MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Marion Technical College, Marion County, prepared by Holbrook & Manter, for the audit period July 1, 2013 through June 30, 2014. 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.

Dave Yost

Dave Yost
Auditor of State

January 14, 2015

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HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

INDEPENDENT AUDITORS' REPORT

Marion Technical College
Marion County
1467 Mount Vernon Avenue
Marion, OH 43302

To the Board of Trustees:

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, 2014, 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 preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited 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 us to plan and perform the audit to reasonably assure the financial statements are free of material misstatement.

An audit requires obtaining 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 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 audit opinions.

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, 2014, and the respective changes in financial position and where applicable, its cash flows thereof for the year then ended in accordance with the 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 this presentation to include Management's discussion and analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Information

Our audit was conducted to opine on the College's basic financial statements taken as a whole. The schedule 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 Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is also not a required part of the financial statements. This schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this statement to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this statement is fairly stated in all material respects in relation to the basic financial statements taken 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 10, 2014 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Holbrook & Manter

Certified Public Accountants

Marion, Ohio
December 10, 2014

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

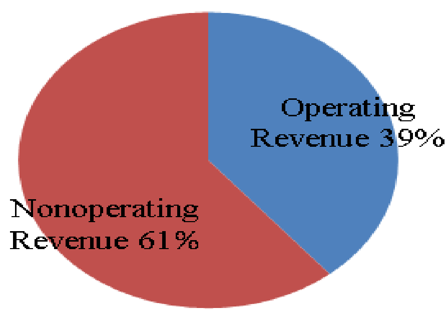
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. 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 revenue and other support were less than expenses, resulting in a decrease in combined net position of $218,601 (compared to $364,183 decrease last year).

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2014:



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 provides 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.

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, 2014

Table 1- Net Position – Primary Institution
FY2014 Versus FY 2013

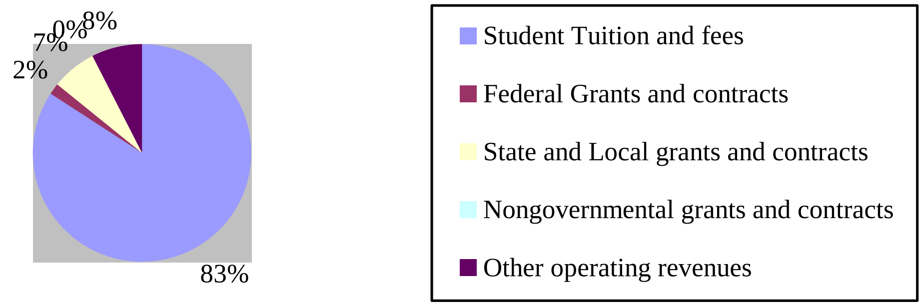
	6/30/2014	6/30/2013	Change	Percent Change
Assets				
Current assets:-				
Cash & cash equivalents	$ 2,989,014	$ 3,213,835	$ (224,821)	-7.0%
Investments	540,175	539,098	1,077	0.2%
Student accounts receivable, net	696,673	841,602	(144,929)	-17.2%
Other receivables, net	718,687	900,968	(182,281)	-20.2%
Total current assets	4,944,549	5,495,503	(550,954)	-10.0%
Noncurrent assets:-				
Other receivables, net	991	991	0	0.0%
Prepaid expenses	71,912	52,370	19,542	37.3%
Capital assets, net (Note 4)	5,687,458	5,913,355	(225,897)	-3.8%
Total noncurrent assets	5,760,361	5,966,716	(206,355)	-3.5%
Total assets	$ 10,704,910	$ 11,462,219	$ (757,309)	-6.6%
Liabilities				
Current Liabilities;-				
Accounts payable	$ 178,000	$ 122,622	$ 55,378	45.2%
Deferred income	307,086	366,468	(59,382)	-16.2%
Accounts payable- OSUM	357,947	880,865	(522,918)	-59.4%
Accrued payroll	230,714	261,548	(30,834)	-11.8%
Accrued vacation leave	260,880	266,386	(5,506)	-2.1%
Total current liabilities	1,334,627	1,897,889	(563,262)	-29.7%
Noncurrent Liabilities;-				
Accrued sick leave	420,361	395,807	24,554	6.2%
Total noncurrent liabilities	420,361	395,807	24,554	6.2%
Total liabilities	1,754,988	2,293,696	(538,708)	-23.5%
Net Position				
Invested in capital assets, net of related debt	5,687,458	5,913,355	(225,897)	-3.8%
Restricted;-				
Nonexpendable				
Expendable;-				
Student grants and scholarships	65,718	85,860	(20,142)	-23.5%
Loans	4,128	4,117	11	0.3%
Instructional department uses	272,862	274,345	(1,483)	-0.5%
Unrestricted	2,919,756	2,890,846	28,910	1.0%
Total net position	8,949,922	9,168,523	(218,601)	-2.4%
Total liabilities and net position	$ 10,704,910	$ 11,462,219	$ (757,309)	-6.6%

