

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016





# Dave Yost • Auditor of State

Board of Trustees  
Marion Technical College  
1467 Mount Vernon Avenue  
Marion, Ohio 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, 2015 through June 30, 2016. 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

December 21, 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees:

Marion Technical College  
Marion County  
1467 Mount Vernon Avenue  
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, 2016, 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 the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of their significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, 2016, 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 and the College's proportionate share of the net pension liability and College contributions, listed in the table of contents, to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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, to 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. 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 Expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"), and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information was 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 1, 2016, 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 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.

*Shulbrook & Manta*

Certified Public Accountants

Marion, Ohio  
December 1, 2016

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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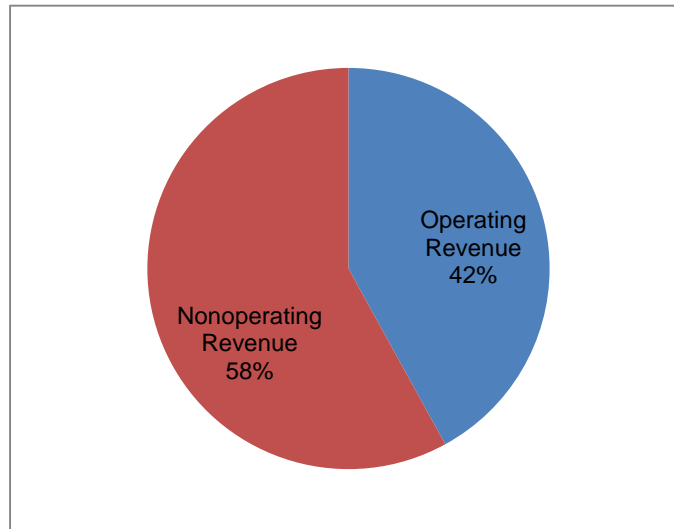
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2016. 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 revenues and other support were greater than expenses, resulting in an increase in combined net position of \$2,150,680 (compared to a \$864,819 increase last year).

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2016:



**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.

**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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 1- Net Position – Primary Institution FY2016 Versus FY 2015**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash & cash equivalents	\$ 4,516,170	\$ 3,611,130	\$ 905,040	25.1%
Investments	540,762	539,249	1,513	0.3%
Student accounts receivable, net	372,944	588,349	( 215,405)	-36.6%
Other receivables, net	1,738,621	1,035,246	703,375	67.9%
Book inventory, net	46,146	0	46,146	100.0%
Prepaid expenses	119,012	40,579	78,433	193.3%
Total current assets	<u>7,333,655</u>	<u>5,814,553</u>	<u>1,519,102</u>	<u>26.1%</u>
<b>Noncurrent assets</b>				
Other receivables, net	991	991	0	0.0%
Capital assets, net (Note 4)	<u>6,056,346</u>	<u>5,916,954</u>	<u>139,392</u>	<u>2.4%</u>
Total noncurrent assets	<u>6,057,337</u>	<u>5,917,945</u>	<u>139,392</u>	<u>2.4%</u>
<b>Deferred outflows of resources</b>				
Pension expense, restated	<u>2,713,370</u>	<u>1,288,365</u>	<u>1,425,005</u>	<u>110.6%</u>
Total assets	<u>\$ 16,104,362</u>	<u>\$ 13,020,863</u>	<u>\$ 3,083,499</u>	<u>23.7%</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 601,331	\$ 274,509	\$ 326,822	119.1%
Deferred income	288,166	345,846	( 57,680)	-16.7%
Accounts payable- OSUM	455,000	674,768	( 219,768)	-32.6%
Accrued payroll	218,647	240,032	( 21,385)	-8.9%
Accrued vacation leave	<u>273,230</u>	<u>281,488</u>	<u>( 8,258)</u>	<u>-2.9%</u>
Total current liabilities	<u>1,836,374</u>	<u>1,816,643</u>	<u>19,731</u>	<u>1.1%</u>
<b>Noncurrent Liabilities</b>				
Accrued sick leave	290,274	375,256	( 84,982)	-22.6%
Net pension liability, restated	<u>18,395,459</u>	<u>17,067,909</u>	<u>1,327,550</u>	<u>7.8%</u>
Total noncurrent liabilities	<u>18,685,733</u>	<u>17,443,165</u>	<u>1,242,568</u>	<u>7.1%</u>
<b>Deferred inflow of resources</b>				
Pension expense	<u>2,706,897</u>	<u>3,036,377</u>	<u>( 329,480)</u>	<u>-10.9%</u>
Total liabilities	<u>23,229,004</u>	<u>22,296,185</u>	<u>932,819</u>	<u>4.2%</u>
<b>Net Position</b>				
Net investment in capital assets	6,056,346	5,916,954	139,392	2.4%
<b>Restricted;-</b>				
<b>Nonexpendable</b>				
<b>Expendable;-</b>				
Student grants and scholarships	86,336	65,205	21,131	32.4%
Loans	4,156	4,156	0	0.0%
Instructional department uses	806,520	306,951	499,569	162.8%
Unrestricted	<u>( 14,078,000)</u>	<u>( 15,568,588)</u>	<u>1,490,588</u>	<u>-9.6%</u>
Total net position	<u>( 7,124,642)</u>	<u>( 9,275,322)</u>	<u>2,150,680</u>	<u>-23.2%</u>
<b>Total liabilities and net position</b>	<u>\$ 16,104,362</u>	<u>\$ 13,020,863</u>	<u>\$ 3,083,499</u>	<u>23.7%</u>

