

CENTRAL OHIO TECHNICAL COLLEGE

FINANCIAL STATEMENTS

June 30, 2011 and 2010



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Central Ohio Technical College, Licking County, prepared by Crowe Horwath LLP, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 23, 2012

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CENTRAL OHIO TECHNICAL COLLEGE
Newark, Ohio

FINANCIAL STATEMENTS
June 30, 2011 and 2010

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities of Central Ohio Technical College (the "College") as of and for the year ended June 30, 2011. These financial statements are the responsibility of the College's management. Our responsibility is to express opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2010 prior to the restatement described in Note 14, were audited by other auditors whose report dated December 7, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central Ohio Technical College as of June 30, 2011 and the respective changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the College has restated their June 30, 2010 financial statements to properly reflect the impact of the cost-share agreement. The previously-issued report dated December 7, 2010 should not be relied on because the previously-issued financial statements were materially misstated and is hereby replaced by the report on the restated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. The finding and management's response related to this restatement are presented in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

(Continued)

Our 2011 audit was performed for the purpose of forming an opinion on the basic 2011 financial statements of Central Ohio Technical College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Licking County Appointed Officials are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 2011 audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 2011 financial statements taken as a whole.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 6 is not a required part of the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 28, 2011

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2011 and 2010

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of Central Ohio Technical College (COTC) for the year ended June 30, 2011, with comparative information for fiscal year 2010. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About Central Ohio Technical College

Central Ohio Technical College offers an aggressive approach to technical education providing state-of-the-art training in the areas of allied health and public service, nursing, business and engineering. Chartered in 1971 to meet the region's growing need for technical training and education, COTC is the primary link between the region's businesses and the training and retraining of the workforce, a partnership that directly impacts the economic growth of the area.

Central Ohio Technical College is governed by a board of nine trustees who are responsible for the oversight of academic programs, budgets and general administration. The Governor of Ohio appoints three members and the Newark School Board appoints six members.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35).

In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

The **Statement of Net Assets** reflects the total assets, liabilities and net assets of COTC as of June 30, 2011, with comparative information as of June 30, 2010. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the buildings, improvements, and equipment, are shown net of accumulated depreciation. Net assets are grouped in the following categories:

- Invested in capital assets, net of related debt
- Restricted – Nonexpendable (endowments funds)
- Restricted – Expendable (quasi-endowment funds)
- Unrestricted

The **Statement of Revenues, Expenses and Changes in Net Assets** details how net assets have increased during fiscal year 2011, with comparative information for fiscal year 2010. GASB 35 requires state appropriations to be classified as non-operating revenues; so, generally, state-supported Colleges and universities will reflect an operating loss until non-operating items are included.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2011 and 2010

The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2011. It breaks out the sources and uses of COTC cash into the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

The **Notes to the Financial Statements** provide additional details on the numbers in the financial statements. In addition to the Summary of Significant Accounting Policies, the report includes notes on capital assets, long-term debt, and operating expenses by natural classification.

Financial Highlights

Statement of Net Assets

The College's financial statements for the fiscal year report net assets of \$46.6 million at June 30, 2011. This represents an increase of approximately \$2.8 million from the previous fiscal year. Below is a condensed version of the Statement of Net Assets followed by a discussion of the changes:

	<u>June 30, 2011</u>	<u>Restated June 30, 2010</u>	<u>Restated June 30, 2009</u>
<u>ASSETS</u>			
Current Assets	\$ 20,090,630	\$ 16,518,739	\$ 14,266,831
Capital Assets, net	31,467,851	30,678,940	30,738,746
Other non-current	2,449,698	4,107,344	3,613,769
Total Assets	\$ 54,008,179	\$ 51,305,023	48,619,346
<u>LIABILITIES</u>			
Current Liabilities	6,242,897	5,776,795	5,504,965
Non-current Liabilities	1,140,477	1,732,695	1,979,112
Total Liabilities	\$ 7,383,374	\$ 7,509,490	7,484,077
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	29,990,185	28,600,690	28,678,021
Restricted			
Nonexpendable	1,242,414	1,006,977	922,668
Expendable	4,197,984	5,030,996	5,468,173
Unrestricted	11,194,222	9,156,870	6,066,407

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2011 and 2010

Assets As of June 30, 2011, the College's total assets are \$54 million, an increase of \$2.7 million over fiscal year 2010. Accounts Receivable related to students tuition and fees increased due to timing of receipt of funds from PELL grants. Additionally, the college realized an increase in cash due to the positive returns from operations for the fiscal year.

Liabilities At June 30, 2011 the College's liabilities totaled \$7.3 million, a \$1.3 million decrease from last fiscal year. Variances are due to timing in the regular processing of payments for payables and payroll accruals, as well as, payments for long-term debt.

Net Assets Net assets at June 30, 2011 totaled approximately \$46.6 million. Net assets invested in capital assets totaled \$30 million, which represents 64% of total net assets. Restricted Expendable net assets decreased as a result of expenditures for Montgomery Hall and Ariel Hall. The increase in Non-expendable net assets is a result of market value adjustments for the college's endowments. Unrestricted Net Assets increased substantially, again, as a result of the positive operations of the college for fiscal year 2011.

