

CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2013 and 2012



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Central Ohio Technical College, Licking County, prepared by Crowe Horwath LLP, for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 3, 2014

This page intentionally left blank.

CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2013 and 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	7
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENTS OF CASH FLOWS.....	9
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	25
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30
LICKING COUNTY APPOINTED OFFICIALS	32

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

The President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central Ohio Technical College (the "College"), as of June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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 Central Ohio Technical College as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated the same date as this report on our consideration of the College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Crowe Horwath LLP

Columbus, Ohio
December 18, 2013

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2013 and 2012

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, 2013, with comparative information for fiscal year 2012. 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 three members and the Newark School Board appoints six 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

During fiscal year 2013, the University implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and certain other new GASB statements. Please see *Adoption of New Accounting Pronouncements* in Note 2 of the financial statements for further details.

The **Statement of Net Position** reflects the total assets, liabilities and net position of COTC as of June 30, 2013, with comparative information as of June 30, 2012. 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 position is grouped in the following categories:

- Investment in capital assets
- Restricted – Nonexpendable (endowments funds)
- Restricted – Expendable (quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Changes in Net Position** details how net position has increased during fiscal year 2013, with comparative information for fiscal year 2012. 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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2013 and 2012

The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2013. 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 Position

The College's financial statements for the fiscal year report net position of \$49.0 million at June 30, 2013. This represents an increase of approximately \$2.5 million from the previous fiscal year. Below is a condensed version of the Statement of Net Position followed by a discussion of the changes:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<u>ASSETS</u>			
Current Assets	\$ 17,278,008	\$ 16,126,692	\$ 20,090,630
Capital Assets, net	32,452,360	32,271,425	31,467,851
Other non-current	<u>2,571,590</u>	<u>2,341,305</u>	<u>2,449,698</u>
Total Assets	<u>\$ 52,301,958</u>	<u>\$ 50,739,422</u>	<u>\$ 54,008,179</u>
<u>LIABILITIES</u>			
Current Liabilities	\$ 2,996,419	\$ 3,917,671	6,242,897
Non-current Liabilities	<u>350,858</u>	<u>394,608</u>	<u>1,140,477</u>
Total Liabilities	<u>\$ 3,347,277</u>	<u>\$ 4,312,279</u>	<u>\$ 7,383,374</u>
<u>NET POSITION</u>			
Invested in Capital Assets, net of related debt	\$ 32,382,434	\$ 32,177,516	\$ 29,990,185
Restricted			
Nonexpendable	1,542,572	1,394,705	1,242,414
Expendable	1,331,005	1,359,968	4,197,984
Unrestricted	<u>13,698,670</u>	<u>11,494,954</u>	<u>11,194,222</u>
Total Net Position	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>	<u>\$ 46,624,805</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2013 and 2012

Assets As of June 30, 2013, the College's total assets are \$52.3 million, an increase of \$1.5 million from fiscal year 2012. Overall, this increase is in the cash accounts and is a result of the positive operations of the College throughout the fiscal year.

Liabilities At June 30, 2013 the College's liabilities totaled \$3.3 million, a \$960,000 decrease from last fiscal year. Variances are due to timing in the regular processing of payments for payables and payroll accruals. With changes in the timing of the summer semester start, the Colleges unearned revenue experienced a reduction as a significant portion of the summer term is now earned by June 30th.

Net Position Net Position at June 30, 2013 totaled approximately \$49.0 million. The largest increase in this area is attributed to the unrestricted net position which is a reflection of the overall positive operations of the College for fiscal year 2013.

Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues for fiscal year 2013 are \$13.7 million, an increase from last fiscal year. Below are the Statement of Revenues, Expenses and Changes in Net Position followed by a discussion of the major variances:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
OPERATING REVENUES			
Tuition and Fees, Net	\$ 12,265,884	\$ 11,554,362	\$ 12,611,724
Other Operating Revenues	<u>1,467,452</u>	<u>1,535,349</u>	<u>2,182,101</u>
Total Operating Revenues	<u>\$ 13,733,336</u>	<u>\$ 13,089,711</u>	<u>\$ 14,793,825</u>
OPERATING EXPENSES			
Education and General	\$ 28,791,069	\$ 33,198,807	\$ 35,387,787
Depreciation Expense	1,539,007	1,873,445	1,737,407
Auxiliary Enterprises	<u>5,443</u>	<u>6,132</u>	<u>2,560</u>
Total Operating Expenses	<u>30,335,519</u>	<u>35,078,384</u>	<u>37,127,754</u>
Operating Loss	<u>\$ (16,602,183)</u>	<u>\$ (21,988,673)</u>	<u>\$ (22,333,929)</u>
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	\$ 10,146,214	\$ 10,268,403	\$ 11,318,141
Federal Grants and Contracts - PELL	8,628,129	11,199,960	12,079,326
Other Revenue (Expenses)	<u>328,507</u>	<u>(82,127)</u>	<u>307,185</u>
Net Nonoperating Revenues	19,102,850	21,386,236	23,704,652
Capital Appropriation and Gifts and Grants	<u>26,871</u>	<u>404,775</u>	<u>1,458,550</u>
Increase (Decrease) in Net Position	2,527,538	(197,662)	2,829,272
Net Position-beginning	<u>46,427,143</u>	<u>46,624,805</u>	<u>43,795,533</u>
Net Position-end of year	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>	<u>\$ 46,624,805</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2013 and 2012

Operating revenues - Overall, net tuition and fees increased \$712,000 from the previous year. The College's full-time equivalency (FTE) for the year was 12.6% below FTE in the previous year. COTC's gross tuition and fee revenue was approximately \$1.4 million lower than the previous fiscal year, but the effect tuition discounting has impacts the net reported revenue. For fiscal year 2012 the College had \$5.3 million for its calculated tuition discounts compared to \$3.2 in fiscal year 2013.

Operating expenses for the campus decreased approximately \$4.7 million from the previous year. When the decreased enrollment was apparent, College leadership took targeted steps in Autumn semester to address the revenue shortfall. These steps resulted in lowering overall expenditures for the fiscal year.

Items to note in the **Non-Operating Revenue (Expenses)** section include a \$2.5 million decrease in Federal Grants due to reduced Pell awards which was offset by an increase in investment income of \$320,000.

Statement of Cash Flows

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net cash used by operating activities	\$ (16,081,329)	\$ (18,341,474)	\$ (21,566,545)
Net cash provided by noncapital financing activities	18,774,343	21,468,363	23,397,467
Net cash (used) provided by capital financing activities	(1,529,905)	(2,974,885)	(1,428,659)
Net cash provided by capital investing activities	<u>148,075</u>	<u>212,846</u>	<u>108,847</u>
Net increase in cash	<u>\$ 1,311,184</u>	<u>\$ 364,850</u>	<u>\$ 511,110</u>

The overall change in COTC's cash balances in 2013 is due to the normal operations of the College.