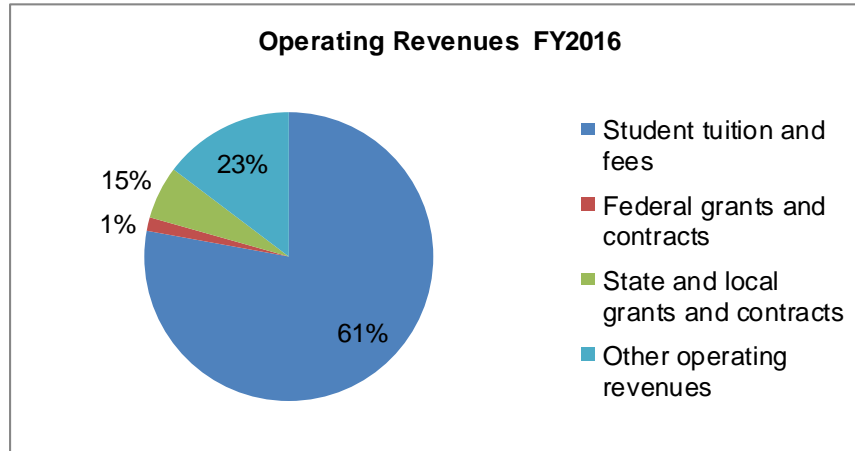
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**MARION COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**Net Position Changes – Component Unit – MTC Development Fund**  
**FY2016 Versus FY 2015**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
<i>Current Assets</i>				
Cash equivalents	\$ 75,618	\$ 59,937	\$ 15,681	26.2%
Total current assets	<u>75,618</u>	<u>59,937</u>	<u>15,681</u>	<u>26.2%</u>
<i>Noncurrent Assets</i>				
Investment held w/ fiscal agent	<u>804,783</u>	<u>864,236</u>	( 59,453)	-6.9%
Total noncurrent assets	<u>804,783</u>	<u>864,236</u>	( 59,453)	-6.9%
<b>Total assets</b>	<u>\$ 880,401</u>	<u>\$ 924,173</u>	<u>\$ ( 43,772)</u>	<u>-4.7%</u>
<b>Net Position</b>				
<i>Expendable</i>				
Student grants and scholarships	\$ 11,000	\$ 4,000	\$ 7,000	175.0%
Unrestricted	<u>869,401</u>	<u>920,173</u>	( 50,772)	-5.5%
Total net position	<u>880,401</u>	<u>924,173</u>	( 43,772)	-4.7%
<b>Total liabilities and net position</b>	<u>\$ 880,401</u>	<u>\$ 924,173</u>	<u>\$ ( 43,772)</u>	<u>-4.7%</u>

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
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**Primary Institution Operating Results for the Year- FY 2016 Versus FY 2015**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues:-</b>				
Student tuition and fees	\$ 4,454,006	\$ 5,354,278	\$ ( 900,272)	-16.8%
Federal grants and contracts	108,148	104,786	3,362	3.2%
State and local grants and contracts	1,062,396	407,618	654,778	160.6%
Other operating revenues	<u>1,640,642</u>	<u>1,010,063</u>	<u>630,579</u>	<u>62.4%</u>
Total operating revenues	7,265,192	6,876,745	388,447	5.6%
<b>Operating Expenses:-</b>				
Instructional	6,675,974	6,777,524	( 101,550)	-1.5%
Academic Support	1,912,520	1,425,849	486,671	34.1%
Student Services	1,746,791	1,857,173	( 110,382)	-5.9%
Institutional Support	1,889,209	2,905,058	( 1,015,849)	-35.0%
Operation and maintenance of plant	1,174,115	1,250,000	( 75,885)	-6.1%
Student aid	1,139,134	1,326,226	( 187,092)	-14.1%
Other expenditures (plant)	499,140	537,642	( 38,502)	-7.2%
Depreciation	349,542	288,297	61,245	21.2%
Total operating expenses	<u>15,386,425</u>	<u>16,367,769</u>	<u>( 981,344)</u>	<u>-6.0%</u>
Net operating loss	( 8,121,233)	( 9,491,024)	1,369,791	-14.4%
<b>Nonoperating revenues (expenses):-</b>				
State appropriations	7,132,809	6,719,558	413,251	6.1%
Federal grants and contracts	2,948,630	3,446,015	( 497,385)	-14.4%
Investment income	1,513	1,103	410	37.2%
Net nonoperating revenues	<u>10,082,952</u>	<u>10,166,676</u>	<u>( 83,724)</u>	<u>-0.8%</u>
<b>Income before other revenues</b>	1,961,719	675,652	1,286,067	190.3%
Capital appropriations	189,167	189,167	0	0.0%
Capital asset disposals (expense)	<u>( 206)</u>	<u>0</u>	<u>( 206)</u>	<u>100.0%</u>
<b>Increase in net position</b>	2,150,680	864,819	1,285,861	148.7%
Net position, beginning of year	<u>( 9,275,322)</u>	<u>( 10,140,141)</u>	<u>864,819</u>	<u>-8.5%</u>
<b>Net position, end of year</b>	<u>\$ ( 7,124,642)</u>	<u>\$ ( 9,275,322)</u>	<u>\$ 2,150,680</u>	<u>-23.2%</u>

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**Component Unit**  
**Operating Results for the Year – FY2016 Versus FY2015**

