

**CENTRAL OHIO TECHNICAL COLLEGE**  
Newark, Ohio

**FINANCIAL STATEMENTS**  
June 30, 2014 and 2013





# 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, 2013 through June 30, 2014. 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 14, 2015

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FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Central Ohio Technical College (the "College"), as of June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Technical College as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the College's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of Licking County Appointed Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying schedule of Licking County Appointed Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Report on Other Legal and Regulatory Requirements**

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
December 30, 2014

CENTRAL OHIO TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the years ended June 30, 2014 and 2013

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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, 2014, with comparative information for fiscal year 2013. 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).

The **Statement of Net Position** reflects the total assets, liabilities and net position of COTC as of June 30, 2014, with comparative information as of June 30, 2013. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as non-current. Investment assets are carried at market value. Capital assets, which include the buildings, improvements, and equipment, are shown net of accumulated depreciation. Net position is grouped in the following categories:

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

The **Statement of Revenues, Expenses and Changes in Net Position** details how net position has increased during fiscal year 2014, with comparative information for fiscal year 2013. Government accounting standards require 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.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the years ended June 30, 2014 and 2013

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The **Statement of Cash Flows** details how cash has increased (or decreased) during the fiscal year 2014. It breaks out the sources and uses of COTC cash into the following categories:

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

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

**Financial Highlights**

**Statement of Net Position**

The College's financial statements for the fiscal year report net position of \$51 million at June 30, 2014. This represents an increase of approximately \$2 million from the previous fiscal year. Below is a condensed version of the Statement of Net Position followed by a discussion of the changes:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b><u>ASSETS</u></b>			
Current Assets	\$ 19,729,703	\$ 17,278,008	\$ 16,126,692
Capital Assets, Net	31,718,726	32,452,360	32,271,425
Other Non-current	2,858,584	2,571,590	2,341,305
Total Assets	<u>\$ 54,307,013</u>	<u>\$ 52,301,958</u>	<u>\$ 50,739,422</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities	\$ 3,001,890	\$ 2,996,419	\$ 3,917,671
Non-current Liabilities	298,961	350,858	394,608
Total Liabilities	<u>\$ 3,300,851</u>	<u>\$ 3,347,277</u>	<u>\$ 4,312,279</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	\$ 31,673,851	\$ 32,382,434	\$ 32,177,516
Restricted			
Nonexpendable	1,727,386	1,542,572	1,394,705
Expendable	1,435,700	1,331,005	1,359,968
Unrestricted	16,169,225	13,698,670	11,494,954
Total Net Position	<u>\$ 51,006,162</u>	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>

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CENTRAL OHIO TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the years ended June 30, 2014 and 2013

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**Assets** As of June 30, 2014, the College's total assets are \$54.3 million, an increase of \$2.0 million from fiscal year 2013. Overall, this increase is in the cash accounts and is a result of the positive operations of the College throughout the fiscal year.

**Liabilities** At June 30, 2014, the College's liabilities totaled \$3.3 million, remaining virtually unchanged from the previous year.

**Net Position** Net Position at June 30, 2014 totaled approximately \$51 million. The largest increase in this area is attributed to the unrestricted net position which is a reflection of the overall positive operations of the College for fiscal year 2014.

