

**NORTH CENTRAL STATE COLLEGE**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Trustees  
North Central State College  
2441 Kenwood Circle, Box 698  
Mansfield, Oh 44903

We have reviewed the Independent Auditor's Report of the North Central State College, Richland County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 1999 to June 30, 2000. 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 North Central State College is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

January 8, 2001

**NORTH CENTRAL STATE COLLEGE  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
North Central State College  
2441 Kenwood Circle, Box 698  
Mansfield, Ohio 44903

We have audited the accompanying financial statements of the North Central State College, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central State College, as of June 30, 2000, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**INDEPENDENT AUDITOR'S REPORT** (continued)

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

A handwritten signature in black ink, appearing to read "G B Fink", is positioned above the printed name of the firm.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 14, 2000

*FINANCIAL STATEMENTS*

**North Central State College**  
**Balance Sheet**  
**June 30, 2000**

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ASSETS

Current Funds:

Unrestricted:

Cash and Cash Equivalents	\$2,755,937
Accounts Receivable, Less Allowance of \$50,785	1,735,972
Prepaid Expenses	43,501
Due from Other Funds	<u>568,325</u>
Total Unrestricted	<u>5,103,735</u>

Restricted:

Cash	303,060
Due from Federal and State Governments	<u>562,372</u>
Total Restricted	<u>865,432</u>
Total Current Funds	<u>\$5,969,167</u>

Loan Fund:

Cash	\$6,278
Due from Other Funds	<u>992</u>
Total Loan Fund	<u>\$7,270</u>

Plant Funds:

Unexpended

Cash	\$329,178
Accounts Receivable	<u>5,953</u>
Total Unexpended	<u>335,131</u>

Investment in Plant:

Land, Buildings and Improvements	15,520,453
Equipment	<u>3,254,811</u>
Total Investment in Plant	<u>18,775,264</u>
Total Plant Funds	<u>\$19,110,395</u>

The notes to the financial statements are an integral part of this statement.

**North Central State College**  
**Balance Sheet**  
**June 30, 2000**

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LIABILITIES AND FUND BALANCES

Current Funds:

Unrestricted:

Accounts Payable	\$516,299
Accrued Salaries and Withholdings	344,746
Accrued Compensated Absences	439,077
Deferred Income	1,191,477
Due to Other Funds	992
Fund Balance - Unrestricted	<u>2,611,144</u>
Total Unrestricted	<u>5,103,735</u>

Restricted:

Due to Other Funds	562,372
Accounts Payable	1,108
Due to Grantors	18,326
Fund Balance - Restricted	<u>283,626</u>
Total Restricted	<u>865,432</u>
Total Current Funds	<u><u>\$5,969,167</u></u>

Loan Fund:

Fund Balance:

Perkins Loans	<u>\$7,270</u>
Total Loan Fund	<u><u>\$7,270</u></u>

Plant Funds:

Unexpended

Due to Other Funds	\$5,953
Fund Balance - Unexpended	<u>329,178</u>
Total Unexpended	<u>335,131</u>

Investment in Plant:

Bonds Payable	447,401
Capital Lease Obligations	255,812
Net Investment in Plant	<u>18,072,051</u>
Total Investment in Plant	<u>18,775,264</u>
Total Plant Funds	<u><u>\$19,110,395</u></u>

The notes to the financial statements are an integral part of this statement.



