MARION TECHNICAL COLLEGE

Financial Statements

June 30, 2017

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

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 Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 12, 2018

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TABLE OF CONTENTS

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CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marion Technical College
Marion, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2017, 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 preparation and 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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 College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 2 to the financial statements, the College modified the manner it recognized revenue associated with the summer semester as well as recognizing its self-insured benefits program within the financial statements. These issues required a restatement of beginning net position of the College for fiscal year 2017. Our opinion on the 2017 financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-9) and the schedules of the College's proportionate share of the net pension liability (page 33) and College contributions (page 34) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules of the Board of Trustees and Administrative Personnel as well as the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal award 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2017

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, 2017. 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.

Using This Annual Report

This annual financial report includes three financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and subsequent statements. The Marion Technical College Foundation (the Foundation) has been determined to be a component unit of the College. Accordingly, the Foundation is discretely presented in the College's financial statements. The Foundation is excluded from Management's Discussion and Analysis. Complete financial statements for the Foundation can be obtained from the Controller at the College.

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The three financial statements should assist readers of the annual report in answering this question. These statements present financial information in a form similar to that used by the private sector.

The College's net position is one indicator of its financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The College's (as well as all other public colleges) dependency on State aid, grants and gifts will result in operating deficits because the financial reporting model classifies State appropriations, Pell grants and gifts as non-operating revenues. The utilization of long-lived assets referred to as capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net position is simply the difference between the total assets and deferred outflows of resources, less the total liabilities and deferred inflows of resources. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College during the year.

A summary of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2017 and 2016 is as follows:

	2017	2016 *(Revised)*	Change
Current assets	$ 8,837,887	$ 7,862,123	$ 975,764
Noncurrent assets	6,235,493	6,057,337	178,156
Total assets	15,073,380	13,919,460	1,153,920
Deferred outflows of resources	3,973,041	2,713,370	1,259,671
Current liabilities	2,404,008	1,798,862	605,146
Noncurrent liabilities	21,746,179	18,685,733	3,060,446
Total liabilities	24,150,187	20,484,595	3,665,592
Deferred inflows of resources	1,104,481	2,706,897	(1,602,416)
Net position			
Net investment in capital assets	6,234,502	6,056,346	178,156
Restricted			
Expendable	1,260,938	897,012	363,926
Unrestricted (deficit)	(13,703,687)	(13,512,020)	(191,667)
Total net position	$ (6,208,247)	$ (6,558,662)	$ 350,415

Current assets increased by $975,764 or 12.4% from 2016 to 2017 primarily due to increases in cash and cash equivalents. Noncurrent assets increased by $178,156 due to capital asset purchases offset by current year depreciation expense. Significant asset additions included the mobile engineering lab and related equipment purchased using funds awarded through the State of Ohio RAPIDS grant program. Current liabilities increased by $605,146 or 33.6% from 2016 to 2017 primarily due to an increase in accounts payable due to OSUM for services provided to the College under the shared use agreement. The current year increase is due to delays in OSUM's billing process as the College did not receive a final bill for 2016 or 2017 until after year-end. The noncurrent liabilities increased $3,060,446 or 16.4% due to an increase to net pension liability. Net position increased primarily as a result of increases tuition and fees revenue and State appropriations. Changes in the deferred inflows and outflows of resources are a direct result of pension plan performance at both SERS and STRS.

Statement of Revenues, Expenses and Changes in Net Position

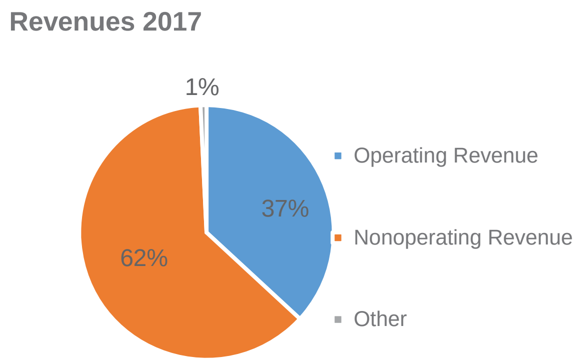
The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016 is as follows:

