

Belmont Technical College

Audited Financial Statements

June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Belmont Technical College
120 Fox-Shannon Place
St. Clairsville, Ohio 43950

We have reviewed the Independent Auditor's Report of Belmont Technical College, Belmont County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. 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. Belmont Technical College is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 3, 2005

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**BELMONT TECHNICAL COLLEGE
ST CLAIRSVILLE, OHIO**

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November 15, 2004

The Board of Trustees
Belmont Technical College
120 Fox-Shannon Place
St. Clairsville, Ohio 43950

Independent Auditor's Report

We have audited the accompanying basic financial statements of Belmont Technical College (the College), Belmont County, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic 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 the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Belmont Technical College as of June 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2004 on our consideration of Belmont Technical 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.

The Management Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

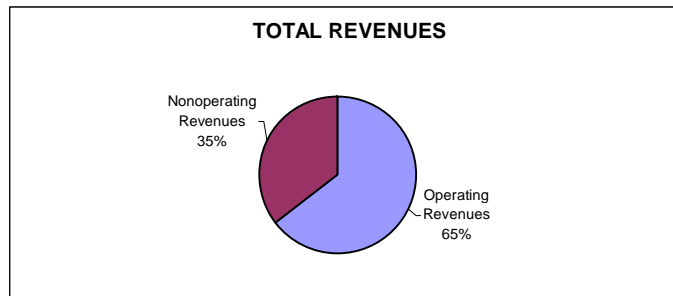
**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004**

The discussion and analysis of Belmont Technical College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2004. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Belmont Technical College.

Financial Highlights

Belmont Technical College's financial position, as a whole, improved during the fiscal year ending June 30, 2004. Its combined net assets increased \$1,277,639 or 11.8% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2004:



In the fiscal year ending June 30, 2004, revenues and other support exceeded expenses, creating the increase in net assets of \$1,277,639 (compared to a \$955,886 increase last year).

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on the College as a whole and presents a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

- **Primary Institution (College):** Most of the programs and services generally associated with a university fall into this category, including instruction, research, public service, and support services. There are no component units.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is, "Is Belmont Technical College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Belmont Technical College's operating results.

These two statements report Belmont Technical College's net assets and changes in them. Belmont Technical College's net asset amount – the difference between assets and liabilities – is one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving. However, several non-financial factors are relevant as well, such as the trend and quality of applicants, freshman class size, student retention, building condition, and campus safety, to assess the overall health of the College.

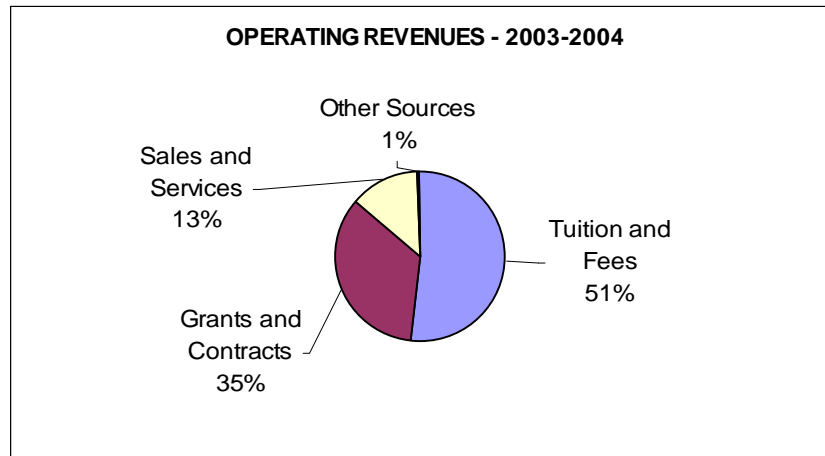
These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004**

