

Belmont Technical College

Audited Financial Statements

June 30, 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Belmont Technical College, Belmont County, prepared by Rea & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 4, 2008

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**BELMONT TECHNICAL COLLEGE
ST CLAIRSVILLE, OHIO**

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December 21, 2007

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

Independent Auditor's Report

We have audited the accompanying financial statements of Belmont Technical College (the College), Belmont County, Ohio, and the aggregate discretely presented component unit, as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Belmont Technical College and the discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2007 on our consideration of Belmont Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Belmont Technical College
Independent Auditor's Report
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Philadelphia, OH 44663

Rea & Associates, Inc.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Belmont Technical College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2007, with comparative information from fiscal year 2006. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Belmont Technical College.

About Belmont Technical College

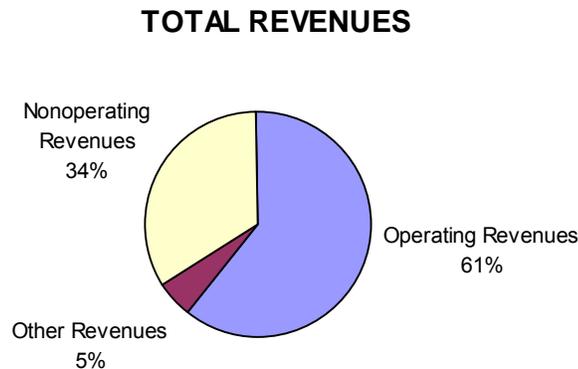
Belmont Technical College is a two year college offering programs in business, engineering, allied health, and public service technologies. The College was chartered in 1971, allowing it to serve the three county area of Belmont, Harrison, and Monroe Counties.

Belmont Technical 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 Technical College's financial position, as a whole, improved during the fiscal year ending June 30, 2007. Its combined net assets increased \$945,095 or 6.7% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2007:



In the fiscal year ending June 30, 2007, revenues and other support exceeded expenses, creating the increase in net assets of \$945,095 (compared to a \$1,120,504 increase last year).

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007

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. There are no component units.

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

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

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

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

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. GASB 35 requires state appropriations to be classified as non-operating revenues. Accordingly, the College will generate a net operating loss prior to the addition of non-operating 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.

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.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

Net Assets - FY2007 Versus FY2006

	<u>06/30/07</u>	<u>06/30/06</u>	<u>Change</u>
<u>ASSETS</u>			
Current Assets	\$ 10,459,717	\$ 10,145,999	\$ 313,718
Capital Assets, net	5,501,926	5,355,722	146,204
Other Non-current Assets	103,153	105,641	(2,488)
Total assets	<u>16,064,796</u>	<u>15,607,362</u>	<u>457,434</u>
<u>LIABILITIES</u>			
Current Liabilities	856,656	1,373,174	(516,518)
Non-current Liabilities	185,856	156,999	28,857
Total liabilities	<u>1,042,512</u>	<u>1,530,173</u>	<u>(487,661)</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	5,501,926	5,355,721	146,205
Restricted:			
Nonexpendable	56,160	56,160	0
Expendable	1,768,747	1,692,039	76,708
Unrestricted	7,695,451	6,973,269	722,182
Total net assets	<u>\$ 15,022,284</u>	<u>\$ 14,077,189</u>	<u>\$ 945,095</u>

A review of the College's statement of net assets at June 30, 2007 shows that the College continues to build a strong financial foundation.

Assets: As of June 30, 2007, the College's total assets amount to \$16,064,796. Investment in capital assets, net of depreciation, represented the College's largest asset, totaling \$5,501,926, or 34 percent, of total assets. Cash and cash equivalents represented \$1,107,641, or 7 percent, of total assets.

Liabilities: At June 30, 2007, the College's liabilities totaled \$1,042,512. Current liabilities, including accounts payable and accrued liabilities, represented \$856,656 or 82 percent of total liabilities.

Net Assets: Net assets at June 30, 2007 totaled \$15,022,284, or 94 percent, of total assets. Net assets invested in capital totaled \$5,501,926, or 37 percent, of total net assets. Restricted and unrestricted net assets represented 12 percent and 51 percent of total net assets, respectively.