**North Central State College**  
**Statement of Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2000**

	<u>Unrestricted</u> Educational and General	<u>Restricted</u> Educational and General	Total Current Funds
<b>REVENUES AND OTHER ADDITIONS:</b>			
Current Fund Revenues	\$13,688,755	\$0	\$13,688,755
State Appropriations	0	0	0
Federal, State Grants and Contracts	0	4,031,525	4,031,525
Private, Local Gifts, Grants and Contracts	0	126,458	126,458
Other Sources - Restricted	0	0	0
Expended for Plant Facilities - Including \$323,897 Charged to Current Funds Expenditures	0	0	0
Retirement of Indebtedness	0	0	0
<b>Total Revenues and Other Additions</b>	<u>13,688,755</u>	<u>4,157,983</u>	<u>17,846,738</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Educational and General Expenditures	12,929,232	3,895,881	16,825,113
Interest on Indebtedness	0	0	0
Indirect Cost Recovered	0	28,840	28,840
Return to Grantors	0	19,434	19,434
Retirement of Indebtedness	0	0	0
Disposal of Plant Facilities	0	0	0
<b>Total Expenditures and Other Deductions</b>	<u>12,929,232</u>	<u>3,944,155</u>	<u>16,873,387</u>
<b>TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):</b>			
Non-Mandatory Transfers	(187,388)	0	(187,388)
Mandatory Transfers: Debt Service Principal and Interest	(134,776)	0	(134,776)
<b>Total Transfers Among Funds - Additions/(Deductions)</b>	<u>(322,164)</u>	<u>0</u>	<u>(322,164)</u>
Net Increase/(Decrease) for the Fiscal Year	437,359	213,828	651,187
Fund Balance at Beginning of Fiscal Year - Restated	<u>2,173,785</u>	<u>69,798</u>	<u>2,243,583</u>
<b>Fund Balance at End of Fiscal Year</b>	<u><u>\$2,611,144</u></u>	<u><u>\$283,626</u></u>	<u><u>\$2,894,770</u></u>

The notes to the financial statements are an integral part of this statement.

Loan Fund	Plant Funds		
	Unexpended	Retirement of Indebtedness	Investment In Plant
\$0	\$0	\$0	\$0
0	141,790	0	0
0	0	0	0
0	0	0	0
3,043	0	0	0
0	0	0	336,564
0	0	0	85,420
3,043	141,790	0	421,984
0	0	0	0
0	0	49,356	0
0	0	0	0
0	0	0	0
0	0	85,420	0
0	0	0	702,984
0	0	134,776	702,984
0	187,388	0	0
0	0	134,776	0
0	187,388	134,776	0
3,043	329,178	0	(281,000)
4,227	0	0	18,353,051
<u>\$7,270</u>	<u>\$329,178</u>	<u>\$0</u>	<u>\$18,072,051</u>

**North Central State College**  
**Statement of Current Funds Revenues, Expenditures**  
**and Other Changes**  
**For the Fiscal Year Ended June 30, 2000**

	Unrestricted Educational and General	Restricted Educational and General	Total Current Funds
<b>REVENUES:</b>			
Tuition, Fees and Other Student Charges	\$4,976,159	\$0	\$4,976,159
State Appropriations	7,049,344	0	7,049,344
Federal, State Grants and Contracts	94,430	3,783,163	3,877,593
Private, Local Gifts, Grants and Contracts	582,969	112,718	695,687
Sales and Services	390,550	0	390,550
Other Sources	595,303	0	595,303
<b>Total Revenues</b>	<b>13,688,755</b>	<b>3,895,881</b>	<b>17,584,636</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
Educational and General:			
Instruction	5,915,100	238,441	6,153,541
Academic Support	734,293	0	734,293
Student Services	893,813	0	893,813
Institutional Support	2,997,584	145,719	3,143,303
Operation and Maintenance of Plant	1,615,786	373,349	1,989,135
Student Aid and Scholarships	140,321	2,667,952	2,808,273
Debt Service	145,298	0	145,298
Public Service	487,037	470,420	957,457
<b>Total Educational and General Expenditures</b>	<b>12,929,232</b>	<b>3,895,881</b>	<b>16,825,113</b>
Mandatory Transfers for:			
Debt Service Principal and Interest	134,776	0	134,776
<b>Total Expenditures and Mandatory Transfers</b>	<b>13,064,008</b>	<b>3,895,881</b>	<b>16,959,889</b>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):</b>			
Return to Grantors	0	(19,434)	(19,434)
Non-Mandatory Transfers	(187,388)	0	(187,388)
Excess of Restricted Receipts Over Transfers to Revenue	0	233,262	233,262
<b>Total Other Transfers and Additions/Deductions</b>	<b>(187,388)</b>	<b>213,828</b>	<b>26,440</b>
<b>Net Increase in Fund Balance</b>	<b>\$437,359</b>	<b>\$213,828</b>	<b>\$651,187</b>

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accrual Basis - The financial statements of the North Central State College (the "College") have been prepared on the accrual basis except that depreciation is not provided on the physical plant and equipment. The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activity of current funds related to the current reporting period. It does not intend to present the result of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

- B. Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting and Governmental Accounting and Financial Reporting Standards. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups described below.

