
Other Operating revenues	298,612	309,733
Total Operating Revenues	14,028,071	12,802,002
EXPENSES		
Operating Expenses		
Education and general		
Instructional	7,125,098	6,447,350
Public service	348,332	381,523
Academic support	2,461,139	2,109,979
Student services	2,131,907	1,794,642
Institutional support	2,433,585	2,234,854
Operation and maintenance of plant	2,285,941	1,636,884
Depreciation expense	944,702	900,087
Student scholarship and financial aid	3,005,371	2,539,620
Auxiliary enterprises	4,852	148,847
Total operating expenses	20,740,927	18,193,786
Operating loss	(6,712,856)	(5,391,784)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	6,751,027	6,076,585
Nongovernmental grants and contracts	0	436,899
Investment income	151,289	79,658
Interest on indebtedness	(10,239)	(18,090)
Other (expenses)	(112,816)	(300,875)
Net nonoperating revenues	6,779,261	6,274,177
Income before other revenues, expenses, gains, or losses	66,405	882,393
Capital appropriations	618,612	0
Capital grants and gifts	2,847,593	0
Total other revenues	3,466,205	0
Increase in net assets	3,532,610	882,393
NET ASSETS		
Net assets at beginning of the year	21,283,499	20,401,106
Net assets at end of year	\$ 24,816,109	\$ 21,283,499

The accompanying notes are an integral part of these financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition & Fees	\$ 7,442,231	\$ 6,561,550
Grants & Contracts	5,088,005	5,878,669
Payments to Suppliers	(3,692,185)	(3,848,127)
Payments for Utilities	(380,292)	(301,066)
Payments to employees	(9,467,374)	(8,314,935)
Payments for benefits	(2,603,530)	(2,273,914)
Payments for scholarships	(3,005,371)	(2,539,620)
Auxiliary enterprise receipts	40,435	94,365
Sales & services	676,914	472,763
Other resources	0	309,733
Net cash provided (used) by operating activities	(5,901,167)	(3,960,582)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	6,751,027	6,076,585
Gifts & Grants other than capital	0	436,899
Net cash provided by noncapital financing activities	6,751,027	6,513,484
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(2,677,011)	(1,316,186)
Proceeds from debt	1,496,947	0
Principal paid on capital assets	(109,310)	(300,073)
Interest on capital related debt	(10,239)	(18,090)
Capital appropriations	618,612	0
Capital grants and gifts	710,018	0
Net cash provided (used) by capital financing activities	29,017	(1,634,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	88,475	54,909
Net cash provided from investing activities	88,475	54,909
NET INCREASE IN CASH	967,352	973,462
CASH AND CASH EQUIVALENTS, beginning of year	4,729,554	3,756,092
CASH AND CASH EQUIVALENTS, end of year	\$ 5,696,906	\$ 4,729,554
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
Operating loss	\$ (6,712,856)	\$ (5,391,784)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	944,702	900,087
Changes in assets and liabilities		
Receivables, net	190,911	114,130
Other assets	(70,822)	(51,897)
Accounts Payable	44,736	(159,004)
Accrued Liabilities	297,634	255,061
Deferred Revenue	(595,472)	372,825
Net cash provided (used) by operating activities	\$ (5,901,167)	\$ (3,960,582)

The accompanying notes are an integral part of these financial statements.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 2 - 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College has elected to not apply FASB statements and interpretations issued after November 30, 1989.

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.

Pledges Receivable: The College has received pledges for the Coshocton Capital Campaign to renovate the new campus building in Roscoe Village. The amount of pledges received in fiscal year 2006 were \$2,537,404, of which \$399,829 was received. The receivable amount of \$2,073,447 is net of an allowance for uncollectible pledges of \$64,128.

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, 2006 and 2005 but relate to the subsequent accounting period.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of New Accounting Principles: For the year ended June 30, 2006, the college has implemented GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", GASB Statement No. 46, "*Net Asset Restricted by Enabling Legislation*", and Statement No. 47, "*Accounting for Termination Benefits*".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At June 30, 2006 none of the college's net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of the GASB Statements did not have an effect on the financial statements of the College.

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.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At fiscal year-end, cash on hand was \$5,476 and the carrying amount of the College's deposits was \$2,296,356. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2006, \$2,630,003 of the College's bank balance of \$2,930,015 was exposed to custodial credit risk as discussed above, while \$300,000 was covered by Federal Deposit Insurance Corporation.

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2006 and 2005

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments

All investments are stated at fair value. Investments acquired by gift are stated at fair value at the date of gift if a fair value is available, and otherwise at an appraised or nominal value. Investments, other than STAR Ohio, are shown in the statement of net assets non-current. Investments, other than STAR Ohio, are contributed by donors and are maintained in an Endowment Investment Account.

