



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

MARION TECHNICAL COLLEGE
MARION COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Board of Trustees
Marion Technical College
1467 Mt. Vernon Avenue
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the Marion Technical College, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Marion Technical College is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 9, 2012

This page intentionally left blank.

Marion Technical College
Table of Contents
For the Fiscal Year Ended June 30, 2011

<u>Title</u>	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	14
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
Notes to the Financial Statements.....	17
Schedule of Federal Awards Expenditures.....	35
Notes to the Schedule of Federal Awards Expenditures.....	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	39
Schedule of Findings OMB Circular A-133 Section .505.....	41

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Marion Technical College
Board of Trustees
1467 Mt. Vernon Avenue
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marion Technical College, Marion County, OH (the College), as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

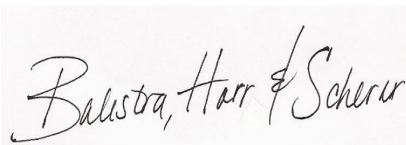
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Marion Technical College, Marion County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof 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 our report dated November 30, 2011, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2011

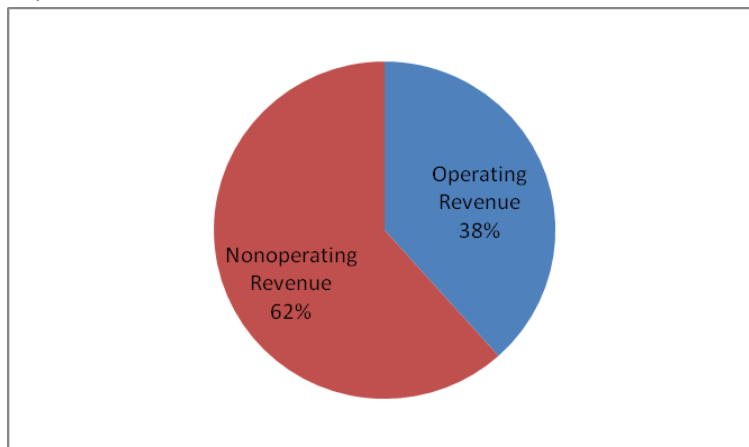
MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of Marion Technical College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2011. 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 Marion Technical College.

Financial Highlights

Marion Technical College's financial position, as a whole, improved during the fiscal year ending June 30, 2011. Its combined net assets increased \$3,148,373 or 44.1% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2011:



In the fiscal year ending June 30, 2011, revenues and other support exceeded expenses, creating the increase in net assets of \$3,148,373 (compared to a \$909,934 increase last year).

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Using This Annual Report

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

- **Primary Institution (College):** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.
- **Component Unit (MTC Development Fund):** Most of the College's fund raising and scholarship activity fall into this category.

