Marion Technical College

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

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Mary Taylor, CPA
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, 2006 to 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 Marion Technical College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2008

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MARION TECHNICAL COLLEGE

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Member American Institute of Certified Public Accountants Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Marion Technical College (the College), 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 financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 opinion.

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 the College, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 February 29, 2008, 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. 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's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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 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 financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 29, 2008

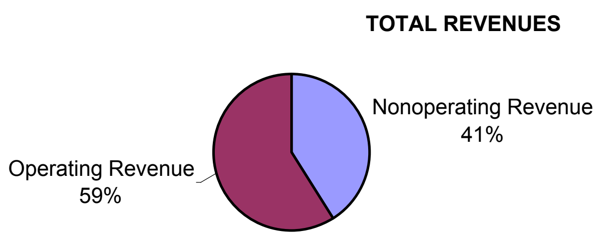
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2007

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, 2007. 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, 2007. Its combined net assets increased $457,190 or 10.5% 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 $457,190 (compared to a $913,691 increase last year).

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.

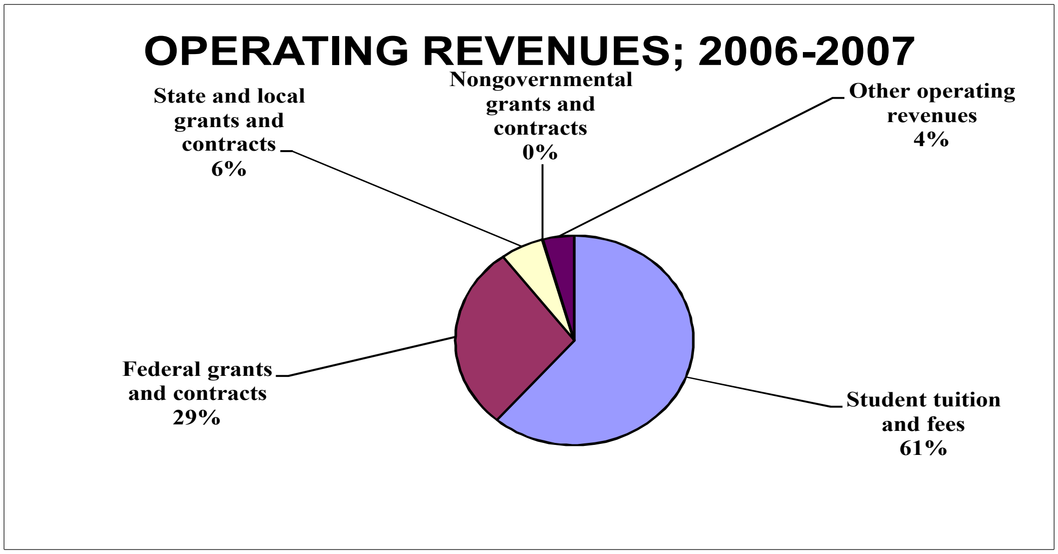
These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Net Assets – Primary Institution
FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
ASSETS				
Current Assets				
Cash & cash equivalents	$2,489,735	$2,227,512	$262,223	11.8%
Investments	1,173,035	1,114,113	58,922	5.3%
Student accounts receivable, net	115,191	81,099	34,092	42.0%
Other receivables, net	1,297,129	1,251,187	45,942	3.7%
Total current assets	5,075,090	4,673,911	401,179	8.6%
Noncurrent Assets				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	31,224	10,652	20,572	193.1%
Capital assets, net (Note 7)	1,326,967	964,747	362,220	37.5%
Total noncurrent assets	1,359,182	976,390	382,792	39.2%
TOTAL ASSETS	$6,434,272	$5,650,301	$ 783,971	13.9%
LIABILITIES				
Current Liabilities				
Accounts Payable	$475,874	$232,914	$242,960	104.3%
Deferred Income	174,379	157,246	17,133	10.9%
Accounts Payable - OSUM	83,414	133,288	(49,874)	-37.4%
Accrued Payroll	309,162	278,932	30,230	10.8%
Accrued Vacation Leave	301,133	247,109	54,024	21.9%
Total current liabilities	1,343,962	1,049,489	294,473	28.1%
Noncurrent Liabilities				
Compensated Absences	290,460	258,152	32,308	12.5%
Total noncurrent liabilities	290,460	258,152	32,308	12.5%
TOTAL LIABILITIES	1,634,422	1,307,641	326,781	25.0%
NET ASSETS				
Invested in capital assets	1,326,967	964,747	362,220	37.5%
Restricted:				
Expendable				
Student Grants and Scholarships	76,819	70,060	6,759	9.6%
Loans	2,866	2,368	498	21.0%
Instructional Department Uses	100,699	71,755	28,944	40.3%
Unrestricted	3,292,499	3,233,730	58,769	1.8%
Total net assets	4,799,850	4,342,660	457,190	10.5%
TOTAL LIABILITES AND NET ASSETS	$ 6,434,272	$ 5,650,301	$ 783,971	13.9%

