

Belmont Technical College

Audited Financial Statements

June 30, 2005



**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 the Belmont Technical College, Belmont County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 to June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Belmont Technical College is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 4, 2006

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**BELMONT TECHNICAL COLLEGE
ST CLAIRSVILLE, OHIO**

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

December 14, 2005

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, 2005, 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, 2005, 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 December 14, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. 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.

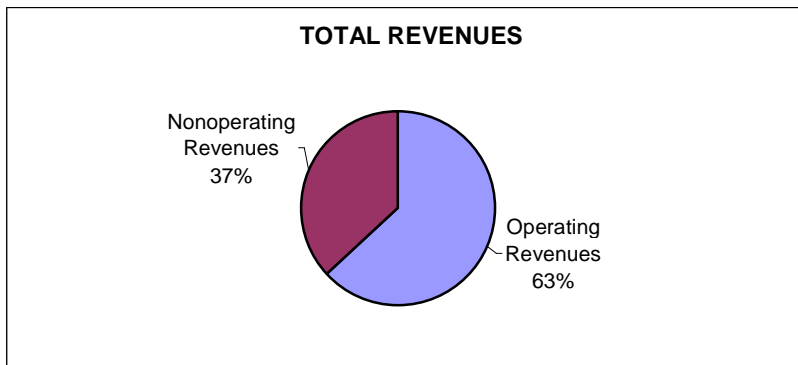
**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

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, 2005. 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, 2005. Its combined net assets increased \$883,857 or 7.3% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2005:



In the fiscal year ending June 30, 2005, revenues and other support exceeded expenses, creating the increase in net assets of \$883,857 (compared to a \$1,277,639 increase last year).

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005

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 present 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.

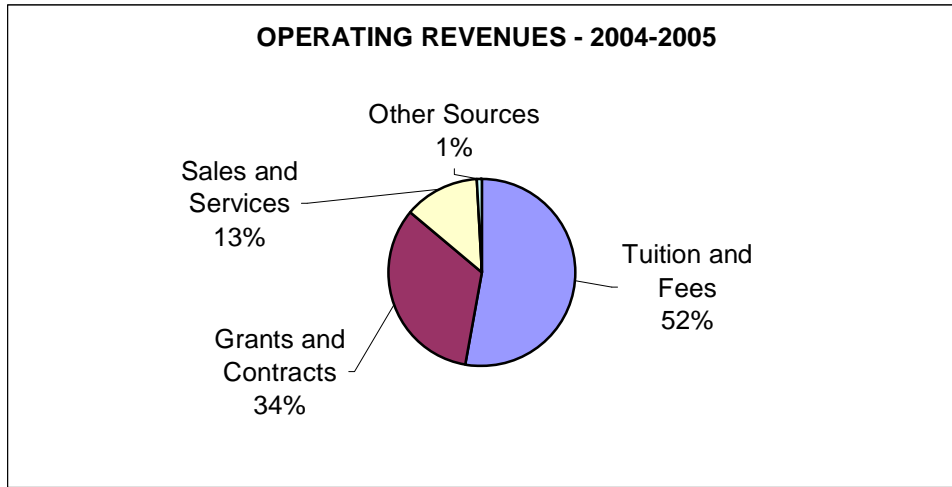
These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

