



Rea & associates *a brighter way*

**Belmont College**  
**Belmont County, Ohio**

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Belmont College, Belmont County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 College is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 3, 2014

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**BELMONT COLLEGE  
BELMONT COUNTY, OHIO**

**TABLE OF CONTENTS**

<i><b>TITLE</b></i>	<i><b>PAGE</b></i>
Independent Auditor’s Report .....	1-3
Management’s Discussion and Analysis .....	4-12
Basic Financial Statements:	
Statement of Net Position .....	13
Statement of Revenues, Expenses and Changes in Net Position .....	14
Statement of Cash Flows .....	15
Notes to the Financial Statements .....	16-32
Independent Auditor’s Report 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 .....	33-34
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133 .....	35-36
Schedule of Expenditures of Federal Awards .....	37
Notes to the Schedule of Expenditures of Federal Awards .....	38
Schedule of Findings and Questioned Costs .....	39-40

December 21, 2013

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

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Belmont College, Belmont County, Ohio, (the College) and the aggregate discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, and the aggregate discretely presented component unit, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the College changed its accounting estimate for the allowance for doubtful accounts. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

*Kea & Associates, Inc.*

New Philadelphia, Ohio



**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

The discussion and analysis of Belmont College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2013, with comparative information from fiscal year 2012. 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 College.

**About Belmont College**

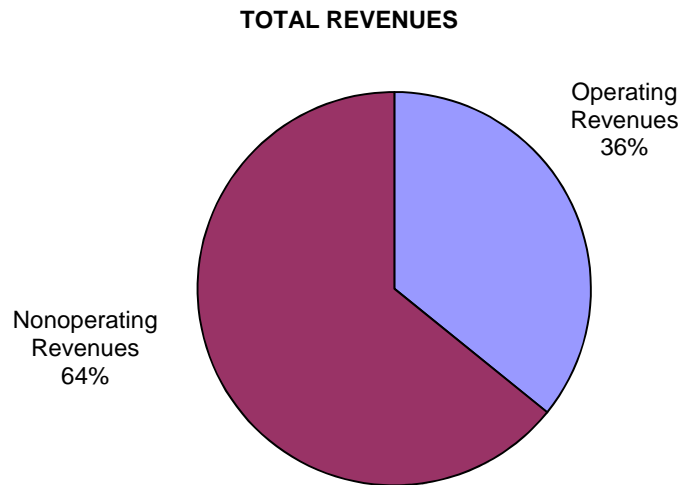
Belmont College is a two year college offering programs in business, engineering, allied health, and public service technologies. The College was chartered in 1971, allowing it to serve the three county areas of Belmont, Harrison, and Monroe Counties.

Belmont College is governed by a board of nine trustees. The Governor of Ohio appoints three members, and six members are elected by a caucus of the boards of education of the school districts in the three counties served by the College.

**Financial Highlights**

Belmont College's financial position, as a whole, improved during the fiscal year ending June 30, 2013. Its combined net position increased \$423,239 or 2.2%, from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2013:



In the fiscal year ending June 30, 2013, revenues and other support exceeded expenses, creating the increase in net position of \$423,239 (compared to a \$299,214 increase last year).

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

### **Using the Annual Report**

This annual report consists of three basic financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* (GASB 35). The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows, in a format similar to that used by corporations, 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.
- **Component Unit (Foundation):** The Foundation is a legally separate, tax-exempt organization supporting the College, is considered a component unit of the College, and is discretely presented in the College’s financial statements.

### **The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position**

One of the most important questions asked about the College’s finances is, “Is Belmont College as a whole better off or worse off as a result of the year’s activities?” One key to answering this question is the financial statements of the College. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Belmont College’s operating results.

These two statements report Belmont College’s net position and changes in them. Belmont College’s net position 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 position 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.

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

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB 35 requires state appropriations to be classified as nonoperating revenues. Accordingly, the College will generate a net operating loss prior to the addition of nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

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.

The Notes to the Financial Statements provide additional details on the numbers in the financial statements. In addition to the Summary of Significant Accounting Policies, the report includes notes on capital assets, long-term debt, and operating expenses by natural classification.