Net Asset Changes – Component Unit – MTC Development Fund
FY2007 versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
ASSETS				
Current Assets:				
Cash equivalents	$84,806	$79,580	$5,226	6.6%
Total current assets	$84,806	$79,580	$5,226	6.6%
Noncurrent Assets:				
Long-term investments	749,844	659,032	90,812	13.8%
Total noncurrent assets	749,844	659,032	90,812	13.8%
TOTAL ASSETS	$834,650	$738,612	$96,038	13.0%
LIABILITES				
Current Liabilities				
Accrued Scholarships	$26,284	$31,856	$(5,572)	-17.5%
Total current liabilities	26,284	31,856	(5,572)	-17.5%
TOTAL LIABILITIES	26,284	31,856	(5,572)	-17.5%
NET ASSETS				
Restricted-Nonexpendable	381,366	403,279	(21,913)	-5.4%
Restricted-Expendable Student Grants and Scholarships	376,849	263,892	112,957	42.8%
Unrestricted	50,151	39,585	10,566	26.7%
Total net assets	808,366	706,756	101,610	14.4%
TOTAL LIABILITIES AND NET ASSETS	$834,650	$738,612	$96,038	13.0%



Primary Institution
Operating Results for the Year – FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
Operating Revenues:				
Student tuition and fees	$ 4,829,027	$ 4,703,085	$ 125,942	2.7%
Federal grants and contracts	2,227,104	2,291,404	(64,300)	-2.8%
State and local grants and contracts	460,056	219,142	240,914	109.9%
Nongovernmental grants and contracts	8,000	-	8,000	100.0%
Other operating revenues	337,736	213,815	123,921	58.0%
Total operating revenues	7,861,923	7,427,446	434,477	5.8%
Operating Expenses:	12,800,811	11,862,260	938,551	7.9%
Net operating revenues (expenses)	(4,938,888)	(4,434,814)	(504,074)	11.4%
Nonoperating Revenues (expenses)				
State appropriations	4,358,475	4,234,624	123,851	2.9%
State and local grants	587,280	532,349	54,931	10.3%
Investment income	170,688	113,661	57,027	50.2%
Other nonoperating revenues	-	20,000	(20,000)	-100.0%
Net Nonoperating Revenues	5,116,443	4,900,634	215,809	4.4%
Income before other revenues	177,555	465,820	(288,265)	-61.9%
Capital Appropriations	215,871	215,871	-	0%
Captial Grants (Revenue)	63,764	232,000	(168,236)	-72.5%
Increase in net assets	457,190	913,691	(456,501)	-50.0%
Net Assets, beginning of year	4,342,660	3,428,969	913,691	26.6%
Net Assets, end of year	$4,799,850	$4,342,660	$ 457,190	10.5%