Net Assets - FY 2005 Versus FY 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Change</u>
<u>ASSETS</u>			
<i>Current Assets:</i>			
Cash equivalents	\$ 1,978,245	\$ 1,114,845	\$ 863,400
Investments	5,386,971	5,775,647	(388,676)
Interest receivable	114,823	126,514	(11,691)
Accounts receivable, net	1,907,007	1,446,626	460,381
EDPS Funds receivable	0	26,828	(26,828)
Supplies inventory, at cost	118,610	116,728	1,882
Prepaid Expenses	0	46,249	(46,249)
Total current assets	<u>9,505,656</u>	<u>8,653,437</u>	<u>852,219</u>
<i>Noncurrent Assets:</i>			
Restricted cash and cash equivalents	14,758	14,106	652
Restricted investments	88,456	88,174	282
Capital assets, net of accumulated depreciation	5,266,646	4,837,902	428,744
Total noncurrent assets	<u>5,369,860</u>	<u>4,940,182</u>	<u>429,678</u>
TOTAL ASSETS	<u>\$ 14,875,516</u>	<u>\$ 13,593,619</u>	<u>\$ 1,281,897</u>
<u>LIABILITIES</u>			
<i>Current Liabilities:</i>			
Accrued liabilities	\$ 432,362	\$ 396,302	\$ 36,060
Accrued vacation/sick leave	209,798	210,859	(1,061)
Capital lease	33,107	33,621	(514)
Deferred fees income	1,105,973	711,859	394,114
Total current liabilities	<u>1,781,240</u>	<u>1,352,641</u>	<u>428,599</u>
<i>Noncurrent Liabilities:</i>			
Capital lease	0	33,107	(33,107)
Accrued vacation/sick leave	137,592	135,044	2,548
Total noncurrent liabilities	<u>137,592</u>	<u>168,151</u>	<u>(30,559)</u>
TOTAL LIABILITIES	1,918,832	1,520,792	398,040
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,233,539	4,771,174	462,365
Restricted:			
<i>Nonexpendable:</i>			
Scholarships	56,160	56,160	0
<i>Expendable:</i>			
Scholarships	61,210	68,273	(7,063)
Instructional Department uses	289,590	271,139	18,451
Capital projects	1,159,040	1,450,319	(291,279)
Unrestricted	6,157,145	5,455,762	701,383
Total net assets	<u>12,956,684</u>	<u>12,072,827</u>	<u>883,857</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,875,516</u>	<u>\$ 13,593,619</u>	<u>\$ 1,281,897</u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**



Operating Results for the Year - FY 2005 Versus FY 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Change</u>
Operating Revenues			
Tuition and fees	\$ 4,536,311	\$ 4,437,881	\$ 98,430
Grants and contracts	2,887,558	2,986,499	(98,941)
Auxiliary services	1,125,535	1,118,072	7,463
Other	<u>67,877</u>	<u>58,566</u>	<u>9,311</u>
Total operating revenues	8,617,281	8,601,018	16,263
Operating Expenses			
Instructional	3,957,580	3,728,378	229,202
Public service	88,895	109,702	(20,807)
Academic support	1,325,134	1,287,805	37,329
Student services	877,594	942,140	(64,546)
Institutional support	2,009,914	1,837,319	172,595
Operation and maintenance of plant	1,158,907	892,901	266,006
Depreciation	278,737	220,714	58,023
Scholarships and grants	2,562,859	2,653,416	(90,557)
Auxiliary Enterprises	<u>893,034</u>	<u>914,635</u>	<u>(21,601)</u>
Total operating expenses	<u>13,152,654</u>	<u>12,587,010</u>	<u>565,644</u>
Net operating revenues (expenses)	(4,535,373)	(3,985,992)	(549,381)
Nonoperating Revenues			
State Appropriations	4,966,095	4,585,603	380,492
Other nonoperating revenues	<u>107,789</u>	<u>130,801</u>	<u>(23,012)</u>
Net nonoperating revenues	<u>5,073,884</u>	<u>4,716,404</u>	<u>357,480</u>
Income before other revenues	538,511	730,412	(191,901)
Capital appropriations	<u>345,346</u>	<u>547,227</u>	<u>(201,881)</u>
Increase in net assets	883,857	1,277,639	(393,782)
Net Assets, beginning of year	<u>12,072,827</u>	<u>10,795,188</u>	<u>1,277,639</u>
Net Assets, end of year	<u>\$ 12,956,684</u>	<u>\$ 12,072,827</u>	<u>\$ 883,857</u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

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 - FY2005 Versus FY 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Change</u>
Cash provided (used) by:			
Operating activities	\$ (4,214,161)	\$ (4,025,370)	\$ (188,791)
Noncapital financing activities	4,968,741	4,624,564	344,177
Capital and related financing activities	(399,621)	282,018	(681,639)
Investing activities	<u>509,093</u>	<u>(732,358)</u>	<u>1,241,451</u>
Net increase (decrease) in cash	864,052	148,854	715,198
			0
Cash, beginning of year	<u>1,128,951</u>	<u>980,097</u>	<u>148,854</u>
Cash, end of year	<u><u>\$ 1,993,003</u></u>	<u><u>\$ 1,128,951</u></u>	<u><u>\$ 864,052</u></u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