Summary

The operating results for the year ended June 30, 2013 reflect a proactive approach for dealing with challenges and positioning the college for the future. This fiscal year the College was met in the fall term with an enrollment decline from both the previous year's enrollment as well as the budgeted projections. A comprehensive plan was developed and implemented that brought our annual operating expenditures in alignment with enrollment. Many elements of the plan including capital spending, personnel changes, and management of course sections assisted in reducing expenditures. By proactively dealing with the enrollment decline, the goal to balance the fiscal year and position the College positively for FY2013 and beyond has been achieved.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 15,110,774	\$ 13,799,590
Accounts Receivable		
Students, Net of Allowance of \$1,124,948 and \$1,259,997 in 2013 and 2012, respectively	587,789	814,154
Ohio State University	217,383	230,632
Intergovernmental Grants	444,274	589,496
Pledges	73,064	310,066
Other Receivable	466,184	235,040
Other Assets	<u>378,540</u>	<u>147,714</u>
Total Current Assets	17,278,008	16,126,692
Noncurrent Assets		
Endowment Investments	2,508,891	2,265,478
Pledges	62,699	75,827
Capital Assets, Net	<u>32,452,360</u>	<u>32,271,425</u>
Total Noncurrent Assets	<u>35,023,950</u>	<u>34,612,730</u>
Total Assets	<u>52,301,958</u>	<u>50,739,422</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	439,470	592,180
Accrued Liabilities	1,108,409	1,330,996
Unearned Revenue	1,423,489	1,970,531
Current Portion of Capital Leases	<u>25,051</u>	<u>23,964</u>
Total Current Liabilities	2,996,419	3,917,671
Noncurrent Liabilities		
Accrued Liabilities	305,983	324,662
Capital Leases	<u>44,875</u>	<u>69,946</u>
Total Noncurrent Liabilities	<u>350,858</u>	<u>394,608</u>
Total Liabilities	<u>3,347,277</u>	<u>4,312,279</u>
NET POSITION		
Net Investment in Capital Assets	32,382,434	32,177,516
Restricted		
Nonexpendable		
Scholarships, Fellowships, and Research	1,542,572	1,394,705
Expendable		
Scholarships, Fellowships, and Research	1,043,936	955,939
Capital Uses	287,069	404,029
Unrestricted	<u>13,698,670</u>	<u>11,494,954</u>
Total Net Position	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$3,220,158 and \$5,338,069 in 2013 and 2012, respectively)	\$ 12,265,884	\$ 11,554,362
Federal Grants and Contracts	352,552	365,091
Private, State, and Local Gifts, Contracts and Grants	705,783	652,409
Sales and Services of Educational Departments	232,429	239,556
Auxiliary Enterprises	45,009	53,443
Other Operating Revenues	<u>131,679</u>	<u>224,850</u>
Total Operating Revenues	13,733,336	13,089,711
Expenses		
Operating Expenses		
Education and General		
Instructional	9,829,828	11,122,568
Public Service	82,691	124,103
Academic Support	1,907,143	2,871,690
Student Services	3,662,963	3,592,501
Institutional Support	4,532,951	5,206,235
Operation and Maintenance of Plant	2,727,289	3,750,320
Depreciation Expense	1,539,007	1,873,445
Student Scholarship and Financial Aid	6,048,204	6,531,390
Auxiliary Enterprise	<u>5,443</u>	<u>6,132</u>
Total Operating Expenses	30,335,519	35,078,384
Operating Loss	(16,602,183)	(21,988,673)
Nonoperating Revenues (Expenses)		
State Appropriations	10,146,214	10,268,403
Federal Grants and Contracts	8,628,129	11,199,960
Investment Income (Loss)	332,195	10,705
Interest on Indebtedness	(3,688)	(27,415)
Other Nonoperating Revenues (Expenses)	<u>-</u>	<u>(65,417)</u>
Net Nonoperating Revenues	19,102,850	21,386,236
Income before Other Revenues, Expenses, Gains, or Losses	2,500,667	(602,437)
Capital Appropriations	-	16
Capital Grants and Gift	1,000	262,142
Additions to Permanent Endowments	<u>25,871</u>	<u>142,617</u>
Total Other Revenues	26,871	404,775
Increase (Decrease) in Net Position	2,527,538	(197,662)
Net position		
Net Position at Beginning of the Year	<u>46,427,143</u>	<u>46,624,805</u>
Net Position at End of Year	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Tuition and Fees	\$ 11,997,225	\$ 12,034,150
Grants and Contracts	1,220,171	2,532,119
Payments to Suppliers	(5,320,573)	(6,689,506)
Payments for Utilities	(641,184)	(724,179)
Payments to Employees	(13,345,323)	(15,753,590)
Payments for Benefits	(4,009,179)	(3,988,591)
Payments for Scholarships	(6,091,806)	(6,566,485)
Auxiliary Enterprise Receipts	45,009	53,443
Sales and Services	64,331	761,165
Net Cash Used in Operating Activities	<u>(16,081,329)</u>	<u>(18,341,474)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	10,146,214	10,268,403
Gifts and Grants Other than Capital	<u>8,628,129</u>	<u>11,199,960</u>
Net Cash from Noncapital Financing Activities	18,774,343	21,468,363
Cash Flows from Capital Financing Activities		
Purchase of Capital Assets	(1,745,774)	(2,565,636)
Principal Paid on Capital Related Debt	(23,983)	(1,489,967)
Proceeds from Sale of Capital Assets	-	6,500
Interest on Capital Related Debt	(3,688)	(27,415)
Capital Appropriations	-	16
Capital Grants and Gifts	<u>243,540</u>	<u>1,101,617</u>
Net Cash Used in Capital Financing Activities	(1,529,905)	(2,974,885)
Cash Flows from Investing Activities		
Investment Income	<u>148,075</u>	<u>212,846</u>
Net Cash Provided from Investing Activities	<u>148,075</u>	<u>212,846</u>
Net Increase in Cash	1,311,184	364,850
Cash and Cash Equivalents, beginning of year	<u>13,799,590</u>	<u>13,434,740</u>
Cash and Cash Equivalents, end of year	<u>\$ 15,110,774</u>	<u>\$ 13,799,590</u>
Reconciliation of Net Operating Loss to Net Cash Provided from Operating Activities		
Operating Loss	\$ (16,602,183)	\$ (21,988,673)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	1,539,007	1,873,445
Changes in Assets and Liabilities		
Receivables, Net	153,692	3,251,532
Prepays	(230,826)	209,561
Accounts Payable	(152,711)	(296,687)
Accrued Liabilities	(241,266)	(480,968)
Unearned Revenue	<u>(547,042)</u>	<u>(909,684)</u>
Net Cash Used in Operating Activities	<u>\$ (16,081,329)</u>	<u>\$ (18,341,474)</u>
Non Cash Transactions		
Contribution for OBR and Donated Asset	\$ -	\$ 176,799