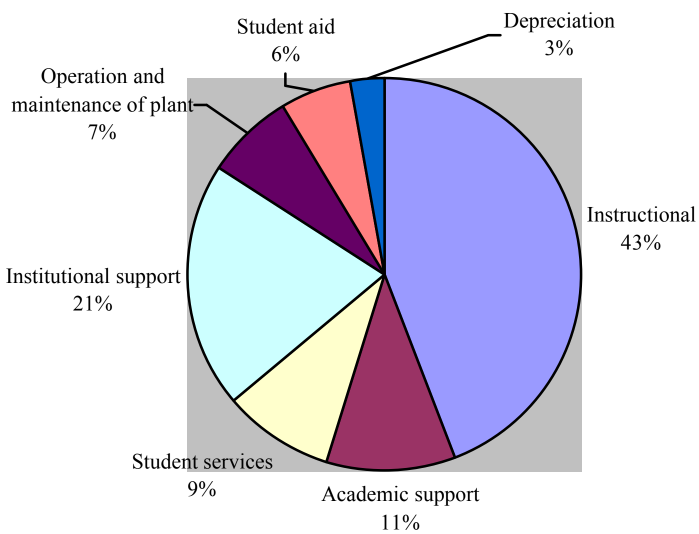
Component Unit
Operating Results for the Year – FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
Operating Revenues				
Contributions	$38,486	$20,782	$17,704	85.2%
Total operating revenues	38,486	20,782	17,704	85.2%
Operating Expenses	16,657	9,507	7,150	75.3%
Net operating revenues (expenses)	21,829	11,275	10,554	93.6%
Nonoperating Revenues (Expenses)				
Investment Income	106,065	30,421	75,644	248.7%
Scholarships	(26,284)	(31,856)	5,572	17.5%
Net nonoperating revenues (expenses)	79,781	(1,435)	81,216	5,659.7%
Increase (decrease) in Net Assets	101,610	9,840	91,770	932.6%
Net Assets, beginning of year	706,756	696,916	9,840	1.4%
Net Assets, end of year	$808,366	$706,756	$101,610	14.4%

Primary Institution
Operating Expenses for the Year – FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
Operating Expenses:				
Instructional	$5,639,065	$5,337,681	$301,384	5.6%
Academic support	1,369,220	1,241,536	127,684	10.3%
Student services	1,153,955	1,049,384	104,571	10.0%
Institutional support	2,625,081	2,451,804	173,277	7.1%
Operation and maintenance of plant	907,591	858,458	49,133	5.7%
Student aid	766,989	783,186	(16,197)	-2.1%
Depreciation	338,910	140,211	198,699	141.7%
Total operating expenses	$12,800,811	$11,862,260	$938,551	7.9%

Operating Expenses 2006-2007

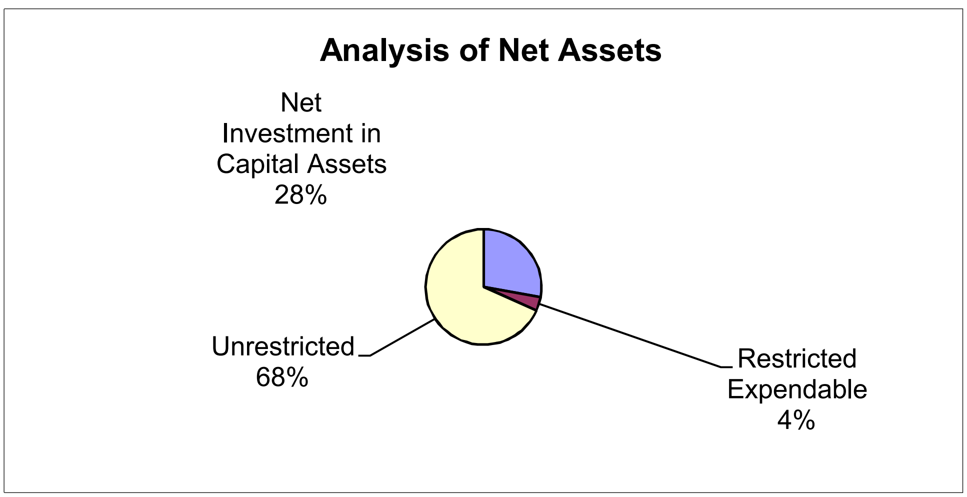


Total operating expenses increased by $938,551 or 7.9% over FY 2006. Four areas increased expenditures as a result of wage and benefit increases and noncapital equipment. These areas were Instructional Services $301,384 (5.6%), Institutional Support $173,277 (7.1%), Student services $104,571 (10.0%), and Academic support $127,684 (10.3%) Operation and maintenance of plant increased by $49,133 (5.7%) due to lease obligations and operating supplies. Student aid decreased by $16,197 (-2.1%) as a result of different mix of student financial aid recipients.

