

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Lima Technical College
4240 Campus Drive
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We have reviewed the Independent Auditor's Report of the Lima Technical College, Allen County, prepared by E. S. Evans & Company, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 21, 2001

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LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

September 28, 2001

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lima Technical College
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying balance sheet of Lima Technical College, as of June 30, 2001, and the related statements of changes in fund balances, and current funds revenues, expenditures, and other changes for the year then ended. These general purpose financial statements are the responsibility of the Lima Technical College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 2001 on our consideration of the Lima Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

E.S. Evans and Company

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

BALANCE SHEET
June 30, 2001

<u>Assets</u>	Current Funds		<u>Loan Fund</u>
	Unrestricted	Restricted	
Cash and Cash Equivalents	\$ 5,694,229	\$ -	\$ -
Deposit	3,000	-	-
Accounts Receivable, less allowance of \$126,585	1,504,659	-	-
Appropriations Receivable	-	124,597	-
Due From Other Funds	-	140,264	1,907
Property, Plant, and Equipment	-	-	-
<u>Total Assets</u>	<u>\$ 7,201,888</u>	<u>\$ 264,861</u>	<u>\$ 1,907</u>
<u>Liabilities and Fund Balance</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ 884,827	\$ 67,090	\$ -
Accrued Liabilities	671,618	-	-
Compensated Absences	554,905	-	-
Deferred Credits	619,759	-	-
Due To Other Funds	142,172	-	-
Total Liabilities	<u>2,873,281</u>	<u>67,090</u>	<u>-</u>
<u>Fund Balance:</u>			
Current Funds:			
Allocated	1,385,515	-	-
Unallocated	2,943,092	197,771	-
Restricted Funds:			
College Funds	-	-	1,907
Investment in Plant	-	-	-
Total Fund Balance	<u>4,328,607</u>	<u>197,771</u>	<u>1,907</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 7,201,888</u>	<u>\$ 264,861</u>	<u>\$ 1,907</u>

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

Plant Fund	Totals (Memorandum Only)	
	2001	2000
\$ -	\$ 5,694,229	\$ 5,298,930
-	3,000	-
-	1,504,659	1,138,532
-	124,597	141,031
-	142,171	260,052
<u>33,051,199</u>	<u>33,051,199</u>	<u>33,023,486</u>
\$ <u><u>33,051,199</u></u>	\$ <u><u>40,519,855</u></u>	\$ <u><u>39,862,031</u></u>
\$ -	\$ 951,917	\$ 705,320
-	671,618	602,823
-	554,905	495,657
-	619,759	501,032
-	142,172	260,052
<u>-</u>	<u>2,940,371</u>	<u>2,564,884</u>
-	1,385,515	1,385,515
-	3,140,863	2,886,239
-	1,907	1,907
<u>33,051,199</u>	<u>33,051,199</u>	<u>33,023,486</u>
<u>33,051,199</u>	<u>37,579,484</u>	<u>37,297,147</u>
\$ <u><u>33,051,199</u></u>	\$ <u><u>40,519,855</u></u>	\$ <u><u>39,862,031</u></u>

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

STATEMENT OF CHANGES IN FUND BALANCES
For The Year Ended June 30, 2001

	<u>Current Funds</u>		<u>Loan Fund</u>
	<u>Educational and General</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	
Revenues and Other Additions:			
Unrestricted Current Fund Revenues	\$ 15,707,818	\$ -	\$ -
State Appropriations	-	11,106	-
Federal Grants and Contracts	-	2,631,388	-
State Grants and Contracts	-	235,780	-
Private Gifts and Grants	-	88,299	-
Expended for Plant Facilities (Current Fund Expenditures)	-	-	-
<u>Total Revenues and Other Additions</u>	<u>15,707,818</u>	<u>2,966,573</u>	<u>-</u>
Expenditures and Other Deductions:			
Educational & General Expenditures	15,331,050	3,088,717	-
Recovery of Indirect Expenses	(2)	2	-
Disposal and Write-Offs of Plant Facilities	-	-	-
<u>Total Expenditures and Other Deductions</u>	<u>15,331,048</u>	<u>3,088,719</u>	<u>-</u>
Net Increase/(Decrease) for the Year	376,770	(122,146)	-
Fund Balance at Beginning of the Year	<u>3,951,837</u>	<u>319,917</u>	<u>1,907</u>
Fund Balance at End of the Year	<u>\$ 4,328,607</u>	<u>\$ 197,771</u>	<u>\$ 1,907</u>

