

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013



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 Holbrook & Manter, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 15, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marion Technical College
Marion County
Marion, OH 43302

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. 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 involves performing procedures to obtain audit evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Marion Technical College as of June 30, 2013, and the respective changes in financial position and where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees and the Administrative Personnel are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. That schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of the Board of Trustees and the Administrative Personnel have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the Marion Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the College's internal control over financial reporting and compliance.



Certified Public Accountants

December 23, 2013

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

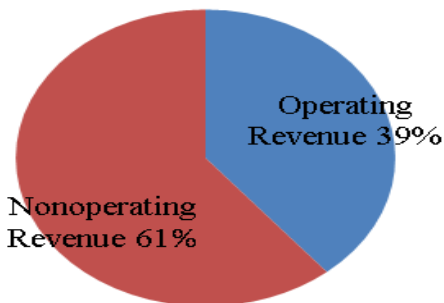
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. 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, 2013 over the previous year. Its combined net position decreased \$364,183, which is 51.8% increase over the previous year's decrease.

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



In the fiscal year ending June 30, 2013, revenues and other support were less than expenses, creating the decrease in net position of \$364,183 (compared to a \$755,733 decrease last year).

USING THIS ANNUAL REPORT

This report consists of three basic financial statements. The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; 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 Foundation, Inc.):** Most of the College's fund raising and scholarship activity fall into this category.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Table 1- Net Position – Primary Institution
FY2013 Versus FY 2012

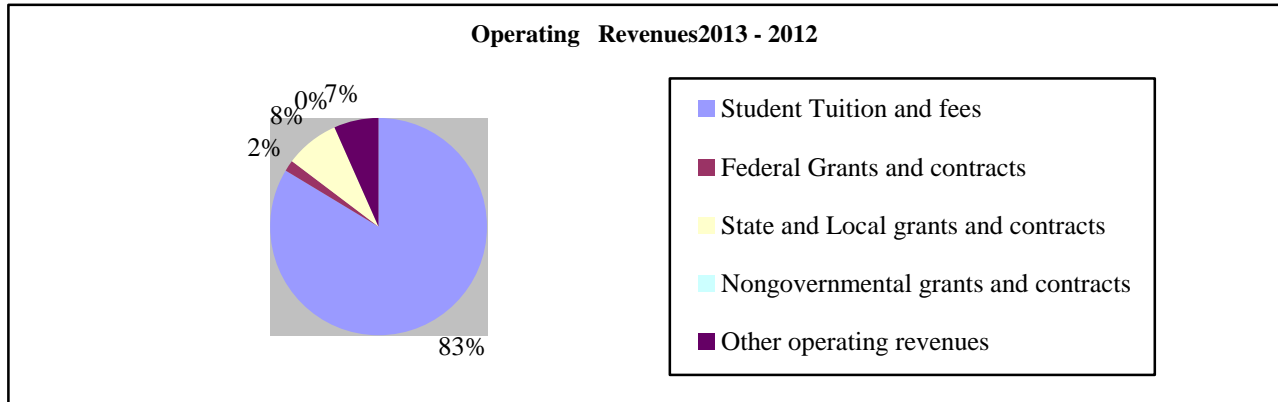
	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current assets:-				
Cash & cash equivalents	\$ 3,213,835	\$ 396,995	\$ 2,816,840	709.5%
Investments	539,098	538,144	954	0.2%
Student accounts receivable, net	841,602	4,061,583	(3,219,981)	-79.3%
Intergovernmental receivables	0	0	0	0.0%
Other receivables, net	900,968	1,311,562	(410,594)	-31.3%
Total current assets	<u>5,495,503</u>	<u>6,308,284</u>	<u>(812,781)</u>	<u>-12.9%</u>
Noncurrent assets:-				
Other receivables, net	991	991	0	0.0%
Prepaid expenses	52,370	5,023	47,347	942.6%
Capital assets, net (Note 4)	5,913,355	6,136,677	(223,322)	-3.6%
Total noncurrent assets	<u>5,966,716</u>	<u>6,142,691</u>	<u>(175,975)</u>	<u>-2.9%</u>
Total assets	<u>\$ 11,462,219</u>	<u>\$ 12,450,975</u>	<u>\$ (988,756)</u>	<u>-7.9%</u>
Liabilities				
Current Liabilities:-				
Accounts payable	\$ 122,622	\$ 324,460	\$ (201,838)	-62.2%
Deferred income	366,468	233,552	132,916	56.9%
Accounts payable- OSUM	880,865	1,305,865	(425,000)	-32.5%
Accrued payroll	261,548	373,915	(112,367)	-30.1%
Accrued vacation leave	266,386	309,753	(43,367)	-14.0%
Total current liabilities	<u>1,897,889</u>	<u>2,547,545</u>	<u>(649,656)</u>	<u>-25.5%</u>
Noncurrent Liabilities:-				
Accrued sick leave	395,807	370,724	25,083	6.8%
Total noncurrent liabilities	<u>395,807</u>	<u>370,724</u>	<u>25,083</u>	<u>6.8%</u>
Total liabilities	2,293,696	2,918,269	(624,573)	-21.4%
Net Position				
Invested in capital assets, net of related debt	5,913,355	6,136,677	(223,322)	-3.6%
Restricted:-				
Nonexpendable				
Expendable:-				
Student grants and scholarships	85,860	89,810	(3,950)	-4.4%
Loans	4,117	3,981	136	3.4%
Instructional department uses	274,345	203,065	71,280	35.1%
Unrestricted	<u>2,890,846</u>	<u>3,099,173</u>	<u>(208,327)</u>	<u>-6.7%</u>
Total net position	<u>9,168,523</u>	<u>9,532,706</u>	<u>(364,183)</u>	<u>-3.8%</u>
Total liabilities and net position	<u>\$ 11,462,219</u>	<u>\$ 12,450,975</u>	<u>\$ (988,756)</u>	<u>-7.9%</u>