Analysis of Net Assets – Primary Institution
FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
Net Assets				
Net Investment in Capital Assets	$ 1,326,967	$ 964,747	$ 362,220	37.5%
Restricted Expendable	180,384	144,183	36,201	25.1%
Unrestricted	3,292,499	3,233,730	58,769	1.8%
Total	$ 4,799,850	$ 4,342,660	$ 457,190	10.5%

Unrestricted Net Assets increased $58,769 due to revenues exceeding expenditures. Increased state funding, and the strategic use of unallocated budget line items contributed to the surplus for unrestricted net assets. Restricted Expendable Net Assets increased $36,201 due to receipts exceeding expenditures. Restricted Expendable Net Assets represent excess grant funds received for specific activities. Net Investment in Capital Assets increased due to purchases of equipment exceeding depreciation expense. A notable addition to capital assets was the College management information system.



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
FY2007 Versus FY2006

	6/30/2007	6/30/2006	Change	Percent Change
Cash provided (used) by:				
Operating activities	$(4,309,194)	$(4,149,898)	$ (159,296)	3.8%
Noncapital financing activities	4,945,757	4,786,973	158,784	3.3%
Capital and related financing activities	(485,259)	(209,241)	(276,018)	131.9%
Investing activities	110,919	68,424	42,495	62.1%
Net increase (decrease) in cash	262,223	496,258	(234,035)	-47.2%
Cash, beginning of year	2,227,512	1,731,254	496,258	28.7%
Cash, end of year	$ 2,489,735	$ 2,227,512	$ 262,223	11.8%

Capital and Debt Administration

Capital Assets

At June 30, 2007 the College had $1,326,967 invested in capital assets, net of accumulated depreciation of $1,430,201. Depreciation charges totaled $338,910 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net; FY2007 Versus FY2006
Primary Institution

	6/30/2007	6/30/2006	Change	Percent Change
Machinery and Equipment	$ 302,342	$ 377,810	$ (75,468)	-20.0%
Computers and Computer Equipment	839,341	449,406	389,935	86.8%
Vehicles	29,405	32,202	(2,797)	-8.7%
Land Improvements	155,879	105,329	50,550	48.0%
Capital Assets, net	$ 1,326,967	$ 964,747	$ 362,220	37.5%

The major capital additions this year were in computers and computer equipment. Additions to computers included a new management information system for the College. Additions were funded from the general revenue of the College.

The College has planned expenditures for fiscal year ending June 30, 2008 at approximately $318,000. 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 7 to the financial statements.

Debt

At year-end 2007, the College had no debt.

Economic Factors that Will Affect the Future

The economic position of Marion Technical College is closely tied to that of the State of Ohio. The state of Ohio has prioritized the funding for higher education for fiscal years 2008 and 2009. In return higher education will minimize tuition increases for both the 2008 and the 2009 fiscal year.

The College will not increase tuition fees for fiscal year 2008. The College anticipated no enrollment increase in fiscal year 2008. At the time of this report, College fall 2007 enrollment had increased by 5%.

The College is considering a 4% increase for employee contracts and a 15% increase for health insurance premiums during fiscal year 2008.

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 and equipment.

Contacting the College's Financial Management

The 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 Doug Boyer, Vice-President for Administrative and Financial Services, at Marion Technical College, 1467 Mt. Vernon Ave., Marion, Ohio 43302.