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

Plant Fund	Totals (Memorandum Only)	
	2001	2000
\$ -	\$ 15,707,818	\$ 14,450,681
-	11,106	1,932,652
-	2,631,388	2,619,171
-	235,780	337,571
-	88,299	103,305
<u>629,651</u>	<u>629,651</u>	<u>684,391</u>
<u>629,651</u>	<u>19,304,042</u>	<u>20,127,771</u>
-	18,419,767	16,743,562
-	-	-
<u>601,938</u>	<u>601,938</u>	<u>205,346</u>
<u>601,938</u>	<u>19,021,705</u>	<u>16,948,908</u>
27,713	282,337	3,178,863
<u>33,023,486</u>	<u>37,297,147</u>	<u>34,118,284</u>
<u>\$ 33,051,199</u>	<u>\$ 37,579,484</u>	<u>\$ 37,297,147</u>

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,
AND OTHER CHANGES

For The Year Ended June 30, 2001

	Educational and General		Totals (Memorandum Only)	
	Unrestricted	Restricted	2001	2000
	<u>Revenues:</u>			
Tuition, Fees, and Other Student Charges	\$ 6,420,041	\$ -	\$ 6,420,041	\$ 6,533,007
State Appropriations	8,071,727	18,007	8,089,734	7,190,764
Federal Grants and Contracts	-	2,709,885	2,709,885	2,561,561
State Grants and Contracts	-	282,567	282,567	191,926
Private Gifts, Grants, and Contracts	204,052	78,258	282,310	52,107
Sales and Services	399,165	-	399,165	348,926
Other Sources	612,833	-	612,833	381,350
Total Revenues	15,707,818	3,088,717	18,796,535	17,259,641
<u>Expenditures:</u>				
Instruction	7,213,325	227,505	7,440,830	6,787,684
Public Services	1,202,741	265,518	1,468,259	1,397,388
Academic Support	944,047	385,378	1,329,425	1,290,219
Student Services	1,767,596	137,125	1,904,721	1,595,478
Institutional Support	2,526,456	4,908	2,531,364	2,222,033
Operation and Maintenance of Plant	1,477,253	24,706	1,501,959	1,213,590
Scholarships and Fellowships	199,632	2,043,577	2,243,209	2,237,171
Total Expenditures	15,331,050	3,088,717	18,419,767	16,743,563
Excess of Revenues Over (Under) Expenditures	376,768	-	376,768	516,078
<u>Nonmandatory Transfers and Other</u>				
<u>Additions/(Deductions):</u>				
Excess of Restricted Receipts Over Transfers				
To Revenues	-	(122,144)	(122,144)	281,088
Indirect Costs Recovery	2	(2)	-	-
Total Nonmandatory Transfers and Others	2	(122,146)	(122,144)	281,088
Net Increase/(Decrease) in Fund Balance	\$ 376,770	\$ (122,146)	\$ 254,624	\$ 797,166

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

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note A – Summary of Significant Accounting Policies

Description of the Entity

Lima Technical College, Allen County, Ohio, is a political subdivision as defined under Chapter 3357, Ohio Revised Code. The College is a body of politic and corporate established for the purposes of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College operates under the control of a board of trustees. The College provides instructional services in various fields, non-credit instruction, and student services.

Basis of Accounting

The financial statements of the Lima Technical College are prepared on the accrual basis of accounting except for not providing for depreciation as further explained in the Equipment section of Note A, in accordance with the principles of fund accounting for educational institutions.