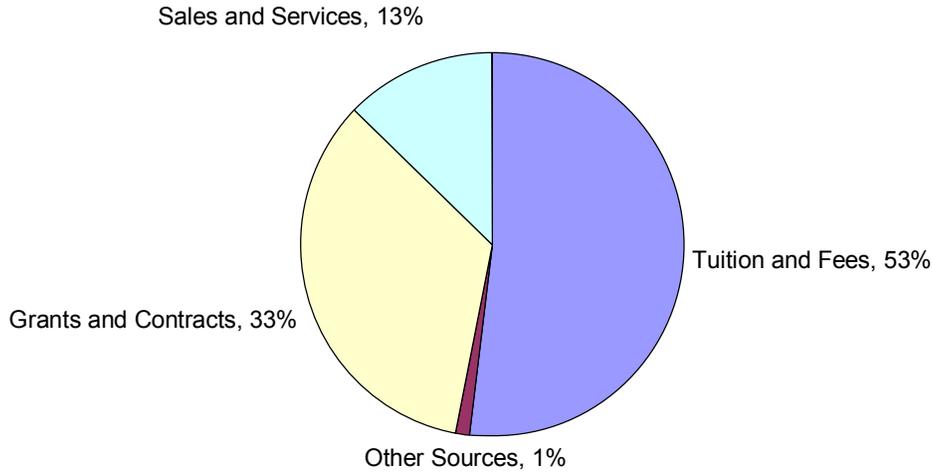
**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Operating Revenues:			
Tuition and fees	\$ 5,105,518	\$ 4,802,853	\$ 302,665
Grants and contracts	3,166,049	2,894,364	271,685
Auxiliary services	1,203,651	1,157,780	45,871
Other	77,843	90,807	(12,964)
Total operating revenues	<u>9,553,061</u>	<u>8,945,804</u>	<u>607,257</u>
Operating Expenses:			
Education and General	13,442,753	12,311,787	1,130,966
Depreciation	358,462	283,528	74,934
Auxiliary enterprises	1,068,426	943,400	125,026
Total operating expenses	<u>14,869,641</u>	<u>13,538,715</u>	<u>1,330,926</u>
Net operating revenues (expenses)	<u>(5,316,580)</u>	<u>(4,592,911)</u>	<u>(723,669)</u>
Nonoperating Revenues:			
State appropriations	5,063,321	5,040,038	23,283
Other nonoperating revenues	386,968	226,374	160,594
Net nonoperating revenues	<u>5,450,289</u>	<u>5,266,412</u>	<u>183,877</u>
Income before other revenues	133,709	673,501	(539,792)
Capital appropriations	397,419	397,419	0
Capital grants and gifts	<u>413,967</u>	<u>49,585</u>	<u>364,382</u>
Increase in net assets	945,095	1,120,505	(175,410)
NET ASSETS, beginning of year	<u>14,077,189</u>	<u>12,956,684</u>	<u>1,120,505</u>
NET ASSETS, end of year	<u>\$ 15,022,284</u>	<u>\$ 14,077,189</u>	<u>\$ 945,095</u>

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

OPERATING REVENUES - 2006-2007

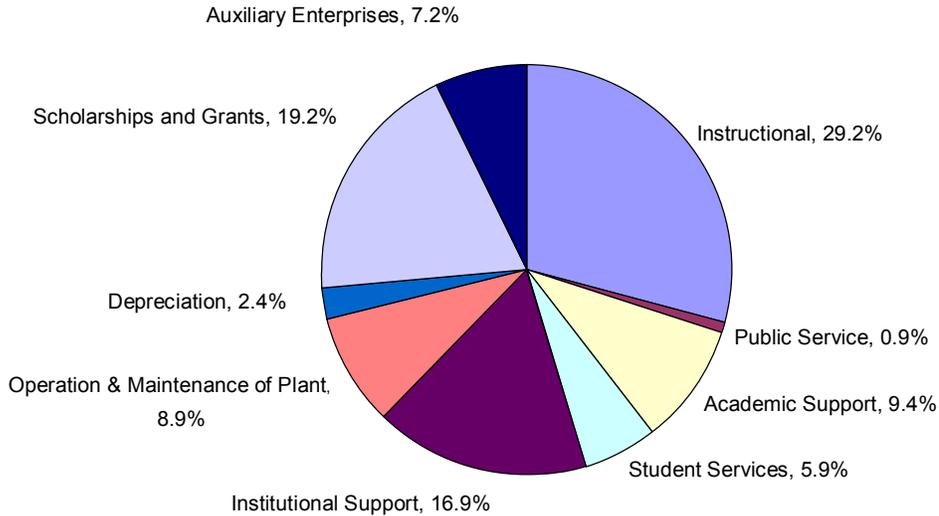


Total operating revenues were \$9,553,061 for the year ended June 30, 2007. The most significant sources of operating revenue for the College are net tuition and fees (53 percent), grants and contracts (33 percent), and auxiliary enterprises, which is the bookstore (13 percent).

There are other significant recurring sources of revenues essential to the operation of the College, including state appropriations and investment income, which are considered non-operating revenues as defined by GASB 35. The College's state appropriations for the year ended June 30, 2007, amounted to \$5,063,321.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

OPERATING EXPENSES - 2006-2007



Operating expenses, including \$358,462 of depreciation, totaled \$14,896,641. 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 (29.2 percent), scholarships and grants (19.2 percent), institutional support (16.9 percent), and academic support (9.4 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 Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

The Statement of Cash Flows

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

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

Statement of Cash Flows

	2007	2006	Change
Cash provided (used) by:			
Operating activities	\$ (5,174,285)	\$ (4,467,899)	\$ (706,386)
Noncapital financing activities	5,117,968	5,051,357	66,611
Capital and related financing activities	306,721	58,592	248,129
Investing activities	(780,105)	(997,709)	217,604
Net increase (decrease) in cash	(529,701)	(355,659)	(174,042)
			0
Cash, beginning of year	1,637,342	1,993,003	(355,661)
Cash, end of year	\$ 1,107,641	\$ 1,637,344	\$ (529,703)

Major sources of funds included in operating activities are student tuition and fees (\$5,105,518), grants and contracts (\$3,166,049), and auxiliary services (\$1,203,651). The largest cash payment for operating activities was to employees, for wages and benefits.