Statement of Revenues, Expenses and Changes in Net Assets

Total operating revenues for fiscal year 2011 are \$14.8 million, a slight increase over last fiscal year. Below is the Statement of Revenues, Expenses and Changes in Net Assets followed by a discussion of the major variances:

	<u>June 30, 2011</u>	<u>Restated June 30, 2010</u>	<u>Restated June 30, 2009</u>
OPERATING REVENUES			
Tuition & Fees, net	\$ 12,611,724	\$ 11,948,899	\$ 10,277,415
Other Operating revenues	2,182,101	2,543,198	4,129,654
Total Operating Revenues	14,793,825	14,492,097	14,407,069
OPERATING EXPENSES			
Education & General	35,387,787	31,334,980	28,412,474
Depreciation expense	1,737,407	1,734,460	1,810,268
Auxiliary Enterprises	2,560	4,006	732
Total Operating Expenses	37,127,754	33,073,446	30,223,474
Operating loss	(22,333,929)	(18,581,349)	(15,816,405)
NONOPERATING REVENUES (EXPENSES)			
State Appropriations	11,318,141	10,434,366	9,600,627
Federal Grants & Contracts - PELL	12,079,326	10,655,306	5,988,317
Other Revenue (Expenses)	307,185	118,305	240,855
Net nonoperating revenues	23,704,652	21,207,978	15,829,799
Capital appropriation and gifts and grants	1,458,550	33,635	9,215,345
Increase in net assets	2,829,272	2,660,264	9,228,739
Net assets-beginning (restated)	43,795,533	41,135,269	31,906,530
Net assets-end of year	\$ 46,624,805	\$ 43,795,533	\$ 41,135,269

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CENTRAL OHIO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2011 and 2010

Operating revenues - Overall, net tuition and fees increased \$662,825, which includes \$398,000 from the Workforce Development Innovation Center (W.D.I.C.) and contributed to the overall 5.5% increase over the previous fiscal year. The College's FTE enrollment increased .7% this fiscal year.

Operating expenses for the campus increased approximately 12.3%. In addition to normal inflationary increases for the college, additional targeted investments were made by the college in compensation increases, as well as support for enrollment on all campuses, which includes both instructional, administrative, and scholarship costs.

Items to note in the **Non-Operating Revenue (Expenses)** section include increases in State Appropriations in the amount of \$883,000 and PELL funding in the amount of \$1.4 million. The increase in Investment Income reflects an increase in market value of the Colleges Endowments.

Statement of Cash Flows

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

Cash Flow Summary

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Net cash used by operating activities	\$ (21,566,545)	\$ (16,534,108)	(13,751,900)
Net cash provided by noncapital financing activities	23,397,467	21,089,672	15,588,943
Net cash (used) provided by capital financing activities	(1,428,659)	(1,353,752)	(942,749)
Net cash provided by capital investing activities	108,847	242,983	76,525
 Net increase in cash	 \$ 511,110	 \$ 3,444,795	 \$ 970,819

The overall change in COTC's cash balances in 2011 is due to the normal operations of the College.

Summary

The operating results for the year ended June 30, 2011 not only reflect a solid financial institution but also the strategic planning and vision the college holds for the future. Progress continues on the development of the extended campuses. Significant financial events this year include continued preparations for the renovation of Ariel Hall and the decision to close the colleges Early Childhood Development Lab as of June 30, 2011. All of the college's endeavors have been made with a conscious effort to protect and preserve the viability of the campus for the future. The college's conservative spending is an indicator that the college is meeting its mission of access and is building reserves in preparation for the difficult years ahead in light of the fiscal instability in the State of Ohio.

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	<u>2011</u>	<u>Restated 2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,434,740	\$ 10,649,351
Accounts receivable		
Students, net of allowance of \$1,215,981 and \$870,938 in 2011 and 2010, respectively	1,245,414	1,216,846
Ohio State University	297,480	160,697
Intergovernmental grants	1,776,518	923,594
Pledges	1,177,762	900,276
Other	1,801,441	1,566,616
Other Assets	<u>357,275</u>	<u>169,967</u>
Total Current Assets	<u>20,090,630</u>	<u>15,587,347</u>
Noncurrent Assets		
Restricted cash and cash equivalents	-	2,274,279
Endowment investments	2,182,375	1,833,065
Pledges	267,323	931,392
Capital assets, net	<u>31,467,851</u>	<u>30,678,940</u>
Total noncurrent assets	<u>33,917,549</u>	<u>35,717,676</u>
Total Assets	<u>\$ 54,008,179</u>	<u>\$ 51,305,023</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 888,867	\$ 500,305
Accrued liabilities	1,819,313	1,686,067
Deferred revenue	2,880,215	2,956,188
Current portion of long-term debt	<u>654,502</u>	<u>634,235</u>
Total current liabilities	<u>6,242,897</u>	<u>5,776,795</u>
Noncurrent Liabilities		
Accrued liabilities	317,313	288,679
Long-term debt	<u>823,164</u>	<u>1,444,016</u>
Total noncurrent liabilities	<u>1,140,477</u>	<u>1,732,695</u>
Total Liabilities	<u>\$ 7,383,374</u>	<u>\$ 7,509,490</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 29,990,185	\$ 28,600,690
Restricted		
Nonexpendable		
Scholarships, fellowships, and research	1,242,414	1,006,977
Expendable		
Scholarships, fellowships, and research	981,724	842,755
Capital uses	3,216,260	4,188,241
Unrestricted	<u>11,194,222</u>	<u>9,156,870</u>
Total Net Assets	<u>\$ 46,624,805</u>	<u>\$ 43,795,533</u>