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

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Central Ohio Technical College (COTC) was established in 1971 and currently serves over 4,300 students annually. The College operates campuses in Newark, Coshocton, Knox, and Pataskala, and serves an increasing number of students via online classes. Currently, the College offers more than 40 associate degrees and certificates within: Arts and Sciences; Engineering, Industrial and Business Technologies; Health and Human Services; and Public Safety Technologies. At COTC, students enjoy a competitive tuition rate, a wide range of campus activities and organizations, and strong academic support services.

COTC shares its Newark campus with The Ohio State University at Newark, which results in a diverse campus setting that includes 135 acres of green space. For more information, please visit www.cotc.edu.

COTC is accredited by The Higher Learning Commission and is a member of the North Central Association.

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 position categories:

- Investment in capital assets: The College's investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to the acquisition, construction, or improvement of those assets
- Restricted Nonexpendable: Resources subject to externally imposed stipulations that the College maintain them permanently. Such assets include the College's permanent endowment funds.

Restricted Expendable: Resources 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: The unrestricted component of net position represents resources not subject to externally imposed stipulations. Unrestricted net position 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.

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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: This classification appears on the Statement of Net Position and the Statement of Cash Flows and includes petty cash, cash of deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and for presentation of the statement of net position, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

Accounts Receivable: Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College. The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Management reviews the accounts receivable annually and adjusts the allowance to correspond with the collection rates.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

Pledges Receivable: The College has The Next Generation Challenge and Premier Faculty/Staff Scholarship as part of pledge receivables. These will provide funding for future scholarships. The Coshocton Capital Campaign renovated the Montgomery Hall building in Roscoe Village and completed the pledge campaign in fiscal year 2013. The Knox Capital Campaign funds the renovation of Ariel Hall in Mount Vernon and will be complete in the fiscal year 2016.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents are primarily funds externally restricted for capital expenditures subject to bond or donor restrictions.

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, furniture, and library books with a unit cost of \$2,500 or more and having an estimated useful life of greater than one year are 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.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 20 years for land improvements, 40 years for buildings, 5 - 10 years for fixed equipment, furniture, and library books. Depreciable leasehold improvements are depreciated over the lesser of the useful life or the lease term. Depreciation starts the month of purchase.

Cost Sharing Between Related Parties: The College shares campus facilities and staff, including senior administration with The Ohio State University at Newark. Jointly incurred costs are allocated between institutions based on student enrollment and utilization factors. Additionally, each institution may purchase certain services from each other.

Unearned Revenue: Unearned revenue consists primarily of summer school fees. The College received amounts for tuition and fees prior to June 30, 2013 and 2012 but relate to the subsequent accounting period. The College recognizes summer tuition revenue prorated on the basis of class dates within each fiscal year.

Noncurrent Liabilities: Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the employees earn the benefits if both of these conditions are met:

- The employee's right to receive compensation is attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For vacation leave the College posts a liability for 100% of accumulated vacation time up to the maximum allowed accrued benefit.

A liability for sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

- The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in termination payment policy and other current factors. This approach is known as the termination payment method.
- The sick leave liability would be an accrual for those employees expected to become eligible in one year based on assumptions concerning the probability that individual employees, classes, or groups of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee with ten years of service in the retirement system. These accumulations are reduced to the maximum amount allowed as a termination payment.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Allowances: Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance discount.