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

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

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

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

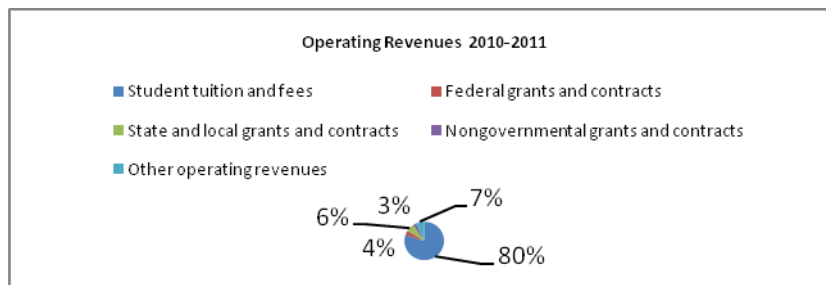
Net Assets – Primary Institution				
FY2011 Versus FY2010				
	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>	<u>Percent Change</u>
<u>ASSETS</u>				
<i>Current Assets</i>				
Cash & cash equivalents	\$5,043,204	\$2,793,421	\$2,249,783	80.5%
Investments	537,909	3,236,988	(2,699,079)	-83.4%
Student accounts receivable, net	149,380	134,587	14,793	11.0%
Intergovernmental receivables	-	-	-	0.0%
Other receivables, net	1,343,968	1,840,296	(496,328)	-27.0%
Total current assets	7,074,461	8,005,292	(930,831)	-11.6%
<i>Noncurrent Assets</i>				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	-	23,549	(23,549)	-100.0%
Capital assets, net (Note 9)	5,459,016	2,003,661	3,455,355	172.5%
Total noncurrent assets	5,460,007	2,028,201	3,431,806	169.2%
TOTAL ASSETS	\$12,534,468	\$10,033,493	\$2,500,975	24.9%
<u>LIABILITIES</u>				
<i>Current Liabilities</i>				
Accounts Payable	\$659,634	\$628,686	\$30,948	4.9%
Deferred Income	223,899	253,885	(29,986)	-11.8%
Accounts Payable - OSUM	224,000	943,913	(719,913)	-76.3%
Accrued Payroll	372,801	354,526	18,275	5.2%
Accrued Vacation Leave	311,872	306,016	5,856	1.9%
Total current liabilities	1,792,206	2,487,026	(694,820)	-27.9%
<i>Noncurrent Liabilities</i>				
Accrued Sick Leave	453,823	406,401	47,422	11.7%
Total noncurrent liabilities	453,823	406,401	47,422	11.7%
TOTAL LIABILITIES	2,246,029	2,893,427	(647,398)	-22.4%
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	5,459,016	2,003,661	3,455,355	172.5%
Restricted:				
<i>Nonexpendable</i>				
<i>Expendable</i>				
Student Grants and Scholarships	56,232	97,443	(41,211)	-42.3%
Loans	3,913	3,807	106	2.8%
Instructional Department Uses	192,476	100,641	91,835	91.3%
Unrestricted	4,576,802	4,934,514	(357,712)	-7.2%
Total net assets	10,288,439	7,140,066	3,148,373	44.1%
TOTAL LIABILITIES AND NET ASSETS	\$ 12,534,468	\$ 10,033,493	\$ 2,500,975	24.9%

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Net Asset Changes – Component Unit – MTC Development Fund
FY2011 versus FY2010

	6/30/2011	6/30/2010	Change	Percent Change
<u>ASSETS</u>				
<i>Current Assets:</i>				
Cash equivalents	\$64,410	\$191,503	\$(127,093)	-66.4%
Total current assets	\$64,410	\$191,503	\$(127,093)	-66.4%
<i>Noncurrent Assets:</i>				
Long-term investments	768,778	629,990	138,788	22.0%
Total noncurrent assets	768,778	629,990	138,788	22.0%
TOTAL ASSETS	\$833,188	\$821,493	\$11,695	1.4%
<u>LIABILITIES</u>				
<i>Current Liabilities</i>				
Accrued Scholarships	\$-	\$-	\$-	n/a
Total current liabilities	\$-	\$-	\$-	n/a
TOTAL LIABILITIES	\$-	\$-	\$-	n/a
<u>NET ASSETS</u>				
Unrestricted	833,188	821,493	11,695	1.4%
Total net assets	833,188	821,493	11,695	1.4%
TOTAL LIABILITIES AND NET ASSETS	\$833,188	\$821,493	\$11,695	1.4%

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)



Primary Institution
Operating Results for the Year – FY2011 Versus FY2010

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenues:				
Student tuition and fees	\$ 5,573,355	\$ 5,537,173	\$ 36,182	0.7%
Federal grants and contracts	264,127	276,926	(12,799)	-4.6%
State and local grants and contracts	462,513	419,026	43,487	10.4%
Nongovernmental grants and contracts	209,000	-	209,000	-
Other operating revenues	471,729	508,470	(36,741)	-7.2%
Total operating revenues	6,980,724	6,741,595	239,129	3.5%
Operating Expenses:	18,215,937	17,050,740	1,165,197	6.8%
Net operating revenues (expenses)	(11,235,213)	(10,309,145)	(926,068)	9.0%
Nonoperating Revenues (expenses)				
State appropriations	6,098,653	5,910,693	187,960	3.2%
State and local grants	50,624	-	50,624	-
Federal Grants and Contracts	5,236,585	4,445,196	791,389	17.8%
Investment income	21,930	14,433	7,497	51.9%
Other nonoperating revenues	-	-	-	-
Net Nonoperating Revenues	11,407,792	10,370,322	1,037,470	10.0%
Income before other revenues	172,579	61,177	111,402	182.1%
Capital Appropriations	265,591	265,591	-	0%
Capital Grants (Revenue)	2,718,699	583,824	2,134,875	365.7%
Loss on Asset Disposals (Expense)	(8,496)	(658)	(7,838)	1191.2%
Increase in net assets	3,148,373	909,934	2,238,439	246.0%
Net Assets, beginning of year	7,140,066	6,230,132	909,934	14.6%
Net Assets, end of year	\$10,288,439	\$7,140,066	\$3,148,373	44.1%

