CENTRAL OHIO TECHNICAL COLLEGE
ANNUAL REPORT
70645-77-3690-00
COLUMBUS REGION, LICKING COUNTY
SINGLE AUDIT
JULY 1, 2001 THROUGH JUNE 30, 2002

Auditor of State
Betty Montgomery

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

We have reviewed the Independent Auditor's Report of the Central Ohio Technical College, Licking County, prepared by Crowe, Chizek and Company LLP, for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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CENTRAL OHIO TECHNICAL COLLEGE
Licking County

ANNUAL REPORT
June 30, 2002

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the financial condition of Central Ohio Technical College provides an overview of the financial performance for the year ended June 30, 2002. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes. The College has elected to not restate prior periods for purposes of providing the comparative data for this MD&A. As this is the initial year of presentation in this format, comparative data to prior periods is not available.

Financial Highlights

The College's financial statements for FY 2001-2002 reported net assets of $15.3 million at June 30, 2002. This represented an increase of approximately $196 thousand from the previous fiscal year end after restatement. The financial statements have been restated to conform to the requirements of GASB 35 as detailed in Note 1 to the financial statements. The principal change to the previous fund balances as reported prior to the change to the GASB 35 requirements is the accounting for accumulated depreciation and depreciation expense for the first time. Beginning net assets decreased approximately $6.6 million due to restatement of accumulated depreciation.

Tuition and fees increased by $839 thousand as a result of a 14.7% increase in full time equivalent enrollment and an average tuition increase of 8% at the beginning of the year and an increase of 6% for Spring term. State appropriations decreased by $294 thousand from the prior year.

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). These financial statements differ significantly in both the form and the accounting principles utilized from prior financial statements presented. The financial statements presented in prior years focused on accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

The statement of net assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of revenues, expenses and changes in net assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. GASB 35 requires State appropriations to be classified as non-operating revenues. Therefore, the College generated an operating loss. However, after including net non-operating revenue, the net assets increased by $196 thousand. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

An important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they become due. The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, capital and financing activities.

Condensed Financial Information

Statement of Net Assets (in thousands)

ASSETS		
Current assets	$	4,764
Capital assets, net		11,710
Other non-current assets		1,582
Total assets		18,056
LIABILITIES		
Current liabilities		2,022
Non-current liabilities		731
Total liabilities		2,753
NET ASSETS		
Invested in capital assets, net of related debt		11,276
Restricted		
Nonexpendable		888
Expendable		743
Unrestricted		2,396
Total net assets	$	15,303

Assets As of June 30, 2002, the College's total assets amount to approximately $18.1 million. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling $11.7 million or 64.9 percent of total assets. Cash and cash equivalents and investments, totaling $3.2 million or 17.7 percent of total assets, were the College's next largest asset. Cash and investments increased by approximately $205 thousand, primarily a result of an increase in the unrestricted operating fund balance.

Liabilities At June 30, 2002, the College's liabilities totaled approximately $2.8 million. Deferred revenue represented $1.1 million or 38.2 percent, of total liabilities. Total liabilities increased slightly during the year ended June 30, 2002, due primarily to an increase in restricted funds held.