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>Restated 2010</u>
Revenues		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$4,485,912 and \$3,956,118 in 2011 and 2010)	\$ 12,611,724	\$ 11,948,899
Federal Grants and Contracts	715,024	686,725
Private, State, and Local Gifts, Contracts and Grants	780,784	726,198
Sales and Services of Educational Departments	416,005	888,037
Auxiliary Enterprises	60,708	27,436
Other Operating Revenues	<u>209,580</u>	<u>214,802</u>
Total Operating Revenues	14,793,825	14,492,097
Expenses		
Operating Expenses		
Education and General		
Instructional	11,381,454	10,107,210
Public Service	173,584	384,711
Academic Support	3,220,789	2,925,178
Student Services	3,806,331	3,352,447
Institutional Support	5,280,042	4,339,594
Operation and Maintenance of Plant	3,176,781	2,838,647
Depreciation Expense	1,737,407	1,731,482
Student Scholarship and Financial Aid	8,348,806	7,387,193
Auxiliary Enterprise	<u>2,560</u>	<u>4,006</u>
Total Operating Expenses	37,127,754	33,070,468
Operating Loss	(22,333,929)	(18,578,371)
Nonoperating revenues (expenses)		
State Appropriations	9,668,474	8,942,603
State Appropriations - SFSF	1,437,585	1,491,763
State Appropriations - SFSF Gov't Services	212,082	-
Federal Grants and Contracts	12,079,326	10,655,306
Investment Income (loss)	371,572	209,474
Interest on Indebtedness	(64,388)	(91,168)
Other Nonoperating Revenues (Expenses)	<u>-</u>	<u>(2,978)</u>
Net Nonoperating Revenues	23,704,651	21,205,000
Income Before Other Revenues, Expenses, Gains, or Losses	1,370,724	2,626,629
Capital Appropriations	16	16
Capital Grants and Gift	1,416,237	110
Additions to Permanent Endowments	<u>42,297</u>	<u>33,509</u>
Total Other Revenues	1,458,550	33,635
Increase (Decrease) in Net Assets	2,829,272	2,660,264
Net assets		
Net Assets at beginning of the year, as restated	<u>43,795,533</u>	<u>41,135,269</u>
Net Assets at end of year	<u>\$ 46,624,805</u>	<u>\$ 43,795,533</u>

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

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Tuition and Fees	\$ 12,386,950	\$ 11,063,292
Grants and Contracts	780,371	2,591,057
Payments to suppliers	(6,583,901)	(5,859,405)
Payments for utilities	(699,778)	(605,896)
Payments to employees	(15,075,978)	(13,578,367)
Payments for benefits	(4,404,415)	(3,698,741)
Payments for scholarships	(8,382,129)	(7,429,808)
Auxiliary enterprise receipts	60,708	27,436
Sales and Services	351,627	956,325
Net cash used in operating activities	<u>(21,566,545)</u>	<u>(16,534,107)</u>
Cash flows from noncapital financing activities		
State Appropriations	11,318,141	10,434,366
Gifts and Grants other than capital	<u>12,079,326</u>	<u>10,655,306</u>
Net cash from noncapital financing activities	23,397,467	21,089,672
Cash flows from capital financing activities		
Purchase of capital assets	(1,639,529)	(1,544,047)
Principal paid on capital related debt	(642,241)	(616,132)
Interest on capital related debt	(64,388)	(91,168)
Capital appropriations	16	16
Capital grants and gifts	<u>917,483</u>	<u>897,579</u>
Net cash used in capital financing activities	(1,428,659)	(1,353,752)
Cash flows from investing activities		
Investment income	<u>108,847</u>	<u>242,983</u>
Net cash provided from investing activities	108,847	242,983
Net increase in cash	511,110	3,444,796
Cash and cash equivalents, beginning of year	<u>12,923,630</u>	<u>9,478,834</u>
Cash and cash equivalents, end of year	<u>\$ 13,434,740</u>	<u>\$ 12,923,630</u>
Reconciliation of net operating loss to net cash provided from operating activities		
Operating loss	\$ (22,333,929)	\$ (18,578,371)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	1,737,407	1,731,482
Changes in assets and liabilities:		
Receivables, net	(1,257,183)	(99,354)
Prepays	(187,307)	146,220
Accounts Payable	388,562	(163,137)
Accrued Liabilities	161,879	119,402
Deferred Revenue	<u>(75,974)</u>	<u>309,651</u>
Net cash used in operating activities	<u>\$ (21,566,545)</u>	<u>\$ (16,534,107)</u>
Non cash transactions		
Contribution for OBR and donated asset	\$ 886,791	\$ 105,224

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

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

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

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

COTC shares its Newark campus with The Ohio State University at Newark, which results in a diverse campus setting that includes 135 acres of green space.

For more information, please visit www.cotc.edu.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis —for Public Colleges and Universities* and subsequent pronouncements establish standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted Nonexpendable: Net assets subject to externally imposed stipulations that the College maintain them permanently. Such assets include the College's permanent endowment funds.

Restricted Expendable: Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Accrual Basis: The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA) as defined by GASB 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Uses Proprietary Fund Accounting*, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable

Financial Accounting Standards Board (the "FASB") Statements and Interpretations, Accounting Principles Board (the "APB") Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents: This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes petty cash, cash of deposit with private bank accounts and savings accounts.

For purposes of the statement of cash flows and for presentation of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments: Investments are stated at fair value.

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

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

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets: Capital assets are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of gift. Equipment, furniture, and library books with a unit cost of \$2,500 or more and having an estimated useful life of greater than one year are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

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

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

Deferred Revenue: Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2011 and 2010 but relate to the subsequent accounting period.