**Statement of Revenues, Expenses and Changes in Net Position**

Total operating and non-operating revenues are down in total, however, expenses have been managed to provide a surplus for the year. Below are the Statement of Revenues, Expenses and Changes in Net Position followed by a discussion of the major variances:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>OPERATING REVENUES</b>			
Tuition and Fees, Net	\$ 9,582,930	\$ 12,265,884	\$ 11,554,362
Other Operating Revenues	<u>1,726,237</u>	<u>1,467,452</u>	<u>1,535,349</u>
Total Operating Revenues	<u>\$ 11,309,167</u>	<u>\$ 13,733,336</u>	<u>\$ 13,089,711</u>
<b>OPERATING EXPENSES</b>			
Education and General	\$ 27,930,656	\$ 28,791,069	\$ 33,198,807
Depreciation Expense	1,432,589	1,539,007	1,873,445
Auxiliary Enterprises	<u>5,217</u>	<u>5,443</u>	<u>6,132</u>
Total Operating Expenses	<u>29,368,462</u>	<u>30,335,519</u>	<u>35,078,384</u>
Operating Loss	(18,059,295)	(16,602,183)	(21,988,673)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations	10,739,549	10,146,214	10,268,403
Federal Grants and Contracts	8,948,849	8,628,129	11,199,960
Other Revenue (Expenses)	<u>347,431</u>	<u>328,507</u>	<u>(82,127)</u>
Net Non-operating Revenues	20,035,829	19,102,850	21,386,236
Capital Appropriation and Gifts and Grants	<u>74,947</u>	<u>26,871</u>	<u>404,775</u>
Increase (Decrease) in Net Position	2,051,481	2,527,538	(197,662)
Net Position-Beginning of Year	<u>48,954,681</u>	<u>46,427,143</u>	<u>46,624,805</u>
Net Position-End of Year	<u>\$ 51,006,162</u>	<u>\$ 48,954,681</u>	<u>\$ 46,427,143</u>

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CENTRAL OHIO TECHNICAL COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the years ended June 30, 2014 and 2013

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**Operating revenues** - Overall, net tuition and fees decreased approximately \$3 million from the previous year. The College's full-time equivalency (FTE) for the year was 2.4% below FTE in the previous year. COTC's gross tuition and fee revenue was approximately \$741,000 lower than the previous fiscal year, but required tuition discounting impacts the net reported revenue. For fiscal year 2013, the College had \$3.2 million for its calculated tuition discounts compared to \$5.4 million in fiscal year 2014. In effect, more scholarship and grant dollars were applied in fiscal year 2014 to student tuition than the prior year.

**Operating expenses** for the campus decreased approximately \$1 million from the previous year. While the College was able to provide salary increases to faculty and staff in fiscal year 2014, close monitoring of overall budgets, course sections offered, and vacancies all combined to keep costs restrained and in line with the enrollment experienced during fiscal year 2014. Additionally, the increase in the scholarship allowance referenced above led to a significant decrease in the amount recognized as an expense based on the reduced amount of refunds to students.

Items to note in the **Non-Operating Revenue (Expenses)** section include slight increases in Federal Grants and an increase in State Appropriations due to a change in the funding formula.

### Statement of Cash Flows

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

#### Cash Flow Summary

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net cash used by operating activities	\$ (16,048,513)	\$ (16,081,329)	\$ (18,341,474)
Net cash provided by noncapital financing activities	19,688,398	18,774,343	21,468,363
Net cash (used) provided by capital financing activities	(732,104)	(1,529,905)	(2,974,885)
Net cash provided by capital investing activities	<u>154,005</u>	<u>148,075</u>	<u>212,846</u>
Net increase in cash	<u>\$ 3,061,786</u>	<u>\$ 1,311,184</u>	<u>\$ 364,850</u>

The overall change in COTC's cash balances in 2014 is due to the normal operations of the College.

### Summary

Central Ohio Technical College has continued a pattern of fiscal stability in its operations following the enrollment declines felt throughout the state. Conservative spending made up for a loss in overall revenues allowing a surplus for the year. On the positive side, the new state funding formula has served the college well and has provided additional funding for operations.