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Position Changes – Component Unit – MTC Development Fund
FY2014 Versus FY 2013

	2014	2013	Change	Percent Change
Assets:-				
Current Assets;-				
Cash equivalents	$ 80,805	$ 65,740	$ 15,065	22.9%
Total current assets	80,805	65,740	15,065	22.9%
Noncurrent Assets;-				
Investment held w/ fiscal agent	880,336	831,599	48,737	5.9%
Total noncurrent assets	880,336	831,599	48,737	5.9%
Total assets	$ 961,141	$ 897,339	$ 63,802	7.1%
Liabilities:-				
Current Liabilities;-				
Accrued scholarships	$ 0	$ 0	$ 0	0.0%
Total current liabilities	0	0	0	0.0%
Net Position:-				
Nonexpendable	0	0	0	0.0%
Expendable;-				
Capital	0	0	0	0.0%
Student grants and scholarships	4,035	15,654	(11,619)	-74.2%
Unrestricted	957,106	881,685	75,421	8.6%
Total net position	961,141	897,339	63,802	7.1%
Total liabilities and net position	$ 961,141	$ 897,339	$ 63,802	7.1%

Operating Revenues 2014 2012



Primary Institution
Operating Results for the Year- FY 2014 Versus FY 2013

	2014	2013	Change	Percent Change
Operating Revenues:-				
Student tuition and fees	$ 5,533,847	$ 5,366,313	$ 167,534	3.1%
Federal grants and contracts	117,518	146,953	(29,435)	-20.0%
State and local grants and contracts	435,062	566,900	(131,838)	-23.3%
Other operating revenues	497,054	459,472	37,582	8.2%
Total operating revenues	6,583,481	6,539,638	43,843	0.7%
Operating Expenses:-				
Instructional	7,195,988	7,511,235	(315,247)	-4.2%
Academic Support	1,531,558	1,426,171	105,387	7.4%
Student Services	1,951,874	2,060,076	(108,202)	-5.3%
Institutional Support	3,334,833	2,951,987	382,846	13.0%
Operation and maintenance of plant	1,171,918	865,800	306,118	35.4%
Student aid	1,575,849	1,723,677	(147,828)	-8.6%
Other expenditures (plant)	145,557	277,855	(132,298)	-47.6%
Depreciation	287,912	300,958	(13,046)	-4.3%
Total operating expenses	17,195,489	17,117,759	77,730	0.5%
Net operating revenues	(10,612,008)	(10,578,121)	(33,887)	0.3%
Nonoperating revenues (expenses):-				
State appropriations	6,014,033	5,455,252	558,781	10.2%
Federal grants and contracts	4,103,563	4,502,638	(399,075)	-8.9%
Investment income	1,085	2,677	(1,592)	-59.5%
Net nonoperating revenues	10,118,681	9,960,567	158,114	1.6%
(Loss) before other revenues	(493,327)	(617,554)	124,227	-20.1%
Capital appropriations	274,726	253,371	21,355	8.4%
Decrease in net position	(218,601)	(364,183)	145,582	-40.0%
Net position, beginning of year	9,168,523	9,532,706	(364,183)	-3.8%
Net position, end of year	$ 8,949,922	$ 9,168,523	$ (218,601)	-2.4%