The largest cash receipt in the noncapital financing activities group is the operating appropriation from the State of Ohio.

**Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007**

Capital and Debt Administration

Capital Assets

At June 30, 2007, the College had some \$5,501,926 invested in capital assets, net of accumulated depreciation of \$5,436,513. Depreciation charges totaled \$358,462 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net - FY2007 Versus FY2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 276,000	\$ 276,000	\$ 0
Construction in Progress	22,077	357,068	(334,991)
Buildings and improvements	4,555,888	4,364,401	191,487
Machinery and equipment	526,408	223,500	302,908
Vehicles	70,203	84,461	(14,258)
Library books and materials	<u>51,350</u>	<u>50,292</u>	<u>1,058</u>
Totals	<u>\$ 5,501,926</u>	<u>\$ 5,355,722</u>	<u>\$ 146,204</u>

One major project this fiscal year was the paving of the roads and driveways at the main campus. Additional safety features were added, such as, speed bumps, a designated drop off area for the Childcare Center, and additional handicap parking spaces. Another project this year was the installation of a more energy efficient roof at the North Campus. These projects were completed utilizing State renovations funds. At the end of the fiscal year, the total expense for the roof replacement project was \$83,418.34 and the expense for the roadways was \$330,548.92.

Debt

At year-end 2007, the College had no debt outstanding. More detailed information about the College's long-term liabilities is presented in Note 8 to the financial statements.

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007

Economic Factors That Will Affect the Future

The economic position of Belmont Technical College is closely tied to that of the State and the region. With a new governor and a chancellor for higher education, which is now a cabinet level appointee, higher education is treated more like a state agency than ever before. The governor and the legislature collaborated on an unprecedented budget for the 2007-09 bienniums. This budget called for a freeze on tuition and fees in exchange for an increase in state funding, thus creating a greater dependency on the State. Operational efficiencies and continued conservative spending are vital as we strive to increase enrollment.

A recent positive outcome of legislature granted authority for all technical colleges to award both the Associate of Arts (A.A.) and the Associate of Science (A.S.) degrees. These degrees provide the first two years of a baccalaureate degree. Belmont Technical College now has an explicit transfer mission in addition to its technical one.

In response to this new transfer mission, the College is currently in the process of a name change. Our mission has been evolving over time from one of a technical nature to one that includes transfer options. Students have more educational options and are transferring to colleges such as Franciscan University, West Virginia University, Akron University, Youngstown State University, Wheeling Jesuit University, Ohio University, and West Liberty State College due to the continuation of articulation agreements to develop partnerships with other colleges to provide these opportunities.

The main goal of the name change is to better reflect our expanded mission to offer the A.A. and A.S. degrees. We anticipate the name change will eliminate confusion with our identity in conjunction with other educational entities, re-enforce the fact that we are a fully accredited college, enhance the image of the College in the community, and allow the college to more fully develop market segments. We fully expect to experience, as have other institutions that have undergone name changes in recent years, a significant increase in enrollment in the future.

While enrollment numbers for these degrees will not significantly impact enrollments during the current biennium, it is anticipated that enrollment will begin to increase significantly in the 2009-11 biennium due to the new A.A. and A.S. degrees yet to be developed. In the fall of 2008, an A.A. degree in General Studies was launched and several new initiatives are being developed including a weekend and evening business program aimed at the adult learner. In 2006-07 the College added an administrative position with the sole function of development of new academic programs.

The Chancellor of Higher Education for the state of Ohio is currently creating a ten year plan at the request of the Governor and the legislature. The Chancellor has already communicated some bold new strategies and possible changes in funding schemes. Belmont Technical College is currently preparing a plan for its future based on anticipated parameters of the state plan. The College plan focus on increasing enrollment in credit and non-credit programming, as well as, continuing our focus on the elements of the marketing mix to include product, price, promotion,

Belmont Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007

and place. This focus allowed the college to examine all aspects of the institution and to plan for changes in order to meet the needs of an ever-changing marketplace for higher education.

One ongoing concern has been the increasing cost of health care. Over the past several years, the College has experienced increases of 11.3% in 2007, 9.9% in 2006, 16.2% in 2005, and 14.9% in 2004. The percent of the College's revenue spent on health insurance is currently at 7.2%. The College currently has under discussion a number of options to control the growth of health care expense and to minimize future increases by studying alternatives in fiscal year 2008.

As well as health care costs, the College faces increasing cost pressures in areas of employee compensation and other areas such as utilities. Although rising costs are a challenge, the College strives to reduce costs, improve quality of service, increase enrollment, offer new program options, and provide even more opportunities for research and collaboration.

The College continues to be financially strong with a composite SB 6 ratio of five for the last five years; this financial position gives us confidence that some degree of risk taking is appropriate. This confidence has resulted in the reserve of funds for many projects to continue to grow. The College enters the 2007-09 bienniums with confidence and enthusiasm about the future of higher education in Ohio and the region the College serves.

The College's enrollment, reserves, and cash position have been sufficient to endure continued economic downturns in the State of Ohio. The College has a solid financial foundation to continue to reach its goals as a learner-centered institution committed to maintaining the current standard of excellence while offering affordable education supporting economic development in our community.