Basis of Presentation - Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "Fund Accounting". Under this system, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its established purposes.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note A - Summary of Significant Accounting Policies (continued)

All gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like, is accounted for in the fund owning such assets, except for income derived from investments where only the principal is restricted, in which case the income is accounted for as revenue in the unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

The College used the following fund groups for accounting and reporting purposes:

Current Funds - are available for educational and general operating purposes, and are further subdivided into two separately balanced groups:

General Funds - are unrestricted and available for general operating purposes at the discretion of the governing board.

Restricted Funds - are available for current operating purposes but only in compliance with restrictions specified by the donors or grantors.

Plant Funds - this group includes funds which have been received or appropriated for the purpose of acquiring, or improving, the physical property of the College.

Loan Funds - this group consists of loans to students and of resources available for such purposes. The terms of loan agreements usually specify that the funds operate on a revolving basis, i.e., repayments of principal and interest are loaned to other individuals. Some loan funds may be created on a temporary basis and require that repayments and interest be returned to the grantors. The grants may also designate that the obligation to repay all or part of the loan will be forgiven under certain circumstances. Some loan agreements may also designate the curriculum and geographical domicile of the student borrowers and the financial status of the borrowers.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note A - Summary of Significant Accounting Policies (continued)

Cash & Cash Equivalents

For the purposes of the balance sheet, the College considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments, when purchased, are stated at cost, or if received through a gift, at market value at the date of the gift if a market value is available; otherwise they are stated at an appraisal or nominal value.

Equipment

Equipment is recorded at cost, or if acquired by gift, at an appraisal value at the date of the gift. The College follows the general educational institution practice of not providing for depreciation which contradicts FASB Statement No. 93, Recognition of Depreciation by Not-for-Profit Organizations. However, in accordance with the Governmental Accounting Standards Board Statement No. 8, Applicability of FASB Statement No. 93, public colleges and universities are exempt from the requirements of FASB Statement No. 93, and thus no depreciation is recognized in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note B – Deposits and Investments

The deposit and investment of College monies is governed by the Ohio Revised Code. In accordance with Section 135.03 of the ORC, only banks located in Ohio and Ohio domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposits, savings accounts, money market accounts, STAR Ohio, obligations of the United States government or certain agencies thereof, and certain industrial revenue bonds issued by other governmental entities.

The College may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. The College's Controller's Office is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the Federal Deposit Insurance Corporation, qualified securities pledged in the name of the College and held at the Federal Reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements:

Deposits - At June 30, 2001, the carrying amounts of the College's deposits were \$856,175 and the bank balance was \$1,456,280. Of the bank balance, \$200,000 was covered by federal depository insurance and \$1,256,280 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the College's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2001

Note B - Deposits and Investments (continued)

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

The College has invested in STAR Ohio, an investment pool operated by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. It is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The only investment held by Lima Technical College at June 30, 2001 was STAR Ohio (State Treasury Asset Reserve of Ohio). The carrying amount equaled market value which was \$4,832,150 at June 30, 2001.

The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>		<u>Investments</u>
GASB Statement 9	\$ 5,694,229	\$	-
Cash on Hand	(5,904)		-
Investments - STAR Ohio	<u>(4,832,150)</u>		<u>4,832,150</u>
GASB Statement 3	<u>\$ 856,175</u>	\$	<u>4,832,150</u>

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note C – Allocated Fund Balance

The Governing Board has allocated a portion of the current unrestricted fund balance for the following purposes:

Reserve for Parking Facilities	\$ 215,000
Reserve for Plant Expansion	500,000
Reserve for Arboretum	5,100
Reserve for Equipment Replacement	540,000
Reserve for Program Development	100,000
Reserve for Financial Assistance	<u>25,415</u>
	\$ <u>1,385,515</u>

Note D – Compensated Absences

Sick Pay – Sick leave represents an insurance type benefit for absence due to personal illness or injury; for illness, injury, or death of a member of the immediate family of the covered employee on a regular contract; or to cover quarantine required by exposure to a contagious disease.