CENTRAL OHIO TECHNICAL COLLEGE  
STATEMENTS OF NET POSITION  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 18,172,560	\$ 15,110,774
Accounts Receivable		
Students, Net of Allowance of \$886,625 and \$1,124,948 in 2014 and 2013, respectively	479,987	587,789
Ohio State University	210,077	217,383
Intergovernmental Grants	491,790	444,274
Pledges	62,540	73,064
Other Receivable	214,674	466,184
Other Assets	<u>98,075</u>	<u>378,540</u>
Total Current Assets	19,729,703	17,278,008
Noncurrent Assets		
Endowment Investments	2,813,366	2,508,891
Pledges	45,218	62,699
Capital Assets, Net	<u>31,718,726</u>	<u>32,452,360</u>
Total Noncurrent Assets	<u>34,577,310</u>	<u>35,023,950</u>
Total Assets	<u>54,307,013</u>	<u>52,301,958</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	321,795	439,470
Accrued Liabilities	1,183,520	1,108,409
Unearned Revenue	1,470,377	1,423,489
Current Portion of Capital Leases	<u>26,198</u>	<u>25,051</u>
Total Current Liabilities	3,001,890	2,996,419
Noncurrent Liabilities		
Accrued Liabilities	280,283	305,983
Capital Leases	<u>18,678</u>	<u>44,875</u>
Total Noncurrent Liabilities	<u>298,961</u>	<u>350,858</u>
Total Liabilities	<u>3,300,851</u>	<u>3,347,277</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	31,673,851	32,382,434
Restricted		
Nonexpendable		
Scholarships, Fellowships, and Research	1,727,386	1,542,572
Expendable		
Scholarships, Fellowships, and Research	1,153,703	1,043,936
Capital Uses	281,997	287,069
Unrestricted	<u>16,169,225</u>	<u>13,698,670</u>
Total Net Position	<u>\$ 51,006,162</u>	<u>\$ 48,954,681</u>

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

CENTRAL OHIO TECHNICAL COLLEGE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Operating Revenues		
Tuition and Fees (net of scholarship allowances of \$5,440,262 and \$3,220,158 in 2014 and 2013, respectively)	\$ 9,304,550	\$ 12,265,884
Federal Grants and Contracts	385,626	352,552
Private, State, and Local Gifts, Contracts and Grants	888,558	705,783
Sales and Services of Educational Departments	220,276	232,429
Auxiliary Enterprises	45,864	45,009
Other Operating Revenues	<u>185,913</u>	<u>131,679</u>
Total Operating Revenues	11,030,787	13,733,336
<b>Expenses</b>		
Operating Expenses		
Instructional	10,258,793	9,829,828
Public Service	72,308	82,691
Academic Support	1,836,098	1,907,143
Student Services	3,753,365	3,662,963
Institutional Support	4,801,018	4,532,951
Operation and Maintenance of Plant	2,736,059	2,727,289
Depreciation Expense	1,432,589	1,539,007
Student Scholarship and Financial Aid	4,194,635	6,048,204
Auxiliary Enterprise	<u>5,217</u>	<u>5,443</u>
Total Operating Expenses	29,090,082	30,335,519
Operating Loss	(18,059,295)	(16,602,183)
<b>Nonoperating Revenues (Expenses)</b>		
State Appropriations	10,739,549	10,146,214
Federal Grants and Contracts	8,948,849	8,628,129
Investment Income	376,029	332,195
Interest on Indebtedness	(2,620)	(3,688)
Loss on Disposal of Capital Assets	<u>(25,978)</u>	<u>-</u>
Net Nonoperating Revenues	20,035,829	19,102,850
Income before Other Revenues, Expenses, Gains, or Losses	1,976,534	2,500,667
Capital Grants and Gifts	64,239	1,000
Additions to Permanent Endowments	<u>10,708</u>	<u>25,871</u>
Total Other Revenues	74,947	26,871
Increase in Net Position	2,051,481	2,527,538
<b>Net position</b>		
Net Position at Beginning of the Year	<u>48,954,681</u>	<u>46,427,143</u>
Net Position at End of Year	<u>\$ 51,006,162</u>	<u>\$ 48,954,681</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and Fees	\$ 9,733,794	\$ 11,997,225
Grants and Contracts	1,501,083	1,220,171
Payments to Suppliers	(5,324,848)	(5,320,573)
Payments for Utilities	(609,298)	(641,184)
Payments to Employees	(13,148,761)	(13,345,323)
Payments for Benefits	(4,127,906)	(4,009,179)
Payments for Scholarships	(4,502,818)	(6,091,806)
Auxiliary Enterprise Receipts	45,864	45,009
Sales and Services	<u>384,377</u>	<u>64,331</u>
Net Cash Used in Operating Activities	(16,048,513)	(16,081,329)
<b>Cash Flows from Noncapital Financing Activities</b>		
State Appropriations	10,739,549	10,146,214
Gifts and Grants Other than Capital	<u>8,948,849</u>	<u>8,628,129</u>
Net Cash from Noncapital Financing Activities	19,688,398	18,774,343
<b>Cash Flows from Capital Financing Activities</b>		
Purchase of Capital Assets	(730,074)	(1,745,774)
Principal Paid on Capital Related Debt	(25,051)	(23,983)
Proceeds from Sale of Capital Assets	22,000	-
Interest on Capital Related Debt	(2,620)	(3,688)
Capital Grants and Gifts	<u>3,641</u>	<u>243,540</u>
Net Cash Used in Capital Financing Activities	(732,104)	(1,529,905)
<b>Cash Flows from Investing Activities</b>		
Investment Income	<u>154,005</u>	<u>148,075</u>
Net Cash Provided from Investing Activities	154,005	148,075
<b>Net Increase in Cash</b>	3,061,786	1,311,184
<b>Cash and Cash Equivalents, beginning of year</b>	<u>15,110,774</u>	<u>13,799,590</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 18,172,560</u>	<u>\$ 15,110,774</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided from Operating Activities</b>		
Operating Loss	\$ (18,059,295)	\$ (16,602,183)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	1,432,589	1,539,007
Changes in Assets and Liabilities		
Receivables, Net	319,103	153,692
Prepays	280,465	(230,826)
Accounts Payable	(117,675)	(152,711)
Accrued Liabilities	49,411	(241,266)
Unearned Revenue	<u>46,889</u>	<u>(547,042)</u>
Net Cash Used in Operating Activities	<u>\$ (16,048,513)</u>	<u>\$ (16,081,329)</u>
<b>Non Cash Transactions</b>		
Contribution for OBR and Donated Asset	\$ 46,570	\$ -

