

CENTRAL OHIO TECHNICAL COLLEGE  
ANNUAL REPORT  
70645-77-3690-00  
COLUMBUS REGION, LICKING COUNTY  
SINGLE AUDIT  
JULY 1, 1998 THROUGH JUNE 30, 1999



CROWE CHIZEK

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CENTRAL OHIO TECHNICAL COLLEGE  
Licking County

ANNUAL REPORT  
June 30, 1999

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Board of Trustees  
Central Ohio Technical College

We have reviewed the independent auditor's report of the Central Ohio Technical College, Licking County, prepared by Crowe, Chizek and Company LLP for the audit period July 1, 1998 through June 30, 1999. 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.



JIM PETRO  
Auditor of State

January 10, 2000



## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying general-purpose financial statements of Central Ohio Technical College (College) as of and for the year ended June 30, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Technical College as of June 30, 1999, and the changes in its fund balances and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 1999 on our consideration of Central Ohio Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Central Ohio Technical College, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

The Year 2000 supplementary information on page 17 is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Central Ohio Technical College is or will become Year 2000 compliant, that its Year 2000 remediation efforts will be successful in whole or in part, or that parties with which it does business are or will become Year 2000 compliant.

*Crowe, Chizek and Company LLP*

Crowe, Chizek and Company LLP

Columbus, Ohio  
October 1, 1999

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
BALANCE SHEET  
June 30, 1999

	Current Funds		Plant Funds	
	Unrestricted	Restricted	Loan Fund	Endowment Fund
ASSETS				
Cash (Note 2)	\$ 1,751,871	\$ 19,732	\$ 17,242	\$ 330,581
Investments (Note 2)				\$ 1,934,289
Accounts receivable (net of allowance for doubtful accounts) (Note 3)				
Ohio State University	679,360			
Intergovernmental grants		126,249		
Other	468,624	41,532		
Prepaid expenses	51,234			
Loans to students (Note 4)			1,925	
Due from other funds				
Buildings		148,089		
Equipment, furniture and library books				\$ 11,859,691
Construction in progress			167,163	5,305,983
Total assets	\$ 2,951,089	\$ 335,602	\$ 19,167	\$ 1,934,289
			\$ 497,744	\$ 17,165,674

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
BALANCE SHEET  
June 30, 1999

	Current Funds		Loan Fund	Endowment Fund	Plant Funds	
	Unrestricted	Restricted			Unexpended Replacements	Renewal and Retirement of Investment in Plant
<b>LIABILITIES</b>						
Accounts payable	\$ 219,310	\$ 8,180				
Accrued liabilities	1,071,624	13,284			\$ 15,145	
Deferred income	412,045	314,138				
Due to other funds	148,089					
Note payable (Note 5)						\$ 337,831
Total liabilities	<u>1,851,068</u>	<u>335,602</u>			<u>15,145</u>	<u>337,831</u>
<b>FUND BALANCES</b>						
Unrestricted	1,100,021					
Restricted			\$ 19,167		482,599	
Endowment				\$ 875,294		
Funds functioning as endowment - unrestricted				1,058,995		
Net investment in plant						16,827,843
Total fund balances	<u>1,100,021</u>		<u>19,167</u>	<u>1,934,289</u>	<u>482,599</u>	<u>16,827,843</u>
Total liabilities and fund balances	<u>\$ 2,951,089</u>	<u>\$ 335,602</u>	<u>\$ 19,167</u>	<u>\$ 1,934,289</u>	<u>\$ 497,744</u>	<u>\$ 17,165,674</u>

See accompanying notes to the financial statements.



CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
STATEMENT OF CHANGES IN FUND BALANCES  
Year ended June 30, 1999

	Current Funds			Plant Funds		
	Unrestricted	Restricted	Loan Fund	Endowment Funds	Unex- pende d	Retirement Investment of Indebtedness in Plant
Revenues and other additions						
Unrestricted current fund revenues	\$ 7,696,619				\$ 146,269	\$ 228,964
State appropriations		\$ 1,476,443				
Federal grants		551,413				
State grants and contracts		202,040		\$ 17,320	20,893	216,678
Private gifts and grants		11,531		73,958		
Endowment income				59,607		
Net gains - unrestricted						
Net gains - restricted						
Finance charges on loans receivable			\$ 290			
Expended for plant facilities (including \$105,491 charged to current funds expenditures)						481,955
Retirement of indebtedness						29,662
Other sources		4,675				
Total revenues and other additions	7,696,619	2,246,102	290	150,885	167,162	957,259
Expenditures and other deductions						
Educational and general expenditures	7,177,899	2,246,102				
Auxiliary enterprises expenditures	19,120					
Loan cancellations and write-offs			1,741		376,464	
Expended for plant facilities						
Retirement of indebtedness						\$ 29,663
Interest on indebtedness						29,889
Disposal of plant facilities						111,207
Total expenditures and other deductions	7,197,019	2,246,102	1,741		376,464	111,207

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
STATEMENT OF CHANGES IN FUND BALANCES  
Year ended June 30, 1999

	Current Funds			Plant Funds	
	Unrestricted	Restricted	Loan Fund	Endowment Funds	Unex- pended Retirement of Investment in Plant
Transfers among funds - additions/(deductions)					
Mandatory					
Principal and interest	\$ (59,552)				\$ 59,552
Nonmandatory					
Transfers for capital projects	(290,188)			\$ 290,188	
Total transfers	(349,740)			290,188	59,552
Net increase/(decrease) for year	149,860		\$(1,451)	\$ 150,885	\$ 80,886
Fund balance at beginning of year	950,161		20,618	1,783,404	401,713
Fund balance at end of year	\$1,100,021	\$	\$19,167	\$ 1,934,289	\$ 482,599
					\$ 15,981,791
					\$ 16,827,843

See accompanying notes to the financial statements.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
Year ended June 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Current Funds</u>
<b>Revenues</b>			
Tuition and fees	\$ 3,179,633		\$ 3,179,633
State appropriations	3,814,770		3,814,770
Federal grants		\$ 1,476,443	1,476,443
State grants and contracts	244,459	551,413	795,872
Private gifts and grants		202,040	202,040
Endowment income	37,984	11,531	49,515
Sales and services of departments	184,416		184,416
Sales and services of auxiliary enterprises	36,987		36,987
Other sources	<u>198,370</u>	<u>4,675</u>	<u>203,045</u>
Total revenues	7,696,619	2,246,102	9,942,721
<b>Expenditures and mandatory transfers</b>			
Education and general			
Instruction	3,027,261	61,548	3,088,809
Public service	69,428	18,673	88,101
Academic support	1,111,695	199,163	1,310,858
Student services	994,513	252,601	1,247,114
Institutional support	1,218,387	17,447	1,235,834
Operation and maintenance of plant	756,615	11,533	768,148
Student financial aid		<u>1,685,137</u>	<u>1,685,137</u>
Total educational and general expenditures	7,177,899	2,246,102	9,424,001
Auxiliary expenses	19,120		19,120
Mandatory transfers			
Principal and interest	<u>59,552</u>		<u>59,552</u>
Total expenditures and mandatory transfers	7,256,571	2,246,102	9,502,673
Nonmandatory transfers and additions/(deductions)			
Nonmandatory transfers			
Transfers for capital projects	<u>(290,188)</u>		<u>(290,188)</u>
Net increase in fund balance	<u>\$ 149,860</u>	<u>\$</u>	<u>\$ 149,860</u>

See accompanying notes to the financial statements.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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

Description of the Entity: Central Ohio Technical College was chartered by the Ohio Board of Regents in 1971, subject to the directives and constraints set forth by the Ohio General Assembly and the Ohio Board of Regents. The College was created in direct response to a demonstrated need for quality college-level technical education in Licking County. The service area was expanded to include Coshocton and Knox counties in the spring of 1980. In 1986, COTC established offices in both counties to offer off-campus courses.