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

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

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

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

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

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Budgetary Process: Annually, the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue, including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

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

Restricted Asset Spending Policy: The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities: The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, PELL, grants, contracts, and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: – In fiscal year 2011, the provisions of the following GASB Statements became effective:

GASB Statement No. 54, *Fund Balance Reporting*, changes and expands how fund balances are classified based on the purpose for which the resources were received and the level of constraint placed on the resources. This statement is effective for years beginning after June 15, 2010 but is not applicable to business-type enterprises like the College.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 59, *Financial Instruments Omnibus*, Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This pronouncement had no impact on the College's financial statements or disclosures.

Newly Issued Accounting Pronouncements: In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issue Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

Management has not yet determined the impact that GASB Statements No. 60-64 will have on the College's financial statements and disclosures.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on net assets or the change in net assets.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2011 and 2010 were temporarily restricted and due as follows:

	<u>2011</u>	<u>2010</u>
Within one year	\$ 1,221,307	\$ 919,361
One to five years	<u>267,323</u>	<u>931,392</u>
	1,488,630	1,850,753
Allowance	<u>43,545</u>	<u>19,085</u>
Total	\$ 1,445,085	\$ 1,831,668

NOTE 4 - DEPOSITS AND INVESTMENTS

The College invests in those instruments identified by state statute. Specifically, authorized investment instruments consist of obligations of the U. S. Treasury, agencies and instrumentalities of the U. S. Government, bonds and other obligations of the State of Ohio and its political subdivisions, collateralized certificates of deposit, and the State Treasury Asset Reserve of Ohio (“STAR Ohio”), which is managed by the State of Ohio. The College also has investment management agreements with the Common Fund and Mellon, as permitted by state statute. The agreements allow (within statute limits) investment in both debt and equity instruments.

Deposits

Custodial credit risk: At June 30, 2011, the carrying amount of the College’s deposits was \$13,430,166 and the bank balance was \$12,365,473. The difference in the carrying amount and bank balance results from deposits in transit. Of the bank balance, \$250,000 is covered by federal deposit insurance. Certificates of deposit of \$2,000,000 and \$16,565 STAR Ohio investments were also covered by federal deposit insurance of \$250,000 and \$16,565, respectively. The remaining bank balance at June 30, 2011 and 2010 of approximately \$13,865,473 and \$10,981,395, respectively, is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in “book entry” form in the name of the respective bank, and internally designates the securities as assigned to the College.

Investments

All investments are stated at fair value. Investments received by gift are stated at fair value at the date of gift if a fair value is available, and otherwise at an appraised or nominal value.

As of June 30, 2011, the College had the following investments and maturities using the segmented time distribution method:

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Fixed income	\$ 673,305	\$ -	\$ 673,305	\$ -
Cash equivalents	47,150	47,150	-	-
Certificates of deposit	2,000,000	2,000,000	-	-
Equity funds	1,461,920	1,461,920	-	-
STAR Ohio Funds	16,565	16,565	-	-
	<u>\$ 4,198,940</u>	<u>\$ 3,525,635</u>	<u>\$ 673,305</u>	<u>\$ -</u>

As of June 30, 2010, the College had the following investments and maturities using the segmented time distribution method:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Fixed income	\$ 578,585	\$ -	\$ 527,929	\$ 50,656
Cash equivalents	83,787	83,787	-	-
Certificates of deposit	2,000,000	2,000,000	-	-
Equity funds	1,170,693	1,170,693	-	-
STAR Ohio Funds	16,547	16,547	-	-
	<u>\$ 3,849,612</u>	<u>\$ 3,271,027</u>	<u>\$ 527,929</u>	<u>\$ 50,656</u>

Investments at June 30, 2011 and 2010 are shown in the statement of net assets as current in the amount of \$2,016,565 and \$2,016,547, respectively, and as non-current in the amount of \$2,182,375 and \$1,833,065, respectively.

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

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, the College had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Cash Equivalents		\$ 47,150
STAR Ohio	AAA	16,565
Certificates of Deposit		2,000,000
Fixed Income		
US Gov't Agency/Exempt State	AAA	199,825
	AA+	100,920
Corporate Bonds and Notes	AA+	55,456
	AA-	52,832
	A+	54,431
	A	102,710
	A-	107,131
Equity		
Common Stock		878,822
Mutual Funds		583,098
		<u>4,198,940</u>
		<u>\$ 4,198,940</u>

As of June 30, 2010, the College had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Cash Equivalents		\$ 83,787
STAR Ohio	AAA	16,547
Certificates of Deposit		2,000,000
Fixed Income		
US Gov't Agency/Exempt State	AAA	252,422
Corporate Bonds and Notes	AA+	54,236
	AA-	54,032
	A+	54,726
	A	109,450
	A-	53,719
Equity		
Common Stock		708,537
Mutual Funds		462,156
		<u>3,849,612</u>
		<u>\$ 3,849,612</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

NOTE 5 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2011 and 2010 are summarized below.