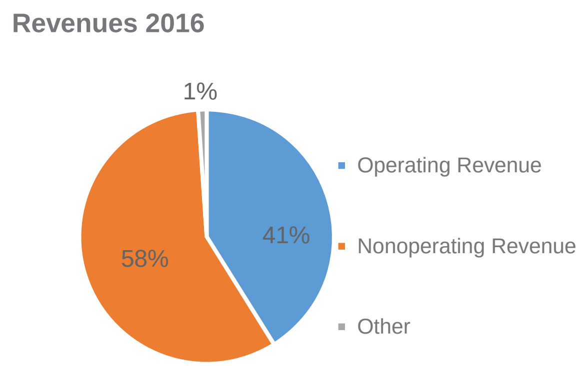
	2017	2016 *(Revised)*	Change
Operating revenues			
Student tuition and fees,	$ 4,539,109	$ 4,362,515	$ 176,594
Grants and contracts	1,009,572	1,170,544	(160,972)
Other operating revenues	524,488	1,638,094	(1,113,606)
Total operating revenues	6,073,169	7,171,153	(1,097,984)
Operating expenses	16,118,224	15,487,502	630,722
Operating loss	(10,045,055)	(8,316,349)	(1,728,706)
Nonoperating revenues (expenses)			
State appropriations	7,319,687	7,132,809	186,878
Federal grants	2,939,411	2,948,630	(9,219)
State and local grants	12,459	-	12,459
Investment income	2,647	1,513	1,134
Capital appropriations	124,802	189,167	(64,365)
Other nonoperating items	(3,536)	(206)	(3,330)
Net nonoperating revenues (expenses)	10,395,470	10,271,913	123,557
Increase (decrease) in net position	350,415	1,955,564	(1,605,149)
Net position - beginning of year (restated)	(6,558,662)	(8,514,226)	1,955,564
Net position - end of year	$ (6,208,247)	$ (6,558,662)	$ 350,415

The College's two major sources of revenue are operating (tuition and fees) and nonoperating (the state share of instruction). Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism. This mechanism focuses on individual credit hours of enrollment. The state share of instruction is distributed through a funding formula which is 100 percent performance based. The funding model includes three major components: course completion, success points and attainment or credential completion. Course completion is 50 percent of the formula based on students receiving a "D" or better for their course work. Success points are 25 percent of the formula and are based on when the student reaches 12, 24 and 36 completed credit hours. The remaining 25 percent of the formula is for attainment or credential completion which includes degree attainment, certificate attainment and a component for student transfer to an Ohio public or private institution.

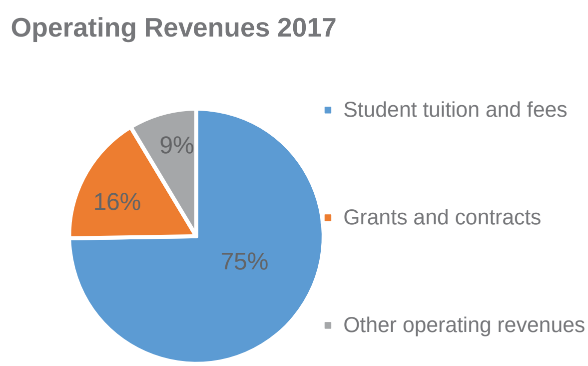
Operating Revenue

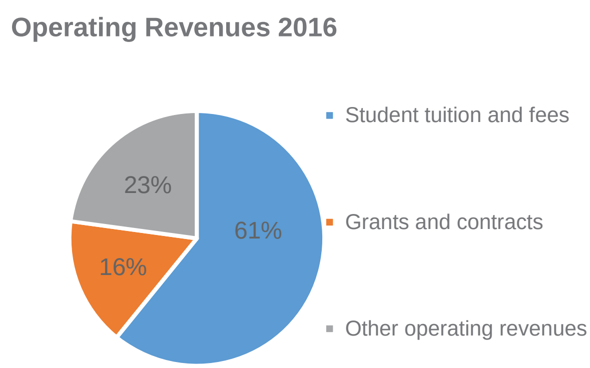
The charts below present total revenue by category for the fiscal years ended June 30, 2017 and 2016:





The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2017 and 2016:





For fiscal years 2016 and 2017, state legislation did not allow for tuition increases. Gross student tuition and fees revenue increased 1.8% in fiscal year 2017. Gross tuition and fees were $6,593,264 and $6,479,245 in fiscal years 2017 and 2016, respectively.