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

All gains and losses arising from the sale, collection or other disposition of investments or other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets.

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

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current Funds

This group accounts for all funds which are available for current operations. It is further subdivided into two separately balanced groups: general funds, which are unrestricted and available for general operating purposes; and restricted funds, which are available for current operating purposes but only in compliance with restrictions specified by the donors or grantors. Additions to current restricted funds are considered as earned income only to the extent expenditures are made for the restricted purposes specified.

Loan Fund

The loan fund consists of loans to students and of resources available for such purposes. A significant portion of the fund balance represents money granted from the federal government.

Plant Funds

Plant funds consist of three self-balancing subgroups:

1. Unexpended funds include resources derived from various sources to finance the acquisition of long-life assets.
2. Retirement of indebtedness funds include resources specifically accumulated for payment of principal and interest or indebtedness incurred in connection with the acquisition of properties.
3. Investment in plant includes all long-life assets in the service of the College and construction in progress. Physical properties, which include land, buildings and improvements and equipment, are principally stated at cost. In accordance with generally accepted accounting principles for state-assisted colleges and universities, depreciation is not provided. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures in the case of normal replacement of long-life assets; (b) mandatory transfers in the case of required provisions for debt amortization and interest; and (c) transfers of a nonmandatory nature for all other cases. When assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts, and net investments in plant is reduced accordingly.

- C. Investments - For purposes of the presentation on the Balance Sheet, investments with original maturities of three months or less when purchased are reported as cash equivalents.

During fiscal year 2000, investments were limited to STAR Ohio. These investments are reported as cash equivalents.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investment in Plant - Land and improvements and equipment are stated at cost or fair market value at the date of gift. Depreciation on physical plant and equipment is not recorded.

E. Deferred Income - Deferred income in the current unrestricted funds is principally comprised of receipts relating to tuition and fees in advance of the services to be provided. The College recognizes unrestricted revenue in the fiscal year that the services are predominately provided.

F. Compensated Absences

Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences", specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

G. Interfund Amounts - Amounts due to and from the fund groups are considered to be temporary advances.

H. Taxes - The College is exempt from income taxes as a nonprofit organization under Section 501c(3) of the federal income tax laws and regulations of the Internal Revenue Service except for unrelated business income.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- I. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

A. Policies and Practices

It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice is to limit investments to United States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements.

The investment and deposit of College monies is governed by the Ohio Revised Code. Investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. State law does not require security for the public deposits and investments to be maintained in the College's name.

B. Deposits

At June 30, 2000, the reported amount of the College's deposits was \$900,770 and the bank balance was \$1,297,723. Of the bank balance, \$127,857 was covered by federal depository insurance and \$1,169,866 was uninsured and uncollateralized as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", because the collateral pledged by the financial institution or their trust departments or agents is not in the College's name due to the fact that the pledging bank has an investment and security pool used to collateralize all public deposits. This method of collateralization is expressly authorized by State statute.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

2. CASH AND CASH EQUIVALENTS (continued)

C. Investments

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year ended June 30, 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000. At June 30, 2000, the fair value of STAR Ohio was \$2,493,683. Investments in STAR Ohio are not categorized by level of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

3. STATE SUPPORT

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. The subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the student subsidies, the State of Ohio provides the funding for and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of the facility, the Board of Regents turns over control to the College. Construction in progress for any portion of the facilities being financed by the state agencies for use by the College is recorded on the College's book of account as costs are incurred.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's balance sheet. In addition, the appropriations by the Ohio General Assembly to the Board of Regents for payment of debt services are not shown as appropriation revenue received by the College, and the related debt service payments are not recorded on the College's financial statements.

4. DEFINED BENEFIT PENSION PLANS

All employees of the College are eligible to participate in one of two cost-sharing, multiple employer defined benefit pension plans. Academic personnel participate in the State Teachers Retirement System (STRS) and nonacademic personnel participate in the School Employees Retirement System (SERS).



NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

4. DEFINED BENEFIT PENSION PLANS (continued)

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established and may be amended by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$266,784, \$266,380 and \$480,610, respectively, equal to the required contribution for each fiscal year.