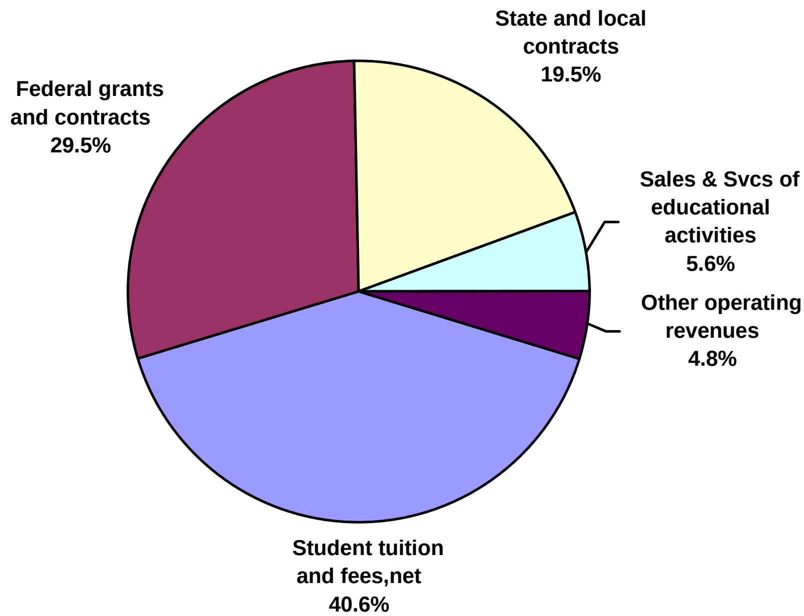
Net Assets Net assets at June 30, 2002 totaled approximately $15.3 million, or 84.7 percent, of total assets. Net assets invested in capital totaled $11.3 million or 73.7 percent, of total net assets. Total net assets increased by approximately $196 thousand during the year ended June 30, 2002 even with the recognition of depreciation expense totaling $689 thousand.

Unrestricted Net Assets totaled $2.4 million with approximately $1.9 million representing unrestricted operating funds with the balance designated for capital improvements.

Statement of Revenues, Expenses and Changes in Net Assets (in thousands)

OPERATING REVENUES	
Student tuition and fees, net	$ 3,018
Federal grants and contracts	2,192
State grants and contracts	1,457
Sales and services of educational departments	414
Auxiliary enterprises	28
Other operating revenues	331
Total operating revenues	7,440
OPERATING EXPENSES	
Educational and General	10,419
Depreciation	689
Auxiliary enterprises	7
Total operating expenses	11,115
Operating loss	(3,675)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	4,083
Investment income	(160)
Other non-operating expenses	(51)
Net non-operating revenues	3,872
Increase in net assets	197
Net assets-beginning of year, as adjusted	15,106
Net assets-end of year	$ 15,303

OPERATING REVENUES

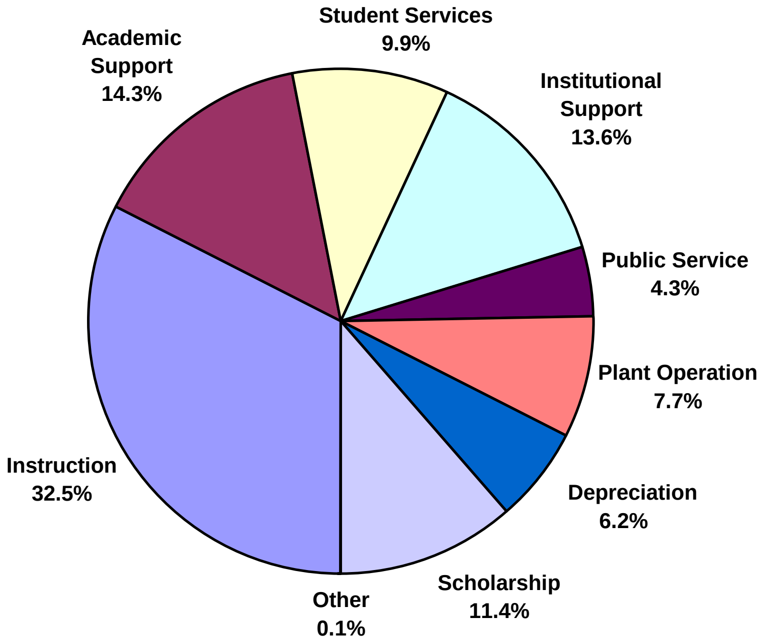


Total operating revenues were approximately $7.4 million for the year ended June 30, 2002. The most significant sources of operating revenue for the College are net student tuition and fees (40.6 percent), federal grants and contracts (29.5 percent) and state and local contracts (19.5 percent).