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

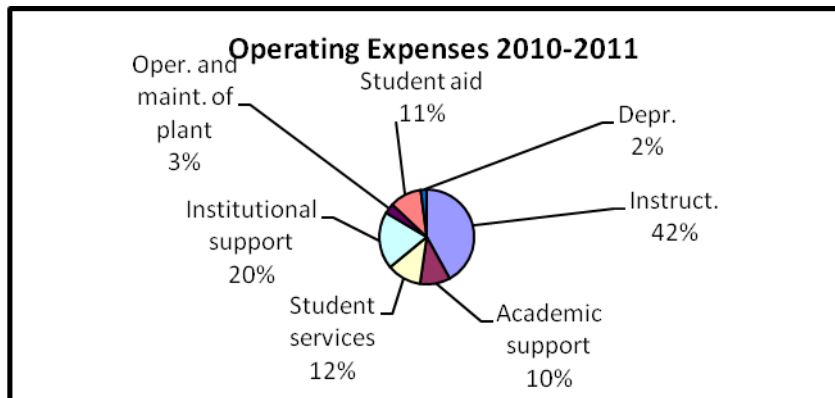
Component Unit
Operating Results for the Year – FY2011 Versus FY2010

	6/30/2011	6/30/2010	Change	Percent Change
Operating Revenues				
Contributions	\$131,030	\$91,473	\$39,557	43.2%
Total operating revenues	131,030	91,473	39,557	43.2%
Operating Expenses	220,406	13,411	206,995	1,543.5%
Net operating revenues (expenses)	220,406	13,411	206,995	1,543.5%
Nonoperating Revenues (Expenses)				
Investment Income	131,554	68,444	63,110	92.2%
Scholarships	(30,483)	(15,036)	(15,447)	102.7%
Net nonoperating revenues (expenses)	101,071	53,408	47,663	194.9%
Increase (decrease) in Net Assets	11,695	131,470	(119,775)	-91.1%
Net Assets, beginning of year	821,493	690,023	131,470	19.1%
Net Assets, end of year	\$833,188	\$821,493	\$11,695	1.4%

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Primary Institution
Operating Expenses for the Year – FY2011 Versus FY2010

	6/30/2011	6/30/2010	Change	Percent Change
<i>Operating Expenses:</i>				
Instructional	\$7,639,720	\$7,271,605	\$368,115	5.1%
Academic support	1,880,974	1,563,772	317,202	6.9%
Student services	2,135,983	1,774,487	361,496	20.4%
Institutional support	3,562,740	3,336,494	226,246	6.8%
Operation and maintenance of plant	636,032	1,013,251	(377,219)	-37.2%
Student aid	1,984,195	1,689,296	294,899	17.5%
Depreciation	376,293	401,835	(25,542)	-6.4%
Total operating expenses	\$18,215,937	\$17,050,740	\$1,165,197	6.8%

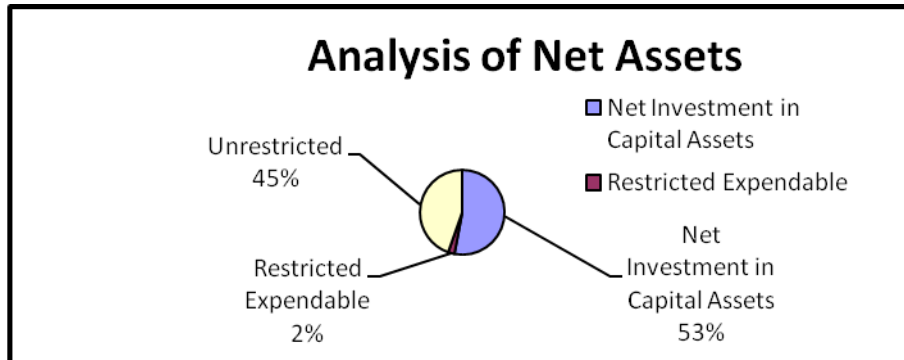


MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Analysis of Net Assets – Primary Institution
FY2011 Versus FY2010

	6/30/2011	6/30/2010	Change	Percent Change
Net Assets				
Net Investment in Capital Assets	\$5,459,016	\$2,003,661	\$ 3,455,355	172.5%
Restricted Expendable	252,621	201,891	50,730	25.1%
Unrestricted	4,576,802	4,934,514	(357,712)	-7.2%
Total	\$10,288,439	\$7,140,066	\$3,148,373	44.1%

Unrestricted Net Assets decreased \$357,712 due to significant contributions from MTC towards the new Health Technology Center. Net Investment in Capital Assets increased significantly as construction in nearly completed on the Health Technology Center.



MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

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 the user assess:

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

Cash Flows – Primary Institution
FY2011 Versus FY2010

	6/30/2011	6/30/2010	Change	Percent Change
Cash provided (used) by:				
Operating activities	\$(11,217,511)	\$(9,342,275)	\$ (1,875,236)	20.1%
Noncapital financing activities	11,544,238	10,355,889	1,188,349	11.5%
Capital and related financing activities	(797,953)	(230,218)	(567,735)	246.6%
Investing activities	2,721,009	12,989	2,708,020	20848.6%
Net increase (decrease) in cash	2,249,783	796,385	1,453,398	182.5%
Cash, beginning of year	2,793,421	1,997,036	796,385	39.9%
Cash, end of year	\$5,043,204	\$ 2,793,421	\$ 2,249,783	80.5%

Capital and Debt Administration

Capital Assets

At June 30, 2011 the College had \$5,459,016 invested in capital assets, net of accumulated depreciation of \$2,874,433. Depreciation charges totaled \$376,293 for the current fiscal year. Details of these assets for the two years are shown below:

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Capital Assets, Net; FY2011 Versus FY2010
Primary Institution

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>	<u>Percent Change</u>
Machinery and Equipment	\$ 218,410	\$ 206,934	\$ 11,476	5.5%
Computers and Computer Equipment	162,290	372,333	(210,043)	-56.4%
Vehicles	24,077	25,913	(1,836)	-7.18%
Land Improvements	128,442	139,296	(10,854)	-7.8%
Construction in Progress	4,925,797	1,259,185	3,666,612	291.2%
Capital Assets, net	<u>\$ 5,459,016</u>	<u>\$ 2,003,661</u>	<u>\$ 3,455,355</u>	<u>172.5%</u>

The major capital addition this year was for construction in progress for the new health technology center. The general revenue of the College funded about \$950,000 and state capital grants funded approximately \$2,700,000 for the new health technology center.

The College has planned expenditures for fiscal year ending June 30, 2011 at approximately \$822,000. These planned additions include replacement computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end 2011, the College had no debt associated with capital assets.

Economic Factors that Will Affect the Future

The College increased tuition fees by 1.4% effective July 1, 2011 for fiscal year 2012. The College anticipated a 2% enrollment increase in fiscal year 2012. At the time of this report,

The College increased tuition fees by 3% effective July 1, 2010 for fiscal year 2011. The College anticipated a 6% enrollment increase in fiscal year 2011. At the time of this report,

MARION TECHNICAL COLLEGE
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

College fall 2010 enrollment had increased by 0%. The College is considering no increases for employee contracts and a 0% increase for health insurance premiums during fiscal year 2012.

The College's current financial plans indicate that the infusion of additional financial resources from prior year's record surpluses will enable it to maintain its present level of services and provide continued funding for facility improvements, equipment, semester conversion, and new academic programs.

The College will be converting from a quarter to a semester credit reporting system. Normally when a college converts to a semester system there is a onetime drop in FTE enrollment. The anticipated loss in revenue will be offset by salary savings and reorganization of personnel as a result of anticipated retirements over the next couple of years.