B. School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2000, 7.70 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The College's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$217,548, \$250,744 and \$240,232, respectively, equal to the required contributions for each fiscal year.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

5. POSTEMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Through June 30, 1998, this allocation was increased to 3.5 percent. Beginning July 1, 1998, this allocation was increased to 8 percent. For the College, this amount equaled \$355,712 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients statewide.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants statewide currently receiving health care benefits. For the College, the amount to fund health care benefits, including the surcharge, equaled \$177,993 during the 2000 fiscal year.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

6. BONDS PAYABLE

Bonds payable at June 30, 2000 consisted of the following:

**Bonds Payable**

Refunding revenue bonds, Series 1995; principal and interest payable in annual installments of \$53,405 with the College electing to pay an additional \$8,750 per year on principal for a total annual installment of \$62,155; bearing interest at 7.0%; final payment due June 1, 2015 but expected to be paid off early.

The College has pledged certain future revenue as collateral for the refunding revenue bonds.

Maturity of outstanding debt, excluding interest payments of \$196,987, is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2001	\$30,837
2002	32,996
2003	35,305
2004	37,777
2005	40,421
Thereafter	<u>270,065</u>
Total	<u>\$447,401</u>

7. LEASES

The College utilizes office equipment under capitalized leases. These capital leases are due in monthly installments and had initial terms of 36 months.

In January, 1997, the College entered into a capital lease agreement for the construction of a new building. The lease requires monthly principal and interest payments of \$5,272 through 2005.

Minimum lease payments under all capital leases of each fiscal year ending June 30 are as follows:

2001	\$67,975
2002	63,261
2003	63,261
2004	63,261
2005	<u>31,631</u>
Total	289,369
Less amount representing interest	<u>(33,577)</u>
Net capital lease obligations	<u>\$255,812</u>

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

7. LEASES (continued)

The College leases certain equipment accounted for as operating leases. Future minimum annual rental payments required under these operating leases of each fiscal year ending June 30 are as follows:

2001	\$57,151
2002	49,973
2003	20,473
2004	<u>17,760</u>
Total	<u>\$145,357</u>

8. CONTINGENCIES

Federal and State Grants

The College participates in certain state and federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

Litigation

The College is not a party to any legal proceedings.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk.

10. RELATED ORGANIZATIONS

The North Central State College Foundation, Inc. (the Foundation) is a not-for-profit organization which operates under a separate board exclusively for the benefit of the College and is therefore not included in the College's June 30, 2000 financial statements. At June 30, 2000, the total net assets of the Foundation, not included in the financial statements of the College, were \$1,977,694.

NORTH CENTRAL STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

11. RESTATEMENT OF PRIOR FISCAL YEAR FUND BALANCE

During fiscal year 2000, the College changed its fixed asset capitalization criteria from \$1,000 to \$2,500. The following restatement of prior fiscal year fund balance is required in the investment in plant fund as a result of these fixed asset changes:

Fund Balance as Stated at June 30, 1999	\$20,124,482
Restatement	<u>(1,771,431)</u>
Fund Balance as Restated at July 1, 1999	<u>\$18,353,051</u>

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

Board of Trustees  
North Central State College  
2441 Kenwood Circle, Box 698  
Mansfield, Ohio 44903

We have audited the financial statements of the North Central State College, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the College in a separate letter dated December 14, 2000.

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

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

A handwritten signature in black ink, appearing to read "G. B. Fink", with a stylized flourish at the end.

GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 14, 2000

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

Board of Trustees  
North Central State College  
2441 Kenwood Circle, Box 698  
Mansfield, Ohio 44903

Compliance

We have audited the compliance of the North Central State College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the North Central State College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, we noted a certain immaterial instance of noncompliance, which we have reported to management of the College in a separate letter dated December 14, 2000.