Income Taxes: Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

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 position, 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, Pell, grants, contracts, and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

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.

Newly Issued Accounting Pronouncements: In fiscal year 2013, the provisions of the following GASB Statements became effective:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, *The Financial Reporting Entity* and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. In addition, the pronouncement does change the name of the Statement of Net Assets to the Statement of Net Position. A corresponding change has been made to the Statement of Revenues, Expenses and Changes in Net Position.

The adoption of these GASB statements had no significant impact on the College's financial condition, operating results or financial statements. In addition, because the College had no deferred outflows or deferred inflows at June 30, 2013 and 2012, it has elected not to present these captions on the Statement of Net Position.

Recent Accounting Pronouncements: As of June 30, 2013, the GASB has issued the following statements not yet implemented by the College.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, and *No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Management has not yet determined the impact these GASB Statements will have on the College's financial statements and disclosures.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2013 and 2012 were temporarily restricted and due as follows:

	<u>2013</u>	<u>2012</u>
Within one year	\$ 77,263	\$ 318,977
One to five years	<u>62,699</u>	<u>75,827</u>
	139,962	394,804
Allowance	<u>4,199</u>	<u>8,912</u>
Total	<u>\$ 135,763</u>	<u>\$ 385,892</u>

NOTE 4 - DEPOSITS 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 and the State Treasury Asset Reserve of Ohio ("STAR Ohio" & "STAR Plus"), which are managed by the State of Ohio.

Deposits

At June 30, 2013 and 2012, the carrying amount of deposits (book balances) were as follows:

	<u>2013</u>	<u>2012</u>
Petty cash	\$ 4,029	\$ 3,769
Demand deposits	8,080,305	11,779,249
STAR Ohio funds	16,688	16,572
STAR Plus funds	7,009,752	-
Certificates of Deposit	<u>-</u>	<u>2,000,000</u>
	<u>\$ 15,110,774</u>	<u>\$ 13,799,590</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk: At June 30, 2013, the carrying amount of the College's deposits was \$8,080,305 and the bank balance was \$8,358,881. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, \$250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of \$16,688 and \$7,009,752, respectively. At June 30, 2012, the carrying amount of the College's deposits was \$11,779,249 and the bank balance was \$12,244,679. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, \$1,909,708 is covered by federal deposit insurance. Certificates of deposit of \$2,000,000 and \$16,572 STAR Ohio investments were also covered by federal deposit insurance of \$250,000 and \$16,572, respectively. The remaining bank balance at June 30, 2013 and 2012 of \$8,108,881 and \$12,085,305, respectively, is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, and internally designates the securities as assigned to the College.

Investments

All investments are stated at fair value. Investments received 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.

As of June 30, 2013, the College had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in years)		
		<1	1-5	6-10
Fixed Income	\$ 765,565	\$ 145,845	\$ 475,847	\$ 143,873
Cash Equivalents	17,413	17,413	-	-
Equity Funds	1,725,913	1,725,913	-	-
STAR Ohio Funds	16,688	16,688	-	-
STAR Plus Funds	<u>7,009,752</u>	<u>7,009,752</u>	-	-
	<u>\$ 9,535,331</u>	<u>\$ 8,915,611</u>	<u>\$ 475,847</u>	<u>\$ 143,873</u>

As of June 30, 2012, the College had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in years)		
		<1	1-5	6-10
Fixed Income	\$ 767,425	\$ 102,339	\$ 565,064	\$ 100,022
Cash Equivalents	22,386	22,386	-	-
Certificates of Deposit	2,000,000	2,000,000	-	-
Equity Funds	1,475,667	1,475,667	-	-
STAR Ohio Funds	<u>16,572</u>	<u>16,572</u>	-	-
	<u>\$ 4,282,050</u>	<u>\$ 3,616,964</u>	<u>\$ 565,064</u>	<u>\$ 100,022</u>

Investments at June 30, 2013 and 2012 are shown in the statement of net position as current in the amount of \$7,026,440 and \$2,016,572, respectively, and as non-current in the amount of \$2,508,891 and \$2,265,478, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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. Investments below investment grade and derivatives are specifically prohibited.