Tuition and fees continued to be the largest source of operating revenues for the College. It is important to note that tuition and fees appear net of scholarship allowances. This is a reporting change pursuant to GASB 35 that makes this category incomparable with previous years financial statements. Income from student tuition and fees before the deduction of scholarship allowances did increase by $839 thousand due to a 14.7 percent increase in full-time enrollment equivalent during the academic year and an average tuition and fee increase of 8 percent at the beginning of the fiscal year and 6 percent for spring quarter 2002.

The other significant recurring source of revenue essential to the operation of the College is state appropriations, which is considered non-operating revenue as defined by GASB 35. The College's state appropriation for the year ended June 30, 2002, amounted to $4.1 million. This represents a decrease of $294 thousand over the College's appropriation for the prior year.

OPERATING EXPENSES



Operating expenses totaled approximately $11.1 million. The majority of the College's operating funds are expended directly for the primary mission of the College – instruction (32.5 percent), academic support (14.3 percent), and institutional support (13.6 percent). For the year ended June 30, 2002, student financial aid related to tuition and fees totaled $1.3 million.

Statement of Cash Flows (in thousands)

Net cash provided (used) by:	
Operating activities	$ (2,948)
Noncapital financing activities	4,112
Capital financing activities	(799)
Investing activities	(160)
Net increase in cash	205
Cash-beginning of year	2,991
Cash-end of year	$ 3,196

The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the College during the period. The statement of cash flows also helps financial statement readers assess:

- the College's ability to generate future net cash flows,
- the College's ability to meet obligations as they become due and
- the College's need for external financing.

Major sources of funds included in operating activities are student tuition and fees ($3.1 million) and grants and contracts ($3.9 million). The largest cash payments for operating activities were to employees, for wages and benefits, ($4.6 million) and to suppliers and for utilities ($4.8 million).

The largest cash receipt in the non-capital financing activities group is the operating appropriation from the State of Ohio. Cash used by capital and related financing activities is primarily expended on the construction and acquisition of capital assets.

Capital Assets

Capital assets, net of accumulated depreciation, totaled approximately $11.7 million at June 30, 2002, a net decrease of $6.1 million from the prior year-end. Additions to capital assets during the year totaled $741 thousand and disposals totaled $217 thousand. Depreciation expense for the year ended June 30, 2002 totaled $689 thousand.

Debt

As of June 30, 2002 the college had debt outstanding of $231 thousand for the Child Development Center facility. This represents a decrease of $39 thousand from the previous year total of $270 thousand due to principal payments. The College utilizes State of Ohio capital appropriations along with private donations to minimize the need for external debt.

FACTORS IMPACTING FUTURE PERIODS

Central Ohio Technical College is determined to provide high quality and affordable education and be the key provider of a highly skilled workforce for regional employers. To accomplish these goals it has been imperative that the college be proactive in meeting growing enrollment at the same time being fiscally prepared due to the economic pressures being felt statewide. There has been and will be a direct relationship between the level of state support and the College's ability to control tuition growth, as declines in state appropriations often result in increased tuition rates.

Economic pressures affecting the State of Ohio resulted in a significant shortfall in revenue for the fiscal year ended June 30, 2002. This shortfall prompted the State to reduce the College's appropriations for the year by 6 percent. The Ohio Board of Regents has notified all campuses in the State to be prepared for a potential reduction of appropriation for fiscal year 2002-03. Although the college has been preparing for these possibilities it is still proceeding with caution.

Enrollment has continued to grow significantly in fiscal year 2003, and with the construction of the John Gilbert Reese Center, facilities are expanding to accommodate this growth. These are encouraging signs for a bright future. Our challenge is to accommodate this growth in a responsible, cost-effective manner.

CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statement of net assets of Central Ohio Technical College (the College) as of June 30, 2002 and the statements of revenue, expenses and changes in net assets and cash flows for the year then ended. 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 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 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 College, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the Financial Statements, the College adopted the provisions of the Governmental Accounting Standards Board Statement No. 35, "*Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*," as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The Management's Discussion and Analysis (MD&A) on pages 1 to 6 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it.