**Condensed Financial Information**

**Statement of Net Position**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Assets</u></b>		
Current Assets	\$ 15,695,051	\$ 15,028,517
Capital assets, net of accumulated depreciation	5,135,023	5,385,573
Other noncurrent assets	<u>152,206</u>	<u>148,954</u>
Total assets	<u>20,982,280</u>	<u>20,563,044</u>
<b><u>Liabilities</u></b>		
Current Liabilities	931,447	918,490
Noncurrent Liabilities	<u>172,207</u>	<u>189,167</u>
Total liabilities	1,103,654	1,107,657
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	5,135,023	5,385,573
Restricted		
Nonexpendable	56,510	56,510
Expendable	4,002,714	3,710,720
Unrestricted	<u>10,684,379</u>	<u>10,302,584</u>
Total net assets	<u>\$ 19,878,626</u>	<u>\$ 19,455,387</u>

A review of the College's statement of net position at June 30, 2013 shows that the College continues to build a strong financial foundation.

**Assets:** As of June 30, 2013, the College's total assets amount to \$20,982,280. Investment in capital assets totaled \$5,135,023, or 24 percent, of total assets. Cash and cash equivalents represented \$455,797, or 2 percent, of total assets. Investments represented \$13,363,550, or 64 percent of the total assets.

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Liabilities:** At June 30, 2013, the College's liabilities totaled \$1,103,654. Current liabilities, including accounts payable, accrued vacation, sick leave, and deferred fees income, represented \$931,447 or 84 percent of total liabilities.

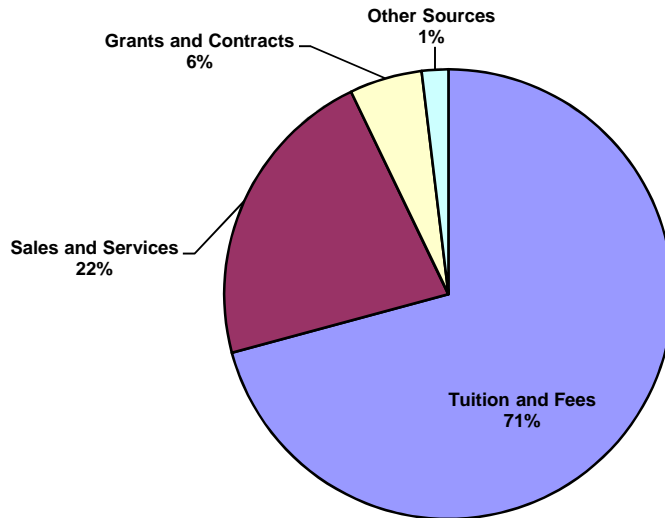
**Net Position:** Net position at June 30, 2013 totaled \$19,878,626, or 95 percent, of total assets. Net investment in capital assets totaled \$5,135,023, or 26 percent, of total net position. Restricted and unrestricted net position represented 20 percent and 54 percent of total net position, respectively.

**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b>Operating Revenues:</b>			
Tuition and fees	\$ 4,081,827	\$ 4,431,595	\$ (349,768)
Grants and contracts	302,256	210,564	91,692
Auxiliary services	1,270,318	1,821,952	(551,634)
Other	<u>109,924</u>	<u>101,379</u>	<u>8,545</u>
Total operating revenues	5,764,325	6,565,490	(801,165)
<b>Operating Expenses:</b>			
Education and General	14,320,998	16,787,992	(2,466,994)
Depreciation	469,248	463,654	5,594
Auxiliary enterprises	<u>1,116,942</u>	<u>1,505,631</u>	<u>(388,689)</u>
Total operating expenses	<u>15,907,188</u>	<u>18,757,277</u>	<u>(2,850,089)</u>
Net operating revenues (expenses)	(10,142,863)	(12,191,787)	2,048,924
<b>Nonoperating Revenues:</b>			
State appropriations	5,291,862	5,452,931	(161,069)
Other nonoperating revenues	<u>4,863,767</u>	<u>6,531,309</u>	<u>(1,667,542)</u>
Net nonoperating revenues	<u>10,155,629</u>	<u>11,984,240</u>	<u>(1,828,611)</u>
Income before other revenues	12,766	(207,547)	220,313
Capital appropriations	<u>410,473</u>	<u>506,761</u>	<u>(96,288)</u>
Increase in net position	423,239	299,214	124,025
<b>NET POSITION, beginning of year</b>	<u>19,455,387</u>	<u>19,156,173</u>	<u>299,214</u>
<b>NET POSITION, end of year</b>	<u>\$ 19,878,626</u>	<u>\$ 19,455,387</u>	<u>\$ 423,239</u>

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**OPERATING REVENUES - FISCAL YEAR 2013**