Management will continue to search for ways to become more efficient and effective. The College was required by the State to identify at least \$97,295 in operating efficiency savings in fiscal year 07/08, and \$291,885 in 08/09. The challenge will be to continue to provide exceptional services to our students, staff, and our community.

Contacting the College's Financial Management

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

BELMONT TECHNICAL COLLEGE

**STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2007**

	Belmont Technical College	Component Unit Belmont Technical College Foundation
<u>ASSETS</u>		
<i>Current Assets:</i>		
Cash equivalents	\$ 1,105,933	\$ 73,163
Investments	7,593,711	86,965
Interest receivable	202,983	0
Accounts receivable, net	1,389,816	0
Intergovernmental receivable	44,706	0
Pledges receivable	0	3,222
Supplies inventory, at cost	122,568	0
Total current assets	10,459,717	163,350
<i>Noncurrent Assets:</i>		
Restricted cash and cash equivalents	1,708	34,792
Restricted investments	101,445	240,848
Capital assets, net of accumulated depreciation	5,501,926	0
Total noncurrent assets	5,605,079	275,640
 TOTAL ASSETS	\$ 16,064,796	\$ 438,990
<u>LIABILITIES</u>		
<i>Current Liabilities:</i>		
Accrued liabilities	\$ 484,790	\$ 0
Accrued vacation/sick leave	249,478	0
Deferred fees income	122,388	0
Total current liabilities	856,656	0
<i>Noncurrent Liabilities:</i>		
Accrued vacation/sick leave	185,856	0
Total noncurrent liabilities	185,856	0
 TOTAL LIABILITIES	1,042,512	0
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	5,501,926	0
Restricted:		
<i>Nonexpendable:</i>		
Scholarships	56,160	249,130
<i>Expendable:</i>		
Scholarships	101,487	30,441
Instructional Department uses	362,933	0
Capital projects	1,304,327	0
Unrestricted	7,695,451	159,419
Total net assets	15,022,284	438,990
 TOTAL LIABILITIES AND NET ASSETS	\$ 16,064,796	\$ 438,990

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

BELMONT TECHNICAL COLLEGE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007**

	Belmont Technical College	Component Unit Belmont Technical College Foundation
<u>REVENUE:</u>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$421,590)	\$ 5,105,518	\$ 0
State grants and contracts	270,757	0
Federal grants and contracts	2,895,292	0
Private gifts and contracts	0	72,217
Sales and services of educational departments	10,917	0
<i>Auxiliary Enterprises:</i>		
Sales and services	1,192,734	0
Other sources	77,843	0
Total revenues	9,553,061	72,217
<u>EXPENSES:</u>		
<i>Operating Expenses:</i>		
<i>Educational and General:</i>		
Instructional	4,336,721	0
Public service	138,414	0
Academic support	1,401,851	0
Student services	880,183	0
Institutional support	2,517,164	1,196
Operation and maintenance of plant	1,315,504	0
Depreciation	358,462	0
Scholarships and grants	2,852,916	0
Total Educational and General	13,801,215	1,196
Auxiliary Enterprises	1,068,426	0
Total Expenses	14,869,641	1,196
Operating Income (Loss)	(5,316,580)	71,022
<u>NONOPERATING REVENUES (EXPENSES):</u>		
State appropriations	5,063,321	0
Gifts	54,647	0
Investment income	332,321	29,338
Net nonoperating revenues	5,450,289	29,338
Income before other revenues, expenses, gains or losses	133,709	100,359
Capital appropriations	397,419	0
Capital grants and gifts	413,967	0
Total other revenues	811,386	0
Increase in Net Assets	945,095	100,359
Net Assets, Beginning of Year	14,077,189	338,631
	\$ 15,022,284	\$ 438,990

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

BELMONT TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

	Belmont Technical College	Component Unit Belmont Technical College Foundation
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
<i>Cash Flows from Operating Activities:</i>		
Tuition and fees	\$ 4,484,023	\$ 0
Grants and contracts	3,423,464	72,532
Payments to suppliers	(3,128,263)	(1,196)
Payments for utilities	(240,650)	0
Payments to employees	(6,295,871)	0
Payments for benefits	(1,851,725)	0
Payments for scholarships and grants	(2,852,916)	0
Auxiliary Enterprises:		0
Book Store	1,198,892	0
Sales and service of education	10,917	0
Other receipts	77,844	0
Net cash provided (used) by operating activities	(5,174,285)	71,336
<i>Cash Flows from Non-Capital and Related Financing Activities:</i>		
State appropriations	5,063,321	0
Gifts and grants	54,647	0
Net cash provided by non-capital and related financing activities	5,117,968	0
<i>Cash Flows from Capital and Related Financing Activities:</i>		
Purchase of capital assets	(90,698)	0
Capital Appropriations	397,419	0
Net cash provided by capital and related financing activities	306,721	0
<i>Cash Flows from Investing Activities:</i>		
Interest on investments	294,403	30,243
Purchase of investments	(1,074,508)	(212,654)
Net cash used by noncapital financing activities	(780,105)	(182,411)
Net decrease in cash and cash equivalents	(529,701)	(111,075)
Cash and Cash Equivalents, beginning of year	1,637,342	219,030
Cash and Cash Equivalents, end of year	\$ 1,107,641	\$ 107,955
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (5,316,580)	\$ 71,022
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	358,462	0
Change in Assets and Liabilities:		
Receivables, net	207,942	314
Inventories	63,550	0
Accrued liabilities	7,817	0
Compensated absences	70,386	0
Deferred revenue	(565,862)	0
Net cash provided (used) by operating activities	\$ (5,174,285)	\$ 71,336
<u>NONCASH TRANSACTIONS:</u>		
Contribution of capital assets from Ohio Board of Regents	\$ 413,967	

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

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

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

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

Belmont Technical 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 income 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 does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007.