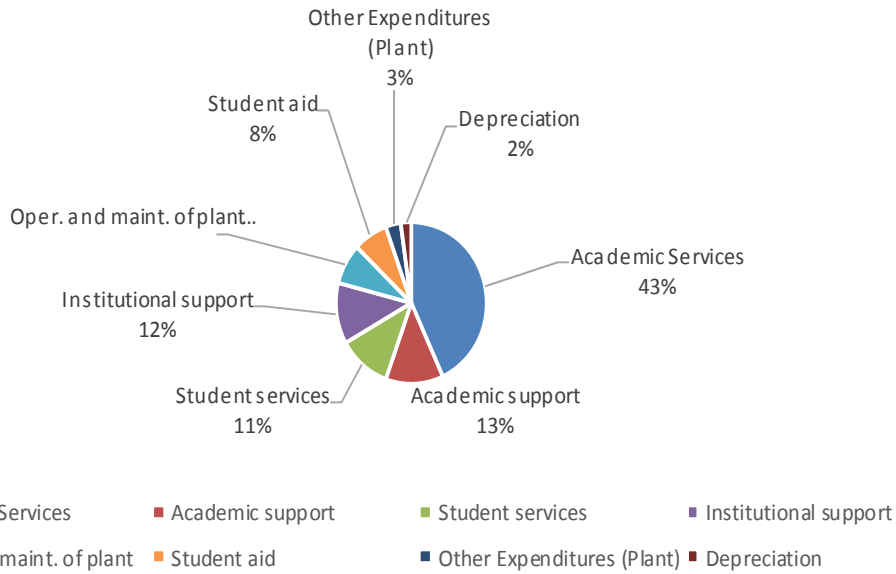
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues:-</b>				
Contributions	\$ 35,184	\$ 40,663	\$ ( 5,479)	-13.5%
Total operating revenues	35,184	40,663	( 5,479)	-13.5%
<b>Operating Expenses:-</b>				
Net operating revenues	11,550	14,040	( 2,490)	-17.7%
	23,634	26,623	( 2,989)	-11.2%
<b>Nonoperating revenues (expenses):-</b>				
Investment income	( 9,607)	8,199	( 17,806)	-217.2%
Other non-operating revenues (expenses)	2,511	( 16,480)	18,991	-115.2%
Scholarships	( 60,310)	( 55,310)	( 5,000)	9.0%
Net non-operating (expenses)	( 67,406)	( 63,591)	( 3,815)	6.0%
<b>Decrease in net position</b>	( 43,772)	( 36,968)	( 6,804)	18.4%
Net position, beginning of year	924,173	961,141	( 36,968)	-3.8%
<b>Net position, end of year</b>	\$ <u>880,401</u>	\$ <u>924,173</u>	\$ <u>( 43,772)</u>	<u>-4.7%</u>

**Primary Institution**  
**Operating Expenses for the Year- FY 2016 Versus FY 2015**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>Percent Change</u>
<b>Operating Expenses</b>				
Instructional	\$ 6,675,974	\$ 6,777,525	\$ ( 101,551)	-1.5%
Academic support	1,912,520	1,425,849	486,671	34.1%
Student services	1,746,791	1,857,173	( 110,382)	-5.9%
Institutional support	1,889,209	2,905,058	( 1,015,849)	-35.0%
Operation and maintenance of plant	1,174,115	1,250,000	( 75,885)	-6.1%
Student aid	1,139,134	1,326,226	( 187,092)	-14.1%
Other expenditures (Plant)	499,140	537,642	( 38,502)	-7.2%
Depreciation	349,542	288,297	61,245	21.2%
<b>Total operating expenses</b>	\$ <u>15,386,425</u>	\$ <u>16,367,770</u>	\$ <u>( 981,345)</u>	<u>-6.0%</u>

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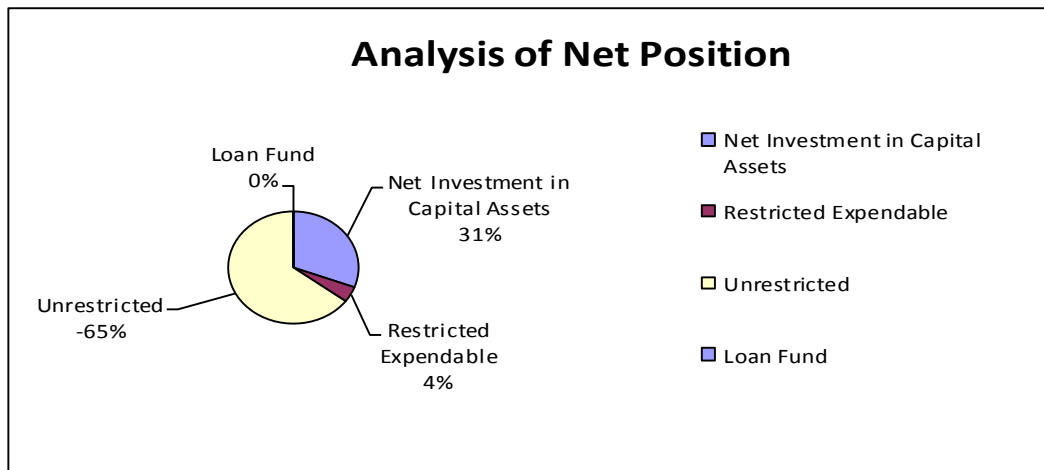
**Operating Expenses FY2016**



**Analysis of Net Position- Primary Institution  
FY 2016 versus FY 2015**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Net Position:-</b>				
Net investment in capital assets	\$ 6,056,346	\$ 5,916,954	\$ 139,392	2.4%
Loan Fund	4,156	4,156	0	0.0%
Restricted expendable	892,856	372,156	520,700	139.9%
Unrestricted	<u>( 14,078,000)</u>	<u>( 15,568,588)</u>	<u>1,490,588</u>	<u>-9.6%</u>
<b>Total</b>	<u>\$ ( 7,124,642)</u>	<u>\$ ( 9,275,322)</u>	<u>\$ 2,150,680</u>	<u>-23.2%</u>