As of June 30, 2013 and 2012, the College had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>2013 Fair Value</u>	<u>2012 Fair Value</u>
Cash Equivalents		\$ 17,413	\$ 22,386
STAR Ohio	AAA	16,688	16,572
STAR Plus		7,009,752	-
Certificates of Deposit		-	2,000,000
Fixed Income			
US Gov't Agency/Exempt State	AA+	440,425	451,304
Corporate Bonds and Notes			
	AA+	-	54,405
	AA	52,403	-
	AA-	24,250	51,102
	A+	100,189	53,262
	A	-	51,237
	A-	104,009	106,115
Mutual Funds		44,288	-
Equity			
Common Stock		1,107,094	959,334
Mutual Funds		<u>618,820</u>	<u>516,333</u>
		<u>\$ 9,535,331</u>	<u>\$ 4,282,050</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 issue other than U.S. government securities to 10% of the total investment portfolio.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2013 and 2012 are summarized below.

	July 1, 2012 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2013 <u>Balance</u>
Assets:				
Land	\$ 740,228	\$ -	\$ -	\$ 740,228
Land Improvements	160,265	114,290	-	274,555
Buildings	39,656,915	-	-	39,656,915
Leasehold Improvements	249,533	5,314	-	254,847
Equipment, Furniture, and Library Books	7,800,323	433,706	1,193,302	7,040,727
Construction in Progress	-	<u>1,174,625</u>	-	<u>1,174,625</u>
	<u>48,607,264</u>	<u>1,727,935</u>	<u>1,193,302</u>	<u>49,141,897</u>
Accumulated Depreciation:				
Land Improvements	16,861	13,728	-	30,589
Buildings	9,659,653	991,423	-	10,651,076
Leasehold Improvements	164,577	15,870	-	180,447
Equipment, Furniture, and Library Books	<u>6,494,748</u>	<u>525,979</u>	<u>1,193,302</u>	<u>5,827,425</u>
	<u>16,335,839</u>	<u>1,547,000</u>	<u>1,193,302</u>	<u>16,689,537</u>
Capital Assets, Net	<u>\$ 32,271,425</u>	<u>\$ 180,935</u>	<u>\$ -</u>	<u>\$ 32,452,360</u>
	July 1, 2011 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2012 <u>Balance</u>
Assets:				
Land	\$ 740,228	\$ -	\$ -	\$ 740,228
Land Improvements	124,560	35,705	-	160,265
Buildings	35,100,476	4,556,439	-	39,656,915
Leasehold Improvements	225,320	24,213	-	249,533
Equipment, Furniture, and Library Books	7,914,031	412,607	526,315	7,800,323
Construction in Progress	<u>2,288,732</u>	-	<u>2,288,732</u>	-
	<u>46,393,347</u>	<u>5,028,964</u>	<u>2,815,047</u>	<u>48,607,264</u>
Accumulated Depreciation:				
Land Improvements	8,848	8,013	-	16,861
Buildings	8,668,230	991,423	-	9,659,653
Leasehold Improvements	149,237	15,340	-	164,577
Equipment, Furniture, and Library Books	<u>6,099,181</u>	<u>856,465</u>	<u>460,898</u>	<u>6,494,748</u>
	<u>14,925,496</u>	<u>1,871,241</u>	<u>460,898</u>	<u>16,335,839</u>
Capital Assets, Net	<u>\$ 31,467,851</u>	<u>\$ 3,157,723</u>	<u>\$ 2,354,149</u>	<u>\$ 32,271,425</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable to vendors and contractors totaled \$439,470 and \$592,180 as of June 30, 2013 and 2012, respectively.

Accrued expense activity, which consists primarily of payroll and vacation leave, for the year ended June 30, 2013 and June 30, 2012, was as follows:

2013				
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
\$ 1,655,658	\$ 11,109,870	\$ 11,351,136	\$ 1,414,392	\$ 1,108,409

2012				
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
\$ 2,136,626	\$ 10,518,133	\$ 10,999,101	\$ 1,655,658	\$ 1,330,996

NOTE 7 – CAPITAL LEASES

Capital assets acquired by lease have been capitalized in the Statement of Net Position in fiscal years 2013 and 2012 in the amount of \$106,210. A corresponding long-term liability was recorded on the Statement of Net Position. Accumulated amortization in fiscal years 2013 and 2012 totaled \$38,253 and \$12,978.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

2014	\$ 27,671
2015	27,671
2016	17,230
2017	<u>1,872</u>
Total Minimum Lease Payments	74,444
Less: Amount representing interest	<u>(4,518)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 69,926</u>

Interest expense for the year ended June 30, 2013 and 2012 was \$4,518 and \$27,415, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 8 – 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, 2013:

2014	\$	186,361
2015		62,992
2016		6,576
2017		6,576
2018		<u>1,644</u>
	\$	<u>264,149</u>

Rent expense was \$263,795 and \$269,424 for the years ended June 30, 2013 and 2012.