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

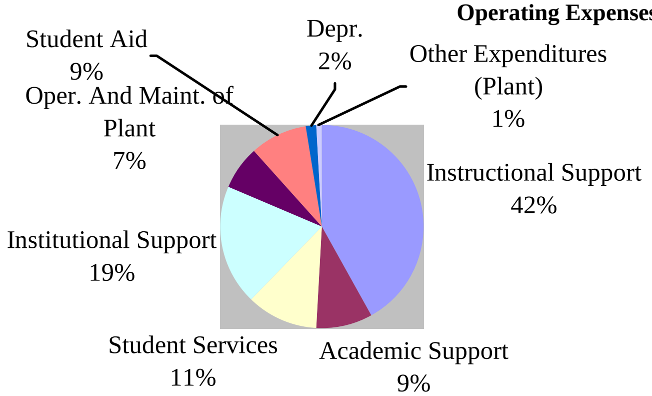
Component Unit
Operating Results for the Year – FY2014 Versus FY2013

	2014	2013	Change	Percent Change
Operating Revenues:-				
Contributions	$ 33,221	$ 35,915	$ (2,694)	-7.5%
Total operating revenues	33,221	35,915	(2,694)	-7.5%
Operating Expenses:-	25,346	7,460	17,886	239.8%
Net operating revenues	7,875	28,455	(20,580)	-72.3%
Nonoperating revenues (expenses):-				
Investment income	64,867	4	64,863	1621575.0%
Fiscal agent fund return	0	47,081	(47,081)	-100.0%
Other non-operating revenues	30,130	0	30,130	100.0%
Scholarships	(39,070)	(35,145)	(3,925)	11.2%
Net nonoperating revenues (expenses)	55,927	11,940	43,987	368.4%
Increase in net position	63,802	40,395	23,407	57.9%
Net position, beginning of year	897,339	856,944	40,395	4.7%
Net position, end of year	$ 961,141	$ 897,339	$ 63,802	7.1%

Primary Institution
Operating Expenses for the Year- FY 2014 Versus FY 2013

	2014	2013	Change	Percent Change
Operating Expenses				
Instructional	$ 7,195,988	$ 7,511,235	$ (315,247)	-4.2%
Academic support	1,531,558	1,426,171	105,387	7.4%
Student services	1,951,874	2,060,076	(108,202)	-5.3%
Institutional support	3,334,833	2,951,987	382,846	13.0%
Operation and maintenance of plant	1,171,918	865,800	306,118	35.4%
Student aid	1,575,849	1,723,677	(147,828)	-8.6%
Other expenditures (Plant)	145,557	277,855	(132,298)	-47.6%
Depreciation	287,912	300,958	(13,046)	-4.3%
Total operating expenses	$ 17,195,489	$ 17,117,759	$ 77,730	0.5%