E. Receivables

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

F. 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 TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 includes 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 TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deferred Revenue

In accordance with the State of Ohio policy of recording instructional revenues in the year in which the courses are principally conducted, the College defers certain revenues at June 30 that are applicable to courses conducted subsequent to June 30. As of June 30, 2007, the deferred amount represents the amount paid by students for courses conducted subsequent to June 30.

M. Net Assets

The College's net assets are classified as follows:

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

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

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

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

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

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 TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Revenue and Expense Recognition

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

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.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – STATE SUPPORT

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

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

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

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in the state-assisted institutions of higher education throughout the state.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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, pass-book 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);
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.

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 2007, 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 TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the College’s deposits was \$8,801,882. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2007, \$9,040,567 of the College’s bank balance of \$9,519,875 was exposed to custodial risk as discussed above, while \$479,308 was covered by Federal Deposit Insurance Corporation.

Investments:

As of June 30, 2007, the College had no investments as defined by GASB Statement No.40.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007 were as follows:

	<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 763,875	\$ (158,475)	\$ 605,400
Interest	202,983	0	202,983
EDPS Funds	44,706	0	44,706
Other	<u>784,416</u>	<u>0</u>	<u>784,416</u>
 Total Current Receivables	 <u>\$ 1,795,980</u>	 <u>\$ (158,475)</u>	 <u>\$ 1,637,505</u>

NOTE 6 – DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2007, there was no net appreciation on donor restricted assets available to be spent.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 7 – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital Assets, Non Depreciable:				
Land	\$ 276,000	\$ 0	\$ 0	\$ 276,000
Construction in Progress	<u>357,068</u>	<u>22,077</u>	<u>357,068</u>	<u>22,077</u>
Total Non-depreciable	633,068	22,077	357,068	298,077
Capital Assets, Depreciable:				
Land Improvements	304,992	330,549	0	635,541
Buildings and improvements	7,859,207	90,098	0	7,949,305
Machinery and Equipment	762,947	392,287	0	1,155,234
Motor Vehicles	233,502	0	0	233,502
Library books and materials	<u>640,058</u>	<u>26,722</u>	<u>0</u>	<u>666,780</u>
Total Depreciable	9,800,706	839,656	0	10,640,362
Less Accumulated Depreciation:				
Land Improvements	304,992	30,050	0	335,042
Buildings and improvements	3,494,806	199,110	0	3,693,916
Machinery and Equipment	539,446	89,380	0	628,826
Motor Vehicles	149,042	14,257	0	163,299
Library books and materials	<u>589,766</u>	<u>25,664</u>	<u>0</u>	<u>615,430</u>
Total Depreciable	<u>5,078,052</u>	<u>358,461</u>	<u>0</u>	<u>5,436,513</u>
Total Capital Assets, Depreciable, net	<u>4,722,654</u>	<u>481,195</u>	<u>0</u>	<u>5,203,849</u>
Capital Assets, net	<u>\$ 5,355,722</u>	<u>\$ 503,272</u>	<u>\$ 357,068</u>	<u>\$ 5,501,926</u>

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Compensated Absences	\$ 364,948	\$ 70,386	\$ -	\$ 435,334	\$ 249,478
Total Long-Term Liabilities	<u>\$ 364,948</u>	<u>\$ 70,386</u>	<u>\$ 0</u>	<u>\$ 435,334</u>	<u>\$ 249,478</u>

NOTE 9 – OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction & departmental research	\$ 3,994,705	\$ 0	\$ 0	\$ 342,016	\$ 0	\$ 4,336,721
Public service	54,710	0	0	83,704	0	138,414
Academic support	1,112,172	0	0	289,679	0	1,401,851
Student services	793,053	0	0	87,130	0	880,183
Institutional support	1,510,130	0	0	1,007,034	0	2,517,164
Operations and maintenance	603,418	0	240,650	471,436	0	1,315,504
Scholarships & grants	0	2,852,916	0	0	0	2,852,916
Auxiliary enterprises	79,397	0	0	989,029	0	1,068,426
Depreciation	0	0	0	0	358,462	358,462
Totals	<u>\$ 8,147,585</u>	<u>\$ 2,852,916</u>	<u>\$ 240,650</u>	<u>\$ 3,270,028</u>	<u>\$ 358,462</u>	<u>\$ 14,869,641</u>

NOTE 10 – PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – PENSION AND RETIREMENT PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The College's required contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$237,098, \$229,434, and \$223,239 respectively; equal to the required contributions for each year.

B. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and their faculty members employed in the public schools of Ohio or any school, community school, college, university, instruction or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated 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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC of Combined Plan.