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

NOTE 9 - RETIREMENT PLANS

Employee retirement benefits are available for substantially all employees under retirement plans administered by the Ohio Public Employees Retirement Systems (“OPERS”) and the State Teachers Retirement System of Ohio (“STRS Ohio”). Employees may opt out of OPERS and STRS Ohio and participate in an Alternative Retirement Plan (“ARP”).

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan. Authority to establish and amend benefits is provided by state statute per the Ohio Revised Code.

Defined Benefit Plans: The defined benefit plans of STRS Ohio and OPERS are cost-sharing multiple-employer public employee retirement plans that provide retirement, disability, postretirement healthcare, and survivor benefits for plan members.

The Ohio 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. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Under OPERS, the employee contribution rate is 10% and the employer contribution rate is 14%. The College’s contributions to OPERS for the years ending June 30, 2013, 2012, and 2011 were \$675,858, \$762,230, and \$733,842, respectively, which are equal to the required contributions for each year.

Under STRS Ohio plan, the employee contribution rate is 10% and the employer contribution rate is 14%. The College’s contributions for pension obligations to STRS Ohio for the fiscal years ending June 30, 2013, 2012, and 2011 were \$1,029,488, \$1,174,827, and \$1,136,158, respectively. All required contributions have been made for the three fiscal years.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 9 - RETIREMENT PLANS (Continued)

Defined Contribution Plans: All newly hired full time administrative employees, classified support staff, and faculty are eligible to choose an Alternative Retirement Plan ("ARP") rather than the STRS Ohio or OPERS. Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College.

An employee in an OPERS eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2013 and 2012, 13.23% was paid into the member's ARP account and the remaining .77% was paid to OPERS, as required by state legislation, to cover un-funded liabilities.

An employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2013 and 2012, 10.5% was paid into the member's ARP account and the remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities.

As of June 30, 2013, there are approximately 12 active participants in an ARP. The College's contribution for employees enrolled in ARP accounts in STRS for fiscal year 2013, 2012, and 2011 was \$18,104, \$20,942, and \$19,407, respectively. The College's required and made contribution for employees enrolled in ARP accounts in OPERS for fiscal year 2013, 2012, and 2011 was \$68,696, \$80,787, and \$91,544, respectively.

Combined Plans: OPERS and STRS Ohio also offer combined plans with features of both a defined benefit plan and a defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2013, 2012 and 2011 contributions required and made to OPERS used to fund post-retirement benefits was \$193,093, 217,769, and 262,055, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2013, 2012, and 2011. The portion of the College's 2013, 2012, and 2011 contributions to STRS Ohio used to fund post-employment benefits was \$102,949, \$117,483, and \$81,154, respectively.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 13,141,536	14,911,979
Employee benefits	3,963,957	4,346,633
Supplies and materials	1,763,162	2,829,345
Services	3,194,867	3,826,318
Utilities	641,184	724,179
Depreciation	1,539,007	1,873,445
Student scholarships and financial aid	<u>6,091,806</u>	<u>6,566,485</u>
	<u>\$ 30,335,519</u>	<u>\$ 35,078,384</u>

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, omissions, injuries to employees and natural disasters. The College contracts with Wright Specialty Insurance and United Educators for property and general liability insurance, including boiler and machinery coverage. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. The College also carries a \$10,000,000 excess liability policy that provides coverage beyond the general liability. There has been no significant change in coverage from the prior year.

Vehicles are covered by Wright Specialty Insurance and hold a \$500 deductible. Automobile liability coverage has a \$1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 12 - RISK MANAGEMENT (Continued)

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

Central Ohio Technical College provides life insurance to its employees through the Ohio State University.

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.

The College receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs, generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial statements of the College at June 30, 2013.