As of June 30, 2006, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> (in years)	
		<u>< 1</u>	<u>1 - 5</u>
Fixed Income	\$ 633,904	\$ 50,565	\$ 583,439
Cash Equivalents	90,769	90,769	
STAR Ohio	3,395,074	3,395,074	
Equity funds	1,215,945	1,215,945	
	<u>\$ 5,335,692</u>	<u>\$ 4,752,353</u>	<u>\$ 583,439</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.

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2006 and 2005

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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, 2006, the College had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Cash Equivalents		\$ 90,769
STAR Ohio	AAA	3,395,074
Fixed Income		
US Gov't Agency/Nonexempt State	AAA	49,791
US Treasury Bonds and Notes	AAA	96,906
US Gov't Agency/Exempt State	AAA	48,656
Corporate Bonds and Notes	AA	95,307
	AA-	49,572
	A+	96,780
	A	99,290
	A-	50,465
	BBB+	47,137
Equity		
Common Stock		799,978
Mutual Funds		415,967
		<u>5,335,692</u>
		<u>\$ 5,335,692</u>

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.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 4 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2006 and 2005 are summarized as follows:

	July 1, 2005			June 30, 2006
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>Cost:</u>				
Land	\$ 0	\$ 137,601	\$ 0	\$ 137,601
Buildings	19,695,147	928,168	0	20,623,315
Leasehold improvements	61,170	187,222	0	248,392
Equipment, furniture, and library books	6,161,861	453,122	4,300	6,610,683
Construction in progress	0	970,898	0	970,898
	<u>25,918,178</u>	<u>2,677,011</u>	<u>4,300</u>	<u>28,590,889</u>
<u>Accumulated depreciation:</u>				
Buildings	4,345,507	515,583	0	4,861,090
Leasehold improvements	28,801	27,469	0	56,270
Equipment, furniture, and library books	4,964,907	401,650	2,580	5,363,977
	<u>9,339,215</u>	<u>944,702</u>	<u>2,580</u>	<u>10,281,337</u>
Capital assets, net	<u>\$ 16,578,963</u>	<u>\$ 1,732,309</u>	<u>\$ 1,720</u>	<u>\$ 18,309,552</u>

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 4 - CAPITAL ASSETS, NET (Continued)

	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	\$ 0	\$ 19,695,147
Leasehold improvements	21,071	40,099	0	61,170
Equipment, furniture, and library books	5,756,810	615,392	210,341	6,161,861
Construction in progress	123,117	(123,117)	0	0
	<u>24,831,519</u>	<u>1,297,000</u>	<u>210,341</u>	<u>25,918,178</u>
 <u>Accumulated depreciation:</u>				
Buildings	3,885,602	492,379	32,474	4,345,507
Leasehold improvements	14,745	14,056	0	28,801
Equipment, furniture, and library books	4,579,070	393,652	7,815	4,964,907
	<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>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at of June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Payable to vendors and contractors	<u>\$ 343,421</u>	<u>\$ 298,684</u>
Accrued expenses, primarily payroll and vacation leave	\$ 1,540,526	\$ 1,236,834
Employee withholdings and deposits payable to third parties	47,914	53,972
	<u>1,588,440</u>	<u>1,290,806</u>
Current	<u>906,017</u>	<u>756,358</u>
Noncurrent	<u>\$ 682,423</u>	<u>\$ 534,448</u>

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 6 – LONG-TERM DEBT

	2006				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Child Development Center					
Mortgage Note	\$ 90,985	\$ 0	\$ (50,773)	\$ 40,212	\$ 40,212
Roscoe Village Foundation					
Loan - 0%	0	900,000	0	900,000	200,000
CalFirst Loan	0	332,000	(48,537)	283,463	62,502
Revenue Bonds for Information System	0	888,544	0	888,544	0
Total long-term debt	<u>\$ 90,985</u>	<u>\$ 2,120,544</u>	<u>\$ (99,310)</u>	<u>\$ 2,112,219</u>	<u>\$ 302,714</u>

	2005				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Child Development Center					
Mortgage Note	\$ 139,879	\$ 0	\$ (48,894)	\$ 90,985	\$ 50,773
Flik International Corp Loan	261,180	0	(261,180)	0	0
	<u>\$ 401,059</u>	<u>\$ 0</u>	<u>\$ (310,074)</u>	<u>\$ 90,985</u>	<u>\$ 50,773</u>

The mortgage loan for the Child Development Center was for the purchase of the childcare facility and was entered into April 1, 1992. The original amount was \$515,000 and is payable monthly with interest at prime rate.