Scholarship allowances have remained steady, increasing only 1.4% in fiscal year 2017. Scholarship allowances totaled $2,504,155 and $2,025,239 for fiscal years 2017 and 2016, respectively. FTE increased 2.3% from 1,418.10 in fiscal year 2016 to 1,450.23 in fiscal year 2017.

Grant and contract revenue decreased in fiscal year 2017 by $160,972 or 13.8%. The decrease in grant revenue for fiscal year 2017 was due to the timing of new grants beginning and existing grants ending during the year.

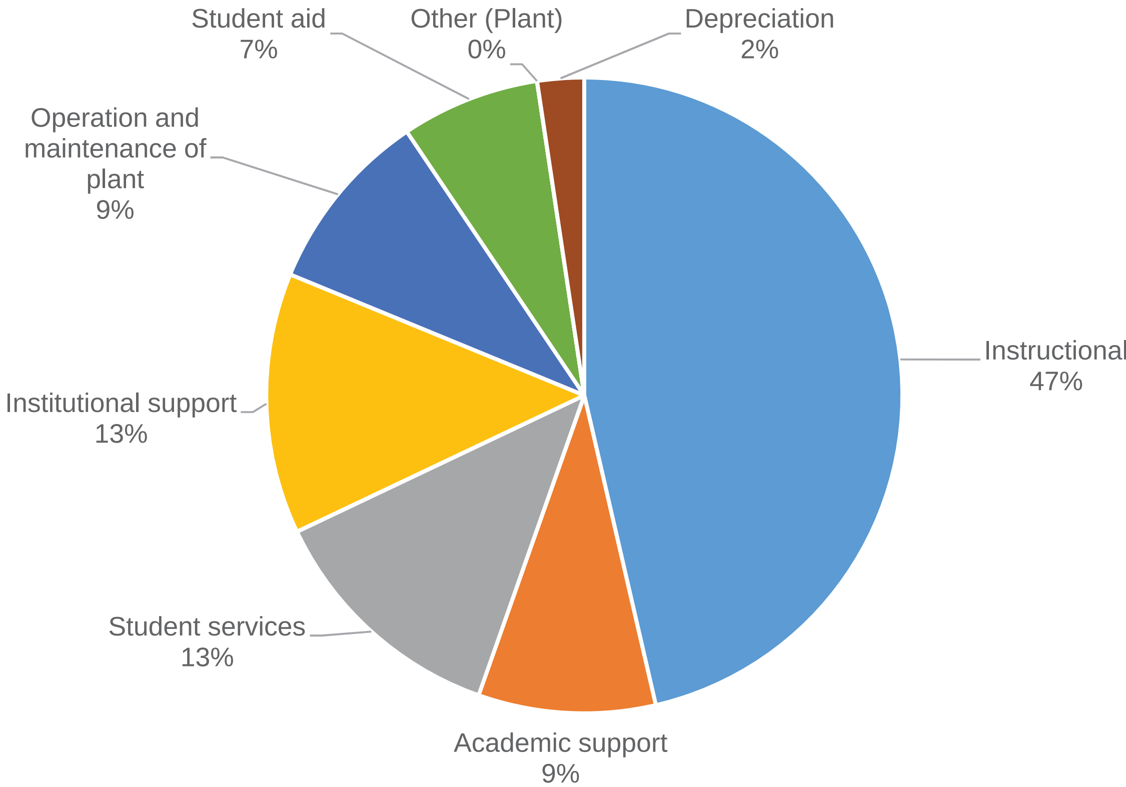
Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's State share of instruction amounted to $7,319,687 and $7,132,809 in fiscal years 2017 and 2016, respectively.

Pell grants decreased slightly in fiscal year 2017 by $9,219 or .3% compared to fiscal year 2016 as enrollment remained fairly steady compared to fiscal year 2016.

Operating Expenses

The following is a graphic illustration of expenses by function for the year ended June 30, 2017:



The increase in expenses in FY 2017 was the result of:

- Increases in functional categories of instructional 10.4%, student services 15.9%, institutional support 12.9%, operation and maintenance of plant 28.5% and depreciation 9.6%. Increases to the instructional, student services and institutional support functional categories are primarily related to board approved pay rate increases, pension expense, as well as rising insurance premiums. Increases in operation and maintenance of plant relates to various building repairs and parking lot improvements made throughout the campus. The increase in depreciation expense is primarily due to the additional depreciation charged to the current year additions.