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

Internal Control Over Compliance

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

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

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



GARY B. FINK & ASSOCIATES, INC.  
Certified Public Accountants

December 14, 2000

**North Central State College**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2000**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<b><u>U.S. Department of Education</u></b>				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	----	\$170,905	\$113,979
Federal Supplemental Educational Opportunity Grants	84.007	----	80,400	80,400
Federal Family Education Loans	84.032	----	2,235,309	2,235,309
Federal Pell Grant Program	84.063	----	1,697,091	1,693,774
Total Student Financial Assistance Programs Cluster			<u>4,183,705</u>	<u>4,123,462</u>
<i>Passed Through Ohio Department of Education:</i>				
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	063354-20-C2-2000	53,491	45,301
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	063354-20-C2-1999	29,104	0
Vocational Education - Basic Grants to States (Promoting Access in Technical Education Grant)	84.048	063354-20-A5-1999	2,250	0
Vocational Education - Basic Grants to States (Gender Equity Special Project)	84.048	063354-20-A5-1999	990	0
Total Vocational Education			<u>85,835</u>	<u>45,301</u>
Tech-Prep Education	84.243	VETP-2000-06-S	117,969	111,058
Tech-Prep Education	84.243	VETP-2000-06-NWMKT	24,098	28,350
Tech-Prep Education	84.243	VETP-1999-06-NWMKT	2,313	0
Tech-Prep Education	84.243	VETP-2000-06-IT	72,250	14,380
Tech-Prep Education	84.243	VETP-2000-06-K	0	13,042
Total Tech-Prep Education			<u>216,630</u>	<u>166,830</u>
Total U.S. Department of Education			<u>4,486,170</u>	<u>4,335,593</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Head Start	93.600	05YC0061/01	231,484	73,717
Head Start	93.600	05YC0061/02	259,133	288,359
Total Head Start			<u>490,617</u>	<u>362,076</u>
<i>Passed Through Richland County Department of Human Services:</i>				
Temporary Assistance for Needy Families (Success in Science)	93.558	525	11,255	14,096
Total U.S. Department of Health and Human Services			<u>501,872</u>	<u>376,172</u>
<b><u>U.S. Department of Labor</u></b>				
<i>Passed Through Ohio Department of Development:</i>				
Employment Services and Job Training - Pilot and Demonstration Programs (School to Work)	17.249	98-60007	17,557	12,207
<i>Passed Through Ohio Department of Education:</i>				
Employment Services and Job Training - Pilot and Demonstration Programs (School to Work)	17.249	063354-WK-BE-1999	39,076	2,924
Total School to Work			<u>56,633</u>	<u>15,131</u>
<i>Passed Through Ohio Bureau of Employment Services:</i>				
Trade Adjustment Assistance-Workers	17.245	70502-038	96,397	96,595
Total U.S. Department of Labor			<u>153,030</u>	<u>111,726</u>
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child and Adult Care Food Program	10.558	120956-16-CC-2000	1,469	1,469
Child and Adult Care Food Program	10.558	120956-16-CC-1999	998	998
Child and Adult Care Food Program	10.558	120956-21-ML-2000	16,507	16,507
Child and Adult Care Food Program	10.558	120956-21-ML-1999	9,893	9,893
Total U.S. Department of Agriculture			<u>28,867</u>	<u>28,867</u>
Total Federal Assistance			<u>\$5,169,939</u>	<u>\$4,852,358</u>

**NORTH CENTRAL STATE COLLEGE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the North Central State College's federal awards programs. The schedule has been prepared on the cash basis of accounting. The information in the 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 the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B - LOAN PROGRAM

The gross outstanding balance of the Federal Perkins Loan Program, CFDA #84.038, was \$27,468 as of June 30, 2000.

**NORTH CENTRAL STATE COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 §505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of auditor's report issued on the financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

**NORTH CENTRAL STATE COLLEGE**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(CONTINUED)**

(d)(1)(vii)	Major Programs:	Head Start, CFDA #93.600 and Student Financial Assistance Programs Cluster: Federal Work-Study Program, CFDA #84.033; Federal Supplemental Educational Opportunity Grants, CFDA #84.007; Federal Pell Grant Program, CFDA #84.063; Federal Family Education Loan Program, CFDA #84.032
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**NORTH CENTRAL STATE COLLEGE**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Audit Finding Reference Number	Audit Finding Summary	Fully Corrected
99-1	Reconciliation controls	Yes



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**NORTH CENTRAL STATE COLLEGE**

**RICHLAND 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 23, 2001**