**Analysis of Net Position**





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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**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 FY2016 Versus FY2015**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Cash provided (used) by:-</b>				
Operating activities	\$ ( 5,903,762)	\$ ( 5,802,049)	\$ ( 101,713)	1.8%
Noncapital financing activities	7,095,060	6,762,651	332,409	4.9%
Capital and related financing activities	( 287,873)	( 339,801)	51,928	-15.3%
Investing activities	1,615	1,314	301	22.9%
Net increase in cash	905,040	622,115	282,925	45.5%
Cash, beginning of year	3,611,130	2,989,015	622,115	20.8%
<b>Cash, end of year</b>	<b>\$ 4,516,170</b>	<b>\$ 3,611,130</b>	<b>\$ 905,040</b>	<b>25.1%</b>

**Capital and Debt Administration**

*Capital Assets*

At June 30, 2016, the College had \$6,056,346 invested in capital assets, net of accumulated depreciation of \$4,288,195. Depreciation charges totaled \$349,542 for the current fiscal year. Details of these assets for the two years are shown below:

**Net Investments in Capital Assets– FY2016 Versus FY2015 Primary Institution**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
Machinery and equipment	\$ 265,950	\$ 263,628	\$ 2,322	0.9%
Computers and computer equipment	244,548	145,165	99,383	68.5%
Vehicles	240	10,679	( 10,439)	-97.8%
Land improvements	398,082	352,420	45,662	13.0%
Buildings	4,980,686	5,145,062	( 164,376)	-3.2%
CIP- Mobile Lab	166,840	0	166,840	100.0%
<b>Net investment in capital assets</b>	<b>\$ 6,056,346</b>	<b>\$ 5,916,954</b>	<b>\$ 139,392</b>	<b>2.4%</b>

Capital additions this year included a campus-wide wireless upgrade, new servers for Health Technologies Center (HTC), data storage, backup and recovery appliances, new workout equipment for the Alber Student Center, presentation panels for computer labs, and renovations. The renovations included computer labs, internal signage, custom shades, flooring and the Present's Office.

The College has planned capital expenditures for fiscal year ending June 30, 2017 to include the completion of additional TEC renovations and the creation of a human anatomy lab. These planned expenditures normally include replacement of computers for academic computer labs and administration

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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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 2016, the College had no debt associated with capital assets.

**Pension**

During 2015, the College adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify

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the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the College's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**Economic Factors that Will Affect the Future**

The College did not increase tuition or fees for fiscal year 2016, and plans no tuition or fee increase for fiscal year 2017. The College anticipated a 10% enrollment decrease in fiscal year 2016 and anticipates a 4% enrollment decrease in fiscal year 2017.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
STATEMENT OF NET POSITION  
PRIMARY INSTITUTION AND COMPONENT UNIT  
AS OF JUNE 30, 2016

	<u>Primary Institution</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current assets:-		
Cash and cash equivalents	\$ 4,516,170	\$ 75,618
Investments	540,762	0
Student accounts receivable, net	372,944	0
Book inventory, net	46,146	
Prepaid expenses	119,012	0
Other receivables, net	1,738,621	0
Total current assets	<u>7,333,655</u>	<u>75,618</u>
Noncurrent assets:-		
Other receivables, net	991	0
Investment w/fiscal agent	0	804,783
Capital assets, net	6,056,346	0
Total noncurrent assets	<u>6,057,337</u>	<u>804,783</u>
<b>Total assets</b>	<u>13,390,992</u>	<u>880,401</u>
Deferred outflows of resources		
Pension expense	2,713,370	0
<b>Total assets and deferred outflows</b>	<u>\$ 16,104,362</u>	<u>\$ 880,401</u>
<b>LIABILITIES</b>		
Current liabilities:-		
Accounts payable	\$ 601,331	\$ 0
Deferred inflows	288,166	0
Accounts payable - OSUM	455,000	0
Accrued payroll	218,647	0
Accrued compensated absences	273,230	0
Total current liabilities	<u>1,836,374</u>	<u>0</u>
Noncurrent liabilities:-		
Compensated absences	290,274	
Net pension liability	18,395,459	0
Total noncurrent liabilities	<u>18,685,733</u>	<u>0</u>
<b>Total liabilities</b>	<u>20,522,107</u>	<u>0</u>
Deferred inflows of resources		
Pension expense	2,706,897	0
<b>Total liabilities and deferred inflows of resources</b>	23,229,004	0
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	6,056,346	0
Restricted:-		
Expendable:-		
Student grants and scholarships	86,336	0
Loans	4,156	0
Instructional department uses	806,520	0
Temporarily Restricted	0	11,000
Unrestricted	( 14,078,000)	869,401
Total net position	<u>( 7,124,642)</u>	<u>880,401</u>
<b>Total liabilities and net position</b>	<u>\$ 16,104,362</u>	<u>\$ 880,401</u>