- Decreases in academic support 24.1%, student aid 0.3% and, other 100.0%. The decreases in academic support and other were due to the timing differences related to various grant program expenses between fiscal years 2017 and 2016.

The following table shows a comparison of total operating expenses per FTE for fiscal years 2017 and 2016. Total operating expenses per FTE student increased by $193 during fiscal year 2017.

	2017	2016	Change	% Change
Total operating expenses	$ 16,118,224	$ 15,487,502	$ 630,722	4.1%
FTE Enrollment	1,450.23	1,418.10	32.13	2.3%
Total operating expense per FTE	$ 11,114	$ 10,921	$ 193	1.8%

Capital and Debt Administration

Capital Assets

At June 30, 2017 and 2016, the College had $6,234,502 and $6,056,347, respectively, invested in capital assets.

The details of the capital assets at June 30, 2017 and 2016 are shown below:

	2017	2016
Machinery and Equipment	$ 425,518	$ 265,950
Computers and Computer Equipment	179,385	244,548
Vehicles	(22)	240
Land Improvements	377,574	398,082
Building	4,841,007	4,980,686
Construction in Progress	411,040	166,840
Investment in capital assets	$ 6,234,502	$ 6,056,346

Capital additions this year included a mobile training lab and related equipment.

The College has planned capital expenditures for fiscal year ending June 30, 2018 to include the completion of additional HTC renovations, and creation of a human anatomy lab. These planned expenditures normally include replacement of computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.
pag
Debt

At June 30, 2017, the College had no debt associated with capital assets.

The Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2017. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2017 and 2016:

	2017	2016 *(Revised)*
Cash provided (used) by:		
Operating activities	$ (9,690,487)	$ (5,922,952)
Noncapital financing activities	10,268,021	7,095,060
Capital and related financing activities	(25,272)	(310,178)
Investing activities	-	1,615
Net increase (decrease) in cash	552,262	863,545
Cash, beginning of year	4,697,059	3,833,514
Cash, end of year	$ 5,249,321	$ 4,697,059

Cash and cash equivalents increased by $552,262 primarily as a result of a decrease in capital spending and increases in tuition and fees and state appropriations. These increases were offset by increases in operating expenses.

Economic Factors that Will Affect the Future

The College did not increase tuition or non-academic fees for fiscal year 2017. The College anticipates an approximately 4% decrease in enrollment for fiscal year 2018. However, in fiscal year 2018 the College did implement a Career Services Fee, approved by the Chancellor, which was assessed beginning with Spring Semester. This fee will be utilized to enhance career services and offset costs associated with these services. The College is anticipating raising tuition for fiscal year 2019 by $10 per credit hour, as permitted by state law. It is anticipated state subsidy will remain flat based on current state budgets and the College will remain flat or grow in the current 1.7% share of community college subsidy.

Marion Technical College
Statement of Net Position
June 30, 2017

Assets		College	Component Unit Foundation
Current assets			
Cash and cash equivalents	$	5,161,375	82,046
Cash with fiscal agent		87,946	-
Investments		543,409	-
Student accounts receivable, net		907,796	-
Book inventory		40,989	-
Other receivables, net		2,096,372	-
Total current assets		8,837,887	82,046
Noncurrent assets			
Other receivables, net		991	-
Investment with fiscal agent		-	848,631
Capital assets, net		6,234,502	-
Total noncurrent assets		6,235,493	848,631
Total assets		15,073,380	930,677
Deferred outflows of resources			
Pensions		3,973,041	-
Total deferred outflows of resources		3,973,041	-
Liabilities			
Current liabilities			
Accounts payable		768,011	-
Accounts payable - OSUM		829,516	-
Accrued payroll		359,652	-
Claims payable		138,254	-
Unearned revenue		32,381	-
Accrued compensated absences		276,194	-
Total current liabilities		2,404,008	-
Noncurrent liabilities			
Accrued compensated absences		324,153	-
Net pension liability		21,422,026	-
Total noncurrent liabilities		21,746,179	-
Total liabilities		24,150,187	-
Deferred inflows of resources			
Pensions		1,104,481	-
Total deferred inflows of resources		1,104,481	-
Net position			
Investment in capital assets		6,234,502	-
Restricted			
Expendable			
Student grants and scholarships		72,208	-
Loans		620	-
Instructional department uses		1,188,110	-
Unrestricted (deficit)		(13,703,687)	930,677
Total net position	$	(6,208,247)	930,677

See accompanying notes to financial statements.