DB Plan Benefits - Benefits are established by Chapter 3307 of the Ohio Revised Code. Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual-retirement allowance.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – 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 a money-purchase benefit or lump sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65 once employment is terminated.

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

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

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

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 – PENSION AND RETIREMENT PLANS (Continued)

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 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006 (date of most recent information available) 10 percent of covered payroll for members and 14 percent for employers. The College's required contributions for the fiscal years ended June 30, 2007, 2006, and 2005 were \$595,214, \$558,450 and \$549,911 respectively; 100 percent has been contributed for each fiscal year.

NOTE 11 – POST-EMPLOYMENT BENEFITS

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

For STRS Ohio, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the College, this amount equaled \$42,515 during the 2007 fiscal year. The balance in the Health Care Stabilization Fund was \$3.5 billion at June 30, 2006 (latest information available). For the year ended June 30, 2006 (latest information available), the net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

For SERS, the Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and the beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the health care allocation rate was 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006 (latest information available), the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The amount to fund health care benefits for the College, including surcharge, equaled \$90,865 during the 2007 fiscal year.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health reserve is 150 percent of annual health care expenses, before premium deductions. Net health care costs as of June 30, 2006 (the latest information available), were \$158,751,207. As of June 30, 2006 (the date of the most recent information available), the value of the health care fund was \$295.6 million, which is about 221 percent of the next year's projected net health care costs. Based on actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of participants eligible to receive benefits was 59,492.

NOTE 12– 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 2007, the College contracted with Indiana Insurance Company for commercial property insurance. The policy includes a \$5,000 deductible.

Professional and general liability is protected by Indiana Insurance Company with a \$1,000,000 single occurrence limit, \$2,000,000 annual aggregate limit and no deductible. Vehicles are covered by Indiana 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. A commercial umbrella provides an additional \$5,000,000 in limits over all other liability coverage.

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

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

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

NOTE 13– 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, \$626,974 has been paid. The amount remaining is \$364,264. This amount represents the annual support and maintenance fee through January 31, 2015.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14- CONTINGENCIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and 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, 2007.

B. Litigation

The College is currently not party to any legal proceedings.

NOTE 15- COMPONENT UNIT DISCLOSURES

Summary of Significant Accounting Policies

1. **Basis of Accounting**

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the Audit and Accounting Guide for Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants.

2. **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's report.

3. **Cash and Cash Equivalents**

The Foundation classifies its checking and certificates of deposit as cash.

4. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. **Unrestricted Net Assets**

Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15– COMPONENT UNIT DISCLOSURES (Continued)

Summary of Significant Accounting Policies – (continued)

6. Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

7. Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) as a Non-Governmental, Non Profit entity of the Internal Revenue Code.

Equity in Pooled Cash and Cash Equivalents and Investments:

Deposits - Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The Foundation has not established a policy for deposits at this time. At fiscal year-end, the carrying amount of the Foundation’s deposits was \$107,955. All of the June 30, 2007 bank balances of \$25,953 is covered by federal depository insurance. The remaining balance of \$82,002 is maintained as cash equivalents in the Sky Bank Trust investment accounts and is not collateralized.

Investments – As of June 30, 2007 the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less than One Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>
Equity Funds-Stocks	\$ 177,177	\$ 177,177	\$ 0	\$ 0	\$ 0
Fixed Income Funds	23,844	0	0	0	23,844
Mutual Funds	126,792	126,792	0	0	0
Total	<u>\$ 327,813</u>	<u>\$ 303,969</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,844</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy limits investments in fixed income securities and corporate issues. Individual marketable bonds, at the time of purchase, must be rated “A” or better, and commercial paper must have a rating of not less than “BBB” by Standard & Poor’s.

BELMONT TECHNICAL COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15- COMPONENT UNIT DISCLOSURES (Continued)

As of June 30, 2007, the Foundation had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Fixed Income		
Municipal Bonds	AA	\$ 14,277
	AAA	9,567
Equity		
Common Stock		177,177
Mutual Funds		126,792
		<u>\$ 327,813</u>

Concentration of Credit Risk - The Foundation places a limit of no more than 30% of the fixed income portion, at cost, can be invested in any one issuer, excluding obligations of the United States government. The following table includes the percentage to total of each investment type held by the Foundation at June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Municipal Bonds	\$ 23,844	7%
Common Stocks	177,177	54%
Mutual Funds	126,792	39%
	<u>\$ 327,813</u>	<u>100%</u>

Pledges Receivable

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The Foundation's pledges receivable consisted of amounts pledged by employees of the College and are expected to be fully collected by December 31, 2007.

Support Provided to the College

During the year ended June 30, 2007 the Foundation provided no resources to or on behalf of the College for scholarships and other purposes.



December 21, 2007

The Board of Trustees
Belmont Technical College
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 the financial statements of Belmont Technical College and aggregate discretely presented component unit as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Belmont Technical College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belmont Technical College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Belmont Technical College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving compliance internal control that we have reported to management of Belmont Technical College in a separate letter dated December 21, 2007.

The Board of Trustees
Belmont Technical College
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*
December 21, 2007
Page 2

Compliance and Other Matters

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

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

Rea & Associates, Inc.