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, 2016

	<u>Primary Institution</u>	<u>Component Unit</u>
<b>REVENUE:-</b>		
Operating Revenues:-		
Student tuition and fees (net of scholarship allowance of \$2,025,239)	\$ 4,454,006	\$ 0
Federal grants and contracts	108,148	0
State and local grants and contracts	1,062,396	0
Contributions	0	35,184
Other operating revenues	1,640,642	0
Total operating revenues	<u>7,265,192</u>	<u>35,184</u>
<b>EXPENSES:-</b>		
Operating Expenses:-		
Instructional	6,675,974	0
Academic support	1,912,520	0
Student services	1,746,791	0
Institutional support	1,889,209	0
Operation and maintenance of plant	1,174,115	0
Student aid	1,139,134	0
General and administrative	0	11,550
Other Expenditures (Plant)	499,140	0
Depreciation	349,542	0
Total operating expenses	<u>15,386,425</u>	<u>11,550</u>
Operating (loss) income	( 8,121,233)	23,634
<b>NONOPERATING REVENUES (EXPENSES):-</b>		
State appropriations	7,132,809	0
State and local grants	0	0
Investment income	1,513	( 9,607)
Federal grants and contracts	2,948,630	0
Other nonoperating (expenses)	0	2,511
Scholarships	0	( 60,310)
Nonoperating revenues (expenses)	<u>10,082,952</u>	<u>( 67,406)</u>
Income (loss) before other revenues, expenses, gains or losses	1,961,719	( 43,772)
Capital appropriations	189,167	0
Capital asset disposals (expense)	( 206)	0
Increase (decrease) in net position	2,150,680	( 43,772)
Net position, beginning of year	<u>( 9,275,322)</u>	<u>924,173</u>
<b>Net position, end of year</b>	<u>\$ ( 7,124,642)</u>	<u>\$ 880,401</u>

See accompanying Notes to the Financial Statements.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>Primary Institution</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</b>	
<i>Cash flows from operating activities:-</i>	
Tuition and fees	\$ 5,815,572
Grants and contracts	1,170,544
Supplier and related payments	( 2,746,384)
Employee and related payments	( 10,520,234)
Other receipts	376,740
Net cash (used) by operating activities	( 5,903,762)
<i>Cash flows from non-capital and related financing activities:-</i>	
State appropriations	7,132,809
Federal grants and contracts	( 37,749)
Net cash provided by non-capital financing activities	7,095,060
<i>Cash flows from capital and related financing activities:-</i>	
Capital gifts and grants	189,167
Purchases of capital assets	( 477,040)
Net cash (used) by capital and related financing activities	( 287,873)
<i>Cash flows from investing activities:-</i>	
Interest on investments	1,615
Proceeds from sale and maturity of investments	0
Net cash provided by investing activities	1,615
Net increase in cash and cash equivalents	905,040
<b>Cash and cash equivalents at beginning of year</b>	<b>3,611,130</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 4,516,170</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH:-</b>	
<b>PROVIDED (USED) BY OPERATING ACTIVITIES:-</b>	
Operating (loss)	\$ ( 8,121,233)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:-</i>	
Tuition Reduction for excess Pell	2,025,239
Student aid expense	1,139,134
Depreciation expense	349,542
Amortization expense	46,146
<i>Changes in assets and liabilities:-</i>	
Receivables, net	( 583,593)
Investments	( 1,513)
CCP book inventory	( 92,293)
Prepaid expenses	( 78,433)
Accounts payable	326,822
Accounts payable- OSUM	( 314,340)
Deferred outflows	( 1,425,005)
Pension liability / expense	1,327,550
Accrued payroll	( 21,385)
Accrued vacation leave	( 8,258)
Accrued sick leave	( 84,982)
Deferred inflows of resources	( 329,480)
Unearned revenue	( 57,680)
<b>Net cash (used) by operating activities</b>	<b>\$ ( 5,903,762)</b>

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, 2016

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**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:

***Net Investment in capital assets:*** 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 position 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 position 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 position whose use by the College is not subject to externally imposed stipulations. Unrestricted net position 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). BTA's are

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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** – Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements 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 and 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 fair value at the date of donation in the case of gifts. 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:

<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. 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 Outflows/Inflows of Resources** - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for deferred charges on refunding and for pension. The deferred outflows of resources related to pension are explained in Note 9.



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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the College, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 10)

**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 are not reported 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.

**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 nonoperating 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.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Unearned Revenue** - Unearned revenue includes tuition and fees for summer and fall terms recorded in the current fiscal year but related to the subsequent accounting period, and related expenses are shown as prepaid expenses in the statement of net position and will be recognized in the following year.

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Additionally, unearned revenue includes amounts received from grant and contract sponsors that have not yet been earned.

**Upcoming Accounting Pronouncements** - GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, and GASB Statement No. 82, *Pension Issues* – an amendment of GASB Statements No. 67, No. 68, and No. 73, become effective for fiscal years 2017 and 2018. The College has not yet completed the process of evaluating the impact of these statements on its financial statements.

**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, 2016, the College had the following deposits and investments:

	<b>Bank Balance</b>
Checking accounts	\$ 4,907,947
STAR Ohio	540,762
<b>Total deposits and investments</b>	<b>\$ 5,448,709</b>

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 Plus, which is operated the same as STAR Ohio.

**Concentration of Credit Risk** - For fiscal year 2016, the College had all of its investments in STAR Ohio Plus.

**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.

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**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 2016. For the fiscal year 2016, 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, 2016, the carrying amount of the Foundation's cash deposits was \$75,618 and the bank balance was \$135,858. The entire bank balance was covered by FDIC insurance at June 30, 2016.

**Credit Risk** - As of June 30, 2016, the investment balance recorded on the Foundation's statement of net position is \$804,783. 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 provides for a maximum exposure to the stock market of 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, 2016, these investments are held and managed by a local community foundation.