Capital and Debt Administration

Capital Assets

At June 30, 2005, the College had some \$5,266,646 invested in capital assets, net of accumulated depreciation of \$4,872,135. Depreciation charges totaled \$278,737 for the current fiscal year. Details of these assets for the two years are shown below:

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Change</u>
Land and land improvements	\$ 276,000	\$ 276,000	\$ 0
Construction in Progress	121,514	0	121,514
Buildings and improvements	4,559,274	4,325,330	233,944
Machinery and equipment	199,793	164,038	35,755
Vehicles	58,392	22,900	35,492
Library books and materials	<u>51,673</u>	<u>49,634</u>	<u>2,039</u>
Totals	<u>\$ 5,266,646</u>	<u>\$ 4,837,902</u>	<u>\$ 428,744</u>

The major project this fiscal year was an upgrade to the college network utilizing Xitech/Consortium Communications. This project included new wiring, switches, and security devices. The wiring project upgraded the infrastructure from a category 5 wiring to Berk-Tek's Lanmark 2000 category 6 enhanced wiring. This will allow for current 1 gigabit (Gbps) Ethernet connections to our desktop systems and provide for future growth as the 10 gigabit (Gbps) Ethernet speeds become standard. The college also upgraded from hub 10/100 Ethernet environment to a state of the art Cisco 10/100/1000 switched network, utilizing Catalyst 6500 switches, intrusion detection and prevention systems. The cost of this project was approximately \$428,800.

This infrastructure upgrade was essential to the deployment of the new administrative information system also purchased this year. The college is in the process of implementing the Jenzabar EX software which will offer the college an integrated information system to better serve internal and external stakeholders. The college plans to have the implementation process complete and the software operational as of July 1, 2006. The integrated information system has an estimated first year cost of \$540,000 and an estimated ten-year cost of \$990,000. Funds for both projects come from the Unexpended Plant Fund-Capital Component of the Operating Subsidy.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

Debt

At year-end 2005, the College had \$33,107 in debt outstanding versus \$66,728 in the previous year. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt - FY 2005 Versus FY 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>Change</u>
Lease obligations	\$ 33,107	\$ 66,728	\$ (33,621)

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

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 in 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 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. First, we have piloted a new joint degree initiative with Ohio University Eastern whereby students can take courses at both OUE and BTC, with the end result being an Associate of Arts degree bearing the name of both institutions that can lead into a related Ohio University bachelor's program. We will soon offer the Associate of Science Degree as well.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005**

This program will expand access to higher education, particularly for the residents of Monroe, Harrison, and Belmont counties. We believe the numbers of students going from BTC to OUE will increase. It will mean more options for those enrolled at both campuses. In addition, we will reduce costs, improve the quality of service, increase enrollment for both institutions, offer new program options, and provide even more opportunities for research and collaboration.

A second new program offering is a partnership with Youngstown State University for a Power Plan Technology degree. We are offering this program in response to a need for highly skilled operators and maintenance personnel due to a large number of retirements over the next 10 years.

Other new programs include the following:

- 1.) Mining Program in collaboration with CONSOL Coal Company. Two new certificates and an associate degree program. Students do a paid co-op experience simultaneously with completing the credits programs and are guaranteed employment at CONSOL Coal upon graduation.
- 2.) Re-design of the Business Management Program to include two new concentrations – Small Business Management and Entrepreneurialship.
- 3.) Tech Prep initiative. We received a \$40,000 grant to create a seamless curriculum from grades 11 through 14 in math and English. The goal is to significantly decrease the remediation rate of BTC entering freshmen.
- 4.) Complete revision of the major English 3-course sequence. Includes new course content and outcomes and utilizes instructional technology on the Houghton-Mifflin website to assist with student success.
- 5.) Re-designed and implemented a new Heating, Ventilation and Air Conditioning Program.
- 6.) Completed a benchmarking study of the Accounting Program and re-designed the program. New program implemented Fall 2005.
- 7.) Sent two faculty members for training to design and implement two more levels of the CISCO Academy. Implemented IT Security in Fall 2005 and implemented Wireless curriculum in Winter 2006.
- 8.) Electrician Certificate for the Evening and Weekend College designed and to be implemented in the Winter/Spring 2006.
- 9.) Articulation agreement with the OVMC School of Radiology in which the Radiology credits are transferred in to BTC, the student takes a small number of additional courses, and then receives an associate's degree.