MARION TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
As of June 30, 2007

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & cash equivalents	$ 2,489,735	$ 84,806
Investments	1,173,035	-
Student accounts receivable, net	115,191	-
Other receivables, net	1,297,129	-
Total current assets	5,075,090	84,806
Noncurrent Assets		
Other receivables, net	991	-
Prepaid expenses and deferred charges	31,224	-
Long-term investment	-	749,844
Capital assets, net	1,326,967	-
Total noncurrent assets	1,359,182	749,844
Total assets	6,434,272	834,650
LIABILITIES		
Current Liabilities		
Accounts payable	475,874	26,284
Deferred income	174,379	-
Accounts payable - OSUM	83,414	-
Accrued payroll	309,162	-
Accrued vacation leave	301,133	-
Total current liabilities	1,343,962	26,284
Noncurrent Liabilities		
Compensated absences	290,460	-
Total noncurrent liabilities	290,460	-
Total liabilities	1,634,422	26,284
NET ASSETS		
Invested in capital assets	1,326,967	-
Restricted:		
Nonexpendable	-	381,366
Expendable:		
Student grants and scholarships	76,819	376,849
Loans	2,866	-
Instructional department uses	100,699	-
Unrestricted	3,292,499	50,151
Total net assets	4,799,850	808,366
Total liabilities and net assets	$ 6,434,272	$ 834,650

The notes to the basic financial statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2007

REVENUES	Primary Institution	Component Unit
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $1,313,535)	$ 4,829,027	$ -
Federal grants and contracts	2,227,104	-
State and local grants and contracts	460,056	-
Contributions	8,000	38,486
Other operating revenues	337,736	-
Total operating revenues	7,861,923	38,486
EXPENSES		
Operating Expenses:		
Instructional	5,639,065	-
Academic support	1,369,220	-
Student services	1,153,955	-
Institutional support	2,625,081	-
Operation and maintenance of plant	907,591	-
Student aid	766,989	-
General and administrative	-	16,657
Depreciation	338,910	-
Total operating expenses	12,800,811	16,657
Operating income (loss)	(4,938,888)	21,829
NONOPERATING REVENUES (EXPENSES)		
State appropriations	4,358,475	-
State and local grants	587,280	-
Investment income	170,688	106,065
Scholarships	-	(26,284)
Nonoperating revenues	5,116,443	79,781
Income before other revenues, expenses, gains or losses	177,555	101,610
Capital appropriations	215,871	-
Capital grants	63,764	-
Increase in net assets	457,190	101,610
Net assets, beginning of year	4,342,660	706,756
Net assets, end of year	$ 4,799,850	$ 808,366

The notes to the basic financial statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Primary Institution
Cash Flows from Operating Activities:	
Tuition and fees	$5,956,871
Grants & contracts	871,260
Supplier and related payments	(3,467,375)
Employee and related payments	(7,991,558)
Other receipts (payments)	321,608
Net cash provided (used) by operating activities	(4,309,194)
Cash Flows from Non-Capital and Related Financing Activities:	
State appropriations	4,358,475
Gifts and grants	587,282
Net cash provided (used) by non-capital financing activities	4,945,757
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	215,871
Purchases of capital assets	(701,130)
Net cash provided (used) by capital and related financing activities	(485,259)
Cash Flows from Investing Activities	
Interest and other income	110,919
Net cash provided (used) by investing activities	110,919
Net increase in cash and cash equivalents	262,223
Cash and Cash Equivalents at beginning of year	2,227,512
Cash and Cash Equivalents at end of year	$2,489,735

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(4,938,888)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	338,910
Changes in assets and liabilities:	
Student accounts receivable, net	(34,090)
Other receivables, net	25,226
Prepaid expenses	(20,572)
Accounts payable	236,400
Deferred income	17,133
Accounts payable – OSUM	(49,874)
Accrued payroll	30,230
Accrued sick leave	32,307
Accrued vacation leave	54,024
Net cash used by operating activities	$(4,309,194)

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING 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. Organization

Marion Technical College was created pursuant to Section 3357 of the Ohio Revised Code. The College's purpose is to provide instruction in post secondary education programs to its students. Those students who satisfactorily complete such programs receive certificates or associates degrees and are qualified to pursue careers in technical or professional fields.

B. 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 mandated by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2004, 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.

C. 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 Government 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.

D. 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 the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

E. Investments

Investments are stated at cost, which approximates market value. The College investments consist of certificates of deposit and the State Treasurer's investment pool (Star Ohio).