**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.

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**NOTE 4 - CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2016:

<b>Costs:</b>	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>
Buildings	\$ 5,701,751	\$ 0	\$ 22,392	\$ 5,679,359
Land improvements	467,969	79,673	0	547,642
Computers & computer equipment	2,067,931	188,536	0	2,256,467
Machinery & equipment	1,585,409	86,483	3,661	1,668,231
CIP - Mobile lab	0	166,840	0	166,840
Vehicles	62,886	0	36,882	26,004
Total costs	<u>9,885,946</u>	<u>521,532</u>	<u>62,935</u>	<u>10,344,543</u>
Less accumulated depreciation:				
Buildings	556,689	141,984	0	698,673
Land improvements	115,550	34,010	0	149,560
Computers & computer equipment	1,922,766	89,153	0	2,011,919
Machinery & equipment	1,321,780	84,162	3,661	1,402,281
Vehicles	52,207	234	26,677	25,764
Total accum depreciation	<u>3,968,992</u>	<u>349,543</u>	<u>30,338</u>	<u>4,288,197</u>
<b>Capital assets, net</b>	<b><u>\$ 5,916,954</u></b>	<b><u>\$ 171,989</u></b>	<b><u>\$ 32,597</u></b>	<b><u>\$ 6,056,346</u></b>

**NOTE 5 - ACCOUNTS RECEIVABLE:-**

The following is a summary of the accounts receivable as of June 30, 2016:

	<b>Gross Receivables</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivables</b>
Students	\$ 777,944	\$ ( 405,000)	\$ 372,944
Other	1,738,621	0	1,738,621
<b>Total Accounts receivable</b>	<b><u>\$ 2,516,565</u></b>	<b><u>\$ ( 405,000)</u></b>	<b><u>\$ 2,111,565</u></b>

**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, 2016, the college had an estimated payable of \$455,000 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 Department of Higher Education (ODHE), 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 ODHE. Upon completion of a construction project, the ODHE turns over control to the College, which capitalizes the cost.

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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 ODHE 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, 2016 and 2015, compensated absences consisted of the following:

	<b>Beginning Balance <u>July 1, 2016</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b>Ending Balance <u>June 30, 2016</u></b>	<b><u>Current Portion</u></b>
Compensated absences	\$ <u>656,743</u>	\$ <u>-</u>	\$ <u>93,239</u>	\$ <u>563,504</u>	\$ <u>273,230</u>

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Other employees are covered by the State Employees Retirement System of Ohio (SERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRST or SERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the College proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities

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within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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The College's contributions to SERS for the fiscal years ended June 30, 2016, 2015 and 2014, were \$405,613, \$428,772, and \$429,340, respectively, which equaled the required contributions each year. 100 percent has been contributed for fiscal years 2016, 2015, and 2014.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The College's required 14% contributions for pension obligations for the fiscal years ended June 30, 2016, 2015, and 2014, were \$654,683, \$701,238, and \$689,623, respectively. 100 percent has been contributed for fiscal years 2016, 2015, and 2014.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net			
Pension Liability	\$ 5,354,139	\$ 13,041,319	\$ 18,395,458
Liability	0.093832%	0.0471878%	
Pension Expense	305,944	532,775	838,719

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 65,171	\$ 596,316	\$ 661,487
Net difference between projected and actual earnings on pension plan investments	303,644	654,646	958,290
Changes in proportion and differences and proportionate share of contributions	33,296	0	33,296
College contributions subsequent to the measurement date	<u>405,613</u>	<u>654,683</u>	<u>1,060,296</u>
Total Deferred Outflows of Resources	<u>\$ 807,724</u>	<u>\$ 1,905,645</u>	<u>\$ 2,713,369</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 433,447	\$ 1,627,111	\$ 2,060,558
Changes in proportion and differences	<u>448,991</u>	<u>197,347</u>	<u>646,338</u>
Total Deferred Inflows of Resources	<u>\$ 882,438</u>	<u>\$ 1,824,458</u>	<u>\$ 2,706,896</u>



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\$1,060,296 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ ( 238,237)	\$ ( 271,911)	\$ ( 510,148)
2018	( 238,237)	( 271,911)	( 510,148)
2019	( 32,877)	( 271,911)	( 304,788)
2020	( 4,271)	242,238	237,967
Total	\$ ( 513,622)	\$ ( 573,495)	\$ ( 1,087,117)

**Actuarial Assumptions – SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
College's proportionate share of the net pension liability	\$7,424,267	\$5,354,139	\$3,610,921

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount

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rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	\$18,115,376	\$13,041,319	\$8,750,448

**Alternative Retirement Plan**

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative College employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The College board of trustees adopted such a plan effective April 1999.

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contributions to the ARP for the years ended June 30, 2016, 2015, and 2014 were \$64,877, \$59,125, and \$56,235, respectively.

**NOTE 10 - POST EMPLOYMENT BENEFITS:-**

***State Teachers Retirement System***

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the year ended June 30, 2016. The 14% employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$0, \$0, and \$67,012 for the fiscal years 2016, 2015, and 2014, 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.

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**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 2016 was \$121.80 for most participants, but could be as high as \$389.80 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 2016, the actuarially required allocation was 0.74 percent. For the College, contributions for the years ended June 30, 2016, 2015, and 2014 were \$2,807, \$3,139, and \$3,259, which equaled the required contributions for those years.

**Health Care Plan**

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2016, the health care allocation was 0.8 percent. For the College, the amount contributed to fund health care benefits, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$28,612, \$23,164, and \$34,948, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$23,000.