Net Assets - FY 2004 Versus FY 2003

	6/30/2004	6/30/2003	Change
<u>ASSETS</u>			
<i>Current Assets:</i>			
Cash equivalents	\$ 1,114,845	\$ 962,190	\$ 152,655
Investments	5,775,647	4,934,597	841,050
Interest receivable	126,514	136,092	(9,578)
Accounts receivable, net	1,446,626	1,316,379	130,247
EDPS Funds receivable	26,828	18,776	8,052
Supplies inventory, at cost	116,728	159,392	(42,664)
Prepaid Expenses	46,249	0	46,249
Total current assets	8,653,437	7,527,426	1,126,011
<i>Noncurrent Assets:</i>			
Restricted cash and cash equivalents	14,106	17,907	(3,801)
Restricted investments	88,174	89,162	(988)
Capital assets, net of accumulated depreciation	4,837,902	4,830,892	7,010
Total noncurrent assets	4,940,182	4,937,961	2,221
TOTAL ASSETS	\$ 13,593,619	\$ 12,465,387	\$ 1,128,232
<u>LIABILITIES</u>			
<i>Current Liabilities:</i>			
Accrued liabilities	\$ 396,302	\$ 362,130	\$ 34,172
Accrued vacation/sick leave	210,859	185,359	25,500
Capital lease	33,621	31,199	2,422
Deferred fees income	711,859	900,475	(188,616)
Total current liabilities	1,352,641	1,479,163	(126,522)
<i>Noncurrent Liabilities:</i>			
Capital lease	33,107	66,728	(33,621)
Accrued vacation/sick leave	135,044	124,308	10,736
Total noncurrent liabilities	168,151	191,036	(22,885)
TOTAL LIABILITIES	1,520,792	1,670,199	(149,407)
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,771,174	4,732,965	38,209
Restricted:			
<i>Nonexpendable:</i>			
Scholarships	56,160	56,160	0
<i>Expendable:</i>			
Scholarships	68,273	69,706	(1,433)
Instructional Department uses	271,139	167,128	104,011
Capital projects	1,450,319	1,094,250	356,069
Unrestricted	5,455,762	4,674,979	780,783
Total net assets	12,072,827	10,795,188	1,277,639
TOTAL LIABILITIES AND NET ASSETS	\$ 13,593,619	\$ 12,465,387	\$ 1,128,232

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004**



Operating Results for the Year - FY 2004 Versus FY 2003

	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>Change</u>
Operating Revenues			
Tuition and fees	\$ 4,437,881	\$ 3,940,760	\$ 497,121
Grants and contracts	2,986,499	2,928,804	57,695
Auxiliary services	1,118,072	919,956	198,116
Other	58,566	58,810	(244)
Total operating revenues	<u>8,601,018</u>	<u>7,848,330</u>	<u>752,688</u>
Operating Expenses			
Instructional	3,728,378	3,538,155	190,223
Public service	109,702	114,877	(5,175)
Academic support	1,287,805	1,171,196	116,609
Student services	942,140	913,543	28,597
Institutional support	1,837,319	1,735,925	101,394
Operation and maintenance of plant	892,901	954,686	(61,785)
Depreciation	220,714	224,240	(3,526)
Scholarships and grants	2,653,416	2,496,510	156,906
Auxiliary Enterprises	914,635	776,405	138,230
Total operating expenses	<u>12,587,010</u>	<u>11,925,537</u>	<u>661,473</u>
Net operating revenues (expenses)	<u>(3,985,992)</u>	<u>(4,077,207)</u>	<u>91,215</u>
Nonoperating Revenues			
State Appropriations	4,585,603	4,571,388	14,215
Other nonoperating revenues	130,801	198,835	(68,034)
Net nonoperating revenues	<u>4,716,404</u>	<u>4,770,223</u>	<u>(53,819)</u>
Income before other revenues	730,412	693,016	37,396
Capital appropriations	547,227	262,870	284,357
Increase in net assets	<u>1,277,639</u>	<u>955,886</u>	<u>321,753</u>
Net Assets, beginning of year, restated	<u>10,795,188</u>	<u>9,839,302</u>	<u>955,886</u>
Net Assets, end of year	<u>\$ 12,072,827</u>	<u>\$ 10,795,188</u>	<u>\$ 1,277,639</u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004**

The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps user assess:

- an entity's ability to generate future net cash flows
- its ability to meet its obligations as they come due
- its need for external financing