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

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**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](http://www.cotc.edu).

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

- Unrestricted: The unrestricted component of net position represents resources not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Unearned Revenue: Unearned revenue consists primarily of summer school fees. The College received amounts for tuition and fees prior to June 30, 2014 and 2013 but relate to the subsequent accounting period. The College recognizes summer tuition revenue prorated on the basis of class dates within each fiscal year.

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

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

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

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

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

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

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Operating Activities: The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, Pell, grants, contracts, and investment income, are recorded as non-operating revenues, in accordance with accounting principles generally accepted in the United States of America.

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

Newly Issued Accounting Pronouncements: In fiscal year 2014, the provisions of the following GASB Statements became effective:

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

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The adoption of these GASB statements had no significant impact on the College's financial condition, operating results or financial statements.

Recent Accounting Pronouncements: As of June 30, 2014, the GASB has issued the following statements not yet implemented by the College.

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68* issued November 2013. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No.68.

The College's management has not yet determined the effect these statements will have on the College's financial statements. However, management believes the adoption of GASB 68 will significantly decrease the College's net position when it is implemented and will require the liabilities for underfunded pension obligations to be reported on the Statement of Net Position.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2014 and 2013 were temporarily restricted and due as follows:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 65,873	\$ 77,263
One to five years	<u>45,218</u>	<u>62,699</u>
	111,091	139,962
Allowance	<u>3,333</u>	<u>4,199</u>
Total	<u>\$ 107,758</u>	<u>\$ 135,763</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The College invests in those instruments identified by state statute. Specifically, authorized investment instruments consist of obligations of the U. S. Treasury, agencies and instrumentalities of the U. S. Government, bonds and other obligations of the State of Ohio and its political subdivisions and the State Treasury Asset Reserve of Ohio (“STAR Ohio” & “STAR Plus”), which are managed by the State of Ohio.

**Deposits**

At June 30, 2014 and 2013, the carrying amount of deposits (book balances) were as follows:

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 3,979	\$ 4,029
Demand deposits	11,128,118	8,080,305
STAR Ohio funds	16,691	16,688
STAR Plus funds	<u>7,023,772</u>	<u>7,009,752</u>
	<u>\$ 18,172,560</u>	<u>\$ 15,110,774</u>