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Net Position Changes – Component Unit – MTC Development Fund
FY2013 Versus FY 2012**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Assets:-				
<i>Current Assets:-</i>				
Cash equivalents	\$ 65,740	\$ 69,539	\$ (3,799)	-5.5%
Total current assets	<u>65,740</u>	<u>69,539</u>	<u>(3,799)</u>	<u>-5.5%</u>
<i>Noncurrent Assets:-</i>				
Investment held w/ fiscal agent	<u>831,599</u>	<u>787,405</u>	<u>44,194</u>	<u>5.6%</u>
Total noncurrent assets	<u>831,599</u>	<u>787,405</u>	<u>44,194</u>	<u>5.6%</u>
Total Assets	<u>\$ 897,339</u>	<u>\$ 856,944</u>	<u>\$ 40,395</u>	<u>4.7%</u>
Liabilities:-				
<i>Current Liabilities:-</i>				
Accrued scholarships	\$ 0	\$ 0	\$ 0	0.0%
Total current liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Net Position:-				
Nonexpendable	0	0	0	0.0%
<i>Expendable:-</i>				
Capital	0	0	0	0.0%
Student grants and scholarships	15,654	0	15,654	100.0%
Unrestricted	<u>881,685</u>	<u>856,944</u>	<u>24,741</u>	<u>2.9%</u>
Total net position	<u>897,339</u>	<u>856,944</u>	<u>40,395</u>	<u>4.7%</u>
Total liabilities and net position	<u>\$ 897,339</u>	<u>\$ 856,944</u>	<u>\$ 40,395</u>	<u>4.7%</u>

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO**
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013



**Primary Institution
Operating Results for the Year**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenues:-				
Student tuition and fees	\$ 5,366,313	\$ 5,586,722	\$ (220,409)	-3.9%
Federal grants and contracts	146,953	108,482	38,471	35.5%
State and local grants and contracts	566,900	546,595	20,305	3.7%
Other operating revenues	459,472	442,940	16,532	3.7%
Total operating revenues	<u>6,539,638</u>	<u>6,684,739</u>	<u>(145,101)</u>	<u>-2.2%</u>
Operating Expenses:-	<u>17,117,759</u>	<u>18,375,207</u>	<u>(1,257,448)</u>	<u>-6.8%</u>
Net operating revenues (expenses)	(10,578,121)	(11,690,468)	1,112,347	-9.5%
Nonoperating revenues (expenses):-				
State appropriations	5,455,252	5,391,736	63,516	1.2%
Federal grants and contracts	4,502,638	5,077,087	(574,449)	-11.3%
Investment income	2,677	2,844	(167)	-5.9%
Net nonoperating revenues	<u>9,960,567</u>	<u>10,471,667</u>	<u>(511,100)</u>	<u>-4.9%</u>
(Loss) before other revenues	(617,554)	(1,218,801)	601,247	-49.3%
Capital appropriations	253,371	265,591	(12,220)	-4.6%
Capital grants (revenue)	<u>0</u>	<u>197,477</u>	<u>(197,477)</u>	<u>-100.0%</u>
Decrease in net position	(364,183)	(755,733)	391,550	-51.8%
Net position, beginning of year	<u>9,532,706</u>	<u>10,288,439</u>	<u>(755,733)</u>	<u>-7.3%</u>
Net position, end of year	<u>\$ 9,168,523</u>	<u>\$ 9,532,706</u>	<u>\$ (364,183)</u>	<u>-3.8%</u>

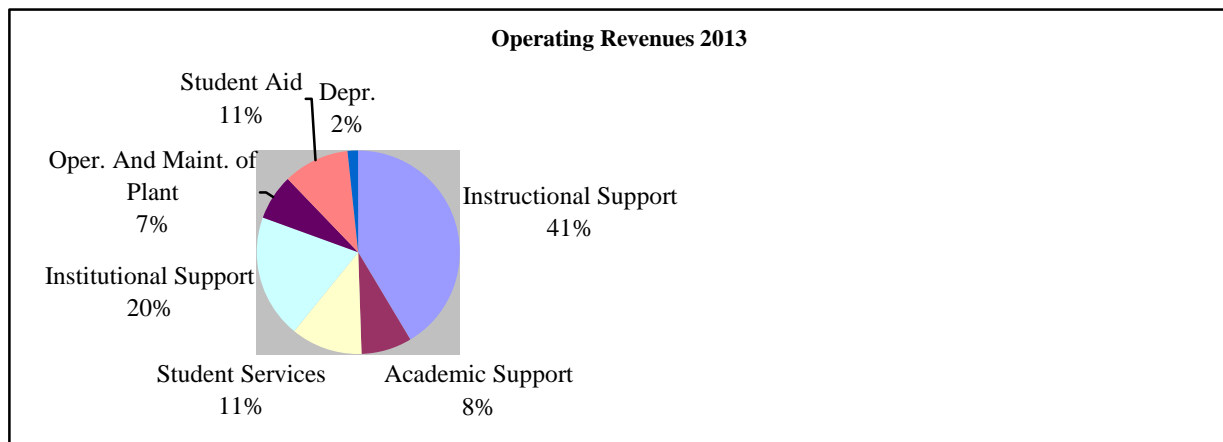
**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO**
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Component Unit
Operating Results for the Year – FY2013 Versus FY2012**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Opearing Revenues:-				
Contributions	\$ 35,915	\$ 35,211	\$ 704	2.0%
Total operating revenues	<u>35,915</u>	<u>35,211</u>	<u>704</u>	<u>2.0%</u>
Operating Expenses:-	<u>7,460</u>	<u>8,033</u>	<u>(573)</u>	<u>-7.1%</u>
Net operating revenues	28,455	27,178	1,277	4.7%
Nonoperating revenues (expenses):-				
Investment income	4	24,556	(24,552)	-100.0%
Fiscal agent fund return	47,081	0	47,081	100.0%
Scholarships	<u>(35,145)</u>	<u>(27,978)</u>	<u>(7,167)</u>	<u>25.6%</u>
Net nonoperating revenues (expenses)	<u>11,940</u>	<u>(3,422)</u>	<u>15,362</u>	<u>-448.9%</u>
Increase in net position	40,395	23,756	16,639	70.0%
Net position, beginning of year	<u>856,944</u>	<u>833,188</u>	<u>23,756</u>	<u>2.9%</u>
Net position, end of year	<u>\$ 897,339</u>	<u>\$ 856,944</u>	<u>\$ 40,395</u>	<u>4.7%</u>