Marion Technical College
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

	College	Component Unit Foundation
Operating revenues		
Student tuition and fees,		
(net of scholarship allowance of $2,054,155)	$ 4,539,109	-
Federal grants and contracts	98,051	-
State and local grants and contracts	871,521	-
Nongovernmental grants and contracts	40,000	-
Contributions	-	36,258
Other operating revenues	524,488	-
Total operating revenues	6,073,169	36,258
Operating expenses		
Educational and general		
Instructional	7,476,977	-
Academic support	1,451,539	-
Student services	2,023,811	-
Institutional support	2,138,155	-
Operation and maintenance of plant	1,509,118	-
Student aid	1,135,666	-
General and administrative	-	1,701
Depreciation expense	382,958	-
Total operating expenses	16,118,224	1,701
Operating income (loss)	(10,045,055)	34,557
Nonoperating revenues (expenses)		
State appropriations	7,319,687	-
State and local grants	12,459	-
Investment income	2,647	86,889
Federal grants and contracts	2,939,411	-
Other nonoperating items	(3,536)	(11,816)
Scholarships	-	(59,354)
Net nonoperating revenues (expenses)	10,270,668	15,719
Gain before other revenues, expenses, gains, or losses	225,613	50,276
Capital appropriations	124,802	-
Total other revenues, expenses, gains, or losses	124,802	-
Change in net position	350,415	50,276
Net position - beginning of year (restated)	(6,558,662)	880,401
Net position - end of year	$ (6,208,247)	930,677

See accompanying notes to financial statements.

		College
Cash flows from operating activities		
Tuition and fees	$	4,057,510
Grants and contracts		1,009,572
Supplier and related payments		(4,236,778)
Employee and related payments		(11,045,279)
Other receipts		524,488
Net cash from operating activities		(9,690,487)
Cash flows from noncapital financing activities		
State appropriations		7,332,146
Federal grants revenue		2,939,411
Other nonoperating items		(3,536)
Net cash from noncapital financing activities		10,268,021
Cash flows from capital financing activities		
Capital grants and gifts proceeds		124,802
Purchase of capital assets		(150,074)
Net cash from capital financing activities		(25,272)
Cash flow from investing activities		
Net change in investments		(2,647)
Income on investments		2,647
Net cash from investing activities		-
Net change in cash and cash equivalents		552,262
Cash and cash equivalents, beginning of year (restated)		4,697,059
Cash and cash equivalents, end of year	$	5,249,321
Reconciliation of cash and cash equivalents to the Statement of Net Position:		
Cash and cash equivalents		5,161,375
Cash with fiscal agent		87,946
	$	5,249,321

(continued)

See accompanying notes to financial statements.

		College
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	$	(10,045,055)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation expense		382,958
Amortization of CCP book inventory		87,135
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Student accounts receivable, net		(169,713)
Other receivables, net		(310,953)
Inventory		(81,978)
Prepaid expenses		54,654
Accounts payable		(266,848)
Unearned revenue		(933)
Accounts payable - OSUM		374,516
Accrued payroll		59,947
Claims payable		24,460
Net pension liability and related deferred outflows/inflows		164,480
Compensated absences		36,843
Net cash from operating activities	$	(9,690,487)

Noncash transactions:

Capital assets of $411,040 for fiscal year 2017 were financed through accounts payable, therefore this amount was excluded from the change in accounts payable and purchases of capital assets, above.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Marion Technical College ("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 Department of Higher Education as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code.

The College is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the College may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Marion Technical College Foundation ("Foundation") is a legally separate, tax-exempt organization that exists to provide financial assistance to the educational programs, services, and facilities of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Therefore, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

Basis of Presentation

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB Statement No. 35") and subsequent statements issued by GASB, established standards for external financial reporting for public colleges and universities and require 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.