F. Accounts and Appropriations Receivable

Receivables consist of tuition and fees and charges to students and amounts due from employees. Receivables also include amounts due from the Federal government, state and local governments, private sources in connection with reimbursements of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a cost in excess of $2,500 at the date of acquisition and an expected useful life of one or more years.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 10 years for equipment and 5 years for vehicles.

H. Noncurrent Long-Term Liabilities

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

I. Compensated Absences

The College has adopted GASB No. 16.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. Vacation liability is recognized in the period in which it is earned.

A sick leave liability 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

I. Compensated Absences (Continued)

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.

J. Accrued Salaries

Represents employee salaries earned in the current fiscal year, but not paid until after the fiscal year. This is a contractual obligation of the College.

K. Deferred Revenue

Deferred revenue includes amounts collected for tuition and student deposits prior to the end of the fiscal year, which will not be earned until the subsequent year end.

L. Net Assets

The College's net assets are classified as follows:

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

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 the external parties.

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

None of the College's restricted net assets are restricted by enabling legislation.

M. Scholarship Allowances

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

N. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to students, and grants received for student financial assistance. 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.

O. Budgetary

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

P. Income Taxes

Marion Technical College is exempt from income taxes under Section 115 of the Internal Revenue Service Code, as a political subdivision.

Q. Use of Estimates

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

2. STATE SUPPORT

The 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 current operating 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 revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents. The Ohio Public Facilities Commission distributes construction funds to the College through appropriations. Upon completion of a facility, the Ohio Board of Regents transfers control to the College.

2. STATE SUPPORT (Continued)

Neither the obligation for the revenue 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. Debt service is funded through appropriations of the Ohio 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 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 are not recorded on the College's books of accounts 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 appropriations revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

	Cash		Investments
Category 1	Deposits that are either insured or collateralized with securities held by the College or by its agent in the College's name.		Investments that are insured or registered, or securities held by College or by its agent in the College's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.		Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the College's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the College's name).		Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the College's name.
Not Categorized			Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2007, the carrying amount of the College's cash deposits were $2,489,735 and the bank balances was $2,863,255. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2007, $100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the College's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the College's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation. The following summarizes the carrying value and market value of investments:

		Investment Maturities (in years)
	Market Value	Less than 1
June 30, 2007:		
StarOhio	$1,171,035	$1,171,035
National City Bank CD	2,000	2,000
Total	$1,173,035	$1,173,035

The College held $1,171,035 in Star Ohio investments, which is an external investment pool. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College does not have a formal policy that limits 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 College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2007 the College's investments in Star Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments are in Star Ohio. These investments were 99.8%, of the College's total investments as of June 30, 2007.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College's investments are held in the name of the College.

4. RECEIVABLES

Receivables at June 30, 2007 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$115,191	$0	$115,191
Intergovernmental	1,381,365	(148,000)	1,233,365
Other	63,764	0	63,764
Total Receivables	$1,560,320	$(148,000)	$1,412,320

5. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided 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.

6. 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.

7. CAPITAL ASSETS

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

	Balance at 7/1/2006	Increases	Decreases	Balance at 6/30/2007
Capital Assets, Depreciable:				
Machinery and Equipment	$987,813	$30,529	-	$1,018,342
Computers and Computer Equipment	898,690	603,361	-	1,502,051
Vehicles	49,511	5,655	-	55,166
Land Improvements	120,024	61,585	-	181,609
Total Depreciable	2,056,038	701,130	-	2,757,168
Less Accumulated Depreciation:				
Machinery and Equipment	610,003	105,997	-	716,000
Computers and Computer Equipment	449,282	213,428	-	662,710
Vehicles	17,309	8,452	-	25,761
Land Improvements	14,697	11,033	-	25,730
Total Depreciation	1,091,291	338,910	-	1,430,201
Capital Assets, net	$964,747	$362,220	-	$1,326,967

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	Amount Due Within One Year
Compensated Absences	$258,152	$290,460	$258,152	$290,460	-
Total Long-Term Liabilities	$258,152	$290,460	$258,152	$290,460	-

9. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships and Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$4,723,254		$85,373	$830,438		$5,639,065
Academic Support	934,596		26,965	407,659		1,369,220
Student Services	913,563		39,569	200,823		1,153,955
Institutional Support	1,784,035		137,645	703,401		2,625,081
Operation and maintenance of plant				907,591		907,591
Student Aid		$766,989				766,989
Depreciation					$338,910	338,910
Totals	$8,355,448	$766,989	$289,552	$3,049,912	$338,910	$12,800,811

10. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Marion Technical College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The 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 (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits, for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 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 contributions to the plan for the years ending June 30, 2007, 2006, and 2005 were $348,693, $329,838, and $303,953 respectively, equal to the required contributions for the year.