**Primary Institution
Operating Expenses for the Year**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Opearing Expenses				
Instructional	\$ 7,511,235	\$ 7,594,354	\$ (83,119)	-1.1%
Academic support	1,426,171	1,515,479	(89,308)	-5.9%
Student services	2,060,076	2,058,819	1,257	0.1%
Institutional support	2,951,987	3,620,387	(668,400)	-18.5%
Operation and maintenance of plant	865,800	1,332,391	(466,591)	-35.0%
Student aid	1,723,677	1,934,757	(211,080)	-10.9%
Other expenditures (Plant)	277,856	0	277,856	100.0%
Depreciation	<u>300,958</u>	<u>319,020</u>	<u>(18,062)</u>	<u>-5.7%</u>
Total operating expenses	<u>\$ 17,117,760</u>	<u>\$ 18,375,207</u>	<u>\$ (1,257,447)</u>	<u>-6.8%</u>

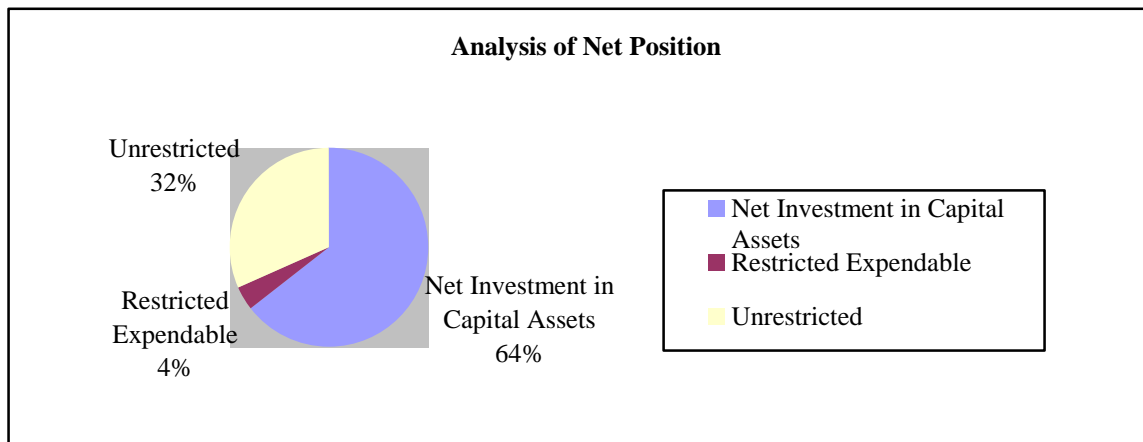


**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO**
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Analysis of Net Position- Primary Institution
2013 versus 2012**

Net Position:-	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Net investment in capital assets	\$ 5,913,355	\$ 6,136,677	\$ (223,322)	-3.6%
Restricted expendable	364,322	296,856	67,466	22.7%
Unrestricted	<u>2,890,846</u>	<u>3,099,173</u>	<u>(208,327)</u>	<u>-6.7%</u>
Total	<u>\$ 9,168,523</u>	<u>\$ 9,532,706</u>	<u>\$ (364,183)</u>	<u>-3.8%</u>

Unrestricted Net Assets decreased \$1,382,629 due to significant contributions toward the new Health Technology Center. Net Investment in Capital Assets increased significantly as construction was completed on the Health Technology Center.



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.