Custodial credit risk: At June 30, 2014, the carrying amount of the College’s deposits was \$11,128,118 and the bank balance was \$11,403,284. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, \$250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of \$16,691 and \$7,023,772, respectively. At June 30, 2013, the carrying amount of the College’s deposits was \$8,080,305 and the bank balance was \$8,358,881. The difference in the carrying amount and bank balance results primarily from outstanding checks. Of the bank balance, \$250,000 is covered by federal deposit insurance. STAR Ohio and STAR Plus investments were also covered by federal deposit insurance of \$16,688 and \$7,009,752, respectively. The remaining bank balance at June 30, 2014 and 2013 of \$11,153,284 and \$8,108,881, 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.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**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, 2014, 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>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
Fixed Income	\$ 774,692	\$ 50,087	\$ 724,605	\$ -
Cash Equivalents	103,104	103,104	-	-
Equity Funds	1,935,570	1,935,570	-	-
STAR Ohio Funds	16,691	16,691	-	-
STAR Plus Funds	<u>7,023,772</u>	<u>7,023,772</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,853,829</u>	<u>\$ 9,129,224</u>	<u>\$ 724,605</u>	<u>\$ -</u>

As of June 30, 2013, 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>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
Fixed Income	\$ 765,565	\$ 145,845	\$ 475,847	\$ 143,873
Cash Equivalents	17,413	17,413	-	-
Equity Funds	1,725,913	1,725,913	-	-
STAR Ohio Funds	16,688	16,688	-	-
STAR Plus Funds	<u>7,009,752</u>	<u>7,009,752</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,535,331</u>	<u>\$ 8,915,611</u>	<u>\$ 475,847</u>	<u>\$ 143,873</u>

Investments at June 30, 2014 and 2013 are shown in the statement of net position as current in the amount of \$7,040,463 and \$7,026,440, respectively, and as non-current in the amount of \$2,813,366 and \$2,508,891, respectively.

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

As of June 30, 2014 and 2013, the College had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>2014 Fair Value</u>	<u>2013 Fair Value</u>
Cash Equivalents		\$ 103,104	\$ 17,413
STAR Ohio	AAA	16,691	16,688
STAR Plus		7,023,772	7,009,752
Fixed Income			
US Gov't Agency/Exempt State	AA+	498,262	440,425
Corporate Bonds and Notes	AA	74,842	52,403
	AA-	49,998	24,250
	A+	49,753	100,189
	A-	101,836	104,009
Mutual Funds		-	44,288
Equity			
Common Stock		1,201,526	1,107,094
Mutual Funds		734,045	618,820
		<u>\$ 9,853,829</u>	<u>\$ 9,535,331</u>

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

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 5 - CAPITAL ASSETS, NET**

Capital assets as of June 30, 2014 and 2013 are summarized below.

	July 1, 2013 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2014 <u>Balance</u>
<b>Assets:</b>				
Land	\$ 740,228	\$ -	\$ -	\$ 740,228
Land Improvements	274,555	163,836	-	438,391
Buildings	39,656,915	24,685	-	39,681,600
Leasehold Improvements	254,847	16,923	-	271,770
Equipment, Furniture, and Library Books	7,040,727	445,468	836,542	6,649,653
Construction in Progress	<u>1,174,625</u>	<u>137,135</u>	-	<u>1,311,760</u>
	49,141,897	788,047	836,542	49,093,402
 <b>Accumulated Depreciation:</b>				
Land Improvements	30,589	21,920	-	52,509
Buildings	10,651,076	992,041	-	11,643,117
Leasehold Improvements	180,447	17,563	-	198,010
Equipment, Furniture, and Library Books	<u>5,827,425</u>	<u>464,179</u>	<u>810,564</u>	<u>5,481,040</u>
	<u>16,689,537</u>	<u>1,495,703</u>	<u>810,564</u>	<u>17,374,676</u>
 Capital Assets, Net	 <u>\$ 32,452,360</u>	 <u>\$ (707,656)</u>	 <u>\$ 25,978</u>	 <u>\$ 31,718,726</u>
	July 1, 2012 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	June 30, 2013 <u>Balance</u>
<b>Assets:</b>				
Land	\$ 740,228	\$ -	\$ -	\$ 740,228
Land Improvements	160,265	114,290	-	274,555
Buildings	39,656,915	-	-	39,656,915
Leasehold Improvements	249,533	5,314	-	254,847
Equipment, Furniture, and Library Books	7,800,323	433,706	1,193,302	7,040,727
Construction in Progress	<u>-</u>	<u>1,174,625</u>	-	<u>1,174,625</u>
	48,607,264	1,727,935	1,193,302	49,141,897
 <b>Accumulated Depreciation:</b>				
Land Improvements	16,861	13,728	-	30,589
Buildings	9,659,653	991,423	-	10,651,076
Leasehold Improvements	164,577	15,870	-	180,447
Equipment, Furniture, and Library Books	<u>6,494,748</u>	<u>525,979</u>	<u>1,193,302</u>	<u>5,827,425</u>
	<u>16,335,839</u>	<u>1,547,000</u>	<u>1,193,302</u>	<u>16,689,537</u>
 Capital Assets, Net	 <u>\$ 32,271,425</u>	 <u>\$ 180,935</u>	 <u>\$ -</u>	 <u>\$ 32,452,360</u>