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. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

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**NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2016:

	<u>2016</u>
Instructional	\$ 6,675,974
Academic support	1,912,520
Student services	1,746,791
Institutional support	1,889,209
Oper. and maint. of plant	1,174,115
Student aid	1,139,134
Other expenditures (plant)	499,140
Depreciation	<u>349,542</u>
<b>Total operating expenses</b>	<b>\$ <u>15,386,425</u></b>

**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 2016, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages. More information can be found in the insurance policy.

Major coverage provided by this insurer is as follows at June 30, 2016:

<u>Description</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$ 5,000,000	\$ 1,000
Employment practices	5,000,000	2,500
Employee dishonesty blanket	250,000	2,500
Automobile liability	3,000,000	0
Equipment	1,651,030	1,000
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, 2016.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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**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 \$60,310 in scholarships for the year ending June 30, 2016.

**NOTE 15 - SUBSEQUENT EVENTS**

The College has evaluated subsequent events through December 1, 2016, the date which the financial statements were available to be issued.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TWO FISCAL YEARS (1)

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	<u>2015</u>	<u>2014</u>
<b><u>School Employees Retirement System of Ohio</u></b>		
College's proportion of the net position liability	0.093832%	0.105538%
College's proportionate share of the net pension liability	\$ 5,354,139	\$ 5,341,218
College's covered-employee payroll	\$ 3,062,657	\$ 3,066,714
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.82%	174.17%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	71.70%
<b><u>State Teachers Retirement System of Ohio</u></b>		
College's proportion of the net position liability	0.047188%	0.048211%
College's proportionate share of the net pension liability	\$ 13,041,319	\$ 11,726,691
College's covered-employee payroll	\$ 5,008,843	\$ 4,925,879
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.37%	238.06%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	74.70%

(1) Information prior to 2014 is not available.



**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COLLEGE CONTRIBUTIONS  
LAST SIX FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>School Employees Retirement System of Ohio</u></b>						
Contractually required contribution	\$ 405,613	\$ 428,772	\$ 429,340	\$ 482,264	\$ 460,185	\$ 496,821
Contribution in relation to the contractually required contribution	<u>( 405,613)</u>	<u>( 428,772)</u>	<u>( 429,340)</u>	<u>( 482,264)</u>	<u>( 460,185)</u>	<u>( 496,821)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
College covered-employee payroll	\$ 2,897,235	\$ 3,062,657	\$ 3,066,714	\$ 3,444,743	\$ 3,287,036	\$ 3,548,721
Contributions as a percentage of college covered-employee payroll	14%	14%	14%	14%	14%	14%
<b><u>School Teachers Retirement System of Ohio</u></b>						
Contractually required contribution	\$ 654,683	\$ 701,238	\$ 689,623	\$ 710,749	\$ 712,444	\$ 706,660
Contribution in relation to the contractually required contribution	<u>( 654,683)</u>	<u>( 701,238)</u>	<u>( 689,623)</u>	<u>( 710,749)</u>	<u>( 712,444)</u>	<u>( 706,660)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
College covered-employee payroll	\$ 4,676,307	\$ 5,008,843	\$ 4,925,879	\$ 5,076,779	\$ 5,088,886	\$ 5,047,571
Contributions as a percentage of college covered-employee payroll	14%	14%	14%	14%	14%	14%

(1) Information prior to 2011 is not available.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
STATEMENT OF NET POSITION BY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

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**Assets:-**

**General**

Cash	\$	3,501,904
Petty Cash		510
Investments		540,762
Accounts receivable		
Students	\$	695,035
OSUM		77,225
Other/faculty/gov.		897,091
Vaughn/CCP/Book		764,306
Deferred outflows		2,713,370
Allowance for doubtful acts	(	<u>405,000)</u>
Net accounts receivable		4,742,027
CCP Book Inventory, net		46,146
Prepaid Expenses		119,012
DTDF DFAFS + Scholarship	(	71,356)
DTDF Plant Fund		<u>1,398,478</u>
Total unrestricted		10,277,483

**Restricted**

Cash	1,010,591
Accounts payable	0
Accounts receivable	<u>82,909</u>
Total restricted	1,093,500

**Loan Funds**

Cash	3,165
Notes receivable	<u>991</u>
Total loan funds	4,156

**Plant Funds**

Cash	0
Investment plant	10,344,543
Accumulated depreciation	<u>( 4,288,197)</u>
<b>Total plant funds</b>	<u>6,056,346</u>

**TOTAL ASSETS** \$ 17,431,485

**Liabilities and Fund Balance:**

**General**

Accounts payable	\$	329,331
Accounts payable- books		0
Accounts payable- C/S		455,000
Accrued payroll		218,647
Deferred income		288,166
Accrued vacation leave		273,230
Accrued sick leave		290,274
Deferred inflows		2,706,897
Net pension liability		18,395,459
Unallocated fund balances	(	<u>12,679,521)</u>
Total unrestricted		10,277,483

**Restricted**

Due to general fund	(	71,356)
Accounts payable		272,000
Restricted fund balance		<u>892,856</u>
Total restricted		1,093,500

**Loan Funds**

Due to MTC general	0
Loan fund balance	<u>4,156</u>
Total loan funds	4,156

**Plant Funds**

Due to general fund	1,398,478
Renew/repl. Bal	<u>( 1,398,478)</u>
Net investment in plant	<u>6,056,346</u>
<b>Total plant funds</b>	<u>6,056,346</u>