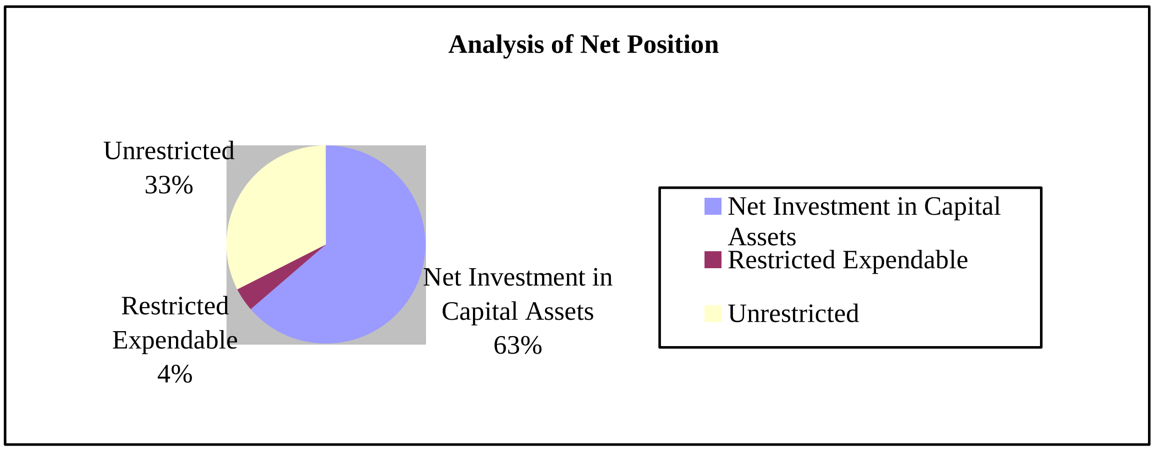
Operating Expenses 2014



MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Analysis of Net Position- Primary Institution
FY 2014 versus FY 2013

	2014	2013	Change	Percent Change
Net Position:-				
Net investment in capital assets	$ 5,687,458	$ 5,913,355	$ (225,897)	-3.8%
Loan Fund	4,128	4,117	11	0.3%
Restricted expendable	338,580	360,205	(21,625)	-6.0%
Unrestricted	2,919,756	2,890,846	28,910	1.0%
Total	$ 8,949,922	$ 9,168,523	$ (218,601)	-2.4%



The Statement of Cash Flows

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

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

Cash Flows – Primary Institution
FY2014 Versus FY2013

	2014	2013	Change	Percent Change
Cash provided (used) by:-				
Operating activities	$ (6,358,982)	$ (5,132,953)	$ (1,226,029)	23.9%
Noncapital financing activities	5,962,136	7,599,017	(1,636,881)	-21.5%
Capital and related financing activities	170,940	348,099	(177,159)	-50.9%
Investing activities	1,085	2,677	(1,592)	-59.5%
Net increase (decrease) in cash	(224,821)	2,816,840	(3,041,661)	-108.0%
Cash, beginning of year	3,213,835	396,995	2,816,840	709.5%
Cash, end of year	$ 2,989,014	$ 3,213,835	$ (224,821)	-7.0%

Capital and Debt Administration

Capital Assets

At June 30, 2014, the College had $5,687,458 invested in capital assets, net of accumulated depreciation of $3,692,270. Depreciation charges totaled $287,911 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net – FY2014 Versus FY2013
Primary Institution

	2014	2013	Change	Percent Change
Machinery and equipment	$ 234,705	$ 295,861	$ (61,156)	-20.7%
Computers and computer equipment	65,161	91,438	(26,277)	-28.7%
Vehicles	1,658	9,268	(7,610)	-82.1%
Land improvements	76,733	109,338	(32,605)	-29.8%
Buildings	5,287,635	5,407,450	(119,815)	-2.2%
CIP- 2014 TEC Renovations	21,566	0	21,566	100.0%
Capital assets, net	$ 5,687,458	$ 5,913,355	$ (225,897)	-3.8%

Capital additions this year included an ultrasound machine, wireless upgrade in the Technical Education Center (TEC), and renovations which began in the current fiscal year and will be completed in fiscal year 2015.

The College has planned capital expenditures for fiscal year ending June 30, 2015 to include the completion of the TEC renovations. These planned additions normally include replacement of 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 4 to the financial statements.

Debt

At year-end 2014, the College had no debt associated with capital assets.

Economic Factors that Will Affect the Future

The College increased tuition fees by 2% effective July 1, 2013 for fiscal year 2014. The College anticipated a 0% enrollment decrease in fiscal year 2014.

The College increased certain tuition fees by 2% effective July 1, 2014 for fiscal year 2015. The College anticipates a 12% enrollment decrease in fiscal year 2015. At the time of this report, the College fall 2014 enrollment has decreased by 11%.