MARION TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2011

<u>ASSETS</u>	Primary Institution	Component Unit
<i>Current Assets</i>		
Cash & cash equivalents	\$5,043,204	\$57,879
Investments	537,909	6,531
Student accounts receivable, net	149,380	-
Other receivables, net	1,343,968	-
Total current assets	7,074,461	\$64,410
<i>Noncurrent Assets</i>		
Other receivables, net	991	-
Prepaid expenses	-	-
Long-term investment	-	768,778
Capital assets, net	5,459,016	-
Total noncurrent assets	5,460,007	768,778
TOTAL ASSETS	\$12,534,468	\$833,188
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts Payable	\$659,634	\$-
Deferred Income	223,899	-
Accounts Payable – OSUM	224,000	-
Accrued Payroll	372,801	-
Compensated Absences	311,872	-
Total current liabilities	1,792,206	-
<i>Noncurrent Liabilities</i>		
Compensated Absences	453,823	-
Total noncurrent liabilities	453,823	-
TOTAL LIABILITIES	2,246,029	-
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	5,459,016	-
Restricted:		
<i>Nonexpendable</i>	-	355,840
<i>Expendable:</i>		
Capital	-	8,538
Student Grants and Scholarships	56,232	416,306
Loans	3,913	-
Instructional Department Uses	192,476	-
Unrestricted	4,576,802	52,504
Total net assets	10,288,439	833,188
TOTAL LIABILITIES AND NET ASSETS	\$12,534,468	\$833,188

See accompanying notes to the financial statements.

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

REVENUE:	Primary Institution	Component Unit
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$3,575,372)	\$5,573,355	\$ -
Federal grants and contracts	264,127	-
State and local grants and contracts	462,513	-
Contributions	209,000	131,030
Other operating revenues	471,729	-
Total operating revenues	6,980,724	131,030
EXPENSES:		
<i>Operating Expenses:</i>		
Instructional	7,639,720	-
Academic support	1,880,974	-
Student services	2,135,983	-
Institutional support	3,562,740	-
Operation and maintenance of plant	636,032	-
Student aid	1,984,195	-
General & Administrative	-	220,406
Depreciation	376,293	-
Total operating expenses	18,215,937	220,406
Operating Income (Loss)	(11,235,213)	(89,376)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	6,098,653	-
State and local grants	50,624	-
Investment income	21,930	131,554
Federal Grants and Contracts	5,236,585	-
Scholarships	-	(30,483)
Nonoperating Revenues	11,407,792	101,071
Income before other revenues, expenses, gains or losses	172,579	11,695
Capital Appropriations	265,591	-
Capital Grants	2,718,699	-
Loss on Asset Disposals (expense)	(8,496)	-
Increase in net assets	3,148,373	11,695
Net Assets, beginning of year	7,140,066	821,493
Net Assets, end of year	\$10,288,439	\$833,188

See accompanying notes to the financial statements.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>Primary Institution</u>
<i>Cash Flows from Operating Activities:</i>	
Tuition and Fees	\$4,082,186
Grants & Contracts	837,731
Supplier and related payments	(5,097,895)
Employee and related payments	(11,733,580)
Other receipts (payments)	694,047
Net cash provided (used) by operating activities	<u>(11,217,511)</u>
<i>Cash Flows from Non-Capital and Related Financing Activities:</i>	
State Appropriations	6,098,653
Federal Grants and Contracts	5,236,585
Gifts and grants	209,000
Net cash provided (used) by non-capital financing activities	<u>11,544,238</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>	
Capital gifts and grants	2,984,290
Purchases of capital assets	(3,782,243)
Net cash provided (used) by capital and related financing activities	<u>(797,953)</u>
<i>Cash Flows from Investing Activities</i>	
Interest and other income	21,009
Purchases of investments	2,700,000
Net cash provided (used) by investing activities	<u>2,721,009</u>
Net increase (decrease) in cash and cash equivalents	2,249,783
Cash and Cash Equivalents at beginning of year	<u>2,793,421</u>
Cash and Cash Equivalents at end of year	<u><u>\$5,043,204</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating (loss)	\$(11,235,213)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	376,293
Changes in assets and liabilities:	
Student accounts receivable, net	(38,742)
Other receivables, net	404,729
Prepaid expenses	(23,549)
Accounts Payable	(22,682)
Deferred Income	(29,986)
Accounts Payable – OSUM	(719,914)
Accrued Payroll	18,275
Accrued Sick Leave	47,422
Accrued Vacation Leave	5,856
Net cash used by operating activities	<u><u>\$(11,217,511)</u></u>

See accompanying notes to the financial statements.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Marion Technical College are described below to enhance the usefulness of the financial statements to the reader.

A. Description of Entity

Marion Technical College (the College) is a public, state assisted, two-year institution of higher learning. The College provides instructional programs in various fields and workforce development training. The College was chartered by the Ohio Board of Regents as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code.