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Cash Flows – Primary Institution
FY2013 Versus FY2012**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Cash provided (used) by:-				
Operating activities	\$ (5,132,953)	\$ (9,323,555)	\$ 4,190,602	-44.9%
Noncapital financing activities	7,599,017	5,391,736	2,207,281	40.9%
Capital and related financing activities	348,099	(716,999)	1,065,098	-148.5%
Investing activities	<u>2,677</u>	<u>2,609</u>	<u>68</u>	<u>2.6%</u>
Net Increase (decrease) in cash	2,816,840	(4,646,209)	7,463,049	-150.0%
Cash, beginning of year	<u>396,995</u>	<u>5,043,204</u>	(4,646,209)	<u>-92.1%</u>
Cash, end of year	<u>\$ 3,213,835</u>	<u>\$ 396,995</u>	<u>\$ 2,816,840</u>	<u>709.5%</u>

Capital and Debt Administration

Capital Assets

At June 30, 2012, the College had \$5,913,355 invested in capital assets, net of accumulated depreciation of \$3,456,356. Depreciation charges totaled \$300,958 for the current fiscal year. Details of these assets for the two years are shown below:

**Capital Assets, Net – FY2013 Versus FY2012
Primary Institution**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Machinery and equipment	\$ 295,861	\$ 358,359	\$ (62,498)	-17.4%
Computers and computer equipment	91,438	88,219	3,219	3.6%
Vehicles	9,268	16,279	(7,011)	-43.1%
Land improvements	109,338	124,386	(15,048)	-12.1%
Buildings	<u>5,407,450</u>	<u>5,549,434</u>	<u>(141,984)</u>	<u>100.0%</u>
Capital assets, net	<u>\$ 5,913,355</u>	<u>\$ 6,136,677</u>	<u>\$ (223,322)</u>	<u>-3.6%</u>

There were no major capital additions this year.

The College has planned expenditures for fiscal year ending June 30, 2014 at approximately \$150,000. 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 2013, the College had no debt associated with capital assets.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Economic Factors that Will Affect the Future

The College increased tuition fees by 0% effective July 1, 2012 for fiscal year 2013. The College anticipated a 14% enrollment increase in fiscal year 2013.

The College converted from a quarter to a semester credit reporting system Fall 2012. Normally when a college converts to a semester system there is a onetime drop in FYE enrollment. The College's enrollment declined 11%. The anticipated loss in revenue was offset by salary savings and reorganization of personnel as a result of anticipated retirements. Employee tuition reimbursement was reduced by half, there were no increases for employee contracts, and budgets were decreased for other supplies. This plan will continue over the next couple of years.

The College's current financial plans indicate that the infusion of additional financial resources from prior year' recorded 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 increased certain tuition fees by 2% effective July 1, 2013 for fiscal year 2014. The College anticipates a 4% enrollment increase in fiscal year 2014. At the time of this report, the College fall 2013 enrollment has increased by 2%. A 36% increase for College health insurance premiums is anticipated for fiscal year 2014.

**BASIC
FINANCIAL STATEMENTS**

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
STATEMENT OF NET POSITION
PRIMARY INSTITUTION AND COMPONENT UNIT
AS OF JUNE 30, 2013

	Primary Institution	Component Unit
ASSETS:-		
Current assets:-		
Cash and cash equivalents	\$ 3,213,835	\$ 65,740
Investments	539,098	0
Student accounts receivable, net	841,602	0
Other receivables, net	900,968	0
Total current assets	5,495,503	65,740
Noncurrent assets:-		
Other receivables, net	991	0
Prepaid expenses	52,370	0
Investment w/ fiscal agent	0	831,599
Capital assets, net	5,913,355	0
Total noncurrent assets	5,966,716	831,599
Total assets	\$ 11,462,219	\$ 897,339
LIABILITIES:-		
Current liabilities:-		
Accounts payable	\$ 122,622	\$ 0
Deferred income	366,468	0
Accounts payable - OSUM	880,865	0
Accrued payroll	261,548	0
Compensated absences	266,386	0
Total current liabilities	1,897,889	0
Noncurrent liabilities:-		
Compensated absences	395,807	0
Total noncurrent liabilities	395,807	0
Total liabilities	2,293,696	0
NET POSITION:-		
Invested in capital assets, net of related debt	5,913,355	0
Restricted:-		
Nonexpendable	0	0
Expendable:-		
Capital	0	0
Student grants and scholarships	85,860	0
Loans	4,117	0
Instructional department uses	274,345	0
Temporarily Restricted	0	15,654
Unrestricted	2,890,846	881,685
Total net position	9,168,523	897,339
Total liabilities and net assets	\$ 11,462,219	\$ 897,339

See accompanying Notes to the Basic Financial Statements.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Primary Institution	Component Unit
REVENUE:-		
Operating Revenues:-		
Student tuition and fees (net of scholarship allowance of \$3,575,372)	\$ 5,366,313	\$ 0
Federal grants and contracts	146,953	0
State and local grants and contracts	566,900	0
Contributions	0	35,915
Other operating revenues	459,472	0
Total operating revenues	6,539,638	35,915
EXPENSES:-		
Operating Expenses:-		
Instructional	7,511,235	0
Academic support	1,426,171	0
Student services	2,060,076	0
Institutional support	2,951,987	0
Operation and maintenance of plant	865,800	0
Student aid	1,723,677	0
General and administrative	0	7,460
Other Expenditures (Plant)	277,855	0
Depreciation	300,958	0
Total operating expenses	17,117,759	7,460
Operating income (loss)	(10,578,121)	28,455
NONOPERATING REVENUES (EXPENSES):-		
State appropriations	5,455,252	0
State and local grants	0	0
Investment income	2,677	4
Fiscal Agent Fund Return		47,081
Federal grants and contracts	4,502,638	0
Scholarships	0	(35,145)
Nonoperating revenues	9,960,567	11,940
Income (loss) before other revenues, expenses, gains or losses	(617,554)	40,395
Capital appropriations	253,371	0
Capital grants	0	0
Increase (decrease) in net assets	(364,183)	40,395
Net position, beginning of year	9,532,706	856,944
Net position, end of year	\$ 9,168,523	\$ 897,339