	Restated July 1, 2010 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2011 <u>Balance</u>
Assets:				
Land	\$ 740,228	\$ -	\$ -	\$ 740,228
Land Improvements	32,250	92,310	-	124,560
Buildings	35,081,886	18,590	-	35,100,476
Leasehold Improvements	187,201	38,119	-	225,320
Equipment, furniture, and library books	7,582,086	422,511	90,566	7,914,031
Construction in progress	<u>333,944</u>	<u>1,954,788</u>	<u>-</u>	<u>2,288,732</u>
	<u>\$ 43,957,595</u>	<u>\$ 2,526,318</u>	<u>\$ 90,566</u>	<u>\$ 46,393,347</u>
Accumulated Depreciation:				
Land Improvements	\$ 2,619	\$ 6,229	\$ -	\$ 8,848
Buildings	7,790,717	877,513	-	8,668,230
Leasehold Improvements	142,099	7,138	-	149,237
Equipment, furniture, and library books	<u>5,343,220</u>	<u>846,527</u>	<u>90,566</u>	<u>6,099,181</u>
	<u>13,278,655</u>	<u>1,737,407</u>	<u>90,566</u>	<u>14,925,496</u>
Capital Assets, Net	<u>\$ 30,678,940</u>	<u>\$ 788,911</u>	<u>\$ -</u>	<u>\$ 31,467,851</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	Restated July 1, 2009 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Restated June 30, 2010 <u>Balance</u>
Assets:				
Land	\$ 351,128	\$ 389,100	\$ -	\$ 740,228
Land Improvements	20,150	12,100	-	32,250
Buildings	34,262,578	819,308	-	35,081,886
Leasehold Improvements	187,201	-	-	187,201
Equipment, furniture, and library books	9,246,541	329,580	1,994,035	7,582,086
Construction in progress	<u>204,783</u>	<u>129,161</u>	-	<u>333,944</u>
	<u>\$ 44,272,381</u>	<u>\$ 1,679,249</u>	<u>\$ 1,994,035</u>	<u>\$ 43,957,595</u>
Accumulated Depreciation:				
Land Improvements	\$ 1,007	\$ 1,612	\$ -	\$ 2,619
Buildings	6,913,670	877,047	-	7,790,717
Leasehold Improvements	142,099	-	-	142,099
Equipment, furniture, and library books	<u>6,476,859</u>	<u>852,823</u>	<u>1,986,462</u>	<u>5,343,220</u>
	<u>13,533,635</u>	<u>1,731,482</u>	<u>1,986,462</u>	<u>13,278,655</u>
Capital Assets, Net	<u>\$ 30,738,746</u>	<u>\$ (52,233)</u>	<u>\$ 7,573</u>	<u>\$ 30,678,940</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable to vendors and contractors totaled \$888,867 and \$500,305 as of June 30, 2011 and 2010, respectively.

Accrued expense activity, which consists primarily of payroll and vacation leave, for the year ended June 30, 2011 and June 30, 2010, was as follows:

	2011				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Accrued Expenses	<u>\$ 1,974,746</u>	<u>\$ 15,127,457</u>	<u>\$ 14,965,577</u>	<u>\$ 2,136,626</u>	<u>\$ 1,819,313</u>
	2010				
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Current <u>Portion</u>
Accrued Expenses	<u>\$ 1,855,344</u>	<u>\$ 10,664,628</u>	<u>\$ 10,545,226</u>	<u>\$ 1,974,746</u>	<u>\$ 1,686,067</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 7 – LONG-TERM DEBT

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Grand Host East-Pataskala Campus	\$ 300,000	\$ -	\$ (100,000)	\$ 200,000	\$ 100,000
Revenue Bonds for Information System	1,028,250	-	(161,498)	866,752	171,614
Montgomery Hall Bond	750,000	-	(375,000)	375,000	375,000
Vehicle	-	41,657	(5,743)	35,914	7,888
Total Long Term Debt	<u>\$ 2,078,250</u>	<u>\$ 41,657</u>	<u>\$ (642,241)</u>	<u>\$ 1,477,666</u>	<u>\$ 654,502</u>

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Grand Host East-Pataskala Campus	\$ -	\$300,000	\$ -	\$ 300,000	\$ 100,000
Cal First Loan	88,341	-	(88,341)	-	-
Revenue Bonds for Information System	1,181,041	-	(152,791)	1,028,250	159,234
Montgomery Hall Bond	1,125,000	-	(375,000)	750,000	375,000
Total Long Term Debt	<u>\$ 2,394,382</u>	<u>\$300,000</u>	<u>\$ (616,132)</u>	<u>\$ 2,078,250</u>	<u>\$ 634,234</u>

The Grand Host East loan is for the purchase of a building to be used as classroom in Pataskala, OH. This zero interest loan is payable annually beginning July 31, 2010 and will be paid in full by 2012.

The revenue bonds for the information system were issued March 3, 2006 at 4.59% until March 3, 2011 when an interest rate was adjusted to 3.09%. Bond payments are due annually beginning April 3, 2007 with a maturity date of April 3, 2016.

The Montgomery Hall Renovation Bond for \$1,500,000 is a single, fully registered bond that commenced on March 1, 2007 at a fixed rate of 4.04% per annum. The bond matures in yearly installments beginning December 28, 2008 and matures on December 28, 2011.

The vehicle loan was for the purchase of a vehicle to be used by the Campus president. This loan, with a 4.1% interest rate, originated October 4, 2010 and requires monthly payments until maturity on October 3, 2015.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 7 – LONG-TERM DEBT (Continued)

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

<u>Year Ending</u>	<u>Loans</u>		<u>Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	107,888	1,340	546,614	32,554	654,502	33,894
2013	108,224	1,005	177,097	19,350	285,321	20,355
2014	8,576	653	182,755	13,691	191,331	14,344
2015	8,934	294	188,595	7,852	197,529	8,146
2016	2,292	16	146,691	1,949	148,983	1,965
Total	\$ 235,914	\$ 3,308	\$ 1,241,752	\$ 75,396	\$ 1,477,666	\$ 78,704

Interest expense for the year ended June 30, 2011 and 2010 was \$64,388 and \$91,168 respectively.