(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

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**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable to vendors and contractors totaled \$321,795 and \$439,470 as of June 30, 2014 and 2013, respectively.

Accrued expense activity, which consists primarily of payroll and vacation leave, for the year ended June 30, 2014 and June 30, 2013, was as follows:

2014				
Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>\$ 1,414,392</u>	<u>\$ 10,152,706</u>	<u>\$ 10,103,295</u>	<u>\$ 1,463,803</u>	<u>\$ 1,183,520</u>
2013				
Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>\$ 1,655,658</u>	<u>\$ 11,109,870</u>	<u>\$ 11,351,136</u>	<u>\$ 1,414,392</u>	<u>\$ 1,108,409</u>

**NOTE 7 – CAPITAL LEASES**

Capital assets acquired by lease have been capitalized in the Statement of Net Position in fiscal years 2014 and 2013 in the amount of \$106,210. A corresponding long-term liability was recorded on the Statement of Net Position. Accumulated amortization in fiscal years 2014 and 2013 totaled \$62,505 and \$38,253.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

2015	\$	27,671
2016		17,230
2017		1,872
Total Minimum Lease Payments		46,773
Less: Amount representing interest		(1,897)
Present Value of Net Minimum Lease Payments		\$ 44,876

Interest expense for the year ended June 30, 2014 and 2013 was \$2,620 and \$4,518, respectively.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**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, 2014:

2015	\$	123,886
2016		78,280
2017		17,333
2018		10,548
2019		<u>2,968</u>
	\$	<u>233,015</u>

Rent expense was \$226,034 and \$263,795 for the years ended June 30, 2014 and 2013.

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

**NOTE 9 - RETIREMENT PLANS**

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

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

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

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Under OPERS, the employee contribution rate is 10% and the employer contribution rate is 14%. The College’s contributions to OPERS for the years ending June 30, 2014, 2013, and 2012 were \$670,686, \$675,858, and \$762,230, respectively, which are equal to the required contributions for each year.

Under STRS Ohio plan, the employee contribution rate increased to 11% for 2014 compared to 10% for 2013 and the employer contribution rate is 14%. The College’s contributions for pension obligations to STRS Ohio for the fiscal years ending June 30, 2014, 2013, and 2012 were \$1,005,494, \$1,029,488, and \$1,174,827, respectively. All required contributions have been made for the three fiscal years.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 9 - RETIREMENT PLANS (Continued)**

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

An employee in an OPERS eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2014 and 2013, 13.23% was paid into the member's ARP account and the remaining .77% was paid to OPERS, as required by state legislation, to cover un-funded liabilities.

An employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2014 and 2013, 10.5% was paid into the member's ARP account and the remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities.

As of June 30, 2014, there are approximately 11 active participants in an ARP. The College's contribution for employees enrolled in ARP accounts in STRS for fiscal year 2014, 2013, and 2012 was \$32,375, \$18,104, and \$20,942, respectively. The College's required and made contribution for employees enrolled in ARP accounts in OPERS for fiscal year 2014, 2013, and 2012 was \$65,320, \$68,696, and \$80,787, respectively.

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

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar years 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar years 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2014, 2013 and 2012 contributions required and made to OPERS used to fund post-retirement benefits was \$47,887, \$193,093, and \$217,769, respectively.