See accompanying Notes to the Financial Statements.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Primary Institution</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-	
<i>Cash flows from operating activities:-</i>	
Tuition and fees	\$ 8,368,117
Grants and contracts	657,166
Supplier and related payments	(2,862,917)
Employee and related payments	(11,598,735)
Other receipts (payments)	<u>303,416</u>
Net cash provided (used) by operating activities	(5,132,953)
<i>Cash flows from non-capital and related financing activities:-</i>	
State appropriations	5,455,252
Federal grants and contracts	2,143,765
Gifts and grants	<u>0</u>
Net cash provided (used) by non-capital financing activities	7,599,017
<i>Cash flows from capital and related financing activities:-</i>	
Capital gifts and grants	425,735
Purchases of capital assets	<u>(77,636)</u>
Net cash provided (used) by capital and related financing activities	348,099
<i>Cash flows from investing activities:-</i>	
Interest and other income	2,677
Purchases of investments	<u>0</u>
Net cash provided (used) by investing activities	2,677
Net increase (decrease) in cash and cash equivalents	2,816,840
Cash and cash equivalents at beginning of year	<u>396,995</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,213,835</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH:-	
PROVIDED (USED) BY OPERATING ACTIVITIES:-	
Operating (loss)	\$ (10,578,120)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:-</i>	
Add back Tuition Reduction and Student Aid Expense	4,711,554
Depreciation expense	300,958
<i>Changes in assets and liabilities:</i>	
Student accounts receivable, net	(236,339)
Other receivables, net	543,097
Prepaid expenses	(47,348)
Accounts payable	122,622
Deferred income	132,915
Accounts payable- OSUM	48,359
Accrued payroll	(112,367)
Accrued sick leave	25,083
Accrued vacation leave	<u>(43,367)</u>
Net cash (used) by operating activities	<u><u>\$ (5,132,953)</u></u>

See accompanying Notes to the Financial Statements.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 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.

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).

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 Decision 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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

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.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

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 position, revenues, expenses, changes in net position 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). BTAs 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.

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 position.

Accounts Receivable - Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College. The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Management reviews the accounts receivable annually and adjusts the allowance to correspond with the collection rates.

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

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.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

<u>Classification</u>	<u>Years</u>
Buildings and improvements	10 - 50 years
Land improvements	10 - 20 years
Infrastructure	10 - 25 years
Moveable equipment	5 - 20 years

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

Deferred Revenue - Deferred revenue consists of the student tuition and fees for Summer Quarter and grant advances, if any.

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 Position. 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 nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. 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.

Income Taxes - Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Operating Activities - The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net position, 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
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Accounting Pronouncements

GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This pronouncement had no impact on the College's financial statements or disclosures.

GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provision clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This pronouncement had no impact on the College's financial statements or disclosures.

In addition to Statements No. 57 and 64, GASB has issued the following pronouncements which are listed by effective dates.

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.
- GASB Statement No. 61, The Financial Reporting Entity: Omnibus, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, The Financial Reporting Entity and Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

- GASB Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

- GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Management has not yet determined the impact these GASB Statements will have on the College's financial statements and disclosures.

NOTE 3 - DEPOSITS 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.

As of June 30, 2013, the College had the following deposits and investments:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking accounts	\$ 3,869,049	\$ 3,213,835
Certificates of deposit	2,000	2,000
STAR Ohio	537,098	537,098
Total deposits and investments	<u>\$ 4,408,147</u>	<u>\$ 3,752,933</u>

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENT RISK DISCLOSURES:- (continued)

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 AAA money market rating by Standard & Poor's. MTC moved all funds in STAR Ohio to STAR Ohio us, which is operated the same as STAR Ohio.

Concentration of Credit Risk - For fiscal year 2013, the College had the majority of its investments in STAR Ohio Plus 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 2013. For the fiscal year 2013, 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.

Component Unit - Foundation

At June 30, 2013, the carrying amount of the Foundation's cash deposits was \$65,740 and the bank balance was \$65,740. The entire bank balance was covered by FDIC insurance at June 30, 2013.

Credit Risk - As of June 30, 2013, the investment balance recorded on the Foundation's statement of net position is \$831,599. These investments are held and managed by a local community foundation. In accordance with the Accounting Standards Codification (ASC) No. 958-325-25, "Recognition", the funds are to be maintained as assets within the College's Foundation accounting records. Under ASC No. 958-325-25, states that when a transfer of assets to a resource provider specifies itself or an affiliate as the beneficiary, the transaction is not considered a disbursement in the form of a contribution, but maintained as assets, even if the variance power has been explicitly granted to the recipient organization. Accordingly, the component unit recognizes these funds as Investments held by a fiscal agent.

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. As of June 30, 2013, these investments are held and managed by a local community foundation.

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENT RISK DISCLOSURES:- (continued)

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.

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 were insured by the FDIC.

NOTE 4 - CAPITAL ASSETS:-

Capital Assets consisted of the following as of June 30, 2013:

<u>Costs:</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>
Buildings	\$ 5,679,359	\$ 0	\$ 0	\$ 5,679,359
Land improvements	219,836	0	0	219,836
Computers & computer equipment	1,913,822	59,964	26,077	1,947,709
Machinery & equipment	1,471,332	17,673	11,977	1,477,028
Vehicles	45,780	0	0	45,780
Total costs	<u>9,330,129</u>	<u>77,637</u>	<u>38,054</u>	<u>9,369,712</u>
Less accumulated depreciation:				
Buildings	129,925	141,984	0	271,909
Land improvements	95,448	15,050	0	110,498
Computers & computer equipment	1,826,205	56,143	26,077	1,856,271
Machinery & equipment	1,112,973	80,171	11,977	1,181,167
Vehicles	28,902	7,610	0	36,512
Total accum depreciation	<u>3,193,453</u>	<u>300,958</u>	<u>38,054</u>	<u>3,456,357</u>
Capital assets, net	<u>\$ 6,136,676</u>	<u>\$ (223,321)</u>	<u>\$ 0</u>	<u>\$ 5,913,355</u>