Cash Flows - FY2004 Versus FY 2003

	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>Change</u>
Cash provided (used) by:			
Operating activities	\$ (4,025,370)	\$ (3,986,166)	\$ (39,204)
Noncapital financing activities	4,624,564	4,597,453	27,111
Capital and related financing activities	282,018	194,622	87,396
Investing activities	(732,358)	(351,338)	(381,020)
Net increase (decrease) in cash	148,854	454,571	(305,717)
			0
Cash, beginning of year	<u>980,097</u>	<u>525,526</u>	<u>454,571</u>
Cash, end of year	<u><u>\$ 1,128,951</u></u>	<u><u>\$ 980,097</u></u>	<u><u>\$ 148,854</u></u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004**

Capital and Debt Administration

Capital Assets

At June 30, 2004, the College had some \$4,837,902 invested in capital assets, net of accumulated depreciation of \$4,593,398. Depreciation charges totaled \$220,714 for the current fiscal year. Details of these assets for the two years are shown below:

	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>Change</u>
Land and land improvements	\$ 276,000	\$ 276,000	\$ 0
Buildings and improvements	4,325,330	4,275,442	49,888
Machinery and equipment	164,038	199,517	(35,479)
Vehicles	22,900	32,633	(9,733)
Library books and materials	<u>49,634</u>	<u>47,300</u>	<u>2,334</u>
Totals	<u>\$ 4,837,902</u>	<u>\$ 4,830,892</u>	<u>\$ 7,010</u>

The major addition this year and the source of resources that funded its acquisition was the completion of the Student Success Center renovation project. The renovation was completed in November 2003, and the Center became operational beginning with Winter Quarter 2004. The renovation was funded utilizing capital renovations from the Ohio Board of Regents. The total cost of the renovation was \$201,880. College funds were also utilized to complete the project with the purchase of forty-three workstations and two printers in the amount of \$38,527.

Debt

At year-end 2004, the College had \$66,728 in debt outstanding versus \$97,927 in the previous year. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt - FY 2004 Versus FY 2003

	<u>6/30/2004</u>	<u>6/30/2003</u>	<u>Change</u>
Lease obligations	<u>\$ 66,728</u>	<u>\$ 97,927</u>	<u>\$ (31,199)</u>

More detailed information about the College's long-term liabilities is presented in Note 8 to the financial statements.

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004

Economic Factors that Will Affect the Future

The economic position of Belmont Technical College is closely tied to that of the State. Because of limited economic growth and increased demand for state resources from federal mandates, the College anticipates a limited increase in state support of subsidy in the next biennium.

As a result of the reduction in state funding and limited economic growth in the area, the College announced tuition and fee increases during this fiscal year following state guidelines on maximum increases. While enrollment growth has remained steady, the College may have reached a peak with increases of no more than 2% per year anticipated during the next biennium.

The College continues to evolve despite the reduction in state subsidy. The College has been successfully transformed into an AQIP (Academic Quality Improvement Process) organization of the Higher Learning Commission. Four major AQIP projects identified and implemented this year have facilitated greater student enrollment, retention, and success in attaining educational goals. The College has, simultaneously, embraced a learning college philosophy and a culture of assessment in which all decisions and actions focus upon student success.

In addition, new and cutting edge programs are continually developed. In the Fall of 2004, an evening and weekend college was launched to enable non-traditional students to attain educational goals in less time and through conveniently scheduled classes.

The College is also engaged in the process of purchasing a new administrative information system to better serve students as well as improve cost effectiveness of operations. The College's current software has become obsolete and is unable to meet the current operational needs of the institution. Funding for this purchase will come from capital funds as well as college reserves.

Despite the reduction in state funding and the significant effects of coping with the economic issues of rural Appalachia, the College remains financially sound. The College's enrollment, reserves, and cash position have been sufficient to endure continued economic downturns in the State of Ohio. The College has a solid financial foundation to continue to reach its goals as a learner-centered institution committed to maintain the current standard of excellence while offering affordable education supporting economic development in our community.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Department of Education, our citizens, taxpayers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it received. If you have questions about this report, or need additional financial information, contact John Koucoumaris, Dean of Administrative Affairs, at Belmont Technical College, 120 Fox-Shannon Place, St. Clairsville, Ohio 43950.