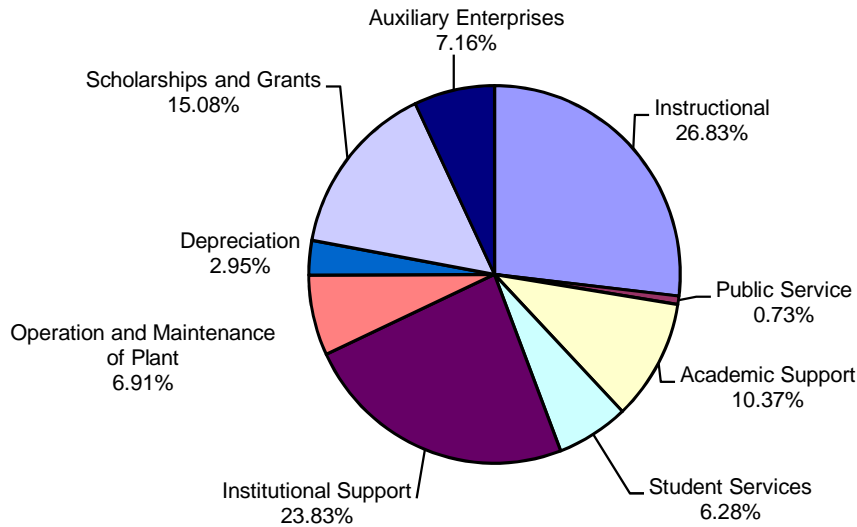


Total operating revenues were \$5,764,325 for the year ended June 30, 2013. The most significant sources of operating revenue for the College are net tuition and fees (71 percent) and auxiliary enterprises, which is the bookstore (22 percent).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations, federal Pell grants, and investment income, which are considered nonoperating revenues as defined by GASB 35. The College's state appropriations and Pell grants for the year ended June 30, 2013, amounted to \$5,291,862 and \$4,659,864 respectively.

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**OPERATING EXPENSES - FISCAL YEAR 2013**



Operating expenses, including \$469,248 of depreciation, totaled \$15,907,188. As depicted in the chart above, the majority of the College's operating funds are expended directly for the primary mission of the College – instruction (26.83 percent), scholarships and grants (15.08 percent), institutional support (23.83 percent), and academic support (6.28 percent). One of the College's core values is to provide students' access to the College with the opportunity to succeed. The College's continued investment in student financial aid programs and student support services reflects this commitment.

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**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 access:

- 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

**Statement of Cash Flows**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash provided by (used by):			
Operating activities	\$ (10,146,537)	\$ (11,865,129)	\$ 1,718,592
Noncapital financing activities	9,971,962	11,769,651	(1,797,689)
Capital and related financing activities	191,775	125,550	66,225
Investing activities	(861,848)	975,694	(1,837,542)
Net increase (decrease) in cash	<u>(844,648)</u>	<u>1,005,766</u>	<u>(1,850,414)</u>
 Cash, beginning of year	 <u>1,300,445</u>	 <u>294,679</u>	 <u>1,005,766</u>
 Cash, end of year	 <u><u>\$ 455,797</u></u>	 <u><u>\$ 1,300,445</u></u>	 <u><u>\$ (844,648)</u></u>

Major cash sources of funds included in operating activities are student tuition and fees of \$3,911,163, grants and contracts of \$300,074 and auxiliary services of \$1,230,162. The largest cash payments for operating activities were to employees for wages and benefits.

The largest cash receipt in the noncapital financing activities group are federal grants and the state share of instruction from the State of Ohio.

**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Capital and Debt Administration**

*Capital Assets*

At June 30, 2013, the College had \$5,135,023 invested in capital assets, net of accumulated depreciation of \$7,197,222. Depreciation charges totaled \$469,248 for the current fiscal year. Details of these assets for the two years are shown below:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
<b><u>Capital Assets</u></b>			
Land and land improvements	\$ 642,121	\$ 619,512	\$ 22,609
Buildings and improvements	3,880,326	4,078,445	(198,119)
Machinery and equipment	517,913	571,493	(53,580)
Vehicles	57,847	75,321	(17,474)
Library books and materials	36,816	40,802	(3,986)
	<u>5,135,023</u>	<u>5,385,573</u>	<u>(250,550)</u>
Totals	<u>\$ 5,135,023</u>	<u>\$ 5,385,573</u>	<u>\$ (250,550)</u>

More detailed information about the College's capital assets is presented in Note 8 to the financial statements.

*Debt*

The College had no debt outstanding at June 30, 2013.