Sick leave credits will accumulate at the rate of 1.25 days (ten hours) per month of contractual service, including periods of vacation and paid military or sick leave, for all regular continuing employees. Regular employees on less than full time appointments shall be entitled to sick leave credit for time actually worked at the same rate as that granted regular continuing employees. The accumulation of sick leave credits at this rate shall be unlimited. Total hours accrued at June 30, 2001 was 13,814.

College employees, upon retirement with ten or more years of service with the State, shall be compensated in an amount not to exceed one-fourth of the value of accrued but unused sick leave credit, based on the individual's rate of compensation at the time of retirement. The maximum amount of hours at which sick leave will be paid out is set at 240 hours.

On June 30, 2001, the College's liability for accrued sick leave was \$304,659.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2001

Note D – Compensated Absences (continued)

Vacation Pay – Compensation for vacation by the College is available only to those employees who are on eleven-month appointments, or are considered administrative and professional staff. Those employees employed by the College on an academic year basis are not eligible to earn or accrue vacation leave.

All employees eligible to receive vacation pay may accrue up to, but not exceed 30 working days (240 hours) over the course of a year. Anything accrued in excess of the 30 days is eliminated from the employee's leave balance at year end.

It is the policy of the College that if after one year of continuous service the employee is terminated or resigns, any unused vacation balance will be compensated to that employee.

At June 30, 2001, the faculty and staff of the College had accumulated vacation leave of 12,086 hours. Based on this, the College recorded a liability of \$250,246 for accumulated vacation leave at June 30, 2001.

The basis on which the College has made these estimates is in accordance with the standards and guidelines established by GASB Statement No.16, Accounting for Compensated Absences.

Note E - Fixed Assets

A summary of the changes in fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance</u> <u>6-30-00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-01</u>
Buildings	\$ 26,027,177	\$ -	\$ -	\$ 26,027,177
Furniture, Fixtures, and Equipment	6,251,135	586,342	(601,939)	6,235,538
Library Books	639,843	43,310	-	683,153
Baseball Field	105,331	-	-	105,331
Total	<u>\$ 33,023,486</u>	<u>\$ 629,652</u>	<u>\$ (601,939)</u>	<u>\$ 33,051,199</u>

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note F - Defined Benefit Pension Plans

Public Employees Retirement System

The Lima Technical College contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. The report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary and the College is required to contribute 13.31 percent, which was temporarily reduced to 7.99 percent from July through December of 2000. The College's contributions to PERS for the fiscal years ending June 30, 2001, 2000, and 1999 were \$277,832, \$313,373, and \$293,057, respectively, equal to the required contributions for the year.

State Teachers Retirement System

The Lima Technical College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that included financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$778,908, \$739,115, and \$724,009, respectively, equal to the required contributions for the year.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note G - Post Employment Benefits

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the Public Employees Retirement System (PERS).

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

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

The State Teachers Retirement Board currently allocates employer contributions equal to 4.5 percent of covered payroll to a health care reserve fund from which payments for health care benefits are paid. However, for the fiscal years ended June 30, 2000 and 2001, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000 (the date of the most recent information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note G - Post Employment Benefits (continued)

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The rate was 13.31% of covered payroll, (except for a temporary rate reduction to 7.99 percent from July through December 2000) of which 4.3% was the portion that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for Other Post Employment Benefits during 2000 were \$559,606,294 (the date of the most recent information available). As of December 31, 2000, the net assets available for future Other Post Employment Benefits payments were \$10,965,429,369. The number of benefit recipients eligible for Other Post Employment Benefits at December 31, 2000 was 131,428.

Note H - Cost Share Agreement

Lima Technical College is located on the grounds of the Ohio State University, Lima Branch Campus, with all land and buildings being owned by the State of Ohio. According to the cost sharing agreement entered into as of July 1, 1971 (and revised May 27, 1992) between The Ohio State University and the Allen County Technical Institute (later renamed Lima Technical College), the College reimburses the University for costs incurred in the following areas: academic instruction, library, student services, student activities, institutional support, plant operation and community educational services. The College makes quarterly payments to the University based on estimated costs using formulas as prescribed in the cost sharing agreement. Adjustments at year end for variances between estimated and actual costs are made at the time of the first quarterly payment of the following fiscal year. The College's portion of cost sharing totaled \$1,317,194 for the year ended June 30, 2001. At year end, the College had an accounts payable to The Ohio State University for \$408,194.