BELMONT TECHNICAL COLLEGE

**STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2004**

ASSETS

Current Assets:

Cash equivalents	\$ 1,114,845
Investments	5,775,647
Interest receivable	126,514
Accounts receivable, net	1,446,626
EDPS Funds receivable	26,828
Supplies inventory, at cost	116,728
Prepaid Expenses	46,249
Total current assets	8,653,437

Noncurrent Assets:

Restricted cash and cash equivalents	14,106
Restricted investments	88,174
Capital assets, net of accumulated depreciation	4,837,902
Total noncurrent assets	4,940,182

TOTAL ASSETS

\$ 13,593,619

LIABILITIES

Current Liabilities:

Accrued liabilities	\$ 396,302
Accrued vacation/sick leave	210,859
Capital lease	33,621
Deferred fees income	711,859
Total current liabilities	1,352,641

Noncurrent Liabilities:

Capital lease	33,107
Accrued vacation/sick leave	135,044
Total noncurrent liabilities	168,151

TOTAL LIABILITIES

1,520,792

NET ASSETS

Invested in capital assets, net of related debt	4,771,174
Restricted:	
<i>Nonexpendable:</i>	
Scholarships	56,160
<i>Expendable:</i>	
Scholarships	68,273
Instructional Department uses	271,139
Capital projects	1,450,319
Unrestricted	5,455,762
Total net assets	12,072,827

TOTAL LIABILITIES AND NET ASSETS

\$ 13,593,619

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

BELMONT TECHNICAL COLLEGE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2004**

REVENUE:

Operating Revenues:

Student tuition and fees (net of scholarship allowances of \$393,523)	\$	4,437,881
State grants and contracts		232,507
Federal grants and contracts		2,735,134
Sales and services of educational departments		18,858
<i>Auxiliary Enterprises:</i>		
Sales and services		1,118,072
Other sources		58,566
Total revenues		8,601,018

EXPENSES:

Operating Expenses:

Educational and General:

Instructional		3,728,378
Public service		109,702
Academic support		1,287,805
Student services		942,140
Institutional support		1,837,319
Operation and maintenance of plant		892,901
Depreciation		220,714
Scholarships and grants		2,653,416
Total Educational and General		11,672,375

Auxiliary Enterprises		914,635
Total Expenses		12,587,010

Operating Loss		(3,985,992)
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NONOPERATING REVENUES (EXPENSES):

State appropriations		4,585,603
Gifts		38,961
Investment income		98,126
Interest on capital asset related debt		(6,286)
Net nonoperating revenues		4,716,404

Income before other revenues, expenses, gains or losses		730,412
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Capital appropriations		547,227
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Increase in Net Assets		1,277,639
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Net Assets, Beginning of Year, Restated		10,795,188
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Net Assets, End of Year	\$	12,072,827
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The accompanying notes are in integral part of these financial statements.

BELMONT TECHNICAL COLLEGE

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Tuition and fees	\$ 4,124,816
Grants and contracts	2,959,589
Payments to suppliers	(2,457,525)
Payments for utilities	(517,239)
Payments to employees	(5,224,105)
Payments for benefits	(1,447,188)
Payments for scholarships and grants	(2,653,416)
Auxiliary Enterprises:	
Book Store	1,112,274
Sales and service of education	18,858
Other receipts	58,566
Net cash used by operating activities	(4,025,370)

Cash Flows from Non-Capital and Related Financing Activities:

State appropriations	4,585,603
Gifts and grants	38,961
Net cash provided by non-capital and related financing activities	4,624,564

Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets	(25,844)
Principal paid on leases	(31,199)
Interest paid on leases	(6,286)
Capital Appropriations	345,347
Net cash provided by capital and related financing activities	282,018

Cash Flows from Investing Activities:

Interest on investments	107,704
Purchase of investments	(840,062)
Net cash used by investing activities	(732,358)