The College operates under the control of a board of trustees. The College is not a component unit of the State of Ohio, and therefore, is not included in its Comprehensive Annual Financial Report (CAFR).

B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Effective July 1, 2002, the College adopted GASB Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable** – Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College’s permanent endowment funds. (These assets are recorded in the Marion Technical College Foundation financial statements).
 - Expendable** – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of Management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The College reports as a Business Type Activity (BTA). BTA’s are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Restricted grant revenue is recognized only to the extent expended.

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.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

This includes all readily available sources of cash such as petty cash, demand deposits, money market funds, and temporary investments in marketable securities with original maturities of three months or less.

Investments

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments in publicly traded securities are stated at their fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

Capital Assets

Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at fair market value at the date of gift. Buildings and building renovations, land improvements, equipment, furniture and infrastructure items costing \$2,500 or more and having an estimated useful life of greater than one year are capitalized. Routine repairs and maintenance and items costing less than the capitalization thresholds are charged to operating expense in the year in which the expense is incurred.

<u>Classification</u>	<u>Years</u>
Buildings and Improvements	10-50
Land Improvements	10-20
Infrastructure	10-25
Moveable Equipment	5-20

Deferred Revenue

Deferred revenue consists of the student tuition and fees for Summer Quarter and grant advances.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 behalf of the students. 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.

Operating Activities

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

Restricted Asset Spending Policy

The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14, was issued in May 2002. This statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement were effective for financial statements for periods beginning after June 15, 2003.

The State Auditor of Ohio issued bulletin 2004-001 defining “significant” for purposes of GASB 39 as the component unit’s revenues or net assets must exceed 5% of the primary government’s total revenues or net assets. Based upon this criterion, the College determined that the Marion Technical College Foundation will be included as a discretely presented component unit of the College in its financial statements beginning fiscal year ending June 30, 2005. Separate financial statements of the Foundation may be obtained by contacting the Marion Technical College Foundation, 1467 Mount Vernon Avenue, Marion, OH 43302.

2. DEPOSIT AND INVESTMENT RISK DISCLOSURES

The College conforms to GASB 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3). This statement amends statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; foreign exchange exposures that would indicate the foreign investment’s denomination. The provisions of this statement were effective for financial statements for the fiscal year ended June 30, 2005.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

As of June 30, 2011, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking Accounts	\$ 5,292,265	\$ 5,043,204
Certificates of Deposit	2,000	2,000
STAR Ohio	535,909	535,909
Total Deposits and Investments	<u>\$ 5,830,174</u>	<u>\$ 5,581,113</u>

The differences between the bank balances and the carrying amounts are primarily due to outstanding checks and deposits in transit. All investments have maturities of less than six months.

Credit Risk. STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAAM money market rating by Standard & Poor's. The pooled collateral at Fifth Third Bank and Chase Bank is not rated.

Concentration of Credit Risk. For fiscal year 2011 the College had the majority of its investments in STAR Ohio and the remaining balance in a small certificate of deposit.

Foreign Currency Risk. The College does not have exposure to foreign exchange risk since none of its deposits or investments are held in foreign currencies.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balances, \$250,000 was insured by the Federal Depository Insurance Corporation (FDIC) for fiscal year 2011. For the fiscal year 2011 the remaining amount was not exposed to custodial credit risk because it was secured by pledges of pooled collateral held by the banks trust department covering more than 105% of the College's remaining balances. The collateral is limited to obligations of the United States and its agencies, and the State of Ohio as permitted by Ohio law. The securities are held at the Bank of New York. The College also does not have exposure to custodial credit risk for the investment in STAR Ohio as defined by Statement No. 40.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Component Unit – Foundation

At June 30, 2011, the carrying amount of the Foundation’s cash deposits was \$57,879 and the bank balances was \$57,879. The entire bank balance was covered by FDIC insurance at June 30, 2011.

As of June 30, 2011, the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>FMV</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Greater than 5 years</u>
Common Stock	502,181	N/A	N/A	N/A
Corporate Bonds US and State	175,965	6,531	66,928	102,506
Gov't Investments	97,163		60,037	37,126
Total Investments	<u>\$ 775,309</u>			

Credit Risk. Of the bonds, \$26,505 were rated A, \$43,058 were rated A-, \$22,515 were rated A+, \$10,606 were rated AA-, \$19,870 were rates AA+, \$29,326 were rated BBB, \$17,554 were rated BBB+ and \$6,531 were rated BBB+ by Moody’s Wr.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Foundation’s investment policy calls for a maximum exposure to the stock market shall be approximately sixty percent (60%) of the total portfolio. The remaining assets shall be invested in fixed income or short-term investments as outlined herein. Cash balances maintained as part of the normal course of business may be invested in a money market fund.