The College is also in the process of implementing a new administrative information system to better serve students as well as improve cost effectiveness of operations. The system is scheduled to be operational by the end of July, 2006. 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.

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005

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 maintaining 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 Koucoumoris, Vice President 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, 2005**

ASSETS

Current Assets:

Cash equivalents	\$	1,978,245
Investments		5,386,971
Interest receivable		114,823
Accounts receivable, net		1,907,007
EDPS Funds receivable		0
Supplies inventory, at cost		118,610
Prepaid Expenses		0
Total current assets		9,505,656

Noncurrent Assets:

Restricted cash and cash equivalents		14,758
Restricted investments		88,456
Capital assets, net of accumulated depreciation		5,266,646
Total noncurrent assets		5,369,860

TOTAL ASSETS	\$	14,875,516
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LIABILITIES

Current Liabilities:

Accrued liabilities	\$	432,362
Accrued vacation/sick leave		209,798
Capital lease		33,107
Deferred fees income		1,105,973
Total current liabilities		1,781,240

Noncurrent Liabilities:

Capital lease		0
Accrued vacation/sick leave		137,592
Total noncurrent liabilities		137,592

TOTAL LIABILITIES		1,918,832
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NET ASSETS

Invested in capital assets, net of related debt		5,233,539
Restricted:		
<i>Nonexpendable:</i>		
Scholarships		56,160
<i>Expendable:</i>		
Scholarships		61,210
Instructional Department uses		289,590
Capital projects		1,159,040
Unrestricted		6,157,145
Total net assets		12,956,684

TOTAL LIABILITIES AND NET ASSETS	\$	14,875,516
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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, 2005

REVENUE:

Operating Revenues:

Student tuition and fees (net of scholarship allowances of \$417,578)	\$	4,536,311
State grants and contracts		256,325
Federal grants and contracts		2,631,233
Sales and services of educational departments		17,050
<i>Auxiliary Enterprises:</i>		
Sales and services		1,108,485
Other sources		67,877
Total revenues		8,617,281

EXPENSES:

Operating Expenses:

Educational and General:

Instructional		3,957,580
Public service		88,895
Academic support		1,325,134
Student services		877,594
Institutional support		2,009,914
Operation and maintenance of plant		1,158,907
Depreciation		278,737
Scholarships and grants		2,562,859
Total Educational and General		12,259,620

Auxiliary Enterprises		893,034
Total Expenses		13,152,654

Operating Loss (4,535,373)

NONOPERATING REVENUES (EXPENSES):

State appropriations		4,966,095
Gifts		2,646
Investment income		109,008
Interest on capital asset related debt		(3,865)
Net nonoperating revenues		5,073,884

Income before other revenues, expenses, gains or losses 538,511

Capital appropriations		345,346
Capital grants and gifts		0
Additions to permanent endowments		0
Total other revenues		345,346

Increase in Net Assets 883,857

Net Assets, Beginning of Year 12,072,827

Net Assets, End of Year \$ 12,956,684

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, 2005**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Tuition and fees	\$	4,464,232
Grants and contracts		2,919,782
Payments to suppliers		(2,773,523)
Payments for utilities		(227,992)
Payments to employees		(5,612,044)
Payments for benefits		(1,615,585)
Payments for scholarships and grants		(2,562,859)
Auxiliary Enterprises:		
Book Store		1,108,901
Sales and service of education		17,050
Other receipts		67,877
Net cash used by operating activities		(4,214,161)

Cash Flows from Non-Capital and Related Financing Activities:

State appropriations		4,966,095
Gifts and grants		2,646
Net cash provided by non-capital and related financing activities		4,968,741

Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets		(707,481)
Principal paid on leases		(33,621)
Interest paid on leases		(3,865)
Capital Appropriations		345,346
Net cash used by capital and related financing activities		(399,621)

Cash Flows from Investing Activities:

Interest on investments		120,699
Proceeds from sales and maturities of investments		0
Purchase of investments		388,394
Net cash used by noncapital financing activities		509,093

Net decrease in cash and cash equivalents 864,052

Cash and Cash Equivalents, beginning of year 1,128,951

Cash and Cash Equivalents, end of year 1,993,003

RECONCILIATION OF OPERATING LOSS TO NET CASH

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating loss		(4,535,373)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation		278,737
Change in Assets and Liabilities:		
Receivables, net		(433,553)
Inventories		(1,882)
Prepays		46,249
Accrued liabilities		36,060
Compensated absences		1,487
Deferred revenue		394,114
Net cash used by operating activities		\$ (4,214,161)

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, 2005**

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* 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, 2005**

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 2005.

