NORTH CENTRAL STATE COLLEGE

INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of North Central State College, Richland County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 to June 30, 2001. 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. North Central State College is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 19, 2001

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NORTH CENTRAL STATE COLLEGE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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 (the College), as of and for the year ended June 30, 2001, 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 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 North Central State College, as of June 30, 2001, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, the College adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2001 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.

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

September 27, 2001

FINANCIAL STATEMENTS

North Central State College
Balance Sheet
June 30, 2001

ASSETS	
Current Funds:	
Unrestricted:	
Cash and Cash Equivalents	$1,486,067
Accounts Receivable, Less Allowance of $86,936	1,655,003
Prepaid Expenses	14,936
Due from Other Funds	1,099,565
Total Unrestricted	4,255,571
Restricted:	
Cash	178,840
Due from Federal and State Governments	757,787
Deferred Expense	341,778
Total Restricted	1,278,405
Total Current Funds	$5,533,976
Loan Fund:	
Cash	$7,208
Total Loan Fund	$7,208
Plant Funds:	
Unexpended:	
Cash Equivalents	$345,553
Due from Other funds	561,000
Total Unexpended	906,553
Investment in Plant:	
Land, Buildings and Improvements	18,027,447
Equipment	3,456,100
Total Investment in Plant	21,483,547
Total Plant Funds	$22,390,100

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

North Central State College
Balance Sheet
June 30, 2001

LIABILITIES AND FUND BALANCES

Current Funds:	
Unrestricted:	
Accounts Payable	$408,888
Bookstore Chargebacks	40,262
Accrued Salaries and Withholdings	333,841
Accrued Compensated Absences	475,734
Deferred Income	1,367,935
Due to Other Funds	561,000
Fund Balance - Unrestricted	1,067,911
Total Unrestricted	4,255,571
Restricted:	
Due to Other Funds	1,099,565
Accounts Payable	2,400
Due to Grantors	89,549
Fund Balance - Restricted	86,891
Total Restricted	1,278,405
Total Current Funds	$5,533,976
Loan Fund:	
Fund Balance - Perkins Loans	$7,208
Total Loan Fund	$7,208
Plant Funds:	
Unexpended:	
Note Payable	$561,000
Fund Balance - Unexpended	345,553
Total Unexpended	906,553
Investment in Plant:	
Bonds Payable	382,133
Capital Lease Obligations	362,346
Net Investment in Plant	20,739,068
Total Investment in Plant	21,483,547
Total Plant Funds	$22,390,100

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, 2001

	Unrestricted Educational and General	Restricted Educational and General	Total Current Funds
REVENUES AND OTHER ADDITIONS:			
Current Fund Revenues	$14,003,590	$0	$14,003,590
State Appropriations	0	0	0
Federal Grants and Contracts	0	2,834,500	2,834,500
State Grants and Contracts	0	1,010,639	1,010,639
Private Gifts, Grants and Contracts	0	126,106	126,106
Expended for Plant Facilities - Including $44,698 Charged to Current Funds Expenditures	0	0	0
Retirement of Indebtedness	0	0	0
Total Revenues and Other Additions	14,003,590	3,971,245	17,974,835
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and General Expenditures	13,890,982	3,985,634	17,876,616
Interest on Indebtedness	0	0	0
Indirect Cost Recovered	0	92,797	92,797
Return to Grantors	0	89,549	89,549
Retirement of Indebtedness	0	0	0
Expended for Plant Facilities	0	0	0
Disposal of Plant Facilities	0	0	0
Total Expenditures and Other Deductions	13,890,982	4,167,980	18,058,962
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS):			
Non-Mandatory Transfers - In	125,415	0	125,415
Non-Mandatory Transfers - Out	(1,567,502)	0	(1,567,502)
Mandatory Transfers:			
Debt Service Principal and Interest	(213,754)	0	(213,754)
Total Transfers Among Funds - Additions/(Deductions)	(1,655,841)	0	(1,655,841)
Net Increase/(Decrease) for the Fiscal Year	(1,543,233)	(196,735)	(1,739,968)
Fund Balances at Beginning of Fiscal Year	2,611,144	283,626	2,894,770
Fund Balances at End of Fiscal Year	$1,067,911	$86,891	$1,154,802