- **Restricted, expendable** – Net position whose use 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. These represent amounts for capital construction projects, student services, and public service initiatives.

- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College's policy to apply the restricted resources first, then unrestricted resources as needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting
For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include cash and money market funds, stated at cost, which approximates fair value.

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, expense 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 when all attempts to collect the receivable have failed.

Inventories
Inventories are comprised of text books and educational materials and are stated at actual cost using the first-in, first-out method.

Capital Assets
Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. In the absence of historical cost records, equipment is recorded at the current cost of replacement as of that date, based on an inventory and appraisal of the equipment by an independent appraisal firm. 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.

Capital asset are capitalized and depreciated on a straight-line basis over the estimated useful life of the property as follows:

Classification	Years
Buildings and Improvements	10-50
Land Improvements	10-20
Infrastructure	10-25
Moveable Equipment	5-20

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences
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.

Unearned Revenue
Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement 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 amounts related to pension as explained in Note 9.

In addition to liabilities, the statement of financial position reports 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 as an inflow of resources until that time. For the College, deferred inflows of resources are related to pension and are reported on the statement of net position. (See Note 9)

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.

Operating and Nonoperating Revenues
The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statements No. 34 and 35, including state appropriations and investment income. Pell grants are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Accounting Pronouncements – For the year ended June 30, 2017, the College implemented the provisions of GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14; and GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. GASB Statement No. 80 amends the GASB Statement No. 14 blending requirements for the financial statement presentation of component units of all state and local governments. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. None of the aforementioned standards had an effect on the College's beginning net position.

Upcoming Accounting Pronouncements - In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

Net position as of the beginning of the fiscal year 2017 has been adjusted to classify certain activity related to the Summer 2016 semester from fiscal year 2017 to fiscal year 2016. In fiscal year 2017 the College moved summer semester to be the trailing term of the academic and fiscal year. In prior years, summer semester was the leading term of the academic and fiscal year. Additionally, the College adjusted beginning net position to recognize the effects of its self-insurance program for providing medical/surgical, dental, and vision insurance benefits to its employees as discussed in additional detail in Note 11. As a result of this adjustment, prior year cash with fiscal agent increased to $180,889 and claims liability was adjusted to $113,794.

These adjustments resulted in the the following change in net position at the beginning of the fiscal year:

Net Position July 1, 2016, as previously reported	($7,124,642)
Adjustments:	
Summer Semester Adjustment	498,885
Self-Insurance Program	67,095
Restated Net Position July 1, 2016	($6,558,662)

NOTE 3 – CASH AND INVESTMENTS

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate market value equal to the amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC). Further, Ohio law allows for pledges of pooled collateral in amounts that exceed the secured deposits by at least five percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

Cash with Fiscal Agent: The College is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2017 was $87,946. This amount is not included in the "deposits" or "investments" reported below.

Deposits: Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities.

At June 30, 2017, the carrying amount of the College's cash and cash equivalents was $5,161,375 and the bank balances were $5,333,819. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2017 bank balances, $250,000 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.181B, which requires that the total market value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits.

Investments: At June 30, 2017, investments included $543,409 in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940.

The total of deposits and investments, by type, at June 30, 2017 are as follows:

Cash	$	5,161,375
Star Ohio		543,409
Total	$	5,704,784

The investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Component Unit

At June 30, 2017, the carrying amount of the Foundation's cash deposits was $82,046 and the bank balance was $130,400. The entire bank balance was covered by FDIC insurance at June 30, 2017.

Credit Risk: As of June 30, 2017, the investment balance recorded on the Foundation's statement of net position is $848,631. These investments are held and managed by a local community foundation. In accordance with the Accounting Standards Codification (ASC) No. 58-325-25, 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 Foundation recognizes these funds as investments held by a fiscal agent.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy calls for a maximum exposure to the stock market shall be approximately sixty percent (60%) of the total portfolio. The remaining assets shall be invested in fixed income or short-term investments as outlined herein. Cash balances maintained as part of the normal course of business may be invested in a money market fund. As of June 30, 2017, 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 at year-end.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2017 consisted of billings for student fees, contracts, and intergovernmental receivables arising from grants. All receivables are not considered collectible in full and an allowance for doubtful accounts was established as reflected in the financial statements.