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 market 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, 2005**

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, 2005**

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, 2005**

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, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2005**

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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During 2005, the College and public depositories complied with the provisions of these statutes.

Cash on Hand:

At year end, the College had \$915 in undeposited cash on hand, which is included in the statement of net assets of the College as part of "equity in pooled cash and cash equivalents."

Deposits with Financial Institutions:

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

System, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At fiscal year-end, the carrying amount of the College’s deposits was \$7,467,515. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2005, \$7,417,252 of the College’s bank balance of \$7,894,138 was exposed to custodial risk as discussed above, while \$476,886 was covered by Federal Deposit Insurance Corporation.

Investments:

As of June 30, 2005, the College had no investments as defined by GASB Statement No.40.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2005 were as follows:

	<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 1,473,229	\$ (88,394)	\$ 1,384,835
Interest	114,823	0	114,823
Other	<u>522,172</u>	<u>0</u>	<u>522,172</u>
 Total Accounts Receivable	 <u>\$ 2,110,224</u>	 <u>\$ (88,394)</u>	 <u>\$ 2,021,830</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, 2005, 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, 2005**

NOTE 7 – CAPITAL ASSETS

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

	<u>Balance at 7/1/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/2005</u>
Capital Assets, Non Depreciable:				
Land	\$ 276,000	\$ 0	\$ 0	\$ 276,000
Construction in Progress		121,514		121,514
Total Non-depreciable	276,000	121,514	0	397,514
Capital Assets, Depreciable:				
Land Improvements	304,992	0	0	304,992
Buildings and improvements	7,430,391	428,816	0	7,859,207
Machinery and Equipment	609,455	80,512	0	689,967
Motor Vehicles	220,537	50,251	0	270,788
Library books and materials	589,925	26,388		616,313
Total Depreciable	<u>9,155,300</u>	<u>585,967</u>	<u>0</u>	<u>9,741,267</u>
Less Accumulated Depreciation:				
Land Improvements	304,992	0	0	304,992
Buildings and improvements	3,105,061	194,872	0	3,299,933
Machinery and Equipment	445,417	44,757	0	490,174
Motor Vehicles	197,637	14,759	0	212,396
Library books and materials	540,291	24,349	0	564,640
Total Depreciable	<u>4,593,398</u>	<u>278,737</u>	<u>0</u>	<u>4,872,135</u>
Total Capital Assets, Depreciable, net	<u>4,561,902</u>	<u>307,230</u>	<u>0</u>	<u>4,869,132</u>
Capital Assets, net	<u>\$ 4,837,902</u>	<u>\$ 428,744</u>	<u>\$ 0</u>	<u>\$ 5,266,646</u>

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 8 – LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
Capital Lease Payable	\$ 66,728	\$ 0	\$ (33,621)	\$ 33,107	\$ 33,107
Compensated Absences	345,903	1,487	0	347,390	209,797
Total Long-Term Liabilities	<u>\$ 412,631</u>	<u>\$ 1,487</u>	<u>\$ (33,621)</u>	<u>\$ 380,497</u>	<u>\$ 242,904</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, 2005:

	<u>Amount</u>
Fiscal Year, Ending June 30,	2006
Amount representing interest	34,362
	<u>(1,255)</u>
Present Value of Future Lease Payments	<u>\$ 33,107</u>