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS	
Current Assets	
Cash and cash equivalents	$ 3,195,600
Accounts receivable	
Ohio State University	211,107
Intergovernmental grants	455,064
Other, net of allowance of $135,846	798,807
Other current assets	103,565
Total current assets	4,764,143
Noncurrent Assets	
Endowment investments	1,582,215
Capital assets, net	11,710,227
Total noncurrent assets	13,292,442
Total assets	18,056,585
LIABILITIES	
Current Liabilities	
Accounts payable	234,029
Accrued liabilities	694,750
Deferred revenue	1,051,744
Current portion of long-term debt	41,964
Total current liabilities	2,022,487
Noncurrent Liabilities	
Accrued liabilities	541,919
Long-term debt	189,384
Total noncurrent liabilities	731,303
Total liabilities	2,753,790
NET ASSETS	
Invested in capital assets, net of related debt	11,275,914
Restricted	
Nonexpendable	
Scholarships, fellowships, and research	887,435
Expendable	
Scholarships, fellowships, and research	743,141
Unrestricted	2,396,305
Total net assets	$ 15,302,795

See accompanying notes to financial statements

CENTRAL OHIO TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
JUNE 30, 2002

REVENUES	
Operating Revenues	
Tuition and fees (net of scholarship allowances of $1,302,493)	$ 3,017,979
Federal grants and contracts	2,191,773
Private, state and local gifts, grants and contracts	1,457,255
Sales and services of educational departments	414,243
Auxillary enterprises	27,380
Other operating revenues	331,191
Total operating revenues	7,439,821
EXPENSES	
Operating Expenses	
Educational and general	
Instructional	3,615,769
Public service	477,834
Academic support	1,595,260
Student services	1,105,701
Institutional support	1,506,974
Operation and maintenance of plant	855,538
Depreciation expense	688,753
Student scholarships and financial aid	1,261,920
Auxiliary enterprises	7,276
Total operating expenses	11,115,025
Operating loss	(3,675,204)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	4,082,786
Nongovernmental grants and contracts	29,242
Investment income (loss)	(160,022)
Interest on indebtedness	(18,571)
Other expenses	(61,878)
Net nonoperating revenues	3,871,557
Increase in net assets	196,353
NET ASSETS	
Net assets at beginning of year	21,776,684
Cumulative effect change in accounting principle	(6,670,242)
Net assets- beginning of year (as adjusted)	15,106,442
Net assets- end of year	$ 15,302,795

See accompanying notes to financial statements

CENTRAL OHIO TECHNCIAL COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 3,068,198
Grants, gifts and contracts	3,878,090
Payments to suppliers	(4,654,281)
Payments for utilities	(194,572)
Payments to employees	(3,072,019)
Payments for benefits	(1,526,371)
Payments for scholarships and fellowhips	(1,261,920)
Auxillary enterprise receipts	27,380
Sales and service	213,054
Other resources	331,191
Net cash from operating activities	(3,191,250)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	4,082,786
Gifts and grants other than capital	29,240
Net cash from noncapital financing activities	4,112,026
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases on capital assets	(741,240)
Principal paid on capital debt	(39,378)
Interest on capital assets related debt	(18,571)
Net cash from financing activities	(799,189)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	83,020
Net cash from investing activities	83,020
NET INCREASE IN CASH	204,607
CASH AND CASH EQUIVALENTS, beginning of year	2,990,993
CASH AND CASH EQUIVALENTS, end of year	$ 3,195,600

RECONCILIATION OF NET OPERATING LOSS TO
NET CASH PROVIDED FROM OPERATING ACTIVITIES

Operating loss	$ (3,675,204)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	688,753
Changes in assets and liabilities	
Receivables, net	(234,473)
Prepaids	(25,032)
Accounts payable	(183,021)
Accrued liabilities	(89,032)
Deferred revenue	326,759
Net cash from operating activities	$ (3,191,250)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

b. 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). Effective July 1, 2001, the College adopted GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis —for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
  Nonexpendable — Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