New Philadelphia, OH 44663



December 21, 2007

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

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

Compliance

We have audited the compliance of Belmont Technical College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Belmont Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Belmont Technical College's management. Our responsibility is to express an opinion on Belmont Technical College's compliance based on our audit.

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

In our opinion, Belmont Technical College complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2007-002.

Internal Control over Compliance

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

Board of Trustees
Belmont Technical College
Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133
December 21, 2007
Page 2

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, 2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. We also noted other matters involving internal control over compliance and operations that we have reported to management of the College in a separate letter dated December 21, 2007.

Belmont Technical College's response to the findings identified in our audit are described in the accompanying letter. We did not audit the College's response and, accordingly, we express no opinion on it.

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

Hea & Associates, Inc.

New Philadelphia, OH 44663

BELMONT TECHNICAL COLLEGE
Belmont County
Schedule of Expenditures of Federal Awards
June 30, 2007

<u>Agency</u> <u>Program</u> <u>Grant</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Education</u>				
<i>Direct Award</i>				
<i>Student Financial Assistance Cluster:</i>				
Federal Family Education Loan Program (See Note A)	84.032		\$ 3,388,412	\$ 3,388,412
Federal Pell Grant Program	84.063		2,729,745	2,729,745
Federal Work Study	84.033		30,347	30,347
Academic Competitive Grant	84.375		26,259	26,259
Supplemental Educational Opportunity Grant	84.007		47,815	47,815
Total Student Financial Assistance Cluster			<u>6,222,578</u>	<u>6,222,578</u>
 <i>Passed through Ohio Department of Education:</i>				
Vocational Education Basic Grant	84.048	063446-20C3-2005	(2,517)	0
		063446-20C3-2006	2,517	0
		063446-20C3-2007	61,432	61,432
Total Vocational Education Basic Grant			<u>61,432</u>	<u>61,432</u>
Total U.S. Department of Education			6,284,010	6,284,010
 <u>U.S. Department of Agriculture</u>				
<i>Passed through the Ohio Department of Education:</i>				
Child Care Food Program	10.558	099200-CCMN-2007	667	667
		099200-CCMU-2006	438	438
		099200-CCMU-2007	300	300
Total Child Care Food Program			<u>1,405</u>	<u>1,405</u>
Total Federal Financial Assistance			<u>\$ 6,285,415</u>	<u>\$ 6,285,415</u>

Note A - Guaranteed Student Loans

For the fiscal year 2006 - 2007, the College certified need for \$3,388,412 in Guaranteed Student Loans and Supplemental Loans.

Note B - Pell Distribution

Pell Grant money distributed to the College's Unrestricted and Auxiliary Funds for tuition and fees was \$1,301,998 and the balance distributed to students was \$1,161,273.

Note C - Significant Accounting Policies

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

Note D - Transfer of Funds

The Vocational Education Basic Grant allows for a transfer of unused funds in one year to be carried over to the subsequent year. The College was allowed a transfer of FY2005 grant funds to FY2006. This is represented by a negative amount in the receipts column.

Note E - Receipts Column

Federal receipts are not required to be included in the schedule, however, the Ohio Department of Education requests receipts be included.

**BELMONT TECHNICAL COLLEGE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other internal control 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)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other internal control deficiencies reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: CFDA #84.007, 84.032, 84.033, 84.063, 84.375
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None

**BELMONT TECHNICAL COLLEGE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2007**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Significant Deficiency in Internal Control

FINDING NUMBER	2007-001
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Department of Education
Federal Program: Federal Pell Grant Program
CFDA #84.063

Criteria: 34 CFR 690.62 (a); The amount of a student Pell Grant for an academic year is based upon the payment schedules published by the Secretary. 668.22 Treatment of title IV funds when a student withdraws. (2) If the total amount of Title IV grant or loan assistance, or both, that the student earned as calculated under paragraph (e)(1) of this section is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew— (i) The difference between these amounts must be returned to the title IV programs in accordance with paragraphs (g) and (h) of this section in the order specified in paragraph (i) of this section.

Condition: The original Pell Grant award and Return of Title IV Funds for one of 66 students tested was calculated incorrectly.

Context: One of sixty-six students tested, out of a population of 1,499, had an incorrect award and refund calculation under the Federal Pell Grant Program. This student was over-awarded a total of \$186.

Recommendation: We recommend the College adhere to the Pell Grant schedules published by the Secretary each year and establish a procedure to review the awards. Also, all refund calculations should be reviewed by management before being released. This procedure could include having the Associate Dean of Financial Aid or other responsible designee, review and initial all Pell calculations and refunds. We also recommend the College do a staffing review in the Student Financial Aid Office to determine if staffing is at an appropriate level for the volume of activity generated in this office. With over 1500 students quarterly receiving financial aid and the recommended reviews, staffing may be inadequate to ensure SFA requirements are complied with.

Management's Response: See attached letter.