SUPPLEMENTAL INFORMATION

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Number</u>	<u>Expenditures</u>
<u>United States Department of Education</u>			
<i>Direct Award</i>			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268		\$ 19,012,986
Federal Pell Grant	84.063		8,628,129
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		130,542
Federal Work Study	84.033		<u>132,653</u>
Total Student Financial Aid Cluster			27,904,310
Passed through State Department of Education Career and Technical Education - Perkins Grant:			
Disability Services	84.048	06507820-C2	<u>101,890</u>
Total Perkins Grant			<u>101,890</u>
Total U.S. Department of Education			<u>28,006,200</u>
<i>United States Department of Health and Human Services</i>			
Passed through State Department of Education			
Temporary Assistance for Needy Families			
TANF Summer 2012 Grant	93.558		<u>40,784</u>
Total Temporary Assistance for Needy Families			<u>40,784</u>
Total U.S. Department of Health and Human Services			<u>40,784</u>
Total Expenditures of Federal Awards			<u>\$ 28,046,984</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

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 Direct Student Loans (FDLs). For the fiscal year 2013, the College certified need for \$19,012,986 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FDLs awarded during the fiscal year as follows:

Federal Subsidized Loans	\$ 8,937,283
Federal Unsubsidized Loans	10,043,234
Plus Loans	<u>32,469</u>
Total FDL	<u>\$ 19,012,986</u>

**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**

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

We have audited, in accordance with the 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, the financial statements of the business-type activities of Central Ohio Technical College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Central Ohio Technical College's financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Ohio Technical College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Ohio Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Ohio Technical College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Ohio Technical 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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Columbus, Ohio
December 18, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the President and Board of Trustees
Central Ohio Technical College and
David Yost, Auditor of State
Newark, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central Ohio Technical College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central Ohio Technical College's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Ohio Technical College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Central Ohio Technical College's compliance.

Opinion on Each Major Federal Program

In our opinion, Central Ohio Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

(Continued)

Report on Internal Control Over Compliance

Management of Central Ohio Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Ohio Technical College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Ohio Technical College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Columbus, Ohio
December 18, 2013

CENTRAL OHIO TECHNICAL COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

	Yes	<u> X </u>	No
--	-----	------------------------------	----

Significant deficiencies identified not considered to be material weaknesses?

	Yes	<u> X </u>	None reported
--	-----	------------------------------	---------------

Noncompliance material to financial statements noted?

	Yes	<u> X </u>	No
--	-----	------------------------------	----

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

	Yes	<u> X </u>	No
--	-----	------------------------------	----

Significant deficiencies identified not considered to be material weakness(es)?

	Yes	<u> X </u>	None reported
--	-----	------------------------------	---------------

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?

	Yes	<u> X </u>	No
--	-----	------------------------------	----

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY APPOINTED OFFICIALS (Unaudited)
June 30, 2013

Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Chairperson/ Cheryl L. Snyder (1)	2015	(2)	\$ 1,000,000
Vice-Chairperson/ John F. Hinderer (1)	2014	(2)	1,000,000
<u>Members</u>			
Billie Zimmers	2013	(2)	1,000,000
Jill H. Griesse	2015	(2)	1,000,000
Michael J. Menzer (1)	2015	(2)	1,000,000
Mark R. Ramser (1)	2013	(2)	1,000,000
Barry M. Riley (1)	2013	(2)	1,000,000
Sarah R. Wallace (1)	2014	(2)	1,000,000
Rob Montagnese	2014	(2)	1,000,000

(1) School Board Caucus

(2) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a \$10 million umbrella insurance policy with United Educators. Chevy Chase, Maryland.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY APPOINTED OFFICIALS (Unaudited)
June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Bonnie L. Coe	President	(1)	\$ 1,000,000
Dr. John Berry	Director of Student Life	(1)	1,000,000
Mr. David Brillhart	Vice President for Business and Finance	(1)	1,000,000
Mr. Mark Knutsen	Chief Academic Officer	(1)	1,000,000
Ms. Jacqueline Parrill	Vice President for Institutional Planning and Human Resource Development	(1)	1,000,000

(1) Marsh USA, Wright Specialty Insurance, Uniondale, New York. The College also has a \$10 million umbrella insurance policy with United Educators, Chevy Chase, Maryland.



Dave Yost • 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
JANUARY 16, 2014**