**Economic Factors that Will Affect the Future**

Belmont College, like most institutions of higher education, has a significant portion of their revenue appropriated by the state of Ohio. In addition, tuition rates are regulated by legislature placing limits on tuition increases. The entire spectrum of higher education is under examination both on state and federal levels. Belmont College will respond to these challenges with well thought out strategies to maintain their market share in the region of the state it serves.

A new state funding model for higher education will be implemented in fiscal year 2014. This model begins a phase that is based less on enrollment numbers and more on performance metrics and completion rates. By fiscal year 2015, enrollment will no longer be the primary factor in the funding model.

Belmont College has experienced a decline in enrollment over the past two years. Some of this decline is due in part to the 2012 conversion from a quarterly academic calendar to a semester based calendar. This semester conversion was part of an overall ten year strategic plan put forth by the Ohio Board of Regents to standardize the academic calendar for the entire University System of Ohio to provide for a more seamless transfer of academic credit.



**Belmont College**  
**Belmont County, Ohio**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2013**

Another factor that has contributed to lower enrollment is the recent surge of employment in the oil and gas industry in the local area. The oil and gas industry is putting individuals directly to work with minimal education and/or training for many positions; therefore more people are choosing to work and not necessarily looking for a college education. Interest from drillers in the Utica shale play is moving south with activity shifting to about a half dozen counties in southeast Ohio, says a new report from the shale oil and gas team at Benesch Attorneys at Law. The report states that Harrison, Belmont, Monroe, Guernsey, and Noble Counties have become the drilling hot spots.

The oil and gas industry has proven to be a double edged sword for the College. While many individuals are being hired with limited education/training, others are looking to earn a higher pay scale. Belmont College is located in the active oil and gas drilling region making the College well-positioned to support the needs of the energy industry. While overall enrollment has been down, enrollment in Belmont College engineering and industrial technology programs show the most positive enrollment trends among all the program areas. These trends may be attributed to students hoping to gain employment in the energy industry for higher paying jobs that require a degree.

The College is now faced with the challenge of predicting enrollment and creating a budget that will support this enrollment adequately.

The College has revised its 2009-2014 strategic plan to reflect new realities and challenges. Bold new initiatives are necessary in order to meet the challenges facing higher education and Belmont College in particular. Despite these challenges, Belmont has not only remained strong but has grown even stronger by evolving into a comprehensive community college, which provides students more academic opportunities than ever before.

Belmont College is looking forward to even more growth with the addition of the Health Sciences Center funded from \$6,000,000 Capital Component Funds as approved through the 2013-2018 Capital Plan and House Bill 482. With the additional space, the Health Sciences Center will accommodate all Allied Health programs including: Associate Degree Nursing (ADN), Licensed Practical Nursing (LPN), and Medical Assisting Technologies. The new building will house state-of-the-art classroom and science labs for biology, anatomy, and chemistry that will enhance the learning environment and provide opportunities for students to nurture collaboration and creativity. With the addition of this center, the College hopes to strengthen enrollment in the health sciences areas.

The overall financial health of the College is strong and has more than adequate cash flow and reserves. The key to our success is to create more financial discipline and attention to strategic priorities and maintain the attention to detail that has been the hallmark of the College since its inception. Though the nature of higher education is changing, Belmont College will transform and adapt to the new paradigms that will be emerging in the years to come.

## **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 S. Koucoumaris, Vice President of Administrative Affairs, at Belmont College, 120 Fox-Shannon Place, St. Clairsville, Ohio 43950.

**BELMONT COLLEGE**  
**BELMONT COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<u>Belmont College</u>	<u>Component Unit Belmont College Foundation</u>
<b><u>ASSETS</u></b>		
<i>Current Assets:</i>		
Cash equivalents	\$ 447,881	\$ 92,894
Investments	13,219,260	521,624
Interest receivable	231,981	0
Accounts receivable, net	1,657,453	0
Intergovernmental receivable	2,184	0
Supplies inventory, at cost	136,292	0
<b>Total current assets</b>	<u>15,695,051</u>	<u>614,518</u>
<i>Noncurrent Assets:</i>		
Restricted cash and cash equivalents	7,916	0
Restricted investments	144,290	266,163
Capital assets, non-depreciable	276,000	0
Capital assets, net of accumulated depreciation	4,859,023	0
<b>Total noncurrent assets</b>	<u>5,287,229</u>	<u>266,163</u>
<b>TOTAL ASSETS</b>	<u>20,982,280</u>	<u>880,681</u>
<b><u>LIABILITIES</u></b>		
<i>Current Liabilities:</i>		
Accrued liabilities	322,671	0
Accrued vacation/sick leave	221,660	0
Deferred fees income	387,116	0
<b>Total current liabilities</b>	<u>931,447</u>	<u>0</u>
<i>Noncurrent Liabilities:</i>		
Accrued vacation/sick leave	172,207	0
<b>Total noncurrent liabilities</b>	<u>172,207</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	1,103,654	0
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	5,135,023	0
Restricted:		
<i>Nonexpendable:</i>		
Scholarships	56,510	270,755
<i>Expendable:</i>		
Scholarships	138,927	96,424
Instructional Department uses	321,278	0
Capital projects	3,542,509	50,000
Unrestricted	10,684,379	463,502
<b>TOTAL NET POSITION</b>	<u>\$ 19,878,626</u>	<u>\$ 880,681</u>