**BELMONT TECHNICAL COLLEGE
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2007**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)

Non-compliance

FINDING NUMBER	2007-002
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Department of Education
Federal Program: Federal Pell Grant Program
CFDA #84.063

Criteria: 34 CFR 682.604(a)(1) regarding processing the borrower's loan proceeds and counseling borrowers states in general, this section establishes rules governing a school's processing of a borrower's Stafford or PLUS loan proceeds, and for counseling borrowers. The school shall also comply with any rules for processing a loan contained in 34 CFR part 668. Specifically, 34 CFR 682.694 (g)(1) regarding exit counseling states a school must ensure that exit counseling is done with each Stafford loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program that the home institution approves for credit, written counseling materials may be provided by mail within 30 days after the student borrower completes the program. If a student borrower withdraws from school without the school's prior knowledge or fails to complete an exit counseling session as required, the school must ensure that exit counseling is provided through either interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after learning that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

Condition: Exit counseling was not completed for FFEL students that withdrew or graduated during FY2007.

Context: Nine of nine FFEL students who withdrew during FY07 reviewed did not have evidence of exit counseling or notification of the requirement for exit counseling in the student files. Per discussion with Jody Peeler, Associate Dean of Student Financial Aid, he indicated through his review of prior year files, exit counseling was not performed on any student, graduating or withdrawing, during the fiscal year.

Recommendation: We recommend the staff be given additional training on Stafford Loan counseling procedures. We also recommend a report be generated approximately two weeks prior to the end of each quarter listing all FFEL students who withdrew or will graduate in that quarter. This will enable the Student Financial Aid Office to better monitor students requiring exit counseling. In addition, the College should consider doing a staffing review in the Student Financial Aid Office to determine if staffing is at an appropriate level for the volume of activity generated in this office. With over 1500 students quarterly receiving financial aid and the recommended reviews, staffing may be inadequate to ensure SFA requirements are complied with.

Management's Response: See attached letter.



740-695-9500
IN OHIO 1-800-423-1188

120 FOX-SHANNON PLACE
ST. CLAIRSVILLE, OH 43950-9766

Response to the 2006-2007 Financial Aid Audit Findings

I. Finding Number 2007-001

Context: One of sixty-six students tested, out of a population of 1,499, had an incorrect award and refund calculation under the Federal Pell Grant Program. This student was over-awarded a total of \$187.

Explanation of what happened:

The student was enrolled in the summer and fall quarters of 2006. Her Expected Family Contribution (EFC) for 2006-2007 was \$1091. In the summer she was enrolled in PSY110 (4 credit hours) and received the grade of a "B" for the course. The period of enrollment (POE) load for this summer term was "less than half time," which gave her a Pell Grant of \$250, and she correctly received this amount.

In the fall the student was initially enrolled full-time, carrying a load of 12 credit hours. Subsequently, she completely withdrew from all college courses on 10/16/06, and this was also her last date of attendance.

The Return to Title IV (R2T4) calculation from the last date of attendance was done in January, 2007. The Pell Grant amount was shown to have been \$351, but should have been \$167, a **difference of \$187**.

Explanation and Corrective Action Plan:

For the 2006/2007 award year the Financial Aid Office and the college purchased a new integrated database system, Jenzabar EX, and converted to this system during the 2006-2007 academic year. The correlating financial aid software now used is the PowerFails system. Because the training for this new system was not completed until the summer of 2007, most of the financial aid awards were calculated manually. Since the calculations were subject to manual error, the resultant \$187 over-award occurred.

The Financial Aid staff is now using the computer system (PowerFails) fully, which is designed to automatically calculate and award Pell Grants. Manual calculations are no longer done at this point in time. Therefore, if the student's EFC or enrollment status change, the Pell Grant amount automatically adjusts in PowerFails and is recalculated. Also, each R2T4 is now reviewed by the Associate Dean of Financial Aid once it is completed.

Belmont Technical College has completed a staffing ratio review and a review of the departmental structure in the Financial Aid Office. As a result, a new Financial Aid Office administrator (who has experience with Jenzabar EX and PowerFails) has been hired. An additional full-time equivalent (FTE) position, the Financial Aid Processor, was created and filled. This additional FTE will assist with the department workflow and the timely disposition of work tasks. All Financial Aid staff members are now fully trained to use PowerFails. No more manual records are necessary.

II. Finding Number 2007-002

Context: Nine of the nine FFEL students who withdrew during FY07 reviewed did not have evidence of exit counseling or notification of the requirement for exit counseling in the student files. Per discussion with Jody Peeler, Associate Dean of Student Financial Aid, he indicated through his review of prior year files, exit counseling was not performed on any student, graduating or withdrawing, during the fiscal year.

Explanation and Corrective Action Plan:

In the 2006-2007 award year, the college purchased and implemented a new integrated data base system. Because of the training for running the exit counseling in PowerFaid\$ occurred in the summer of 2007, the staff did not have the knowledge to run the exit interviews in PowerFaid\$ in a timely fashion.

In August, 2007, when the College hired a new Financial Aid Administrator, the letters were run and mailed to each student who withdrew or graduated in 2006-2007. The steps to run this process have been documented and are now part of quarter-end procedures. In addition, a Financial Aid Processor, an additional full-time employee, was hired to assist with the department workflow. All Financial Aid staff members are now fully trained to use the PowerFaid\$ software and the Jenzabar EX system.

X  12-20-07 X 
Jody Peeler John Koucoumaris
Associate Dean of Financial Aid Vice President of Administrative Affairs

X 
Dr. Joseph Bukowski
President



Mary Taylor, CPA
Auditor of State

BELMONT TECHNICAL COLLEGE

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2008**