These financial statements include only the activities, funds and accounts of the College. The College applies the criteria found in GASB Statement No. 14, "The Financial Reporting Entity," to determine if other entities should be included, for financial reporting purposes, as a component of Central Ohio Technical College. The College considers such criteria as degree of oversight and authority, responsibility for funding deficits and operating deficiencies, or responsibility for debt of the possible component unit. As a result of the application of these criteria, no other units have been included in these financial statements.

Accrual Basis: The financial statements of the College are prepared on the accrual basis except for depreciation as described below. The accounts of the College are maintained in accordance with generally accepted accounting principles for governmental colleges and universities.

Fund Accounting: The College maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of entities in which legal or other restraint require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Current Fund: The current fund is the general operating fund of the College. It is used to account for all financial resources except those that are accounted for in another fund.

Loan Fund: The loan fund includes emergency short-term loans to students for tuition, fees and books.

Endowment Funds: The College classifies as endowment funds those which are subject to the restrictions of gift instruments requiring the principal to be invested for a specific term or in perpetuity with only the income utilized for current and future needs. Use of the income of restricted endowment funds is limited to purposes specified by donors. The Board of Trustees designates certain funds as quasi-endowment funds (funds functioning as endowment funds). These funds may be expended at the discretion and direction of the Board.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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

Plant Funds: Buildings, equipment and furniture are carried at cost. The cost of certain equipment and furniture purchased for the campus is shared by the College and The Ohio State University - Newark Campus under a cost sharing agreement (see below). Such assets are carried at full historical cost by the institution holding title; cost sharing amounts are treated as increases or decreases in expense. In accordance with accounting practices generally followed by public educational institutions, depreciation is not provided. To the extent current funds are used to finance assets, the amounts so provided are accounted for as transfers from current funds and additions to assets in the plant fund. Gifts and grants restricted for the acquisition of fixed assets, as well as donations of fixed assets, are recorded as additions to the plant fund. Unexpended portions of such receipts are carried as unexpended funds in the plant fund balance.

Cost Sharing between Related Parties: The College shares campus facilities and staff, including senior administration with The Ohio State University - Newark Campus. Jointly incurred costs of \$4,913,762 were allocated between the institutions by use of a formula based on student enrollment; COTC's allocation was \$2,393,716. Additionally, certain services are purchased by each institution from the other.

State Support: The College is a state-assisted institution of higher education that receives a student-enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available. The buildings used by the College were constructed by the State of Ohio or the Ohio State University.

Investments: The College has adopted GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments*. Under GASB 31, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the balance sheet. Unrealized gains and losses are included in net gains in the statement of changes in fund balances. Securities received as gifts are recorded at fair market value at the date of the gift.

**NOTE 2 - CASH AND INVESTMENTS**

The College maintains a cash and investment pool used by all funds except the endowment fund. Each fund's portion of this pool is displayed on the balance sheet as "Cash." The deposits and investments of the endowment fund are held separately from those of other College funds.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits: At June 30, 1999, the carrying amount of the College's deposits was \$2,119,426 and the bank balances were \$2,330,953. Of the bank balances, all amounts in excess of the amounts insured by the Federal Deposit Insurance Corporation were covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Legal Requirements: Statutes require the classification of monies held by the College into three categories as listed below.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the College. Such monies must be maintained either as cash in the College treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts.

Category 3 consists of "interim" monies, those monies that are not needed for immediate use but will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

The College has a portion of its endowment funds in corporate bonds and notes and equity mutual funds. During the year, the endowment funds were also invested in common stock and foreign equities.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The College's investments are categorized to give an indication of the level of credit risk assumed by the College at June 30, 1999. 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 for which the securities are held by the counterparty'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.