Net increase in cash and cash equivalents 148,854

Cash and Cash Equivalents, beginning of year 980,097

Cash and Cash Equivalents, end of year \$ 1,128,951

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating loss	\$ (3,985,992)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	220,714
Change in Assets and Liabilities:	
Receivables, net	(138,299)
Inventories	42,664
Prepays	(46,249)
Accrued liabilities	34,172
Compensated absences	36,236
Deferred revenue	(188,616)
Net cash used by operating activities	\$ (4,025,370)

NONCASH TRANSACTIONS:

Contribution of capital assets from Ohio Board of Regents	\$ 201,880
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The accompanying notes are in integral part of these financial statements.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

Belmont Technical College is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. Belmont Technical College is a technical college as defined by Section 3357.01 of the Ohio Revised Code. The College operates under an appointed Board of Trustees.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – For Public Colleges and Universities* effective for the College’s year ended June 30, 2002, the full scope of the College’s activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

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

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

D. Investments

Investments, when purchased, are stated at cost and, if received through gift, at market value at the date of gift if a market value is available; otherwise, they are stated at an appraisal or nominal value. The College has invested in certificates of deposit during the fiscal year 2004.

E. Receivables

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for buildings, 3 to 15 years for equipment, and 5 years for library books and materials.

H. Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include capital lease obligations and compensated absences that will not be paid within the next fiscal year.

J. Compensated Absences

The College has adopted GASB No. 16.

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 these conditions are met:

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

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

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

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

K. Deferred Revenue

In accordance with the State of Ohio policy of recording instructional revenues in the year in which the courses are principally conducted, the College defers certain revenues at June 30 that are applicable to courses conducted subsequent to June 30.

L. Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

M. Scholarship Allowances

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

N. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of Revenues, Expenses, and Changes in Net Assets.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgetary Process

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

P. Income Taxes

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

Q. Use of Estimates

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 3 – STATE SUPPORT

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based on a formula devised by the Ohio Board of Regents.

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn causes the construction of subsequent lease of the facility to the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

Neither the obligation for special obligation bonds issued by OPFC, nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These costs are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the special obligation 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 the state-assisted institutions of higher education throughout the state.

- A. Construction in progress for any portion of the facilities being financed by state agencies for use by the College should be recorded on the College's books of account until such time as the facility is completed.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 – STATE SUPPORT (Continued)

- B. Outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the College into three categories.

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the College treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio.
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the College had \$915 in undeposited cash on hand, which is included in the balance sheet of the College as part of "equity in pooled cash and cash equivalents."

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year end, the carrying amount of the College's deposits was \$6,991,857 and the bank balance was \$7,361,040. Of the bank balance:

1. \$476,503 was covered by federal depository insurance; and
2. \$3,826,462 is held in collateral pools and is considered uninsured and uncollateralized. Although the collateral for the securities was held by the pledging financial institutions' trust department in the College's name and all state statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

3. \$3,058,075 is secured by collateral held in the College’s name by a qualified third party.

A reconciliation between the classifications of cash and cash equivalents and investment on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,128,951	\$ 5,863,821
Cash on Hand	(915)	0
Investments:		
Certificates of Deposit	<u>5,863,821</u>	<u>(5,863,821)</u>
Total GASB Statement 3	<u>\$ 6,991,857</u>	<u>\$ 0</u>

The City is reporting “Restricted cash and cash equivalents” in the amount of \$14,106 and “Restricted investments” in the amount of \$88,174 for endowments for scholarships. The invested portion is comprised of certificates of deposit at National City Bank.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2004 were as follows:

	Gross <u>Receivables</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Receivables</u>
Current Receivables:			
Students	\$ 1,068,282	\$ (64,041)	\$ 1,004,241
Interest	126,514	0	126,514
Other	<u>469,213</u>	<u>0</u>	<u>469,213</u>
Total Accounts Receivable	<u>\$ 1,664,009</u>	<u>\$ (64,041)</u>	<u>\$ 1,599,968</u>

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board to authorize for expenditure the new appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College’s “long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.” Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2004, there was no net appreciation on donor restricted assets available to be spent.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 7 – CAPITAL ASSETS