NOTE 8 – OPERATING LEASE COMMITMENTS

The College leases certain office equipment, vehicles, and classroom space under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2011:

2012	\$ 284,047
2013	265,114
2014	199,450
2015	105,234
2016	1,522
2017 - Thereafter	2,400
	<u>\$ 857,767</u>

Rent expense was \$446,655 and \$347,500 for the years ended June 30, 2011 and 2010.

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended June 30, 2011 and 2010

NOTE 9 – CONTRACTUAL COMMITMENT

The College entered into agreements with several companies for the renovation of the College's Knox Campus building, Ariel Hall. This project started in fiscal year 2010 and is expected to be open for winter classes in fiscal year 2012. Listed below are the College's contractual commitments for fiscal year 2011.

<u>Project</u>	<u>Contractor</u>	<u>Type</u>	<u>Original Bid</u>	<u>2010 Payments</u>	<u>2011 Payments</u>	<u>Balance of Commitment</u>
Ariel Hall	Central Ohio Building Co.	General Trades	\$ 758,900			\$ 758,900
Ariel Hall	Gaylord Group Inc.	Electrical	488,000		\$ 259,194	228,806
Ariel Hall	Kel-Par Co., Inc.	Plumbing	278,000		167,540	110,460
Ariel Hall	SHP Leading Design	Architect	345,420	\$ 97,372	134,371	113,677
Ariel Hall	Simplex Grinnell LP	Fire Protection	72,400		23,487	48,913
Ariel Hall	Westland Heating & Air Conditioning	Mechanical	756,000		531,994	224,006
Total Contractual Commitments for 2011			<u>\$ 2,698,720</u>	<u>\$ 97,372</u>	<u>\$ 1,116,586</u>	<u>\$ 1,484,762</u>

Note: Central Ohio Building Co. original bid totaled \$1,758,000 with \$1,000,000 to be paid by the Ohio Board of Regents.

NOTE 10 - RETIREMENT PLANS

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement Systems ("OPERS") and the State Teachers Retirement System of Ohio ("STRS Ohio"). STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members.

Ohio Public Employees Retirement System (OPERS): Employees (except for teaching faculty) participate in OPERS, a cost-sharing multiple-employer public employee retirement system operated by the State. OPERS provides retirement and disability benefits, access to health care benefits based on eligible years of service to members and beneficiaries, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The three plans OPERS administers are the Traditional Pension Plan, Member-Directed Plan and Combined Plan. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% and the employer contribution rate is 14%. The College's contributions to OPERS for the years ending June 30, 2011, 2010 and 2009 were \$733,842, \$736,110, and \$607,545, respectively, which are equal to the required contributions for each year.

State Teachers Retirement System of Ohio (STRS Ohio): The College participates in STRS Ohio, a cost-sharing multiple employer public employee retirement system that is funded on a pay-as-you-go basis and administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and access to health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 10 - RETIREMENT PLANS (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14%. The College's contribution for pension obligations to STRS Ohio for the fiscal years ending June 30, 2011, 2010, and 2009 was \$1,136,158, \$1,038,458, and \$903,771, respectively. All required contributions have been made for the three fiscal years.

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

Effective July 1, 2004, an employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. The College contributes 14%. For the period July 1, 2010 through June 30, 2011, 10.5% of this amount was paid into the member's ARP account. The remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities. The employee receives no benefits from STRS Ohio for the 3.5% contributed by the employer.

An OPERS eligible employee contributes 10% of their earned income to their ARP account. The College contributes 14%. Effective January 2008, 13.23% of the College's contribution is paid into the member's ARP account. The remaining amount of .77% is paid to OPERS, a mitigating contribution implemented to offset the negative financial impact realized by OPERS by offering retirement plan options, such as an ARP. This mitigating rate is provided for by law, but the actual percentage is determined by the OPERS Retirement Board, upon the advice and counsel of the Retirement Board's Actuary, in conjunction with the Director of Finance.

As of June 30, 2011, there are approximately 14 active participants in an ARP. The College's contribution for employees enrolled in ARP accounts in STRS for fiscal year 2011, 2010, and 2009 was \$19,407, \$24,699, and \$29,820, respectively. The College's contribution for employees enrolled in ARP accounts in OPERS for fiscal year 2011, 2010, and 2009 was \$91,544, \$85,027, and \$86,070, respectively.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended June 30, 2011 and 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09 and 7.0% in 2008. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, 5.90% from 1/1/09-3/31/09 and 4.73% from 4/1/09-12/31/09 and 5.90% in 2008. The portion of the College's 2011, 2010 and 2009 contributions to OPERS used to fund post-retirement benefits was approximately \$262,055, \$289,218, and \$303,722. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2011, 2010 and 2009. The portion of the College's 2011, 2010 and 2009 contributions to STRS Ohio used to fund post-employment benefits was \$81,154, \$74,176, and \$64,558, respectively.