Although this is a related party transaction due to the fact that certain management personnel are shared by both institutions, Lima Technical College and Ohio State University both have separate and distinct Boards of Trustees.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note I - Leases

The College leases duplicating equipment on a monthly basis. Minimum operating lease payments for existing leases over the next five years are as follows:

6/30/02	\$	92,179
6/30/03		92,179
6/30/04		82,501
6/30/05		60,867
6/30/06		28,908
Thereafter		-
TOTAL	\$	<u>356,634</u>

Operating lease expenditures for the year ending June 30, 2001 were \$81,463.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note J - Risk Management

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages. Coverages provided by this insurer is as follows:

Building and Contents - replacement cost (\$5,000 deductible) \$53,433,489
Earthquake (\$750,000 deductible per occurrence) \$10,000,000
Inland Marine Coverage \$4,010,000
Blanket Loss of Income & Extra Expense (Actual Loss) \$12,736,000
Automobile Liability \$1,000,000
Public Employee Dishonesty \$1,000,000
Depositor's Forgery \$1,000,000
Computer Fraud and Funds Transfer Fraud \$1,000,000
General Liability -
 Per occurrence \$1,000,000
 Aggregate \$2,000,000
 Employers Liability \$1,000,000
Umbrella -
 Per occurrence \$10,000,000
 Aggregate \$10,000,000
Professional -
 Educator's Legal Liability - \$1,000,000 (per claim & aggregate)
 Medical Professional Liability - \$1,000,000 (per claim & aggregate)
 Employee Benefits E&O - \$1,000,000 (per claim & aggregate)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

In addition, the College offers medical, vision, and dental insurance to full-time employees through various commercial insurers.

Note K – Deferred Credits

Deferred Credits represent student instruction fees, student general fees, registration fees, and lab fees for the summer quarter assessed prior to June 30, 2001.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

Note L – Change in Accounting Policy

The College changed the capitalization policy for equipment by increasing the threshold from \$500 to \$1,000. The effect of this change has decreased Investment in Plant by \$396,405, which was included as “Disposal and Write-Offs of Plant Facilities”.

Note M – Change in Accounting Principle

For fiscal year 2001, the College has implemented Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement established accounting and reporting guidelines for non-exchange transactions in which a government receives or gives value without directly receiving (or giving) equal value in exchange. Implementation of this statement did not affect the financial statements as of June 30, 2000.

Note N – Related Party Transaction

The Lima Technical College Development Fund was established for charitable and educational purposes for the benefit of the College and its students. The Development Fund made a contribution to the College during the year in the amount of \$203,852 for various projects and marketing initiatives. As of June 30, 2001, the College had an accounts receivable balance from the Development Fund for \$31,951.11.

Note O – Bookstore Agreement

The College had a five-year agreement with University Retail Services for the operation of the bookstore. This agreement provided a sales commission of 2% of annual net sales. The agreement expired on June 30, 1998. A new agreement providing a sales commission of 6% of annual net sales was being negotiated. Net sales for fiscal years 1999 and 2000 were not released to the College until March 2001. A partial payment (calculated as 6% of gross margin) was received during the year. The College recorded an accounts receivable for fiscal year 1999 and 2000 in the amount of \$44,431 and \$54,099, respectively. For fiscal year 2001, the College used an estimate based upon the March 31, 2001 sales information. The College recorded an accounts receivable of \$50,552.59 for fiscal year 2001. At June 30, 2001, the College had an accounts receivable for \$182,308.66, consisting of unpaid sales commissions of \$149,082.34 and College produced book sales of \$33,226.32. In addition, at June 30, 2001, the College had an accounts payable to University Retail Services for \$119,528.30.