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

	Plant Funds		
Loan Fund	Unexpended	Retirement of Indebtedness	Investment In Plant
$0	$0	$0	$0
0	141,790	0	0
0	0	0	0
0	0	0	0
0	1,000,492	0	0
0	0	0	2,551,683
0	0	0	157,342
0	1,142,282	0	2,709,025
62	0	0	0
0	0	57,045	0
0	0	0	0
0	0	0	0
0	0	156,709	0
0	2,567,994	0	0
0	0	0	42,008
62	2,567,994	213,754	42,008
0	1,567,502	0	0
0	(125,415)	0	0
0	0	213,754	0
0	1,442,087	213,754	0
(62)	16,375	0	2,667,017
7,270	329,178	0	18,072,051
$7,208	$345,553	$0	$20,739,068

North Central State College
Statement of Current Funds Revenues, Expenditures and Other Changes
For the Fiscal Year Ended June 30, 2001

	Unrestricted Educational and General	Restricted Educational and General	Total Current Funds
REVENUES:			
Tuition, Fees and Other Student Charges	$4,601,278	$0	$4,601,278
State Appropriations	7,549,845	130,145	7,679,990
Federal Grants and Contracts	96,508	2,925,531	3,022,039
State Grants and Contracts	141,957	802,432	944,389
Local Grants and Contracts	42,086	5,327	47,413
Private Gifts, Grants and Contracts	845,162	122,199	967,361
Sales and Services	422,576	0	422,576
Other Sources	304,178	0	304,178
Total Revenues	14,003,590	3,985,634	17,989,224
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction	5,457,445	383,612	5,841,057
Academic Support	1,048,995	149,543	1,198,538
Student Services	1,106,244	0	1,106,244
Institutional Support	3,251,511	201,811	3,453,322
Operation and Maintenance of Plant	1,979,384	109,555	2,088,939
Student Aid and Scholarships	201,328	1,999,848	2,201,176
Public Service	846,075	1,141,265	1,987,340
Total Educational and General Expenditures	13,890,982	3,985,634	17,876,616
Mandatory Transfers for:			
Debt Service Principal	156,709	0	156,709
Debt Service Interest	57,045	0	57,045
Total Expenditures and Mandatory Transfers	14,104,736	3,985,634	18,090,370
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS):			
Return to Grantors	0	(89,549)	(89,549)
Indirect Cost Recovered	0	(92,797)	(92,797)
Non-Mandatory Transfers - In	125,415	0	125,415
Non-Mandatory Transfers - Out	(1,567,502)	0	(1,567,502)
Excess of Restricted Receipts Over Transfers to Revenue	0	(14,389)	(14,389)
Total Other Transfers and Additions/Deductions	(1,442,087)	(196,735)	(1,638,822)
Net Increase in Fund Balances	($1,543,233)	($196,735)	($1,739,968)

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

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.

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 2001, investments were limited to STAR Ohio. These investments are reported as cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investment in Plant – Land, buildings, improvements and equipment are stated at original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated land, buildings, improvements and equipment are capitalized at estimated fair market value on the date of the gift. Depreciation on physical plant and equipment is not recorded.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets consisting of sidewalks, parking lots, lighting systems and signage are not capitalized or reported, as these assets are immovable and of value only to the College.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

H. 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. Cash on Hand

At June 30, 2001, the College had $2,030 in undeposited cash on hand which is reported as cash on the Balance Sheet.

2. CASH AND CASH EQUIVALENTS (continued)

C. Deposits

At June 30, 2001, the reported amount of the College's deposits was $519,930 and the bank balance was $999,478. Of the bank balance, $128,676 was covered by federal depository insurance and $870,802 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 its trust department or agent 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.

D. Investments

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year ended June 30, 2001. 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, 2001. At June 30, 2001, the fair value of STAR Ohio was $1,495,708. 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.