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

**BELMONT COLLEGE**  
**BELMONT COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**June 30, 2013**

	<b>Belmont College</b>	<b>Component Unit Belmont College Foundation</b>
<b>REVENUE:</b>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$490,383 & \$2,428,969)	\$ 4,081,827	\$ 0
State grants and contracts	91,090	0
Federal grants and contracts	211,166	0
Private gifts and contracts	0	141,384
Sales and services of educational departments	35,704	0
Auxiliary Enterprises:		
Sales and services	1,270,318	0
Other sources	74,220	22,886
<b>Total Operating Revenues</b>	<b>5,764,325</b>	<b>164,270</b>
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	4,267,985	0
Public service	116,090	0
Academic support	1,648,811	0
Student services	999,066	0
Institutional support	3,790,585	46,912
Operation and maintenance of plant	1,099,752	0
Depreciation	469,248	0
Scholarships and grants	2,398,709	27,290
<b>Total Educational and General</b>	<b>14,790,246</b>	<b>74,202</b>
Auxiliary Enterprises	1,116,942	0
<b>Total Operating Expenses</b>	<b>15,907,188</b>	<b>74,202</b>
<b>Operating Income (Loss)</b>	<b>(10,142,863)</b>	<b>90,068</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	5,291,862	0
Federal Grants & Contracts	4,659,864	0
Gifts	20,236	0
Investment income	183,667	17,917
Unrealized gain on Investments	0	34,047
Gain/(Loss) on sale of assets	0	3,815
Net nonoperating revenues	<b>10,155,629</b>	<b>55,779</b>
<b>Income before other revenues, expenses, gains or losses</b>	<b>12,766</b>	<b>145,847</b>
Capital appropriations	410,473	0
<b>Increase in Net Position</b>	<b>423,239</b>	<b>145,847</b>
<b>Net Position, Beginning of Year</b>	<b>19,455,387</b>	<b>734,834</b>
<b>Net Position, End of Year</b>	<b>\$ 19,878,626</b>	<b>\$ 880,681</b>

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

**BELMONT COLLEGE**  
**BELMONT COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**June 30, 2013**

	<b>Belmont College</b>	<b>Component Unit Belmont College Foundation</b>
<b><u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>		
<i>Cash Flows from Operating Activities:</i>		
Tuition and fees	\$ 3,911,163	\$ 0
Grants and contracts	300,074	145,830
Payments to suppliers	(3,193,612)	(46,912)
Payments for utilities	(325,342)	0
Payments to employees	(7,528,773)	0
Payments for benefits	(2,251,424)	0
Payments for scholarships and grants	(2,398,709)	(27,290)
Auxiliary Enterprises:		
Book Store	1,230,162	0
Sales and service of education	35,704	0
Other receipts	74,220	22,886
<b>Net cash provided by (used by) operating activities</b>	<b>(10,146,537)</b>	<b>94,514</b>
<i>Cash Flows from Non-Capital and Related Financing Activities:</i>		
State appropriations	5,291,862	0
Federal Grants (Pell Grant - Non Operating)	4,659,864	0
Gifts and grants	20,236	0
<b>Net cash provided by non-capital and related financing activities</b>	<b>9,971,962</b>	<b>0</b>
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of capital assets	(218,698)	0
Capital Appropriations	410,473	0
<b>Net cash provided by capital and related financing activities</b>	<b>191,775</b>	<b>0</b>
<i>Cash Flows from Investing Activities:</i>		
Interest on investments	229,092	55,780
Purchase of investments	(1,090,940)	(190,045)
<b>Net cash used by noncapital financing activities</b>	<b>(861,848)</b>	<b>(134,265)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(844,648)</b>	<b>(39,751)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,300,445</b>	<b>132,645</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 455,797</b>	<b>\$ 92,894</b>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>		
Operating loss	(10,142,863)	90,068
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	469,248	0
Change in Assets and Liabilities:		
Receivables, net	(490,577)	4,446
Inventories	21,658	0
Accrued liabilities	(171,863)	0
Compensated absences	(109,714)	0
Deferred revenue	277,574	0
<b>Net cash provided by (used by) operating activities</b>	<b>\$ (10,146,537)</b>	<b>\$ 94,514</b>

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

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY**

Belmont 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 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.