Beginning of the year fund balances have been restated to reflect the applications of the provisions of GASB 35, as follows:

Combined fund balances, as previously reported	$ 21,776,684
Accumulated depreciation, beginning of the year	(6,560,667)
Other, net	(109,575)
Total cumulative effect of accounting change for GASB Statement No. 35	(6,670,242)
Combined fund balances, restated as net assets	$ 15,106,442

c. 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). BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

d. 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 with a unit cost of $2,500 or more and having an estimated useful life of greater than one year, is 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.

e. Investments

Investments are stated at fair value.

f. Cost Sharing between Related Parties

The College shares campus facilities and staff, including senior administration with The Ohio State University - Newark Campus. Jointly incurred costs are allocated between the institutions by use of a formula based on student enrollment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Deferred Revenue

Deferred revenue consists primarily of summer school fees. The College has deferred amounts received for tuition and fees prior to June 30, 2002, but relate to the subsequent accounting period.

h. 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.

i. Operating Activities

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

j. 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.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The balance sheet classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable securities with original maturities less than thee months. At June 30, 2002 the carrying amount of the College's deposits was $3,195,600 with a corresponding total bank balance of $3,200,638. Of the bank balances, all amounts in excess of the amount covered by the Federal Depository Insurance Corporation were covered by collateral held by a qualified third party trustee in the name of the College.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The College's investments as of June 30, 2002 were categorized under the following:

Category 1: Insured or registered, or securities held by the University or its agent in the College's name.
Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the College's name.
Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the College's name.

Endowment Fund investments are categorized for the year ended June 30, 2002 as follows:

	Risk Category 1	Risk Category 2	Risk Category 3	Cost	Market Value
Cash	$ 22,633			$ 22,633	$ 22,633
Equity mutual funds	1,035,888			1,035,888	1,036,715
Government bonds and notes	99,551			99,551	102,188
Corporate bonds and notes	398,473			398,473	420,679
Total	$ 1,556,545			$ 1,556,545	$ 1,582,215

NOTE 3 - CAPITAL ASSETS, NET

Capital assets as of June 30, 2002 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Cost				
Buildings	$ 13,036,174			$ 13,036,174
Leasehold Improvements	21,071			21,071
Equipment, furniture, and library books	4,839,635	$ 368,793	$ 217,286	4,991,142
Construction in progress	321,527	372,447		693,974
	18,218,407	741,240	217,286	18,742,361
Accumulated Depreciation				
Buildings	2,728,058	325,904		3,053,962
Leasehold Improvements	8,424	2,107		10,531
Equipment, Furniture, and library books	3,824,185	360,742	217,286	3,967,641
	6,560,667	688,753	217,286	7,032,134
Capital assets, net	$ 11,657,740	$ 52,487	$ --	$ 11,710,227

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at of June 30, 2002 are as follows:

Payable to vendors and contractors	$ 234,029
Accrued expenses, primarily payroll and vacation leave	1,136,487
Employee withholdings and deposits payable to third parties	100,182
	$ 1,470,698
Current portion	$ 928,779
Long term portion	541,919

NOTE 5 – LONG-TERM DEBT

Long-term debt at June 30, 2002, consists of a mortgage note payable to bank, totaling $231,348 with interest at prime, due April 2007. It is collateralized by the Child Care Facility.

	Balance 7/1/01	Reductions	Balance 6/30/02	Current Portion	Noncurrent Portion
Mortgage Note	$270,726	$ 39,378	$231,348	$41,964	$189,384

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

Year Ending	Principal	Interest	Total
2003	$ 41,964	$ 17,990	$ 59,954
2004	45,673	14,281	59,954
2005	49,710	10,244	59,954
2006	54,104	5,850	59,954
2007	39,897	1,272	41,169
	$ 231,348	$ 49,637	$ 280,985

Interest expense for the year ended June 30, 2002 was $18,571.