A summary of the changes in the capital assets is presented as follows:

	Balance at 7/1/2003	Increases	Decreases	Balance at 6/30/2004
Capital Assets, Non-Depreciable:				
Land	\$ 276,000	\$ 0	\$ 0	\$ 276,000
Capital Assets, Depreciable:				
Land improvements	304,992	0	0	304,992
Buildings and improvements	7,228,511	201,880	0	7,430,391
Machinery and Equipment	609,455	0	0	609,455
Motor Vehicles	220,537	0	0	220,537
Library books and materials	564,081	25,844	0	589,925
Total Depreciable	<u>8,927,576</u>	<u>227,724</u>	<u>0</u>	<u>9,155,300</u>
Less Accumulated Depreciation:				
Land improvements	304,992	0	0	304,992
Buildings and improvements	2,953,069	151,992	0	3,105,061
Machinery and Equipment	409,938	35,479	0	445,417
Motor Vehicles	187,904	9,733	0	197,637
Library books and materials	516,781	23,510	0	540,291
Total Depreciation	<u>4,372,684</u>	<u>220,714</u>	<u>0</u>	<u>4,593,398</u>
Total Capital Assets, Depreciable, net	<u>4,554,892</u>	<u>7,010</u>	<u>0</u>	<u>4,561,902</u>
Capital Assets, net	<u>\$ 4,830,892</u>	<u>\$ 7,010</u>	<u>\$ 0</u>	<u>\$ 4,837,902</u>

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 8 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Current</u> <u>Portion</u>
Capital Lease Payable	\$ 97,927	\$ 0	\$ (31,199)	\$ 66,728	\$ 33,621
Compensated Absences	309,667	36,236	0	345,903	210,859
Total Long-Term Liabilities	<u>\$ 407,594</u>	<u>\$ 36,236</u>	<u>\$ (31,199)</u>	<u>\$ 412,631</u>	<u>\$ 244,480</u>

NOTE 9 – LEASE OBLIGATION

Capital Lease Obligations – Capital lease obligations relating to various forms of equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2004:

		<u>Amount</u>
Fiscal Year, Ending June 30,	2005	37,485
	2006	34,362
Total minimum lease payments		71,847
Amount representing interest		(5,119)
Present Value of Future Lease Payments		<u>\$ 66,728</u>

Leased assets amount to \$155,893 at June 30, 2004, all of which is movable equipment.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction & departmental research	\$ 3,395,878	\$ 0	\$ 58,979	\$ 273,521	\$ 0	\$ 3,728,378
Public service	50,816	0	0	58,886	0	109,702
Academic support	1,012,203	0	58,208	217,394	0	1,287,805
Student services	831,073	0	0	111,067	0	942,140
Institutional support	931,640	0	83,703	821,977	0	1,837,320
Operations and maintenance	452,084	0	316,349	124,468	0	892,901
Scholarships & grants	0	2,653,416	0	0	0	2,653,416
Auxiliary enterprises	62,915	0	0	851,720	0	914,635
Depreciation	0	0	0	0	220,714	220,714
Totals	<u>\$ 6,736,609</u>	<u>\$ 2,653,416</u>	<u>\$ 517,239</u>	<u>\$ 2,459,032</u>	<u>\$ 220,714</u>	<u>\$ 12,587,010</u>

NOTE 11 – PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The College contributes to the School Employees Retirement System (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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 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 College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003 (the latest information available), 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$212,896, \$208,437, and \$193,964 respectively; equal to the required contributions for each year.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 – PENSION AND RETIREMENT PLANS (Continued)

B. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$ 505,295, \$491,204, and \$491,177 respectively; 100 percent has been contributed for each fiscal year.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 – POST-EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The board currently allocates employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$36,092 during the 2004 fiscal year. The balance in the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (latest information available). For the year ended June 30, 2003 (latest information available), the health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year 2004, the health care allocation rate was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003 (latest information available), the minimum pay was established at \$14,500. For the College, the amount to fund health care benefits, including surcharge, equaled \$102,096 during the 2004 fiscal year. For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by SERS were \$204,930,737 and the target level was \$307.4 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

NOTE 13 – LEGAL COMPLIANCE

Pursuant to Section 117.11(a) of the Ohio Revised Code, the Independent Public Accountant (IPA) performed tests of compliance with various provisions of local, state, and/or federal laws, as appropriate. Our tests disclosed no instances of noncompliance, however, recommendations are included in a separate letter to management. Material adjustments, with which College officials agree, have been posted to the books of account and such adjustments are reflected in the accompanying financial statements.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 14- RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the College contracted with Utica National Insurance Group for commercial property insurance. The policy includes a \$1,000 deductible.