More than 5 percent of the Foundation’s investments are in Common Stock, Corporate Bonds and US and State Government Obligations. These investments represent 60%, 21% and 12% respectively of the foundation’s investments.

Foreign Currency Risk. The Foundation does not have exposure for foreign exchange risk since none of its deposits or investments are held in foreign currencies.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Custodial Credit Risk. The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of the College Foundation. All of the bank balances was insured by the FDIC.

3. CAPITAL ASSETS

Capital Assets consisted of the following as of June 30, 2011:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Costs:				
Construction in Progress	\$ 1,259,185	3,666,612	-	\$ 4,925,797
Land Improvements	206,115	2,955	-	209,070
Computers & Computer Equipment	1,822,030	73,451	4,787	1,890,694
Machinery & Equipment	1,202,711	77,349	17,952	1,262,108
Vehicles	61,164	19,777	35,160	45,781
Total Costs	4,551,205	3,840,144	57,899	8,333,450
Less Accumulated Depreciation:				
Land Improvements	66,819	13,810	-	80,629
Computers & Computer Equipment	1,449,697	283,494	4,787	1,728,404
Machinery & Equipment	995,777	65,873	17,952	1,043,698
Vehicles	35,251	13,116	26,664	21,703
Total Accum. Depreciation	2,547,544	376,293	49,403	2,874,434
Capital Assets, Net	\$ 2,003,661	3,463,851	8,496	\$ 5,459,016

4. ACCOUNTS RECEIVABLE

The following is a summary of the accounts receivable as of June 30, 2011:

	<u>2011</u>
Students	\$ 149,380
Intergovernmental	1,166,258
Other	373,701
Less allowance for uncollectible accounts	<u>(195,000)</u>
Accounts Receivable, Net	<u>\$ 1,494,339</u>

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

5. ACCOUNTS PAYABLE – OSU COST SHARING

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses. At June 30, 2011 the college had payables of \$224,000 due to OSU for this agreement.

6. STATE SUPPORT

Marion Technical College is a state assisted institution of higher education which receives a student enrollment based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and renovation of the facility by the Ohio Board of Regents. Upon completion of a construction project, the Ohio Board of Regents turns over control to the College, which capitalizes the cost.

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

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

In FY 2011, \$888,905 of the \$6,098,653 of state appropriations was federal stimulus funding that was passed through the state of Ohio. This funding is not provided in FY 2012.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

7. COMPENSATED ABSENCES

Sick pay was accrued for all employees with ten or more years of service in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees. At June 30, 2011 and 2010, compensated absences consisted of the following:

	Balance July1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Compensated Absences	\$712,417	\$359,294	\$306,016	\$765,695	\$311,872
	\$712,417	\$359,294	\$306,016	\$765,695	\$311,872

8. DEFINED BENEFIT PENSION PLAN

State Teachers Retirement System: The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan 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 percent of earned compensation among various investment choices. 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 a 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 or Combined Plan.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

8. DEFINED BENEFIT PENSION PLAN (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 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 salary years. 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 of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 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 Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the 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 benefits begin, 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 benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

8. DEFINED BENEFIT PENSION PLAN (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

The Defined Benefit 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 Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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 up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

8. DEFINED BENEFIT PENSION PLAN (Continued)

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$706,660, \$662,908 and \$598,213 respectively. 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

School Employees Retirement System: Marion Technical College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

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. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$496,821, \$460,185 and \$394,205, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

9. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System: STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$50,476, \$47,351 and \$42,729 for fiscal years 2011, 2010, and 2009, respectively.

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

9. POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocation was 0.76 percent, 0.76 percent, and 0.75 percent. For the College, contributions for the years ended June 30, 2011, 2010, and 2009, were \$27,256, \$22,932, and \$21,118, which equaled the required contributions for those years.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. For the College, the amount contributed to fund health care benefits, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$50,747, \$13,880 and \$117,135, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800.