Belmont College Foundation (Foundation) is a legally separate, tax-exempt organization supporting the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, that the Foundation holds and invests, are restricted to the activities of the College by donors. Based upon the provisions in *Governmental Accounting Standards Board (GASB) Statement No. 14 – Reporting Entity* and subsequent amendments in GASB Statement No. 39, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

**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 is required to follow all applicable GASB pronouncements.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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.

**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, and 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. Allowance for Doubtful Accounts**

The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific students based on current circumstances and charges off the receivable against the allowance when all attempts to collect the receivable have failed.

**G. 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.

**H. 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.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 10 years for vehicles and 5 years for library books and materials.

**I. Restricted Assets**

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

**J. Noncurrent Long-Term Liabilities**

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

**K. 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.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Deferred Fees Income**

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.

**M. Net Position**

The College's net position is classified as follows:

**Net Investment in Capital Assets** – This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

**Restricted Net Position – Nonexpendable** – Nonexpendable restricted net position includes 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 Position – Expendable** – Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

**Unrestricted Net Position** – Unrestricted net position includes 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.

**N. 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.



**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Operating Activity**

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

In addition, the GASB Implementation Guide has indicated PELL grants should be considered non-operating revenues beginning in fiscal year 2009.

**P. 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.

**Q. 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.

**R. 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.

**S. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2013, the College has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the College.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the College.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the College.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**NOTE 3 – CHANGE IN AN ACCOUNTING ESTIMATE**

For fiscal year 2013, the College changed its estimate for allowance for doubtful accounts. The allowance for doubtful accounts estimate was changed to a stratified approach, based upon the amount of time the receivables have been outstanding and historical collection rates, as opposed to a flat percentage estimate applied in prior years. The effect of this change is a decrease to net income of \$309,536 in 2013.

**NOTE 4 – 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 precedes 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.
- 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.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 5 – 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.

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;
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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAROhio);

**BELMONT COLLEGE**  
**BELMONT COUNTY, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

8. 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.

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.

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 2013, 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 cash and cash equivalents.

**Custodial Credit Risk - Deposits:**

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 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.

**BELMONT COLLEGE  
 BELMONT COUNTY, OHIO  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year-end, the carrying amount of the College’s deposits was \$13,818,432. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2013, none of the College’s bank balance of \$14,395,224 was exposed to custodial risk as discussed above.

**Investments:**

As of June 30, 2013, the College had no investments as defined by GASB Statement No.40.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2013 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,948,247	\$ (492,024)	\$ 1,456,223
Interest	231,981	0	231,981
Intergovernmental	2,184	0	2,184
Other	201,230	0	201,230
Total Current Receivables	\$ 2,383,642	\$ (492,024)	\$ 1,891,618

**NOTE 7 – 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, 2013, there was no net appreciation on donor restricted assets available to be spent.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 – CAPITAL ASSETS**

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets, Non Depreciable:				
Land	\$ 276,000	\$ 0	\$ 0	\$ 276,000
Total Non-depreciable	276,000	0	0	276,000
Capital Assets, Depreciable:				
Land Improvements	677,917	91,735	0	769,652
Buildings and improvements	8,870,458	35,870	0	8,906,328
Machinery and Equipment	1,265,793	81,295	12,510	1,334,578
Motor Vehicles	232,430	0	0	232,430
Library books and materials	783,130	17,617	160,150	640,597
Total Depreciable	11,829,728	226,517	172,660	11,883,585
Less Accumulated Depreciation:				
Land Improvements	334,405	69,126	0	403,531
Buildings and improvements	4,792,013	233,989	0	5,026,002
Machinery and Equipment	694,300	127,056	4,691	816,665
Motor Vehicles	157,109	17,474	0	174,583
Library books and materials	742,328	21,603	160,150	603,781
Total Depreciable	6,720,155	469,248	164,841	7,024,562
Total Capital Assets, Depreciable, net	5,109,573	(242,731)	7,819	4,859,023
Capital Assets, net	\$ 5,385,573	\$ (242,731)	\$ 7,819	\$ 5,135,023