NOTE 5 - ACCOUNTS RECEIVABLE:-

The following is a summary of the accounts receivable as of June 30, 2013:

	<u>2013</u>
Students	\$ 711,892
Intergovernmental	0
Other	1,494,669
Less allowance for uncollectible accounts	<u>(463,000)</u>
Accounts receivable, net	<u>\$ 1,743,561</u>

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6 - ACCOUNTS PAYABLE- OSU 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, 2013, the college had an estimated payable of \$880,865 due to OSU for this agreement.

NOTE 7 - 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.

NOTE 8 - 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, 2013 and 2012, compensated absences consisted of the following:

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2013</u>	<u>Current Portion</u>
Compensated absences	\$ 680,477	\$ 25,083	\$ 43,367	\$ 662,193	\$ 266,386

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 - DEFINED BENEFIT PENSION PLANS:-

State Teachers Retirement System

State Teachers Retirement System of Ohio ("STRS Ohio") is a cost-sharing, multiple-employer public employee retirement system that is funded on a pay-as-you-go basis. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any 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% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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 base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) 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 member's 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.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 - DEFINED BENEFIT PENSION PLANS:- (continued)

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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan ("ARP") offered by their employer. Employees have 120 days from their employment start date to select a retirement plan.

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 DB Plan participants.

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

A DB or Combined Plan member with five or more years' 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 DB 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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The College's required 14% contributions for pension obligations for the fiscal years ended June 30, 2013, 2012, and 2011, were \$710,749, \$712,444 and \$706,660, respectively. 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

STRS Ohio issued a stand-alone financial report. Additional information or copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 - DEFINED BENEFIT PENSION PLANS:- (continued)

School Employees Retirement System

Plan Description- 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 SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of their annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$482,264, \$460,185 and \$496,821, respectively, which equaled the required contributions each year. 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

NOTE 10 - POST EMPLOYMENT BENEFITS:-

State Teachers Retirement System

STRS Ohio provides access to health care benefits to retirees who participated in the DB 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 ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC 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 coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 2012, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund (latest information available). The College's contributions allocated to health care benefits for the years ended June 30, 2013, 2012, and 2011 were \$27,983, \$54,803 and \$50,476, respectively, which equaled the required contributions each year.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 - POST EMPLOYMENT BENEFITS:- (continued)

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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The College's contributions for the years ended June 30, 2013, 2012, and 2011 were \$23,008, \$26,813, and \$36,970, respectively, which equaled the required contributions each year.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

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

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$4,975, \$19,662 and \$50,476, respectively.

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

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

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION:-

The College's operating expenses by natural classification were as follows for the year ended June 30, 2013:

	2013
Salaries and benefits	\$ 11,468,084
Student scholarships and financial aid	1,723,677
Equipment	555,374
Supplies and other services	2,791,812
Other expenditures (plant)	277,855
Depreciation	300,958
Total operating expenses	\$ 17,117,760

NOTE 12 - 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 2013, 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, 2013:

Description	Coverage	Deductible
Inland Marine	\$ 59,885	\$ 1,000
Employee dishonesty blanket	250,000	2,500
Employment practices	5,000,000	2,500
Automobile liability	3,000,000	0
Equipment	1,563,100	1,000
General liability	5,000,000	N/A
Employee benefits liability	3,000,000	2,500
Educators professional liability	5,000,000	2,500
School board trustee liability	Included above	N/A
Building	11,118,000	1,000
Building contents	3,769,304	1,000
Extra expense	2,000,000	1,000
Business income	8,256,000	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
MARION COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - 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, 2013.

NOTE 14 - 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 \$35,145 in scholarships for the year ending June 30, 2013.

NOTE 15 - SUBSEQUENT EVENTS:-

The College has evaluated subsequent events through December 23, 2013, the date which the financial statements were available to be issued.

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
BOARD OF TRUSTEES
FOR THE YEAR ENDED JUNE 30, 2013**

NAME	TITLE	TERM OF OFFICE
Mark Russell	Chairperson	10/12/07 - 4/30/13
Mitch Libster	Vice Chairperson	10/31/08 - 4/30/16
Edward R. Danner II	Secretary	11/17/98 - 4/30/15
Michele Pearson	Member	5/1/02 - 4/30/14
Jo Ellen Braden	Member	5/1/91 - 4/30/15
Scott Drew	Member	8/1/11 - 4/30/14
Catherine Gerber	Member	6/18/12 - 4/30/16
Gary E. Pendleton	Member	12/28/99 - 4/30/14
Rex Parrott	Member	5/1/12 - 4/30/15

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2013

NAME	TITLE
Dr. J. Richard Bryson	President
K. Jean Thomas	Controller
Dennis Budkowski	Vice President of Instructional Services

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANT NUMBER</u>	<u>DISBURSEMENTS</u>
<i>U.S. DEPARTMENT OF EDUCATION:-</i>			
<i>Direct form the Federal Agency</i>			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007	Direct	\$ 10,000
Federal Work Study Program	84.033	Direct	30,000
Federal Direct Student Loan Program	84.268	Direct	3,806,641
Federal Pell Grant Program	84.063	Direct	<u>4,502,638</u>
Total Student Financial Aid Cluster			8,349,279
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education- Basic Grants to States	84.048	20C3	80,267
Adult Education- Basic Grants to States	84.002	VETP	236,100
Tech Prep Education	84.243	3ETC	<u>101,400</u>
Subtotal			<u>417,767</u>
Total United States Department of Education			<u>8,767,046</u>
Total Federal Financial Assistance			\$ <u>8,767,046</u>

See accompanying notes to schedule of federal awards expenditures.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 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. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - FEDERAL FAMILY EDUCATION LOANS:-

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the Schedule of Expenditures of Federal Awards represents new loans awarded during the fiscal year ended June 30, 2013.