NOTE 6 – LEASE COMMITMENTS

The College leases certain office equipment and a vehicle under operating leases. The following summarizes the approximate future minimum rental payments required under operating leases as of June 30, 2002:

2003	$ 137,487
2004	131,720
2005	131,720
2006	130,971
2007	105,218
Thereafter	178,333
	$ 815,449

Rent expense was $104,626 for the year ended June 30, 2002.

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

The College entered into a lease agreement for classroom space beginning December 1, 2002. The lease term ends November 1, 2007. Future minimum rental payments required under this lease are as follows:

2003	$ 90,588
2004	95,077
2005	52,064
2006	52,064
2007	52,064
Thereafter	21,693
	$ 363,550

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES

The College participates in the State Teachers' Retirement System (STRS) and the Public Employees' Retirement System (PERS) retirement plans for academic and nonacademic personnel.

a. Public Employees' Retirement System

The College contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the Public Employees Retirement Board upon recommendations of its consulting actuary, not to exceed statutory maximums. Contribution requirements for the fiscal years ended June 30, 2002, 2001, and 2000 were 8.5% of covered payroll for employees and 13.31% for employers. The payroll for employees covered by the System for the years ended June 30, 2002, 2001 and 2000 were approximately $2,292,000, $2,368,000, and $2,212,000, respectively. Employer contributions by the College were $304,160, $262,784 and $294,402 for the years ending June 30, 2002, 2001, and 2000, respectively.

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

b. State Teachers' Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of the “formula benefit” or the “money purchase benefit” calculation.

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is determined by multiplying final average salary by 2.5% for each year of Ohio contributing service in excess of 30 years and by 2.1% for all other years of credited service up to a maximum allowance of 100% of final average salary.

Under the "money-purchase benefit"' calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculties, with less than five years of service credit, have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their hire date to select a retirement plan.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost of living increases, up to a maximum of 3% of the original benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years of credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of $1,000 or $2,000 can be purchased. Various other benefits are available to the beneficiaries.

Benefits are established by Chapter 3307 of the Revised Code, which provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

NOTE 7 - PENSION PLANS AND ACCRUED COMPENSATED ABSENCES (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 (date of most recent information available), were 9.3% of covered payroll for members and 14% for employers. Employer contributions by the College were $385,088, $367,338, and $393,589 for the years ended June 30, 2002, 2001 and 2000, respectively.

The amount of the employer's covered payroll for the years ended June 30, 2002, 2001 and 2000 was approximately $2,751,000, $2,695,000 and $2,818,000, respectively.

STRS issues a stand-alone financial report. That report may be obtained after January 1, 2002 by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

c. Alternative Retirement Plan

The State of Ohio requires public institutions of higher education to offer an alternative retirement plan. This option is an alternate to participating in the State Teachers Retirement System. The alternative retirement plan shall be a defined-contribution plan, with the Ohio employer contribution rate of 5.76%. The College has implemented the alternative retirement plan. In fiscal year 2002, the employer match was $45,373.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the pension benefits described in Note 7, the College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers' Retirement System and to retired non-certified employees and their dependents through the Public Employees' Retirement System.

The State Teachers Retirement System provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (RC), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. Employee and employer contributions for STRS were $257,279 and $426,247, respectively, for the year ended June 30, 2002.

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

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - (Continued)

The board currently allocates employer contributions equal to 8.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are made. The balance in the Health Care Reserve Fund was $3.42 billion at June 30, 2001 (the date of the most recent information available). The Health Care Reserve Fund allocation for the year ended June 30, 2001 and after will be 4.5% of covered payroll. The net health care costs paid by STRS were $283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives PERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium. Employee and employer contributions for PERS were $194,239 and $304,159, respectively, for the year ended June 30, 2002.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001 (the date of the most recent information available), the allocation rate was 8.45%. In addition, PERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001 (the date of the most recent information available), the minimum pay was established as $12,400. The surcharge, added to the unallocated portion of the 14% employer-contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the date of the most recent information available) were $161,400,000 and the target level was $211 million. At June 30, 2001 (the date of the most recent information available), the PERS' net assets available for payment of health care benefits was $315.7 million.