The following is a summary of the accounts receivable as of June 30, 2017:

Student receivables	$	1,312,796
Other		2,097,363
Allowance for doubtful accounts		(405,000)
Total	$	3,005,159

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2017:

	Balance, June 30 2016	Additions	Retirements	Transfers	Balance, June 30 2017
Nondepreciable capital assets:					
Construction in progress	$ 166,840	411,040	-	(166,840)	411,040
Total nondepreciable capital assets	166,840	411,040	-	(166,840)	411,040
Depreciable capital assets:					
Land improvements	547,642	18,429	-	-	566,071
Buildings and improvements	5,679,359	-	-	-	5,679,359
Machinery and equipment	1,668,231	118,195	-	166,840	1,953,266
Computer equipment	2,256,467	13,450	-	-	2,269,917
Vehicles	26,004	-	-	-	26,004
Total depreciable capital assets	10,177,703	150,074	-	166,840	10,494,617
Total capital assets	10,344,543	561,114	-	-	10,905,657
Accumulated depreciation					
Land improvements	149,560	38,937	-	-	188,497
Buildings and improvements	698,673	139,679	-	-	838,352
Machinery and equipment	1,402,281	125,467	-	-	1,527,748
Computer equipment	2,011,919	78,613	-	-	2,090,532
Vehicles	25,764	262	-	-	26,026
Total accumulated depreciation	4,288,197	382,958	-	-	4,671,155
Capital assets, net	$ 6,056,346	178,156	-	-	6,234,502

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, 2017, the college had payables of $829,516 due to OSU for this agreement.

NOTE 7 – 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, 2017 and 2016, compensated absences consisted of the following:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amount Due Within One Year
Compensated absences	$ 563,504	$ 36,843	$ -	$ 600,347	$ 276,194

NOTE 8 – STATE SUPPORT

The College is a State-assisted institution of higher education which receives a student-based subsidy determined annually using a formula devised by the Ohio Department of Higher Education.

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.

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 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 School Employees Retirement System of Ohio (SERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS 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 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 *accrued payroll*.

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 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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. For fiscal year ended June 30, 2017 there was no employer contribution rate allocated to the Health Care Fund.

The College's contributions to SERS for the fiscal years ended June 30, 2017 and 2016 were $388,299 and $405,613 respectively, which equaled the required contributions each year. 100 percent has been contributed for fiscal years 2017 and 2016.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 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 year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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, 11% of the 12% member rate goes to the DC Plan and 1% goes the DB Plan. Member contributions to the DC Plan 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 5 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 Statement No. 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.

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 14%. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2017 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, 2017 and 2016 were $689,641 and $654,683, respectively. 100 percent has been contributed for fiscal years 2017 and 2016.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The net pension liability reported at June 30, 2017 was measured as of June 30, 2016 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 College's proportionate share, pension expense and deferred inflows and outflows for fiscal year 2017:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 6,385,820	$ 15,036,206	$ 21,422,026
Proportion of the Net Pension Liability	0.0872490%	0.0449204%	
Change in Proportion	-0.0065830%	-0.0022674%	
Pension Expense	$ 421,384	$ 821,037	$ 1,242,421
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 86,130	$ 607,537	$ 693,667
Net difference between projected and actual earnings on pension plan investments	526,737	1,248,408	1,775,145
Change in assumptions	426,289	-	426,289
Change in College's proprotionate share and difference in employer contributions	-	-	-
College contributions subsequent to the measurement date	388,299	689,641	1,077,940
	$ 1,427,455	$ 2,545,586	$ 3,973,041
Deferred Inflows of Resources			
Change in the College's proportionate share and difference in employer contributions	$ (503,573)	$ (600,908)	$ (1,104,481)

$1,077,940 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	$ 53,064	$ 133,758	$ 186,822
2019	52,684	133,758	186,442
2020	278,420	612,806	891,226
2021	151,415	374,715	526,130
	$ 535,583	$ 1,255,037	$ 1,790,620

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2016, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	3.00%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class measurement are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Assets Strategies	10.00%	3.00%
Total	100.00%	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 8,454,427	$ 6,385,820	$ 4,654,309

Change in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates
- Mortality among disabled members was updated to the following:
    - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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, 2016 valuation were 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 were the are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	1.00%	3.00%
Total	100.00%	7.61%

Discount Rate The discount rate used to measure the total pension liability was 7.75 as of June 30, 2016.. 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, 2016. 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, 2016.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$ 19,981,895	$ 15,036,206	$ 10,864,224

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's NPL is expected to be significant.