BASIC
FINANCIAL STATEMENTS

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
STATEMENT OF NET POSITION
PRIMARY INSTITUTION AND COMPONENT UNIT
AS OF JUNE 30, 2014

	Primary Institution	Component Unit
ASSETS:-		
Current assets;-		
Cash and cash equivalents	$ 2,989,014	$ 80,805
Investments	540,175	0
Student accounts receivable, net	696,673	0
Other receivables, net	718,687	0
Total current assets	4,944,549	80,805
Noncurrent assets;-		
Other receivables, net	991	0
Prepaid expenses	71,912	0
Investment w/ fiscal agent	0	880,336
Capital assets, net	5,687,458	0
Total noncurrent assets	5,760,361	880,336
Total assets	$ 10,704,910	$ 961,141
LIABILITIES:-		
Current liabilities;-		
Accounts payable	$ 178,000	$ 0
Deferred inflows	307,086	0
Accounts payable - OSUM	357,947	0
Accrued payroll	230,714	0
Compensated absences	260,880	0
Total current liabilities	1,334,627	0
Noncurrent liabilities;-		
Compensated absences	420,361	0
Total noncurrent liabilities	420,361	0
Total liabilities	1,754,988	0
NET POSITION:-		
Invested in capital assets, net of related debt	5,687,458	0
Restricted;-		
Expendable;-		
Student grants and scholarships	65,718	0
Loans	4,128	0
Instructional department uses	272,862	0
Temporarily Restricted	0	4,035
Unrestricted	2,919,756	957,106
Total net position	8,949,922	961,141
Total liabilities and net position	$ 10,704,910	$ 961,141

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, 2014

	Primary Institution	Component Unit
REVENUE:-		
Operating Revenues;-		
Student tuition and fees (net of scholarship allowance of $2,713,358)	$ 5,533,847	$ 0
Federal grants and contracts	117,518	0
State and local grants and contracts	435,062	0
Contributions	0	33,221
Other operating revenues	497,054	0
Total operating revenues	6,583,481	33,221
EXPENSES:-		
Operating Expenses;-		
Instructional	7,195,988	0
Academic support	1,531,558	0
Student services	1,951,874	0
Institutional support	3,334,833	0
Operation and maintenance of plant	1,171,918	0
Student aid	1,575,849	0
General and administrative	0	25,346
Other Expenditures (Plant)	145,557	0
Depreciation	287,912	0
Total operating expenses	17,195,489	25,346
Operating income (loss)	(10,612,008)	7,875
NONOPERATING REVENUES (EXPENSES):-		
State appropriations	6,014,033	0
State and local grants	0	0
Investment income	1,085	64,867
Federal grants and contracts	4,103,563	0
Other non-operating revenues	0	30,130
Scholarships	0	(39,070)
Nonoperating revenues	10,118,681	55,927
Income (loss) before other revenues, expenses, gains or losses	(493,327)	63,802
Capital appropriations	274,726	0
Increase (decrease) in net position	(218,601)	63,802
Net position, beginning of year	9,168,523	897,339
Net position, end of year	$ 8,949,922	$ 961,141

See accompanying Notes to the Financial Statements.