NOTE 12 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 15,228,131	\$ 13,698,082
Employee benefits	4,415,958	3,693,996
Supplies and materials	2,372,861	2,331,029
Services	4,291,490	3,580,175
Utilities	699,778	605,896
Depreciation	1,737,407	1,734,460
Student scholarships and financial aid	8,382,129	7,429,808
	<u>\$ 37,127,754</u>	<u>\$ 33,073,446</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 13 - RISK MANAGEMENT

Central Ohio Technical College is exposed to various risks of loss related to torts, theft of, damage to, and destructions of assets, errors, omissions, injuries to employees and natural disasters. The College contracts with Ohio Casualty Insurance Company for property and general liability insurance, including boiler and machinery coverage.

Vehicles are covered by Ohio Casualty Insurance Company and hold a \$250 deductible. Automobile liability coverage has a \$1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

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

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

Central Ohio Technical College obtains hospitalization coverage for its employee through the Ohio State University. The carrier for the hospitalization coverage is NGS American, Inc., Delta Dental for dental insurance, and Vision Service Plan for vision insurance. The College pays a composite rate per employee and the employees co-pay based on their insurance plan and level of coverage. Premiums are paid from the same funds that pay the employees' salaries.

Central Ohio Technical College is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of this litigation will be material to its financial condition or results of operation.

NOTE 14 – RESTATEMENT

During 2011, Central Ohio Technical College discovered a liability account, that represents Ohio State University's ownership of cost shared assets, was overstated. An underlying error occurred in 2005 and compounded since then ultimately resulting in this understatement of net assets. Concurrently, this account has been reclassified to the asset and accumulated depreciation accounts and is reflected within the Capital Assets section of the statement. Under accounting principles generally accepted in the United States of America the correction of this error is recognized by restatement of the financial statements to the earliest period presented. The resulting restatements to the July 1, 2009 Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

NOTE 14 – RESTATEMENT (Continued)

	<u>As originally reported</u>	<u>Restatement</u>	<u>As restated</u>
<u>Effect of restatement on total net assets</u>			
Net assets at July 1, 2009	\$ 40,477,855	\$ 657,414	\$ 41,135,269
Effect of restatement on change in net assets in year ended June 30, 2010	<u>2,599,779</u>	<u>60,485</u>	<u>2,660,264</u>
Net assets at June 30, 2010	<u>\$ 43,077,634</u>	<u>\$ 717,899</u>	<u>\$ 43,795,533</u>
<u>Effect of restatement on Investment in capital assets</u>			
Net assets at July 1, 2009	\$ 28,020,607	\$ 657,414	\$ 28,678,021
Effect of restatement on change in Investment in capital assets in year ended June 30, 2010	<u>(137,816)</u>	<u>60,485</u>	<u>(77,331)</u>
Net assets at June 30, 2010	<u>\$ 27,882,791</u>	<u>\$ 717,899</u>	<u>\$ 28,600,690</u>
<u>Effect of restatement on Capital Assets</u>			
Capital assets at July 1, 2009	\$ 31,029,102	\$ (214,728)	\$ 30,814,374
Change in capital assets, net in year ended June 30, 2010	<u>(56,828)</u>	<u>(78,606)</u>	<u>(135,434)</u>
Capital assets at June 30, 2010	<u>\$ 30,972,274</u>	<u>\$ (293,334)</u>	<u>\$ 30,678,940</u>
<u>Effect of restatement on Deferred Revenue, non current</u>			
Deferred revenue, non current at July 1, 2009	\$ 872,142	\$ (872,142)	-
Effect of restatement on change in deferred revenue in year ended June 30, 2010	<u>139,091</u>	<u>(139,091)</u>	<u>-</u>
Deferred revenue at June 30, 2010	<u>\$ 1,011,233</u>	<u>\$ (1,011,233)</u>	<u>-</u>
<u>Effect on items in Statement of Revenue, Expenses and Changes in Net Assets in year ended June 30, 2010</u>			
Other revenue	<u>\$ (63,463)</u>	<u>\$ 60,485</u>	<u>\$ (2,978)</u>
<u>Effect on change in net assets</u>			
Change in net assets	<u>\$ 2,599,779</u>	<u>\$ 60,485</u>	<u>\$ 2,660,264</u>

SUPPLEMENTAL INFORMATION

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Number</u>	<u>Expenditures</u>
<u>United States Department of Education</u>			
<i>Direct Award</i>			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268		\$ 19,368,355
Federal Pell Grant	84.063		12,079,326
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		106,521
Federal Work Study	84.033		155,744
Academic Competiveness Grant	84.375		129,850
Total Student Financial Aid Cluster			<u>31,839,796</u>
 <i>Passed through State Department of Education</i>			
Career and Technical Education - Perkins Grant:			
Minority Recruiter			29,207
Disability Services			92,110
Total Perkins Grant	84.048	06507820-C2	<u>121,317</u>
 <i>Passed through Columbus State Community College</i>			
Technical Preparation Education			
Tech Prep - Expanded Enrollment			1,565
Tech Prep - State Performance			26,459
Tech Prep - Heart of Ohio			96,884
Tech Prep - Expanded Enrollment Engineering			19,224
Total Technical Preparation Education	84.243	650783E-00	<u>144,132</u>
 <i>Passed through State Department of Education</i>			
State Fiscal Stabilization Fund (SFSF)			
State Fiscal Stabilization Fund (SFSF-Education) - ARRA	84.394		1,437,585
State Fiscal Stabilization Fund (SFSF Government Services)	84.397		212,082
Total State Fiscal Stabilization Fund (SFSF)			<u>1,649,667</u>
 <i>Passed through State Department of Education</i>			
Ohio Rehabilitation Service Commission Grant	84.126A		<u>79,438</u>
Total U.S. Department of Education			33,834,350
 <u>United States Department of Health and Human Services</u>			
<i>Passed through State Department of Education</i>			
Temporary Assistance for Needy Families			
TANF SEP Bridge Grant	93.558		9,993