**INDEPENDENT ACCOUNTANTS' 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
Marion, OH 43302

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Marion Technical College, Marion County, Ohio (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Marion Technical College's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

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

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-01 described in the accompanying schedule of findings to be a material weakness.

We also noted certain internal control matters that we reported to the College's management in a separate letter dated December 23, 2013.


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, opining 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 we must report under *Government Auditing Standards*.

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

December 23, 2013



**INDEPENDENT ACCOUNTANTS' 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
Marion, OH 43302

Report on Compliance for Each Major Federal Program

We have audited Marion Technical College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect Marion Technical College's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the College's major federal programs.

Management's Responsibility

The College's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for each of the College's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the College's major programs. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

In our opinion, Marion Technical College complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-02. This finding did not require us to modify our compliance opinion on the major federal program.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-02 to be a material weakness.

The College's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the College's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

December 23, 2013

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other significant internal control deficiencies reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Student Financial Aid Cluster: Federal Direct Student Loan Program, CFDA # 84.268; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063; Federal Supplemental Educational Opportunity Grant, CFDA#84.007
Dollar Threshold: Type A\B Programs	Type A> \$300,000 Type B: all others
Low Risk Auditee?	No

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

Finding Number	2013-001
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Material Weakness- Treatment of Accounts Receivable

During our audit procedures, we noted accounts receivable remaining on the accounting records of the College that were potentially uncollectible due to age and duplications of documentation from a software transition. To improve controls over receivables, we suggest that past-due balances be reviewed and determine whether the outstanding balances are still collectible and they should either be followed up on or potentially removed from the receivables if deemed uncollectible.

We recommend that prompt collection action should be pursued when it is believed that amounts are valid and due to be paid. Otherwise, old, questionable, or unidentified balances should be written off in accordance with the College's write off policies and procedures. If these policies and procedures are not in place, we also recommend that a policy be approved for such instances.

Officials' Response

The College is aware that accounts receivable had a significant increase from the prior year and attributes that to additional student being on the deferred payment plan since going to semesters. In addition, the decision is yet to be made regarding the accounts receivable stemming from the Department of Education program review and the collectability of these items at the time the audit report was issued. The best estimate on the collectability is included within the allowance.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number

2013-002

CFDA Title and Number - CFDA 84.268 – Federal Direct Student Loan Program

CFDA Title and Number - CFDA 84.063 – Federal Pell Grant Program

Federal Award Number/Year – 2012/2013 (originally reported in 2011/2012)

Federal Agency - U.S. Department of Education

Program Review Report

In a prior year, the College received a Program Review from the U.S. Department of Education (the Department) regarding its Student Financial Assistance Programs. We understand this review, in the aggregate, assessed the College's internal controls and compliance related to the Student Financial Aid Cluster Awards. We understand that management and the Financial Aid Department represented the College in these matters and responded to many of these matters, however they are currently awaiting a response from the Department of Education on their final determination of the comments assessed to the College below. We very strongly suggest that these Student Financial Aid matters continually be reviewed on a regular basis and given the absolute highest priority at all times.

The Department of Education audit took place prior to the fiscal year being audited, however without the final report from the Department notifying the College that the issues have been corrected and resolved, it has been determined necessary to report a brief summary of the findings reported from the Department that were fully reported within the prior year audit report dated January 30, 2013.

The following were the issues deemed material weaknesses within Compliance:

- **Ineligible Non-Degree Programs**

During the Department's review of the College, it was determined that the College's application to participate in the Title IV, Higher Education Act (Title IV), the College disclosed that it was providing Title IV funds to students based on enrollment in educational programs that had yet to be approved by the Department; therefore, programs that are deemed "ineligible." These programs included non-degree/certificate programs not meeting the Department's minimum requirements for clock and/or credit hours. The Department provided a list of "ineligible" programs to the College.

Management has asserted that the College cancelled all of the ineligible programs immediately upon notification from the Department of Education.

- **Incorrect R2T4 Calculations**

Title IV policy specifies that in cases of nonattendance, the College's basis of its refund calculation is the last date of attendance recorded by a student's instructors. Beginning July 1, 2011, the College was required under Department regulations to take attendance for every class and every student. During the Department's Review, the College treated the last day of attendance as the date of a student's withdrawal notice. The College's officials verbally confirmed that the College did not use the last date of attendance for all withdrawals occurring in the Summer 2011 and Fall 2011 terms.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number

2013-002

Program Reports (continued)

The Department required the College to develop and implement written procedures to ensure that it uses the correct withdrawal date when it completes R2T4 calculations. The procedures must clearly state that the institution will use the last day of attendance as the withdrawal date for R2T4 purposes; and it must describe the source of the attendance data.

Management has asserted that the Financial Aid Department is utilizing the appropriate dates from the last date of attendance that the instructor took as the date of withdrawal for calculations purposes.