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Titles	Pass Through Entity Number	Federal CFDA Number
<u>U.S. Department of Education</u>		
Student Financial Aid Cluster:		
Pell Grant Program		84.063
College Work Study		84.033
SEOG		84.007
Total Student Financial Aid Cluster		
Passed Through Ohio Department of Education:		
Vocational Education Basic Grants	VECPII-P2001-513 VECPII-P2000-513	84.048 84.048
Total Vocational Education Basic Grants		
Technical Preparation Grant	VETP-2001-14IT VETP-2001-14SB VETP-2000-14-FPI VETP-2000-14S VETP-2000-14 A-1 VETP-2000-14PD VETP-1999-14-A2	84.243 84.243 84.243 84.243 84.243 84.243 84.243
Total Technical Preparation Grant		
Total U.S. Department of Education		
<u>U.S. Department of Labor</u>		
Employment Services & Job Training	STW200FED-00-GAP2000	17.249
Total U.S. Department of Labor		
<u>Small Business Administration</u> (Passed-Through Ohio Department of Development)		
Small Business Development Center		59.037 59.037
Total Small Business Administration		
<u>National Science Foundation</u> (Passed-Through American Math Association - 2 year Colleges)		
CEEMS		47.076 47.076
Total National Science Foundation		
Total Federal Financial Assistance		

Note A - Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B - GSL and PLUS Programs

Students at Lima Technical College also participate in the U.S. Department of Education's Guaranteed Student Loan (GSL) and Parent's Loans for Undergraduate Students (PLUS) programs. (CFDA#84.032). These loans are made by lending institutions directly to qualified students and are, therefore, not reflected in the revenues and expenditures of the College. The total amount of loans under these programs for the year ended June 30, 2001 was \$3,370,254.

<u>Receipts</u>	<u>Disbursements</u>
\$ 1,998,306	\$ 1,954,032
101,400	120,000
87,534	84,636
<u>2,187,240</u>	<u>2,158,668</u>
72,842	89,935
8,575	-
<u>81,417</u>	<u>89,935</u>
59,344	59,344
60,133	60,133
171,951	171,951
19,628	-
14,400	-
3,000	-
59,653	59,653
<u>388,109</u>	<u>351,081</u>
<u>2,656,766</u>	<u>2,599,684</u>
-	25,958
-	25,958
36,760	54,808
35,288	13,677
<u>72,048</u>	<u>68,485</u>
-	1,082
11,058	11,950
<u>11,058</u>	<u>13,032</u>
<u>\$ 2,739,872</u>	<u>\$ 2,707,159</u>

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

September 28, 2001

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

Board of Trustees
Lima Technical College
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the general purpose financial statements of Lima Technical College as of and for the year ended June 30, 2001, and have issued our report thereon dated September 28, 2001. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lima Technical College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

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

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.



E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

September 28, 2001

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

Board of Trustees
Lima Technical College
Allen County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

Compliance

We have audited the compliance of Lima 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, 2001. Lima 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 Lima Technical College's management. Our responsibility is to express an opinion on Lima 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 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 Lima 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 Lima Technical College's compliance with those requirements.

In our opinion, Lima 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, 2001.

Internal Control Over Compliance

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

This report is intended solely for the information and use of management, Board of Trustees, Auditor of State of Ohio, 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.



LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED
COSTS OMB CIRCULAR A-133 § .505

June 30, 2001

A. 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 .510?	No
(d)(1)(vii)	Major Programs (list): Student Financial Aid Cluster Student Financial Aid Cluster Student Financial Aid Cluster Student Financial Aid Cluster Tech-Prep Education	Pell Grant Program 84.063 College Work Study 84.033 Family Educ Loan 84.032 SEOG 84.007 Tech Prep 84.243
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A:> \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED
COSTS OMB CIRCULAR A-133 § .505

June 30, 2001

B. Findings Related To The Financial Statements Required
To Be Reported In Accordance With GAGAS

None

C. Findings and Questioned Costs for Federal Awards

None

LIMA TECHNICAL COLLEGE
ALLEN COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS AND
QUESTIONED COSTS OMB CIRCULAR A-133 § .315(b)

June 30, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
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None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LIMA TECHNICAL COLLEGE

ALLEN 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 3, 2002**