Endowment Fund investments categorized for the year ended June 30, 1999:

	Risk Category			<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	\$ 83,965			\$ 83,965	\$ 83,965
Equity mutual funds	502,834			502,834	940,253
Government bonds and notes	597,785			597,785	589,697
Corporate bonds and notes	<u>323,649</u>			<u>323,649</u>	<u>320,374</u>
Total	<u>\$ 1,508,233</u>			<u>\$ 1,508,233</u>	<u>\$ 1,934,289</u>

These investments are accounted for on a pooled basis. The College employs the share method of accounting for pooled investments and for proportionate distribution of income between the unrestricted and restricted endowment funds.

The classification of investments on the financial statements is based on criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the College.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consists mainly of fees due from students and sponsoring agencies. For the year ended June 30, 1999, the unrestricted accounts receivable are shown net of an allowance for doubtful accounts of \$83,903. Restricted fund accounts receivable were deemed to be fully collectible.

**NOTE 4 - LOANS TO STUDENTS**

The loan fund consists of loans to students for books, tuition and fees.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 5 - LONG-TERM DEBT**

Long-term debt at June 30, 1999 consists of mortgage note payable to bank, totaling \$337,831 with interest at prime (8.5% at June 30, 1999), due April, 2007. It is collateralized by the Child Care Facility.

Annual maturities of long-term debt for the next five years are due as follows:

<u>Year Ending</u>	
2000	\$ 32,548
2001	35,424
2002	38,556
2003	41,964
2004	45,673

Interest expense for the year ended June 30, 1999 was \$29,889.

**NOTE 6 - LEASE COMMITMENTS**

The College leases certain office equipment and a vehicle under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 1999:

2000	\$ 106,356
2001	103,431
2002	89,098
2003	<u>71,557</u>
	<u>\$ 370,442</u>

Rent expense was \$107,095 for the year ended June 30, 1999.

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

**NOTE 7 - RETIREMENT PLANS**

State Teachers Retirement System: All full-time faculty members are eligible to participate in the State Teachers Retirement System (STRS), a multiple-employer, defined benefit, cost sharing public employee retirement system.

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(Continued)



CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 7 - RETIREMENT PLANS (Continued)**

STRS issues a stand-alone financial report. Copies of STRS' 1998 *Comprehensive Annual Financial Report* will be available after January 1, 1999, and can be requested by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 277-4090.

Any member who has five years of service credit and attained age sixty, twenty-five years of service credit and attained age fifty-five, or thirty years of service credit regardless of age, may retire. The maximum annual-retirement allowance, payable for life, is greater of the "formula benefit" or the "money purchase benefit." Under the "formula benefit," the annual retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest year's salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of thirty years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary. Under the "money purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

Retirement benefits are increased three percent for each year that the U.S. Bureau of Labor Statistics Consumer Price Index increases three percent or more. A member under the age of sixty with five or more years of credited service who becomes disabled is entitled to a disability allowance. A limited disability allowance is provided to teachers who become disabled after age sixty. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the State Teachers Retirement Board on recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements for the fiscal years ended June 30, 1999, 1998 and 1997 were 9.3% of covered payroll for members and 14% for employers. The payroll for employees covered by the System for the years ended June 30, 1999, 1998 and 1997 were approximately \$2,609,000, \$2,668,000 and \$2,573,000, respectively. Employer contributions by the College were \$364,782, \$373,549 and \$360,214 for the years ending June 30, 1999, 1998 and 1997, respectively.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 7 - RETIREMENT PLANS (Continued)**

The System allocates an amount equal to two percent of the employers' contribution to fund health care benefits. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure which the actuarial present value of credited projected benefits, is intended to help users assess the systems' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among Public Employees Retirement Systems. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

Public Employees Retirement System: Substantially all other College employees are eligible to participate in the Public Employees Retirement System (PERS), a multiple-employer, defined benefit, cost sharing public employee retirement system.