**NOTE 9 – LONG-TERM LIABILITIES**

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Compensated Absences	\$ 503,581	\$ 48,221	\$ 157,935	\$ 393,867	\$ 221,660
Total Long-Term Liabilities	\$ 503,581	\$ 48,221	\$ 157,935	\$ 393,867	\$ 221,660

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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	\$ 4,059,497	\$ 0	\$ 0	\$ 208,488	\$ 0	\$ 4,267,985
Public service	42,001	0	0	74,089	0	116,090
Academic support	1,480,561	0	0	168,250	0	1,648,811
Student services	952,987	0	0	46,079	0	999,066
Institutional support	2,283,793	0	0	1,506,792	0	3,790,585
Operations and maintenance	559,731	0	325,342	214,679	0	1,099,752
Scholarships & grants	0	2,398,709	0	0	0	2,398,709
Auxiliary enterprises	118,830	0	0	998,112	0	1,116,942
Depreciation	0	0	0	0	469,248	469,248
Totals	<u>\$ 9,497,400</u>	<u>\$ 2,398,709</u>	<u>\$ 325,342</u>	<u>\$ 3,216,489</u>	<u>\$ 469,248</u>	<u>\$ 15,907,188</u>

**NOTE 11 – PENSION AND RETIREMENT PLANS**

***A. School Employees Retirement System***

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under **Employers/Audit Resources**.

Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14% 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. The College's required contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$262,593, \$280,505, and \$274,383 respectively; equal to the required contributions for each year.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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 other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution 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 43215-3771 or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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 among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices 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 DB 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 31<sup>st</sup> 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.



**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 11 – PENSION AND RETIREMENT PLANS (Continued)**

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 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 year 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 an annuity benefit or lump sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by the 3% of the original base amount for DB 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.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 11 – PENSION AND RETIREMENT PLANS (Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012 were 10% of covered payroll for members and 14% for employers. Employer contributions actually paid should be disclosed in both dollar amounts and as a percentage of the employer's covered payroll for the current year and the two preceding years. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request. The College's required contributions for the fiscal years ended June 30, 2013, 2012, and 2011 were \$719,012, \$808,600 and \$794,090 respectively; 100% has been contributed for each fiscal year.

**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). Both systems are on pay-as-you-go basis.

**STRS:** Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The College's contributions to fund health care for fiscal years 2013, 2012 and 2011 were \$51,358, \$57,757, and \$56,721 respectively.

**SERS:** In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The College's contributions for the year ended June 30, 2013, 2012, and 2011 were \$13,880, 15,227, and 14,895 respectively, which equaled the required contributions each year.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)**

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation was .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2013, 2012 and 2011 were \$32,842, \$38,496, and \$36,771 respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**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 2013, the College contracted with Argonaut Insurance Company for commercial property insurance. The policy includes a \$1,000 deductible.

Professional and general liability is protected by Argonaut Insurance Company with a \$1,000,000 single occurrence limit, \$3,000,000 annual aggregate limit and no deductible. Vehicles are covered by Argonaut Insurance Company 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, with no annual aggregate. An excess liability policy provides an additional \$5,000,000 in limits over all other liability coverage.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 13– RISK MANAGEMENT (Continued)**

Blanket student professional liability is provided by CNA Insurance Company with a \$1,000,000 single occurrence limit and a \$5,000,000 annual aggregate limit and not deductible.

Travel accident insurance for employees and trustees is provided by AIG 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, \$932,882 has been paid. The amount remaining is \$58,356. This amount represents the annual support and maintenance fee through January 31, 2015.

As of June 30, 2013, the College has commitments with the following companies for various construction projects.

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2013</u>	<u>Amount Remaining on Contracts</u>
<i>Health Sciences Center:</i>			
Perspectus Architecture, LLC - Architecture and Design	\$ 730,760	\$ 0	\$ 730,760
Ruscilli Construction Company, Inc. - Construction Manager	608,038	0	608,038
<i>Main Building HVAC and Lighting Upgrades:</i>			
Karpinski Engineering, Inc. - Design Services	<u>290,490</u>	<u>0</u>	<u>290,490</u>
Total	<u>\$ 1,629,288</u>	<u>\$ 0</u>	<u>\$ 1,629,288</u>

**NOTE 15– CONTINGENCIES**

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 a condition 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, 2013.