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>United States Department of Health and Human Services (Continued)</u>		
TANF SEP Summer 2010 Grant	93.558	100,068
Total Temporary Assistance for Needy Families		110,061
 <i>Passed through State Department of Education</i>		
Child Care and Development Block Grant	93.575	4,100
Total U.S. Department of Health and Human Services		114,161
 <u>United States Department of Labor</u>		
<i>Passed through State Department of Education</i>		
WIA Youth Activities: WIA Formula Grant	17.259	11,749
 <u>United States Department of Agriculture</u>		
<i>Passed through State Department of Education</i>		
Child and Adult Care Food Program	10.558 09765916-CC / 21-ML	21,169
Total Expenditures of Federal Awards		\$ 33,981,429

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

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule can differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – OUTSTANDING LOANS

The College originates but does not make Federal Direct Student Loans (FDLs). For the fiscal year 2010, the College certified need for \$19,568,250 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FDLs awarded during the fiscal year as follows:

Federal Subsidized Loans	\$	9,396,641
Federal Unsubsidized Loans		9,869,745
Plus Loans		<u>101,969</u>
Total FDL	\$	19,368,355

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

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

We have audited the financial statements of the business-type activities of Central Ohio Technical College (the "College") as of and for the year ended June 30, 2011, and have issued our report thereon dated the same date as this report. 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.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Finding 2011-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

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

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the College in a separate letter dated December 28, 2011.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 28, 2011

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Central Ohio Technical College (the "College") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2011. 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's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

(Continued)

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

We noted certain matters that we reported to management of the College in a separate letter dated December 28, 2011.

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



Crowe Horwath LLP

Columbus, Ohio
December 28, 2011

CENTRAL OHIO TECHNICAL COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2011

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

<u> X </u>	Yes			No
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Significant deficiencies identified not considered to be material weaknesses?

	Yes	<u> X </u>		None reported
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Noncompliance material to financial statements noted?

	Yes	<u> X </u>		No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?

	Yes	<u> X </u>		No
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Significant deficiencies identified not considered to be material weakness(es)?

	Yes	<u> X </u>		None reported
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Type of auditors' report issued on compliance for major programs

Unqualified

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

	Yes	<u> X </u>		No
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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2011

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

<u>Name of Major Program Identified</u>	<u>CFDA Number(s)</u>
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
State Fiscal Stabilization Fund – ARRA	
Education State Grants	84.394
Government Services	84.397
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

Finding 2011-01

Criteria:	A material prior period adjustment was necessary to accurately reflect the assets and liabilities of the College under the cost-share agreement.
Condition:	During the audit, we noted an incorrect amount was recorded in prior years for a cost-share adjustment related to plant, property and equipment, which resulted in a prior period adjustment.
Cause:	The formula calculating the financial statement amount was incorrect.
Effect:	Capital assets attributed to the Ohio State University – Newark were overstated, resulting in an understatement of the College's capital assets and related accounts.
Recommendation:	We recommend updating the schedule for plant and equipment cost-share adjustments and implementing a review process for related journal entries.
Management Response and Corrective Action:	Management concurs with this finding. The College has corrected the schedule referenced in the finding. Further, the college is evaluating similar general ledger items to consider for additional reviews and approvals to ensure the accuracy of all balance sheet accounts involving accounting estimates.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings for the year ended June 30, 2010.

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY APPOINTED OFFICIALS
June 30, 2011

Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Chairperson/ Cheryl L. Snyder (1)	2012	(2)	\$ 1,000,000
Vice-Chairperson/ John F. Hinderer (1)	2014	(2)	1,000,000
<u>Members</u>			
Billie Fiore	2013	(2)	1,000,000
Jill H. Griesse	2012	(2)	1,000,000
Michael J. Menzer (1)	2012	(2)	1,000,000
Mark R. Ramser (1)	2013	(2)	1,000,000
Barry M. Riley (1)	2013	(2)	1,000,000
Sarah R. Wallace (1)	2014	(2)	1,000,000
Leland Wyse	2011	(2)	1,000,000

(1) School Board Caucus

(2) Well Fargo Insurance Services, Ohio Casulty Insurance, Indianapolis, Indiana. The College also has a \$10 million umbrella insurance policy with Wells Fargo Insurance Services

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE
LICKING COUNTY APPOINTED OFFICIALS
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Dr. Bonnie L. Coe	President	(1)	\$ 1,000,000
Dr. John Berry	Vice President for Enrollment Management and Student Life	(1)	1,000,000
Mr. David Brillhart	Vice President for Business and Finance	(1)	1,000,000
Mr. Joel Daniels II	Vice President for Extended Campuses and New Business Development	(1)	1,000,000
Ms. Jacqueline Parrill	Vice President for Institutional Planning and Human Resource Development	(1)	1,000,000
Dr. Richard Prystowsky	Vice President for Academic Affairs	(1)	1,000,000

(1) Ohio Casualty Insurance Company, Indianapolis, Indiana. The College also has a \$10 million umbrella insurance policy with Ohio Casualty Insurance Company.

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Dave Yost • Auditor of State

CENTRAL OHIO TECHNICAL COLLEGE

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2012**