STATE TEACHERS RETIREMENT SYSTEM

Marion Technical College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10 percent of their covered annual salary and Marion Technical College is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were $504,671, $487,771 and $452,674 respectively, equal to the required contributions for the year.

11. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

11. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2007, and June 30, 2006, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $4.1 billion on June 30, 2007.

For the year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000. There were 122,934 eligible benefit recipients.

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 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 the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2007, the allocation rate is 3.32 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established as $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.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available), were $158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of 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 is 59,492.

12. RISK MANAGEMENT

A. Property and Liability

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 2007, the College has entered into contracts with various insurance agencies for various insurance, which includes the following types of insurance, amounts of coverage and the amount of the deductible:

12. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

Type of Coverage	Coverage	Amount of Deductible
Inland Marine	$ 9,000	$ 1,000
Employee Dishonesty Blanket	250,000	1,000
Automobile	1,000,000	500
School Board Trustee Liability	1,000,000	1,000
Equipment	3,300,000	5,000
General Liability	1,000,000	10,000
Umbrella	1,000,000	N/A
Employee Benefits Liability	1,000,000	1,000
Educators Professional Liability	1,000,000	50,000
Building	10,300,000	5,000
Building Contents	2,786,000	5,000
Extra Expense	250,000	N/A

All employees of the College are covered by a blanket bond, while certain individuals in policy-making roles are covered by a separate, higher limit bond coverage. Settled claims have not exceeded commercial coverage in the past three years. There have been no significant reductions in insurance coverage from last year.

B. Worker's Compensation

For fiscal year 2007, the College participated in the Ohio College Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Colleges is calculated as one experience and a common premium rate is applied to all Colleges in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

13. CONTINGENT LIABILITIES

A. Grants

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

B. Litigation

The College is currently not party to any legal proceedings.

14. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND

A. Description of the Fund

The Marion Technical College Development Fund (hereinafter "The Fund") is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code.

The Fund is organized and is operated exclusively for educational, scientific, or charitable purposes by conducting and supporting activities which benefit, or carry out the purpose of Marion Technical College, a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Fund is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB), including Statement No.34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No.35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, issued in June and November 1999. Since the Fund is a component unit of the College, it is required to apply these Statements the same as the College.

C. Income Tax Status

The Fund has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is, however, required to file annually IRS Form 990, which reports the activity of the Fund during the Year.

D. Cash and Investments

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

14. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND (Continued)

D. Cash and Investments (Continued)

	Cash		Investments
Category 1	Deposits that are either insured or collateralized with securities held by the Foundation or by its agent in the Foundation's name.		Investments that are insured or registered, or securities held by Fund or by its agent in the Foundation's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.		Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the Foundation's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Foundation's name).		Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the Foundation's name.
Not Categorized			Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 2007, the carrying amount of the Fund's cash deposits was $84,806 and the bank balance was $84,806. At June 30, 2007, $84,806 of the bank balances was insured by the FDIC (Category 1). The following summarizes the market value and maturities of investments:

Description	Market Value	Investment Maturities (in years) Less than 1	1-5	6-10
June 30, 2007:				
Taxable Bonds	$ 219,211	$ 24,757	$122,998	$ 71,456
Fixed Income Funds	42,964	42,964	-	-
Common Stock & Options	487,669	487,669	-	-
Total Investments	$ 749,844	$ 555,390	$122,998	$ 71,456

14. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND (Continued)