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

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

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2014, 2013, and 2012. The portion of the College's 2014, 2013, and 2012 contributions required and made to STRS Ohio used to fund post-employment benefits was \$100,549, \$102,949, and \$117,483, respectively.

**NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 13,257,601	\$ 13,141,536
Employee benefits	4,071,381	3,963,957
Supplies and materials	1,948,294	1,763,162
Services	3,546,482	3,194,867
Utilities	609,298	641,184
Depreciation	1,432,589	1,539,007
Student scholarships and financial aid	<u>4,224,437</u>	<u>6,091,806</u>
	<u>\$ 29,090,082</u>	<u>\$ 30,335,519</u>

**NOTE 12 - RISK MANAGEMENT**

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

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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**NOTE 12 - RISK MANAGEMENT** (Continued)

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

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

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

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

The College receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs, generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial statements of the College at June 30, 2014.

**SUPPLEMENTAL INFORMATION**

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2014

	Federal CFDA <u>Number</u>	Pass- Through Entity <u>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		\$ 17,886,064
Federal Pell Grant	84.063		8,948,849
Federal Supplemental Education Opportunity Grant (SEOG)	84.007		126,558
Federal Work Study	84.033		<u>126,416</u>
Total Student Financial Aid Cluster			27,087,887
Passed through State Department of Education Career and Technical Education - Perkins Grant:			
Disability Services	84.048	06507820-C2	<u>133,025</u>
Total U.S. Department of Education			<u>27,220,912</u>
<u>United States Department of Veterans Affairs</u>			
<i>Direct Award</i>			
Post 9/11 Veterans Education Assistance	64-027		<u>3,427</u>
Total Expenditures of Federal Awards			<u>\$ 27,224,339</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2014

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**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 2014, the College certified need for \$16,364,597 in Guaranteed Student Loan and Supplemental Loans. The amount presented represents the value of new FDLs awarded during the fiscal year as follows:

Federal Subsidized Loans	\$ 8,586,250
Federal Unsubsidized Loans	9,196,179
Plus Loans	<u>103,635</u>
Total FDL	<u>\$ 17,886,064</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Ohio Technical College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Central Ohio Technical College's financial statements, and have issued our report thereon dated the same day as this report.

**Internal Control Over Financial Reporting**

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

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

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

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Columbus, Ohio  
December 30, 2014

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Central Ohio Technical College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Central Ohio Technical College's major federal programs for the year ended June 30, 2014. Central Ohio Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Central Ohio Technical College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Ohio Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Ohio Technical College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Central Ohio Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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(Continued)

## Report on Internal Control Over Compliance

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

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

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

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
December 30, 2014

CENTRAL OHIO TECHNICAL COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2014

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**PART I: SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

	Yes	<u>          X          </u>	No
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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

Unmodified

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

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



CENTRAL OHIO TECHNICAL COLLEGE  
 LICKING COUNTY APPOINTED OFFICIALS (Unaudited)  
 June 30, 2014

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Board of Trustees:

<u>Title/Name</u>	<u>Term Expires</u>	<u>Surety</u>	<u>Amount of Coverage</u>
Chairperson/ Cheryl L. Snyder (1)	2015	(2)	\$ 1,000,000
Vice-Chairperson/ John F. Hinderer (1)	2017	(2)	1,000,000
<u>Members</u>			
Billie J. Zimmers	2016	(2)	1,000,000
Vacancy	2015	(2)	1,000,000
Marion M. Sutton	2017	(2)	1,000,000
Mark R. Ramser (1)	2016	(2)	1,000,000
Barry M. Riley (1)	2016	(2)	1,000,000
Sarah R. Wallace (1)	2017	(2)	1,000,000
Robert A. Montagnese	2014	(2)	1,000,000

(1) School Board Caucus

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

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(Continued)

CENTRAL OHIO TECHNICAL COLLEGE  
LICKING COUNTY APPOINTED OFFICIALS (Unaudited)  
June 30, 2014

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

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



# Dave Yost • Auditor of State

**CENTRAL OHIO TECHNICAL COLLEGE**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2015**