The number of participants currently receiving health care benefits is approximately 59,000.

The employer contributions used to fund post-employment benefits can be determined by multiplying actual employer contributions by .450, then adding the surcharge due as of June 30, 2001, as certified by PERS for our district.

NOTE 9 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2002:

Salaries and wages	$ 5,352,963
Employee benefits	1,444,147
Student scholarships and financial aid	1,261,920
Other	827,813
Depreciation	688,753
Professional Services	488,237
Minor Equipment	294,518
Advertising	279,551
Supplies	273,660
Utilities	203,463
	$ 11,115,025

NOTE 10 - 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 and omissions, injuries to employees and natural disasters. The College contracts with Utica National Insurance Company for property and general liability insurance, including boiler and machinery coverage.

Vehicles are covered by Utica National Insurance Company and hold a $250 deductible. Automobile liability coverage has a $1,000,000 limit. Settled claims have not exceeded any aforementioned commercial coverage in any of the past four years.

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.

Central Ohio Technical College obtains hospitalization coverage for its employee though the Ohio State University. The carrier for the hospitalization coverage is Central Benefits, 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 operations.

SUPPLEMENTARY INFORMATION

CENTRAL OHIO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2002

Federal Grantor Agency / Pass-Through Agency / Grant Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
United States Department of Education			
Student Financial Aid Cluster:			
Federal Family Education Loans (Note 2)	84.032		$ 3,136,353
Pell Grant	84.063		1,765,846
Federal Supplemental Education Opportunity Grant	84.007		94,266
Federal Work Study	84.033		88,312
Total Student Financial Aid			5,084,777
Passed Through State Department of Education:			
Perkins Grant	84.048	06507820-C2	65,341
Technical Preparation Grant	84.243	0650783E-00	295,341
			360,682
Total U.S. Department of Education			5,445,459
United States Department of Agriculture / by Ohio State Department of Education			
Child and Adult Care Food Program	10.558	9769916-CC / 21-MC	19,862
Total Federal Awards			$ 5,465,321

See accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the 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 may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – OUTSTANDING LOANS

The College originates but does not provide funding for Federal Family Education Loans. The amount presented represents the value of new Federal Family Education Loans processed by the government during the year ended June 30, 2002.

1. Summary of Auditor's Results

   a. An unqualified opinion was issued on the financial statements of Central Ohio Technical College for the year ended June 30, 2002.

   b. An unqualified opinion was issued to Central Ohio Technical College for compliance with major programs.

   c. The audit did not disclose any noncompliance that is material to the financial statements.

   d. There were no audit findings required to be disclosed under OMB Circular A-133 Section 510(a).

   e. Major programs identified:

      Student Financial Aid Cluster:
      Federal Supplemental Educational Opportunity Grant
      Federal Work Study
      Pell Grant
      Federal Family Education Loan

   f. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

   g. The auditee was considered a low-risk auditee.

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

   None.

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

   None.

PRIOR YEAR FINDINGS

No findings or questioned costs for federal awards, including audit findings as defined in OMB Circular A-133 Section 510(a), were reported in the prior audit period.

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

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

We have audited the financial statements of Central Ohio Technical College (College) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our report noted that the College adopted provisions of Governmental Accounting Standards Board Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities", as of July 1, 2001.

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 operation that we consider material weaknesses.

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

Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

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

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

Compliance

We have audited the compliance of Central Ohio Technical College (College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

Crowe, Chizek and Company LLP

Columbus, Ohio
October 11, 2002

Auditor of State
Betty Montgomery

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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
NOVEMBER 13, 2003