3. STATE SUPPORT (continued)

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. PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in property, plant and equipment during fiscal year 2001 follows:

	Balance 07/01/2000	Additions	Deletions	Balance 06/30/2001
Land, Buildings and Improvements	$15,520,453	$2,506,994	$0	$18,027,447
Equipment	3,254,811	243,297	(42,008)	3,456,100
Total	$18,775,264	$2,750,291	$(42,008)	$21,483,547

5. 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).

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS), which is a cost-sharing, multiple employer defined benefit pension plan. 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 age may retire. The maximum annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. 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 calculated by using a base percentage of 2.1 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached.

5. DEFINED BENEFIT PENSION PLANS (continued)

Legislation passed in April, 2000 with a July, 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2 percent from 2.1 percent per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5 percent for the 31^{st} year, 2.6 percent for the 32^{nd} year, 2.7 percent for the 33^{rd} year, etc. until 100 percent of final average salary is reached.

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 the College may choose to enroll in either STRS or an alternative retirement plan (ARP) offered by the College. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS. Employees hired after the ARP is established have 90 days from their employment 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 employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount 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 three percent of the original base 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' 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 members' beneficiaries.

Benefits are established and may be amended by Chapter 3307, Revised Code.

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

5. DEFINED BENEFIT PENSION PLANS (continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. The College's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were $424,289, $266,784 and $266,380, respectively, equal to the required contributions for each fiscal year.

STRS issues a stand-alone financial report. Copies of STRS' 2000 *Comprehensive Annual Financial Report* will be available after January 1, 2001, and can be requested by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3371, or by calling (614)227-4090.

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 2001, 5.55 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, 2001, 2000 and 1999 were $176,072, $217,548 and $250,744, respectively, equal to the required contributions for each fiscal year.

6. 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). Coverage includes hospitalization, physicians' fees, prescription drugs and partial 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.

6. POSTEMPLOYMENT BENEFITS (continued)

Pursuant to the Ohio Revised Code, the State Teachers Retirement 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. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled $200,979 during fiscal 2001.

The balance in the Health Care Reserve Fund was $3.419 billion at June 30, 2000 (latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000, and STRS had 99,011 eligible benefit recipients statewide.

The Ohio Revised Code gives SERS discretionary authority to provide postretirement health care. 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.

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 allocation rate is 8.45%. 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 2000 (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, 2000 (the latest information available), were $140,696,340 and the target level was $211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of $252.3 million. SERS has approximately 50,000 benefit recipients statewide currently receiving health care benefits. For the College, the amount to fund health care benefits, including the surcharge, equaled $268,075 during the 2001 fiscal year.

7. BONDS PAYABLE

Bonds payable at June 30, 2001 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 $43,147 in fiscal year 2001 on principal for a total annual installment of $96,552; bearing interest at 7.0%; final payment due June 1, 2015 but expected to be paid off in fiscal year 2007.

7. BONDS PAYABLE (continued)

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

Maturity of outstanding debt, excluding interest payments of $87,549, is as follows:

Fiscal Year Ending June 30,	Amount
2002	$63,251
2003	67,678
2004	72,416
2005	77,485
2006	82,909
2007	18,394
Total	$382,133

8. LEASES

In December, 1996, 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 fiscal year 2004.

In July, 2000, the College entered into a capital lease agreement for the purchase of a new phone system. The lease requires monthly principal and interest payments of $3,855 through fiscal year 2005.

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

2002	$109,882
2003	109,882
2004	109,882
2005	78,252
Total	407,898
Less amount representing interest	(45,552)
Net capital lease obligations	$362,346

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:

2002	$205,859
2003	176,767
2004	166,038
2005	108,011
2006	74,650
Total	$731,325

9. CONTINGENCIES

A. 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.

B. Litigation

The College is currently not a party to any legal proceedings.

10. 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. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

11. 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, 2001 financial statements. At June 30, 2001, the total net assets of the Foundation, not included in the financial statements of the College, were $1,864,497.

12. NEW ACCOUNTING PRONOUNCEMENTS

For fiscal year 2001, the College has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”. This change in accounting principles had no effect on fund balances as stated as of July 1, 2000.