Professional and general liability is protected by Utica National Insurance Group with a \$5,000,000 single occurrence limit and no deductible. Vehicles are covered by Utica National Insurance Group and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Commercial umbrella which provides \$5,000,000 limit covers over all other liability coverage.

Travel accident insurance for employees and trustees is provided by Chubb Insurance Group.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The College pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 15- CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2004.

B. Litigation

The College is currently not party to any legal proceedings.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 15, 2004

The Board of Trustees
Belmont Technical College
St. Clairsville, Ohio 43950

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

We have audited the basic financial statements of Belmont Technical College as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. We have 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.

Compliance

As part of obtaining reasonable assurance about whether Belmont Technical College's basic 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 not express such an opinion. The results of our tests did not disclosed any 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 Belmont Technical College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic 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 to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Belmont Technical College in a separate letter dated November 15, 2004.

This report is intended for the information of the Board of Trustees, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 15, 2004

The Board of Trustees
Belmont Technical College
St. Clairsville, Ohio 43950

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Belmont Technical 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, 2004. Belmont Technical College's major federal program is 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 Belmont Technical College's management. Our responsibility is to express an opinion on Belmont Technical College's compliance based on our audit.

We conducted our audit of compliance with those requirements 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 Circulars 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 Belmont Technical College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Belmont Technical College's compliance with those requirements.

In our opinion, Belmont Technical 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, 2004.

Internal Control Over Compliance

The management of Belmont Technical 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 Belmont Technical 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Belmont Technical College as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Belmont Technical College. 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.

This report is intended for the information of the Board of Trustees, 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.

Rea & Associates, Inc.

BELMONT TECHNICAL COLLEGE
 Belmont County
 Schedule of Expenditures of Federal Awards
 June 30, 2004

<u>Agency</u> <u>Program</u> <u>Grant</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Disbursements</u>
<u>U.S. Department of Education</u>		
<i>Student Financial Assistance Cluster:</i>		
Federal Family Education Loan Program (See Note A)	84.032	\$ 2,028,798
Federal Pell Grant Program	84.063	2,612,415
Federal Work Study	84.033	<u>34,170</u>
Total Student Financial Assistance Cluster		4,675,383
<i>Passed through Ohio Department of Education:</i>		
Vocational Education Basic Grant	84.048	<u>74,578</u>
Total U.S. Department of Education		4,749,961
<u>U.S. Department of Agriculture</u>		
<i>Passed through the Ohio Department of Education:</i>		
Child Care Food Program	10.558	<u>2,278</u>
Total Federal Financial Assistance		<u><u>\$ 4,752,239</u></u>

Note A - Guaranteed Student Loans

For the fiscal year 2003 - 2004, the College certified need for \$2,028,798 in Guaranteed Student Loans and Supplemental Loans.

Note B - Pell Distribution

Pell Grant money distributed to the College's Unrestricted and Auxiliary Funds for tuition and fees was \$1,409,289 and the balance distributed to students was \$1,203,126.

Note C - Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the College's federal awards programs. The schedule has been prepared on the cash basis of accounting.

BELMONT TECHNICAL COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA #84.063, 84.033, 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?	No

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Material Noncompliance

FINDING NUMBER	
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BELMONT TECHNICAL COLLEGE
BELMONT COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	A noncompliance citation was issued under Ohio revised Code Section 135.18 for insufficient collateralization of public funds.	Yes	



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Betty Montgomery**

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800-282-0370

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BELMONT TECHNICAL COLLEGE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2005**