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Primary Institution
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-	
Cash flows from operating activities;-	
Tuition and fees	$ 8,510,344
Grants and contracts	531,546
Supplier and related payments	(4,486,035)
Employee and related payments	(11,262,710)
Other receipts (payments)	347,873
Net cash provided (used) by operating activities	(6,358,982)
Cash flows from non-capital and related financing activities;-	
State appropriations	6,014,033
Federal grants and contracts	(51,897)
Net cash provided (used) by non-capital financing activities	5,962,136
Cash flows from capital and related financing activities;-	
Capital gifts and grants	274,726
Purchases of capital assets	(103,786)
Net cash provided (used) by capital and related financing activities	170,940
Cash flows from investing activities;-	
Interest and other income	1,085
Net cash provided (used) by investing activities	1,085
Net increase (decrease) in cash and cash equivalents	(224,821)
Cash and cash equivalents at beginning of year	3,213,835
Cash and cash equivalents at end of year	$ 2,989,014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH:-	
PROVIDED (USED) BY OPERATING ACTIVITIES:-	
Operating (loss)	$ (10,612,008)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities;-	
Add back Tuition Reduction and Student Aid Expense	4,051,420
Depreciation expense	287,912
Loss on disposed assets	41,771
Changes in assets and liabilities;-	
Student accounts receivable, net	305,648
Other receivables, net	144,929
Prepaid expenses	(182,281)
Accounts payable	55,378
Deferred income	59,381
Accounts payable- OSUM	(522,918)
Accrued payroll	30,834
Accrued sick leave	5,506
Accrued vacation leave	(24,554)
Net cash (used) by operating activities	$ (6,358,982)

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, 2014

NOTE 1 - DESCRIPTION OF THE COLLEGE:-

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).

NOTE 2 - 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.

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 position categories:

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

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

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). BTA's are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Restricted grant revenue is recognized only to the extent expended.

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.

The following estimated useful lives are used to compute depreciation:

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

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

Noncurrent Liabilities **-** Noncurrent liabilities include compensated absences. Employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of the separation. Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net position, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net position.

Deferred Inflows - Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue relates primarily to summer-term tuition received prior to June 30. The remaining amount included deferred revenue relates to grant and award monies received in excess of costs incurred as of year end for College programs financed by government agencies and other organizations.

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.

The Foundation is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the U.S. Internal Revenue Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2011.

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.

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

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.

Accounting Pronouncements

- 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. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees – Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicates that it is more likely than not that the government will be required to make a payment on the guarantee.

In addition to Statements No. 65, 66, and 70, GASB has issued the following pronouncements which are listed by effective dates.

- 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.

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

• GASB Statement No. 69, Government Combinations and Disposals of Government Operations – Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing the accounting and financial reporting guidance intended or the business environment. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of the statement are effective for financial statements for the year ended June 30, 2015.

• GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – Statement No. 71 provides clarification to GASB Statement No. 68 requiring governments to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement are effective for financial statements for the year ended June 30, 2015.

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, 2014, the College had the following deposits and investments:

	Bank Balance	Carrying Amount
Checking accounts	$ 3,172,926	$ 2,989,014
Certificates of deposit	2,000	2,000
STAR Ohio	538,173	538,175
Total deposits and investments	$ 3,713,099	$ 3,529,189

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

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

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 Plus, which is operated the same as STAR Ohio.

***Concentration of Credit Risk* -** For fiscal year 2014, 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 2014. For the fiscal year 2014, 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 Plus as defined by Statement No. 40.

Component Unit - Foundation

At June 30, 2014, the carrying amount of the Foundation's cash deposits was $80,805 and the bank balance was $80,805. The entire bank balance was covered by FDIC insurance at June 30, 2014.

***Credit Risk* -** As of June 30, 2014, the investment balance recorded on the Foundation's statement of net position is $880,336. 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.

***Investment with Fiscal Agent* -** The Foundation has no investments other than in investments held by fiscal agent (i.e. fiscal agent). The Foundation is a voluntary participant in the investment. This investment is governed by and under the regulatory oversight of the investment policy adopted by the Community Foundation's Board of Trustees. The fair value of the Foundation's investment in this pool is reported in the accompanying financial statements at amounts based upon the Foundation's pro-rata share of the fair value calculated by the Community Foundation for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the Community Foundation, which are recorded at fair value.

***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, 2014, these investments are held and managed by a local community foundation.