The Roscoe Village Foundation loan was for the purchase of a building to be used as classrooms in Roscoe Village, Coshocton, OH. This loan is at zero interest and matures October 18, 2009. Annual payments are to be made beginning October 18, 2006 of \$200,000 with the final payment being \$300,000.

The CalFirst loan is for the purchase of equipment for improvements to keep critical systems in operation. This loan is at 3.8725% and payable quarterly beginning January 1, 2006. The loan matures October 1, 2010.

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2006 and 2005

NOTE 6 – LONG-TERM DEBT (Continued)

The revenue bonds for the information system were issued March 3, 2006 at 4.59% until March 3, 2011 when an interest rate adjustment will occur. Bond payments are due annually beginning April 3, 2007. There is a one year draw down period for this bond. Amounts are drawn down as payments are made on the information system. The final amortization bond debt amount and the amortization schedule will not be determined until the draw down period or the project is completed, whichever is first. Because the amount and payment schedule are not known at this time we have not included this bond in the payment schedule below. The total amount of the bond at June 30, 2006, \$888,544, is included in non-current debt on the financial statement.

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

Year Ending	Principal	Loans Interest	Total
2007	\$ 302,714	\$ 10,552	\$ 313,266
2008	265,007	7,773	272,780
2009	267,613	5,167	272,780
2010	370,324	2,456	372,780
2011	18,017	178	18,195
	\$ 1,223,675	\$ 26,126	\$ 1,249,801

Interest expense for the year ended June 30, 2006 and 2005 was \$10,239 and \$18,090, respectively.

NOTE 7 – OPERATING 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, 2006:

2007	\$ 375,575
2008	211,795
2009	126,250
2010	93,399
	\$ 807,019

Rent expense was \$463,676 and \$329,737 for the years ended June 30, 2006 and 2005.

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

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 8 – CONTRACTUAL COMMITMENT

The College entered into a contract with Datatel for the purchase and implementation of a new administrative information system. The original contract amount was \$929,127 with \$701,088 being paid in fiscal year 2006. The amount remaining on the contract at June 30, 2006 was \$228,039.

The College entered into an agreement with Eagle Consulting, Inc. effective July 25, 2005 for consulting services on the implementation of the new administrative software in the amount of \$235,000. The payments on the contract in FY06 were \$125,000 leaving a balance of \$110,000 at June 30, 2006.

NOTE 9 - PENSION PLANS

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, 2006 were 9.00% of covered payroll for employees and 13.54% for employers. Contribution requirements for the fiscal years ended June 30 2005, and 2004 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, 2006, 2005, and 2004 were approximately \$3,079,367, \$2,973,000, and \$2,594,000, respectively. Employer contributions by the College were \$448,680, \$395,767, and \$345,228 for the years ending June 30, 2006, 2005, and 2004, respectively.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed 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.

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC and Combined Plans are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire 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 age. The annual retirement allowance, payable for life, is the greater 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 calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. 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.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 9 - PENSION PLANS (Continued)

If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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. Employees have 120 days from their employment 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. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by the 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit of Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage of up to \$2,000 can be purchased by members in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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, 2005 (date of most recent information available), were 10% of covered payroll for members and 14% for employers. Employer contributions by the College were \$706,690, \$634,259 and \$503,958 for the years ended June 30, 2006, 2005 and 2004, respectively.

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 9 - PENSION PLANS (Continued)

The amount of the employer's covered payroll for the years ended June 30, 2006, 2005 and 2004 was approximately \$4,658,212, \$4,530,000 and \$3,600,000, respectively.

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2006 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan to those 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 2006, 2005, and 2004 the employer match was \$2,109, \$25,169 and \$40,268, respectively.

NOTE 10 - 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.

The State Teachers Retirement System provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2005 and June 30, 2004, the board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Stabilization Fund. For the College, this amount equaled \$46,510 during the 2006 fiscal year. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005 (the date of the most recent information available).

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2006 and 2005

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

For the fiscal year ended June 30, 2005 (date of most recent information available), net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives OPERS 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.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2005, (the latest information available), state employers contributed at a rate of 13.31% of covered payroll. The portion of employer contributions for all employers allocated to health care was 4.00%.

The actuarial value of OPERS net assets available for Other Postretirement Benefits at December 31, 2004 (the date of the most recent information available) is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. The number of OPERS active contributing participants was 355,287 at year-end December 31, 2004.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Salaries and wages	\$ 9,726,122	\$ 8,429,018
Employee benefits	2,628,466	2,414,892
Supplies and other services	3,055,670	2,683,019
Utilities and minor equipment	887,565	813,900
Advertising	493,031	413,250
Depreciation	944,702	900,087
Student scholarships and financial aid	3,005,371	2,539,620
	<u>\$ 20,740,927</u>	<u>\$ 18,193,786</u>

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2006 and 2005

NOTE 12 - 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.