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Employees are eligible for retirement benefits at age sixty with five or more years of service credit, at age fifty-five with twenty-five years of credit service, or at any age with thirty years of service credit. The annual retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of thirty years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the Public Employees Retirement Board upon recommendations of its consulting actuary, not to exceed statutory maximums. Contribution requirements for the fiscal years ended June 30, 1999 and 1998 were 8.5% of covered payroll for employees and 13.31% for employers. For fiscal year ended June 30, 1997, the contribution requirements were 8.5% of covered payroll for employees and 13.55% for employers. The payroll for employees covered by the System for the years ended June 30, 1999, 1998 and 1997 were approximately \$2,125,000, \$2,115,000 and \$1,873,000, respectively. Employer contributions by the College were \$282,825, \$281,578 and \$249,235 for the years ending June 30, 1999, 1998 and 1997, respectively.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 7 - RETIREMENT PLANS (Continued)**

The System allocates an amount equal to 4.2% of the employers' contribution to fund health care benefits. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in Employees Retirement Systems. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

Alternative Retirement Plan: The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan. The College has implemented the alternative retirement plan. There were no contributions made during fiscal year 1999.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The College provides comprehensive health care benefits to retired faculty members and their dependents through STRS and to retired nonfaculty employees and their dependents through PERS. The health care coverage provided by the retirement system is considered an Other Postretirement Benefit (OPEB) as described in GASB Statement No. 12.

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

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

The Board currently allocates employer contributions equal to 3.5%-covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the date of the most recent information available). The net health care costs paid by STRS were \$219,224,000. Eligible recipients totaled 91,999 for the System as a whole.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999

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**NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)**

PERS: The Public Employees Retirement System of Ohio (PERS) provides postemployment health care coverage to retirees, with ten or more years of qualifying Ohio service credit and their dependents. The ORC grants authority to PERS to provide health care coverage to benefit recipients, spouses and dependents. The Board currently allocates employer contributions equal to 8% of covered payroll to fund health care.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
REQUIRED SUPPLEMENTARY DISCLOSURE  
As of June 30, 1999

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The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect an entity's operations as early as fiscal year 1999. Governmental accounting principles established by the *Governmental Accounting Standards Board* require governmental entities to disclose certain information about the Year 2000 issue relative to its mission-critical computer systems and other electronic equipment. The required disclosures consider four stages of work needed to implement a Year 2000 compliant system as follows:

- Awareness stage – establishing a budget and project plan for dealing with the Year 2000 issue.
- Assessment stage – identifying the systems and components for which Year 2000 compliance work is needed.
- Remediation stage – making changes to systems and equipment.
- Validation/testing stage – validating and testing the changes that were made during the remediation stage.

In response to the Year 2000 issue, the management of Central Ohio Technical College (together with Ohio State University-Newark) has formed a Year 2000 Compliance Team headed by the Vice President of Business and Finance. The team has established a project plan and has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting its operations. These mission-critical operations are facilities, computer systems and telecommunications.

In all mission-critical operations, significant testing and remediation has occurred. The testing has revealed no significant problems. The cost associated with the remediation of all of these systems is estimated to be approximately \$158,000 with most of the cost associated with upgrading existing systems. This cost estimate is for the purchase cost only. The costs incurred as of June 30, 1999 were approximately \$83,000.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that Central Ohio Technical College is or will be Year 2000 ready, that its remediation efforts will be successful in whole or in part, or that parties with whom it does business will be Year 2000 ready.