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, 2014:

Costs:	**Balance July 1, 2013**	**Additions**	**Reductions**	**Balance June 30, 2014**
Buildings	$ 5,679,359	$ 22,392	$ 0	$ 5,701,751
Land improvements	219,836	0	39,990	179,846
Computers & computer equipment	1,947,709	33,128	33,394	1,947,443
Machinery & equipment	1,477,028	26,700	19,985	1,483,743
CIP - 2014 TEC Renovations	0	21,566	0	21,566
Vehicles	45,780	0	0	45,780
Total costs	9,369,712	103,786	93,369	9,380,129
Less accumulated depreciation:				
Buildings	271,909	142,207	0	414,116
Land improvements	110,498	12,384	19,768	103,114
Computers & computer equipment	1,856,271	50,725	24,714	1,882,282
Machinery & equipment	1,181,167	74,986	7,116	1,249,037
Vehicles	36,512	7,610	0	44,122
Total accum depreciation	3,456,357	287,912	51,598	3,692,671
Capital assets, net	$ 5,913,355	$ (184,126)	$ 41,771	$ 5,687,458

NOTE 5 - ACCOUNTS RECEIVABLE:-

The following is a summary of the accounts receivable as of June 30, 2014:

	2014
Students	$ 756,744
PSEOB	879,541
PSEOB Dual	58,465
Other	535,101
Less allowance for uncollectible accounts	(813,500)
Accounts receivable, net	$ 1,416,351

NOTE 6 - ACCOUNTS PAYABLE- OSU COST SHARING:-

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses. At June 30, 2014, the college had an estimated payable of $357,947 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 is accrued for all employees who meet or are projected to meet the retirement requirements of length of service and age within the next five years, in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees. At June 30, 2014 and 2013, compensated absences consisted of the following:

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Compensated absence	$ 662,193	$ 24,554	$ 5,506	$ 681,241	$ 260,880

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 before August 1, 2015, 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. After August 1, 2015 any member may retire who has(i) five years of service credit and attained age 60 (early retirement); (ii) full retirement with 35 years of service credit and attained age 60; or (iii) full retirement with 5 years of service credit and attained age 65. 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.

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 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 14% for members and 14% for employers.

For the fiscal years ended June 30, 2014, 2013, and 2012, plan members were required to contribute 11% for 2014, and 10% of the annual covered salaries for 2013 and 2012. The College was required to contribute 14 percent; 13% was the portion used to fund pension obligations.

The College's required 14% contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012, were $670,119, $710,749, and $712,444, respectively. 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

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.

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, 2014, 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, 2014, 2013, and 2012 were $429,340, $482,264 and $460,185, respectively, which equaled the required contributions each year. 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

NOTE 10 - POST EMPLOYMENT BENEFITS:-

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of; a defined benefit plan, a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

NOTE 10 - POST EMPLOYMENT BENEFITS:- (continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1% of covered payroll was allocated to post-employment health care the years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled $67,012, $27,983 and $54,803 for the fiscal years 2014, 2013, and 2012, respectively.

School Employees Retirement System

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

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocations a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, 2013, and 2012, the actuarially required allocation is .76%, .74%, and .75 percent. The College's contributions for the years ended June 30, 2014, 2013, and 2012 were $21,050, $23,008, and $26,813, 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. At June 30, 2014, 2013, and 2012 the health care allocations were 14%, 16%, and 55%, respectively. 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. Statues 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, 2014, 2013, and 2012 were $34,948, $4,975 and $19,662, respectively.

NOTE 10 - POST EMPLOYMENT BENEFITS:- (continued)

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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. The report is also available through the SERS' website at www.ohsers.org under Forms and Publications.

NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION:-

The College's operating expenses by natural classification were as follows for the year ended June 30, 2014:

	2014
Instructional	$ 7,195,988
Academic support	1,531,558
Student services	1,951,874
Institutional support	3,334,833
Oper. and maint. of plant	1,171,918
Student aid	1,575,849
Other expenditures (plant)	145,557
Depreciation	287,912
Total operating expenses	$ 17,195,489

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 2014, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

NOTE 12 - RISK MANAGEMENT:- (continued)

Major coverage provided by this insurer is as follows at June 30, 2014:

Description	Coverage	Deductible
Employee dishonesty blanket	$ 250,000	$ 2,500
Employment practices	5,000,000	2,500
Automobile liability	3,000,000	0
Equipment	1,651,030	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	16,327,838	1,000
Building contents	5,157,487	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.