**TOTAL LIABILITIES AND FUND BALANCE** \$ 17,431,485

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
SCHEDULE OF STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	Balance Unrestricted Educ. & General	Balance Restricted Educ. & Gen.	Balance Total Current	Balance Loan Funds	Balance Unexpended Renew & Rept	Balance Investment in Plant	Balance Plant Fund
<b>REVENUE &amp; OTHER ADDITIONS:-</b>							
Unrestricted Current Fund Revenue	\$ 6,392,909	\$ 0	\$ 6,392,909	\$ 0	\$ 0	\$ 0	\$ 0
Restricted state appropriations	7,132,809	15,950	7,148,759	0	189,167	0	189,167
Restricted federal grants	0	4,103,223	4,103,223	0	0	0	0
Restricted private gifts & grants	0	86,336	86,336	0	0	0	0
Interest income	1,513	0	1,513	0	0	0	0
Miscellaneous income	453,962	0	453,962	0	10,000	0	10,000
Expended for plant facilities	0	0	0	0	0	489,140	489,140
Total revenues	<u>13,981,193</u>	<u>4,205,509</u>	<u>18,186,702</u>	<u>0</u>	<u>199,167</u>	<u>489,140</u>	<u>688,307</u>
<b>EXPENSES AND OTHER DEDUCTIONS:-</b>							
Education and general expense	12,357,471	4,205,510	16,562,981	0	0	0	0
Expended for plant facilities	0	0	0	0	499,140	206	499,346
Depreciation expense	0	0	0	0	0	349,542	349,542
Total expenditures	<u>12,357,471</u>	<u>4,205,510</u>	<u>16,562,981</u>	<u>0</u>	<u>499,140</u>	<u>349,748</u>	<u>848,888</u>
<b>TRANSFER AMONG FUNDS:-</b>							
Excess (Deficit) of restricted over expenses	0	520,701	520,701	0	166,840	0	166,840
Total transfers & adjustments	<u>0</u>	<u>520,701</u>	<u>520,701</u>	<u>0</u>	<u>166,840</u>	<u>0</u>	<u>166,840</u>
<b>Net increase / decrease for year</b>	1,623,722	520,700	2,144,422	0	( 133,133)	139,392	6,259
<b>Fund balance, beginning of year</b>	( 14,303,243)	372,156	( 13,931,087)	4,156	( 1,265,345)	5,916,954	4,651,609
<b>Fund balance, end of year</b>	<u>\$ ( 12,679,521)</u>	<u>\$ 892,856</u>	<u>\$ ( 11,786,665)</u>	<u>\$ 4,156</u>	<u>\$ ( 1,398,478)</u>	<u>\$ 6,056,346</u>	<u>\$ 4,657,868</u>

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
BOARD OF TRUSTEES  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TERM OF OFFICE</u></b>
Rex Parrott	Chairperson	5/1/15 - 4/30/18
Mark Russell	Vice Chairperson	5/1/14 - 4/30/17
Jude Foulk	Secretary	5/1/16 - 4/30/19
Donald Plotts	Member	5/1/14 - 4/30/17
Roxane Somerlot	Member	5/1/15 - 4/30/17
Edward R. Danner II	Member	5/1/15 - 4/30/18
Timothy Anderson	Member	5/1/16 - 4/30/19
Justin Hamper	Member	5/1/16 - 4/30/19
(Vacant)	Member	5/1/15 - 4/30/17

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
ADMINISTRATIVE PERSONNEL  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b><u>NAME</u></b>	<b><u>TITLE</u></b>
Dr. Ryan McCall	President, beginning January 4, 2016
Jeffrey Nutter, CPA	Vice President and Chief Finance Officer
K. Jean Thomas	Controller
Dr. 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, 2016

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<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANT NUMBER</u>	<u>DISBURSEMENTS</u>
<b><u>U.S. DEPARTMENT OF EDUCATION:-</u></b>			
<i>Direct from the Federal Agency</i>			
<b>Student Financial Aid Cluster</b>			
Federal Direct Student Loan Program	84.268	Direct	\$ 2,148,285
Federal Pell Grant Program	84.063	P063P	2,948,630
Federal Supplemental Educational Opportunity Grant	84.007	DOE	29,850
Federal Work Study Program	84.033	P033A	<u>30,000</u>
<b>Total Student Financial Aid Cluster</b>			<b>5,156,765</b>
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education- Basic Grants to States	84.048	20C3	78,148
Adult Education- Basic Grants to States	84.002	VETP	166,200
Tech Prep Education	84.243	3ETC	<u>92,799</u>
<b>Subtotal</b>			<b><u>337,147</u></b>
<b>Total United States Department of Education</b>			<b><u>5,493,912</u></b>
<b>Total Federal Financial Assistance</b>			<b>\$ <u><u>5,493,912</u></u></b>

See accompanying notes to schedule of federal awards expenditures.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

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**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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Marion Technical College, it is not intended to and does not present the financial position, changes in net position or cash flows of Marion Technical College.

**NOTE 2 - FEDERAL DIRECT STUDENT LOAN PROGRAM:-**

The College is a direct lender for the Federal Direct Student 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, 2016.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 1, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.




### ***Compliance and Other Matters***

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

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.



Certified Public Accountants

Marion, Ohio  
December 1, 2016



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Marion Technical College  
Marion County  
1467 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 types of compliance requirements described in the U.S. Office of Management Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The College's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and the grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require us to plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal 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 have a direct and material effect on its major federal program for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of Marion Technical College is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*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 detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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 purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Marion, Ohio  
December 1, 2016

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>	
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)?	No
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 > \$750,000 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, 2016

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

NONE

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

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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  
DECEMBER 29, 2016**