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

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

9. POSTEMPLOYMENT BENEFITS (Continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

10. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification were as follows for the year ended June 30, 2011:

	<u>2011</u>
Salaries and benefits	\$ 11,809,993
Student Scholarships and financial aid	1,984,195
Equipment	470,828
Supplies and Other Services	3,574,628
Depreciation	376,293
Total Operating Expenses	<u>\$ 18,215,937</u>

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

11. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

Major Coverages provided by this insurer is as follows at June 30, 2011:

Description	Coverage	Deductible
Inland Marine	\$59,000	\$1,000
Employee Dishonesty Blanket	250,000	2,500
Automobile Liability	3,000,000	0
Equipment	1,540,000	1,000
General Liability	3,000,000	N/A
Employee Benefits Liability	3,000,000	2,500
Educators Professional Liability	3,000,000	2,500
School Board Trustee Liability	Included above	n/a
Building	10,712,000	1,000
Building Contents	3,713,600	1,000
Extra Expense	2,000,000	1,000

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. In addition, the College offers medical, vision, and dental insurance to full-time employees through various commercial insurers.

**MARION TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

12. CONTINGENCIES

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2011.

13. COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION

The Marion Technical College Foundation was established for charitable and educational purposes for the benefit of the College and its students. The Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501C(3) of the Internal Revenue Code. The Foundation provided \$30,483 in scholarships for the year ending June 30, 2011.

Marion Technical College
Marion County, Ohio
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	Direct	84.033	\$ 14,442
Federal Family Education Loans	Direct	84.032	4,588,386
Academic Competitiveness Grant	Direct	84.375	50,612
Federal Pell Grant Program	Direct	84.063	5,236,585
<i>Total Student Financial Aid Cluster</i>			<u>9,890,025</u>
<i>Passed through the Ohio Department of Education:</i>			
Career and Technical Education - Basic Grants to States	3L90	84.048	86,246
Adult Education - Basic Grants to States	VETP	84.002	239,510
Tech Prep Education	3690	84.243	278,748
<i>State Fiscal Stabilization Fund Cluster:</i>			
State Fiscal Stabilization Fund - Education State Grants, ARRA	N/A	84.394	774,627
State Fiscal Stabilization Fund - Government Services, ARRA	N/A	84.397	114,278
<i>Total State Fiscal Stabilization Fund Cluster</i>			<u>888,905</u>
Subtotal			<u>1,493,409</u>
Total United States Department of Education			<u>11,383,434</u>
Total Federal Financial Assistance			<u>\$ 11,383,434</u>

N/A- Pass through number was not available

See accompanying Notes to the Schedule of Federal Awards Expenditures.

MARION TECHNICAL COLLEGE
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

1. **BASIS OF PRESENTATION**

This schedule is presented on a cash basis of accounting. Federal Funds are determined to be on a first-in, first-out basis.

2. **FEDERAL FAMILY EDUCATION LOANS**

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the Schedule of Federal Awards Expenditures represents new loans awarded during the fiscal year ended June 30, 2011.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Trustees
Marion Technical College
Marion County
1467 Mt. Vernon Avenue
Marion, Ohio 43302

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Marion Technical College, Marion County, Ohio (the College), as of and for the year ended June 30, 2011 which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

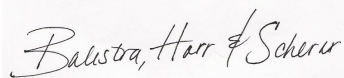
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the College's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, others within the College, and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2011



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Marion Technical College
Marion County
1467 Mt. Vernon Avenue
Marion, Ohio 43302

Compliance

We have audited the compliance of Marion Technical College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Marion Technical College's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Marion Technical College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

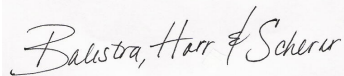
The College's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

Board of Trustees
Marion Technical College
Report on Compliance With Requirements Applicable to Each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected or corrected.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, other within the College, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2011

Marion Technical College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

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 significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	<p>Student Financial Aid Cluster: Federal Family Education Loans, CFDA # 84.032; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Academic Competitiveness Grant, CFDA# 84.375;</p> <p>State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund – Education State Grants – ARRA, CFDA #84.394; State Fiscal Stabilization Fund – Government Services – ARRA, CFDA# 84.397</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Marion Technical College
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



Dave Yost • Auditor of State

MARION TECHNICAL COLLEGE

MARION 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 19, 2012**