Central Ohio Technical College obtains hospitalization coverage for its employee through the Ohio State University. The carrier for the hospitalization coverage is NGS American, Inc., 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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 26, 2006

The Board of Trustees
Central Ohio Technical College
Newark, OH 43055

**Independent Auditor's 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**

We have audited the basic financial statements of Central Ohio Technical College as of and for the year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. We have 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 Central Ohio Technical College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Central Ohio Technical College in a separate letter dated October 26, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Ohio Technical College's basic 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 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*. However, we noted other matters involving the compliance and other matters that we have reported to management of Central Ohio Technical College in a separate letter dated October 26, 2006.

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

Rea & Associates, Inc.

October 26, 2006

The Board of Trustees
Central Ohio Technical College
Newark, OH 43055

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Central Ohio Technical 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, 2006. Central Ohio Technical 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 Central Ohio Technical College's management. Our responsibility is to express an opinion on Central Ohio Technical 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 Circulars 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 Central Ohio Technical 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 Central Ohio Technical College's compliance with those requirements.

In our opinion, Central Ohio Technical 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, 2006. However, we noted certain instances of noncompliance that we have reported to management of the College in a separate letter dated October 26, 2006.

Internal Control Over Compliance

The management of Central Ohio Technical 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 Central Ohio Technical 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 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 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 to be material weaknesses.

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

Rea & Associates, Inc.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

	<u>Federal CFDA Number</u>	<u>Pass through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
<i>Direct Award</i>			
Student Financial Aid Cluster			
Federal Family Education Loan (Note 2)	84.032		\$ 7,929,575
Federal Pell Grant	84.063		3,765,775
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		91,578
Federal Work Study (Note 3)	84.033		<u>115,431</u>
Total Student Financial Aid Cluster			11,902,359
 <i>Passed Through State Department of Education</i>			
Perkins Grant			
Minority Recruiter			26,436
Disability Services			55,271
Career Services			<u>1,160</u>
Total Perkins Grants	84.048	06507820-C2	82,867
Literacy Specialist Grant	Unknown	097659-HSAD-2006	63,637
 <i>Passed through Columbus State Community College</i>			
Technical Preparation Education			
Tech Prep Heart of Ohio			123,800
Tech Prep Expanded Enrollment Engineering			<u>12,951</u>
Total Technical Preparation Education	84.243	650783E-00	<u>136,751</u>
Total U.S. Department of Education			12,185,614
 <u>Department of Homeland Security</u>			
<i>Direct Award</i>			
Public Assistance Grants	97.036		5,287
 <u>U.S. Department of Agriculture</u>			
<i>Passed through State Department of Education</i>			
Child and Adult Care Food Program	10.558	09765916-CC	<u>18,631</u>
Total Federal Awards			<u>\$ 12,209,532</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of these statements.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes 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 can differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – OUTSTANDING LOANS

The College originates but does not make Federal Family Education Loans (FFELs). For the fiscal year 2005 - 2006, the College certified need for \$7,929,575 in Guaranteed Student Loans and Supplemental Loans. The amount presented represents the value of new FFELs awarded during the fiscal year as follows:

Federal Stafford Loans	\$ 4,116,787
Federal Unsubsidized Stafford Loans	3,678,204
Plus Loans	<u>134,584</u>
Total FFELs	<u>\$ 7,929,575</u>

**CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA #84.063, 84.033, 84.032, 84.007
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-01	Three of forty-six Pell Grant awards were calculated incorrectly	Yes	

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
APPOINTED OFFICIALS
June 30, 2006

Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Chairperson/ Sarah R. Wallace (1)	2008	(2)	\$ 1,000,000
Vice-Chairperson/ Cheryl L. Snyder (1)	2009	(2)	1,000,000
<u>Members</u>			
Jill H. Griesse	2006	(2)	1,000,000
John F. Hinderer (1)	2008	(2)	1,000,000
Michael J. Menzer	2009	(2)	1,000,000
Mark R. Ramser (1)	2007	(2)	1,000,000
Barry M. Riley (1)	2007	(2)	1,000,000
Robert B. Robinson	2007	(2)	1,000,000
Lee Wyse	2008	(2)	1,000,000

(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
June 30, 2006

<u>Name and Address</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
Dr. Catherine Gynn	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.



Mary Taylor, CPA
Auditor of State

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 6, 2007