D. Cash and Investments (Continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Fund's investment policy provides for management of the portfolio to preserve the purchasing power of the principle. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the Fund's assets. The Fund's assets are to be managed in a balanced portfolio, which is comprised of common stock, convertible securities, fixed income instruments, and cash equivalents. Maximum exposure to the stock market shall be approximately 60% of the total portfolio and remaining assets are to be invested in fixed income or short-term investments. Cash balances may be invested in a money market fund. Fixed income investments are limited to U.S. Treasury, Federal Agency, A or better rated domestic corporate bonds, fixed income mutual funds, and Mortgage and Asset Back Securities.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Fund's investment policy limits investments to the following categories: Cash Equivalents, Fixed Income Assets, Equities assets, and Mutual Funds. Fixed income assets are subject to several limitations including only corporate debt issues that meet or exceed a credit rating of "A" from S&P or "A2" or higher from Moody's. Preferred stocks should be rated "A" or better by Moody's or S&P at the time of purchase. Equities holdings should represent companies meeting a minimum capitalization requirement of two hundred and fifty million with high market liquidity. Standard & Poor's and Moody's rating are disclosed in the following table for rated investments:

Taxable Bond Issue	CUSIP	Maturity Date	Market Value	S & P Rating	Moody Rating
Caterpillar	14912L2L4	2/8/08	$24,757	A	A2
US Treasury	912828BG4	8/15/08	24,531	AAA	Aaa
Merrill Lynch	59018YUH2	9/10/09	24,367	AA	Aa3
Lehman Brothers Holding, Inc.	52517PXT3	11/10/09	24,243	A	A1
General Electric CAP Corporation	36966RFF8	11/15/12	22,792	AAA	Aaa
Federal National Mortgage Association	3136F4TZ7	11/26/13	24,554	AAA	Aaa
Federal Home Loan Bank	3133X5K72	4/7/14	24,110	AAA	Aaa
Abbott Laboratories	002824100	5/15/09	25,019	AA	A1
CIT Group	172967101	11/24/08	24,838	A	A2

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

14. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND (Continued)

D. Cash and Investments (Continued)

The Fund's investment policy calls for 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 Fund's investments are in Common Stock & Options, Fixed Income Funds, and Taxable Bonds. These investments represent 65%, 6%, and 29%, respectively of the Fund's total investments.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Fund's investment policy provides that the investments' primary objective is preservation of the purchasing power of the principal. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the Fund's assets. The secondary investment objective is growth, of capital assets. Capital asset growth, exclusive of contributions and withdrawals, should provide a rate of return competitive with that of a blended index compromised of the Standard & Poor's 500, Shearson Lehman Intermediate Government Index, and 90 day Treasury Bills, while incurring similar or less risk than such index. All investments are held in the name of the Fund.

Marion Technical College
Marion County, Ohio
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$ 38,129
Federal Pell Grant Program	P063P	84.063	1,901,021
Total Student Financial Aid Cluster			1,939,150
Passed through the Ohio Department of Education:			
Vocational Education: Basic Grants to States	20C3	84.048	123,111
Adult and Community Education Grant	VETP	84.002	16,288
Tech Prep Education	3ETC	84.243	164,843
Subtotal			304,242
Total United States Department of Education			2,243,392
Total Federal Financial Assistance			$ 2,243,392

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, 2007

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**

While not listed in the accompanying schedule, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032). The dollar amounts are not listed in the Schedule of Federal Awards Expenditures, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2007, totaled $1,136,909.

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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*

Board of Trustees
Marion Technical College
1467 Mount 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 (the College) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 29, 2008. 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.

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 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 the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 College'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 College's financial statements that is more than inconsequential will not be prevented or detected by the College'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 College'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic 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 and use of the management, the audit committee, members of the Board, 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.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 29, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Marion Technical College
1467 Mount 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 are applicable to its major federal program for the year ended June 30, 2007. Marion Technical College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the 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 the 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 the College's internal control over compliance.

Internal Control Over Compliance (Continued)

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.

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 the College's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of the management, the audit committee, members of the Board, 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.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 29, 2008

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED 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 weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control conditions 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):	Student Financial Aid Cluster: Federal Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Family Education Loan Program, CFDA #84.032
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS 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	

Mary Taylor, CPA
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
MARCH 18, 2008

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