**SUPPLEMENTARY INFORMATION**

CENTRAL OHIO TECHNICAL COLLEGE  
 LICKING COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the year ended June 30, 1999

Federal Grantor Agency/ Pass-Through Agency/ <u>Grant Title</u>	<u>Federal CFDA Number</u>	Pass- Through Entity <u>Number</u>	<u>Disbursements</u>
<u>United States Department of Education</u>			
Student Financial Aid Cluster:			
Federal Family Education Loans	84.032		\$ 1,992,093 (1)
Pell Grant	84.063		1,073,496
Federal Supplemental Education Opportunity Grant	84.007		48,718
Federal Work Study	84.033		<u>79,195</u>
Total Student Financial Aid			3,193,502
Passed Through State Department of Education:			
Perkins Grant	84.048	06507820-C2	50,000
Technical Preparation Grant	84.243	0650783E-00	<u>124,206</u>
			<u>174,206</u>
Total U.S. Department of Education			3,367,708
<u>United States Department of Health &amp; Human Services</u>			
Jobs Grant	93.561		26,242
Temporary Assistance to Needy Families	Unknown		42,997
<u>United States Department of Agriculture/ by Ohio State Department of Education</u>			
Child and Adult Care Food Program	10.558	09765916-CC/21-ML	22,149
<u>United States Department of Labor</u>			
Job Training Partnership Act	17.250		<u>9,439</u>
Total Federal Awards			<u>\$ 3,468,535</u>

(1) The College does not make Federal Family Education Loans. Amount represents the amount of new loans processed under the Federal Family Education Loan Program during the year.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 1999

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1. Summary of Auditor's Results

- a. An unqualified opinion was issued on the financial statements of Central Ohio Technical College for the year ended June 30, 1999.
- b. An unqualified opinion was issued to Central Ohio Technical College for compliance with major programs.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

e. Major programs identified:

Student Financial Aid Cluster:

- Federal Supplemental Educational Opportunity Grant
- Federal Work Study
- Pell Grant
- Federal Family Education Loan

- f. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- g. The auditee was considered to be a low-risk auditee.

2. Findings related to financial statements which are required to be reported in accordance with GAGAS:

None.

3. Findings and questioned costs for federal awards including audit findings as described in OMB Circular A-133 Section 510(a).

None.

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REPORT OF INDEPENDENT AUDITORS 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  
Central Ohio Technical College  
Licking County  
Newark, Ohio

We have audited the financial statements of Central Ohio Technical College (College) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and 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 the 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 the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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

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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 the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe, Chizek and Company LLP*

Crowe, Chizek and Company LLP

Columbus, Ohio  
October 1, 1999

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

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

Compliance

We have audited the compliance of Central Ohio Technical College (College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

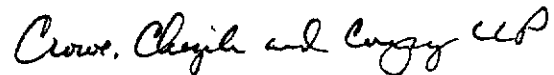
In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

## Internal Control Over Compliance

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

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

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



Crowe, Chizek and Company LLP

Columbus, Ohio  
October 1, 1999

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
APPOINTED OFFICIALS  
As of June 30, 1999

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Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
<u>Chairperson</u>			
Donna M. Alvarado (A)	1999	(C)	\$1 million
<u>Vice-Chairmen</u>			
Barry M. Riley (A)	2001	(C)	\$1 million
<u>Members</u>			
William J. Andrews (A)	2000	(C)	\$1 million
Girard E. Besanceney (B)	1999	(C)	\$1 million
Jill H. Griesse (B)	2000	(C)	\$1 million
Joseph J. Bernat (A)	2000	(C)	\$1 million
Jane C. McConnell (A)	1999	(C)	\$1 million
Denis R. McElroy (A)	2001	(C)	\$1 million
Robert B. Robinson (B)	2001	(C)	\$1 million

(A) School Board Caucus

(B) Governor Appointment

(C) National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The College also has a \$10 million umbrella insurance policy with Cigna Property and Casualty.

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
ADMINISTRATIVE PERSONNEL  
As of June 30, 1999

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<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Rafael Cortada	President	(1)	\$1 million
Ms. Katherine Fay	Vice President for Finance	(1)	\$1 million
Mr. David Thomson	Vice President for Student Services	(1)	\$1 million
Dr. Rosalie Kramer	Vice President and Dean of Faculty	(1)	\$1 million

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

CENTRAL OHIO TECHNICAL COLLEGE

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt

Date: JAN 18 2000