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE 16- COMPONENT UNIT DISCLOSURES**

The Belmont College Foundation (Foundation) is a legally separate, tax-exempt component unit of Belmont College (College).

The accompanying financial statements of the Foundation have been prepared in accordance with pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support while contributions without donor-imposed restrictions are reported as unrestricted support.

**Equity in Pooled Cash and Cash Equivalents and Investments:**

*Deposits* - Custodial credit risk is the risk of the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party in the event of a depository financial institution or counterparty failure to a transaction. The Foundation has not established a policy for deposits at this time.

As of June 30, 2013, the carrying amount of the Foundation's deposits was \$92,894 and the bank balance of \$92,894 was covered by FDIC.

*Investments* - Foundation investments are stated at fair value with changes in market value being recognized as gains and losses during the period in which they occur. The following summarizes the fair value of investments of the Foundation as of June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>
Cash and Money Market Funds	\$ 29,713
Equities	402,447
Fixed Income	<u>355,627</u>
 Total	 <u>\$ 787,787</u>

**Support Provided to the College**

During the year ended June 30, 2013 the Foundation provided \$27,290 to or on behalf of the College for scholarships and other purposes.

December 21, 2013

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

**Independent Auditor's Report 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, in accordance with the 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, the financial statements of Belmont College, Belmont County, Ohio, (the College) and the aggregate discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 21, 2013, wherein we noted the College changed its accounting estimate for the allowance for doubtful accounts.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

### **College's Response to Findings**

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

December 21, 2013

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

**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Belmont College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Belmont College's (the College) major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the College's compliance.



***Opinion on the Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

BELMONT COLLEGE  
BELMONT COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Fiscal Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
<i>Direct Awards</i>			
Student Financial Aid Cluster			
Federal Pell Grant	84.063	\$ 4,659,864	\$ 4,659,864
Federal Work Study	84.033	44,475	44,475
Federal Direct Student Loans	84.268	5,410,236	5,410,236
Supplemental Educational Opportunity Grant	84.007	98,598	98,598
Total Student Financial Aid Cluster		<u>10,213,173</u>	<u>10,213,173</u>
 <i>Passed Through Ohio Department of Education</i>			
Vocational Education - Basic Grants to States	84.048	<u>63,093</u>	<u>63,093</u>
Total U.S. Department of Education		<u>10,276,266</u>	<u>10,276,266</u>
 Total Federal Awards		<u><u>\$ 10,276,266</u></u>	<u><u>\$ 10,276,266</u></u>

See accompanying notes to the schedule of expenditures of federal awards

BELMONT COLLEGE  
BELMONT COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Fiscal Year Ended June 30, 2013

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the College and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

**NOTE 2: FEDERAL DIRECT LOAN PROGRAM**

The College participates in the William D. Ford Federal Direct Loan Program. The College originates the loans which are then funded through the U.S. Department of Education.

Federal Subsidized Loans	\$2,829,290
Federal Unsubsidized Loans	2,576,591
Plus Loans	<u>4,355</u>
Total Federal Direct Student Loans	<u>\$5,410,236</u>

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, SECTION .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies 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 significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list): Student Financial Assistance Cluster: Federal Pell Grant Federal Work Study Federal Direct Student Loans Supplemental Educational Opportunity Grant	CFDA #'s: 84.063 84.033 84.268 84.007
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$308,288 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BELMONT COLLEGE  
BELMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, SECTION .505 (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS</b>
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**Material Weakness – Financial Reporting**

<b>Finding Number</b>	<b>2013-001</b>
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**Criteria:** The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** During the audit, we noted there was no change in the percentage used over the past several years with regard to the estimate for the allowance for doubtful accounts.

A material audit adjustment was necessary and management revised its estimate to more accurately reflect uncollectible accounts receivable.

**Cause:** The estimate calculation had remained the same for several years without taking into account actual results over a period of years.

**Effect:** The condition described above resulted in a material overstatement of net accounts receivable and in ending net position.

**Recommendation:** The College should implement procedures to review its estimate regarding the allowance for doubtful accounts annually.

**Management Response:**

Management agrees with the comment and immediately implemented a new process using historical collection information to calculate a more realistic allowance for doubtful accounts. Management has been looking into the allowance for doubtful accounts estimate for several years but did not have clear guidance on how to adjust the estimate.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None noted.

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# Dave Yost • Auditor of State

**BELMONT 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 16, 2014**