Leased assets amount to \$155,893 at June 30, 2005, all of which is movable equipment.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 10 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	<u>Salaries and Benefits</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction & departmental research	\$ 3,628,279	\$ 0	\$ 1,960	\$ 327,341	\$ 0	\$ 3,957,580
Public service	53,861	0	0	35,035	0	88,896
Academic support	1,041,340	0	0	283,794	0	1,325,134
Student services	818,315	0	0	59,279	0	877,594
Institutional support	1,184,076	0	0	825,838	0	2,009,914
Operations and maintenance	465,470	0	226,032	467,404	0	1,158,906
Scholarships & grants	0	2,562,859	0	0	0	2,562,859
Auxiliary enterprises	71,136	0	0	821,898	0	893,034
Depreciation	0	0	0	0	278,737	278,737
Totals	<u>\$ 7,262,477</u>	<u>\$ 2,562,859</u>	<u>\$ 227,992</u>	<u>\$ 2,820,589</u>	<u>\$ 278,737</u>	<u>\$ 13,152,654</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 10 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. 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 to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$223,239, \$212,896, and \$208,437 respectively; equal to the required contributions for each year.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 is a statewide retirement plan for licensed teachers and their faculty members employed in the public schools of Ohio or any school, college, university, instruction or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC of Combined Plan.

DB Plan Benefits - Benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire 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. The 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 2.2% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. 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.

DC Plan Benefits – Benefits are established by Chapter 3307.80 and 3307.89 of the Ohio Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 – PENSION AND RETIREMENT PLANS (Continued)

anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement begins, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefits payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public college and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 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 reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump sum payment in addition to the original retirement allowance.

Benefits are increased annually by the 3% of the original base amount for Defined Benefit Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage of up to \$2,000 can be purchased by members in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004 (date of most recent information available) 10% of covered payroll for members and 14% for employers. The College's required contributions for the fiscal years ended June 30, 2005, 2004, and 2003 were \$549,911, \$505,295 and \$491,204 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, 2005**

NOTE 12 – POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) 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 Ohio, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio 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 Stabilization Fund from which payments for health care benefits are paid. For the College, this amount equaled \$39,279 during the 2005 fiscal year. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (latest information available). For the year ended June 30, 2004 (latest information available), the net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

For SERS, the Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and the beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the health care allocation rate was 4.91%. 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 2004 (latest information available), the minimum pay was established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount to fund health care benefits for the College, including surcharge, equaled \$101,605 during the 2005 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health reserve is 150% of annual health care expenses, before premium deductions. Gross expenses for health care as of June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13– 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 2005, 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 14– CONTRACTUAL COMMITMENTS

The College entered into a contractual agreement with Jenzabar for a new Administrative Information System in Fiscal Year 2005. The amount of the contract was \$991,238, of which, \$162,514 was paid in Fiscal Year 2005. The amount to be capitalized in Fiscal Year 2005 is \$121,514 while the balance of \$41,000 was expensed as the first year's service and maintenance agreement. The remaining commitment amount is \$828,724.

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, 2005.

B. Litigation

The College is currently not party to any legal proceedings.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

December 14, 2005

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

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

We have audited the basic financial statements of Belmont Technical College as of and for the year ended June 30, 2005, and have issued our report thereon dated December 14, 2005. 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.

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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 December 14, 2005.

Compliance and Other Matters

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

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

December 14, 2005

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, 2005. 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, 2005.

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, 2005, and have issued our report thereon dated December 14, 2005. 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 solely 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.

Hea & Associates, Inc.

BELMONT TECHNICAL COLLEGE
 Belmont County
 Schedule of Revenues and Expenditures of Federal Awards
 June 30, 2005

<u>Agency</u> <u>Program</u> <u>Grant</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Receipts</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	\$ 2,392,528	\$ 2,392,528
Federal Pell Grant Program	84.063	2,522,305	2,522,305
Federal Work Study	84.033	<u>40,410</u>	<u>40,410</u>
Total Student Financial Assistance Cluster		4,955,243	4,955,243
<i>Passed through Ohio Department of Education:</i>			
Vocational Education Basic Grant	84.048	<u>76,502</u>	<u>76,502</u>
Total U.S. Department of Education		5,031,745	5,031,745
<u>U.S. Department of Agriculture</u>			
<i>Passed through the Ohio Department of Education:</i>			
Child Care Food Program	10.558	<u>2,237</u>	<u>2,237</u>
Total Federal Financial Assistance		<u>\$ 5,033,982</u>	<u>\$ 5,033,982</u>

Note A - Guaranteed Student Loans

For the fiscal year 2004 - 2005, the College certified need for \$2,392,528 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 \$1,616,064 and the balance distributed to students was \$906,241.

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 accrual basis of accounting.

BELMONT TECHNICAL COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2005**

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?	Yes

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.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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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 17, 2006**