In November, 1999, GASB issued Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34”. As originally issued, Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” was not applicable to public institutions. Rather than issuing separate standards, GASB decided to provide financial reporting guidance for public institutions by amending Statement No. 34 to extend its applicability to them. Statement No. 35 supersedes GASB Statement No. 15, which currently allows public institutions to choose one of two models when reporting their financial statements – the model contained in the 1973 American Institute of Certified Public Accountants (AICPA) Industry Guide, Audits of Colleges and Universities (AICPA College Guide model), or the governmental model. The College must implement GASB Statement No. 35 no later than for the year ending June 30, 2003.

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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 (the College), as of and for the year ended June 30, 2001, and have issued our report thereon dated September 27, 2001. 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.

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*. However, we noted a certain immaterial instance of noncompliance, which we have reported to management of the College in separate letter dated September 27, 2001.

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.

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.

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

September 27, 2001

GARY B. FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

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 (the 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, 2001. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2001.

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

September 27, 2001

North Central State College
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
U.S. Department of Education				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	----	$90,446	$106,319
Federal Supplemental Educational Opportunity Grants	84.007	----	77,731	109,765
Federal Family Education Loans	84.032	----	1,581,563	1,581,563
Federal Pell Grant Program	84.063	----	1,233,087	1,688,002
Total Student Financial Assistance Programs Cluster			2,982,827	3,485,649
Passed Through Ohio Department of Education:				
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	VECPII-P2001-505	97,249	114,866
Vocational Education - Basic Grants to States (Perkins Basic Grant)	84.048	063354-20-C2-2000	11,751	28,001
Total Vocational Education			109,000	142,867
Tech-Prep Education	84.243	VETP-2001-06-A2	106,560	125,364
Tech-Prep Education	84.243	VETP-2001-06-IT	1,339	11,209
Tech-Prep Education	84.243	VETP-2001-06-FBI	100,130	159,143
Tech-Prep Education	84.243	VETP-2000-06-NWMKT	4,253	0
Tech-Prep Education	84.243	VETP-2000-06-IT	0	48,000
Tech-Prep Education	84.243	VETP-2000-06-S	18,404	25,315
Total Tech-Prep Education			230,686	369,031
Total U.S. Department of Education			3,322,513	3,997,547
U.S. Department of Health and Human Services				
Head Start	93.600	05YC0061/02	91,481	62,256
Head Start	93.600	05YC0061/03	268,278	306,778
Total Head Start			359,759	369,034
Passed Through Richland County Department of Job and Family Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	----	4,339	4,339
Temporary Assistance for Needy Families (Success in Proficiency)	93.558	525	117,225	140,514
Total U.S. Department of Health and Human Services			481,323	513,887
U.S. Small Business Administration				
Passed Through Ohio Department of Development:				
Small Business Development Center	59.037	56330	96,508	96,508
Total U.S. Small Business Administration			96,508	96,508
U.S. Department of Labor				
Passed Through Ohio Department of Job and Family Services:				
Trade Adjustment Assistance-Workers	17.245	70502	46,031	46,031
Total U.S. Department of Labor			46,031	46,031
U.S. Department of Agriculture				
Passed Through Ohio Department of Education:				
Child and Adult Care Food Program	10.558	120956-16-CC-2001	1,726	1,726
Child and Adult Care Food Program	10.558	120956-16-CC-2000	223	223
Child and Adult Care Food Program	10.558	120956-21-ML-2001	18,889	18,889
Child and Adult Care Food Program	10.558	120956-21-ML-2000	2,380	2,380
Total U.S. Department of Agriculture			23,218	23,218
Total Federal Assistance			$3,969,593	$4,677,191

The notes to this Schedule are an integral part of this Schedule.

NORTH CENTRAL STATE COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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 $27,390 as of June 30, 2001.

NORTH CENTRAL STATE COLLEGE

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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, 2001
(CONTINUED)

(d)(1)(vii)	Major Programs:	Tech-Prep Education, CFDA #84.243 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 Loans, 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

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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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
NOVEMBER 27, 2001