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, 2014.

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. This review, in the aggregate, assessed the College's internal controls and compliance related to the Student Financial Aid Cluster Awards. 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. The outcome of this report is unknown as of the financial statement date.

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 $39,070 in scholarships for the year ending June 30, 2014.

NOTE 15 - SUBSEQUENT EVENTS:-

The College has evaluated subsequent events through December 10, 2014, 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, 2014

NAME	TITLE	TERM OF OFFICE
Mitch Libster	Chairperson	5/1/13 - 4/30/16
Rex Parrott	Vice Chairperson	5/1/12 - 4/30/15
Edward R. Danner II	Secretary	5/1/12 - 4/30/15
Jo Ellen Braden	Member	5/1/12 - 4/30/15
Catherine Gerber	Member	5/1/13 - 4/30/16
Gary E. Pendleton	Member	5/1/14 - 4/30/17
Mark Russell	Member	5/1/14 - 4/30/17
Jude Foulk	Member	10/24/13 - 4/30/16
Donald Plotts	Member	5/1/14 - 4/30/17

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2014

NAME	TITLE
Dr. J. Richard Bryson	President
Jeffrey Nutter	Vice President and Chief Finance Officer
K. Jean Thomas	Controller
Vicky Wood	Vice President and Chief Academic Officer

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	FEDERAL CFDA NUMBER	PASS THROUGH GRANT NUMBER		DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION:-				
Direct form the Federal Agency				
Student Financial Aid Cluster				
Federal Work Study Program	84.033	Direct	$	32,285
Federal Direct Student Loan Program	84.268	Direct		3,100,950
Federal Pell Grant Program	84.063	Direct		4,103,563
Total Student Financial Aid Cluster				7,236,798
Passed through the Ohio Department of Education				
Career and Technical Education- Basic Grants to States	84.048	20C3		85,232
Adult Education- Basic Grants to States	84.002	VETP		163,550
Federal Supplemental Educational Opportunity Grant	84.007	DOE		15,000
Tech Prep Education	84.243	3ETC		100,000
Subtotal				363,782
Total United States Department of Education				7,600,580
Total Federal Financial Assistance			$	7,600,580

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, 2014

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, 2014.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Marion Technical College
Marion County
1467 Mount Vernon Avenue
Marion, OH 43302

To the Board of Trustees:

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, 2014, 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 10, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the College'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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

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 matter we must report under *Government Auditing Standards.*

College's Response to Findings

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 College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holbrook & Manter

Certified Public Accountants

Marion, Ohio
December 10, 2014

HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

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

Marion Technical College
Marion County
1647 Mount Vernon Avenue
Marion, OH 43302

To the Board of Trustees:

Report on Compliance for the 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 program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the College's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for each of the College's major federal program 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 program. 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, 2014.

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.

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. A *significant deficiency* in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Wellbrook & Master

Certified Public Accountants

Marion, Ohio
December 10, 2014

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
Were there any reported noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other significant internal control deficiencies reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
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

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

Finding Number	2014-001

Significant Deficiency- Timely Bank Reconciliations

Monthly bank statement reconciliations were not performed timely. By not timely reconciling monthly bank statements to the cash ledgers, the College cannot determine that all receipts and disbursements have been properly posted to the depository account or determine the College's true cash position.

We recommend that monthly bank statements be reconciled to the cash ledgers on a monthly basis and that the reconciliations be completed timely and reviewed by the Vice President of Finance.

Officials' Response

The College is aware of this issue and is trying to complete bank reconciliations more timely.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

MARION TECHNICAL COLLEGE
MARION COUNTY, OHIO
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Material Weakness-Treatment of Accounts Receivable	No	Significantly Different Corrective Action Taken; therefore, Repeated In the Management Letter.
2013-002	Program Review Report	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 27, 2015