- **Return of Title IV Funds Calculations Not Performed for Unofficial Withdrawals**

During the Department's review of the College, it was determined that the College's procedures for identifying students who unofficially withdrew from the institution were deficient. Policy required withdrawal calculations for any student withdrawing from classes prior to the determined 60% completion of the given school term; but in most instances, calculations were not performed unless students initiated the withdrawal process.

If a recipient of a Title IV grant or loan assistance withdraws from the College during period of enrollment, the College must determine the amount of Title IV assistance the student earned as of the student's withdrawal date, which is determined as a student's last date of attendance. The College must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of the College's determination of the student's withdrawal date or last day of attendance.

The Department required the College to update, revise, develop and implement written procedures to ensure that it is able to identify students who have withdrawn without notice, correctly perform Return of Title IV Funds Calculation (R2T4 calculations) for those students, and return funds to the Department in a timely manner. The Department required the College to incorporate students with failing grades to determine if R2T4 calculations should have been administered due to Title IV eligibility requirements.

Management has asserted that the necessary steps are being followed for the R2T4 calculation for those students that withdrew unofficially.

- **Pell Underpayments**

During the Department's review of the College's policies, it was determined that the College's policies for awarding and disbursing Pell funds during its Summer 2011 term were deficient. The College required eligible students to complete a verification form to release Pell funds for the summer term. If a student did not complete the form (Request for Summer Pell Grant Funds), the student would not receive Pell Grant funds for the summer term. Therefore, numerous Pell eligible students did not receive Pell funds during the Summer 2011 term and the Pell award amount was only applied to other applicable terms during the 2011-2012 school year.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number

2013-002

Program Reports (continued)

The Department required the College to develop and implement written policies to ensure that it pays the appropriate amount of Pell funds to each eligible student enrolled. The College was also required to review the records of all Title IV recipients who were Pell eligible and attended during the Summer 2011 term to determine if funds were not properly allocated to the Summer 2011 term.

Management has asserted that Pell awards have been properly allocated to all students based upon the semesters enrolled and the allotted amount of Pell award they received.

- **Improper Pell Proration**

During the Department's review, the College disbursed Title IV funds on a standard term basis, where all quarters for all programs were equal. The College calculates the Pell payments based upon the formula described in 34 C.F.R. §690.63(b). Due to the Department's review of "Ineligible Non-Degree Programs" above, it was determined that certain programs were less than 30 weeks in duration. Therefore, the College should have been utilizing the formulas described at 34 C.F.R. §§ 690.63(d) or (e) taking into account the number of credit hours as opposed to weeks of instruction.

Management has asserted that the College cancelled all of the ineligible programs immediately upon notification from the Department of Education and no ineligible programs were available for Pell proration.

- **Attendance Not Substantiated Before Disbursement**

During the Department's review, the Department noted that the College applied credits or administered payments to a student account for Title IV funds even though the student had not attended any classes in a given term.

Management has asserted that review from the attendance records taken by the instructor are being utilized to determine final disbursement were appropriate to the student accounts or whether an R2T4 calculation was necessary.

- **Verification Not Completed**

During the Department's review, it was reported that the College had incorrectly administered verification of a student's financial information during the 2011-2012 school year based upon the student's submission of requested verification information. However, upon receipt of the information, it was determined that the student's Estimated Family Contribution (EFC) varied from the initial calculation, creating an underpayment of Pell funds to the eligible student.

Upon receipt of verification information, the College must determine if the information agrees to the Title IV calculations based upon student supplied information from the Free Application for Student Financial Aid (FASFA) received from the Department in the form of Institutional Student Information.

**MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number

2013-002

Program Reports (continued)

Record (ISIR). If the information does not match, this must be corrected internally and reported to the Department on a timely basis.

Management has asserted that timely and properly verification procedures are continually taking place with the College's recordkeeping system.

- **Inadequate Policies**

During the Department's review, it was determined that many of the policies and procedures regarding Student Financial Aid were outdated, lacked important information, contained incorrect information, or were non-existent.

Management asserted that the missing policies and procedures noted by the Department of Education were on file and a continual review will take place to make sure they are updated when necessary.

- **Exit Counseling Not Provided**

During the Department's review, the Department identified several instances (only one instance noted in the 2011-2012 school year) where no evidence was present that withdrawn students with Federal Direct Loans had received exit counseling. The students identified had unofficially withdrawn from the institution.

Management asserted that the exit counseling was being performed for all students required.

Prior to the Fiscal year end 2013 audit and based upon the Department of Education's initial review, management has asserted they have corrected several of the errors noted above, but are awaiting a final response from the Department of Education as to the status of the final review report. We strongly recommended that the College continue to monitor on an ongoing basis the issues that were addressed from the Department of Education's review, and what is required based upon laws and regulations set forth by the funding being received.

We recommend that the College continually monitor its policies and procedures regarding Federal Funding and perform internal accuracy reviews on a regular basis.

Officials' Response

The College has implemented all the necessary changes to be compliant moving forward, however they are awaiting the Department of Education's final review report for approval of the procedures.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Material Weakness- Treatment of Accounts Receivable	No	Reissued as finding 2013-001.
2012-002	Material Weakness- Treatment of Component Unit Investments	Yes	Finding No Longer Valid.
2012-003	Non-Compliance - Ohio Rev. Code Section 177.38 Annual Financial Reporting.	Yes	Finding No Longer Valid.
2012-004	Program Review Report	No	Reissued as finding 2013-002.
2012-005	Cash Management- Advances	Yes	Finding No Longer Valid.

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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 28, 2014**