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, 2017, 2016, and 2015 were $55,212, $64,877, and $59,125, respectively.

NOTE 10 – POSTEMPLOYMENT BENEFITS

School Employee 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:

<u>Medicare Part B Plan</u>

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.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

The Medicare Part B premium for calendar year 2017 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 2017, the actuarially required allocation was 0.75 percent. For the College, contributions for the years ended June 30, 2017, 2016, and 2015 were $20,802, $21,440, and $22,664, which equaled the required contributions for those years.

Health Care Plan

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

The 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, 2017, the health care allocation was 0.0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statutes 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 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

For the College, contributions assigned to health care, including the surcharge, for the years ending June 30, 2017, 2016, and 2015 were $30,996, $39,599, and $28,612, respectively.

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

The financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources. SERS administers two postemployment benefit plans.

State Teachers Retirement System

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that offers features of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS of Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective Jan. 1, 2019.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law.

NOTE 11 – RISK MANAGEMENT

Comprehensive

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 2017, 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, 2017:

Description	Coverage	Deductible
General Liability	$5,000,000	$1,000
Employee Dishonesty Blanket	250,000	2,500
Employment Practices	5,000,000	2,500
Automobile Liability	3,000,000	0
Equipment	1,651,030	1,000
General Liability	5,000,000	N/A
Employee Benefits Liability	3,000,000	2,500
Educators Professional Liability	5,000,000	2,500
School Board Trustee Liability	Included above	n/a
Building	16,327,838	1,000
Building Contents	5,157,487	1,000
Extra Expense	2,000,000	1,000
Business Income	8,256,000	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Employee Group Medical/Surgical, Dental, and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance program. The District is a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the College's behalf. The claims liability of $138,254 reported in Claims Payable at June 30, 2017 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claim costs, including estimates of costs related to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

NOTE 11 – RISK MANAGEMENT (Continued)

Changes in claims activity for the past two fiscal years is as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	$ 113,794	$ 1,244,343	$ (1,219,883)	$ 138,254
2016	30,942	1,186,353	(1,103,501)	113,794

NOTE 12 – CONTINGENCIES

The College receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement 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. It is the opinion of management that any potential disallowance of claims would not have a significant effect on the financial statements.

NOTE 13 – COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION

Marion Technical College Foundation ("Foundation") is a legally separate, tax-exempt component unit of Marion Technical College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The assets of the Foundation have been given by donors/grantors independent from the College and are governed by a Board of Directors. The Board of Directors of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

During the year ended June 30, 2017, the Foundation distributed $59,354 to the College for scholarships.

The Foundation has transferred assets to the Marion Community Foundation and retained a beneficial interest in those assets. The Foundation is allocated their funds' proportionate share of the pooled funds' investment returns on an annual basis. Distributions from the fund balances may be withdrawn each year in accordance with the terms of each scholarship fund agreement, and undistributed earnings are retained in the fund. As of June 30, 2017, the fair value of the Foundation's interest in community foundation's assets was $848,631.

The Foundation's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.
Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

NOTE 13 – COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION (Continued)

The fair value of beneficial interest in assets held by the community foundation is based upon the Foundation's proportionate share of the community foundation's pooled investment portfolio. The Foundation's management and finance committee review the valuations and returns in comparison to industry benchmarks and other information provided by the community foundation. Accordingly, assets held by the Marion Community Foundation are measured and reported as Level 3 assets.

Schedule of the College's Proportionate Share of the Net Pension Liability
Last Four Measurement Years (1)

	2016	2015	2014	2013
School Employees Retirement System of Ohio				
College's Proportion of the Net Position Liability	0.0872490%	0.0938319%	0.1055380%	0.1055380%
College's Proportionate Share of the Net Pension Liability	$ 6,385,820	$ 5,354,139	$ 5,341,218	$ 6,276,006
College's Covered Payroll	$ 2,897,236	$ 3,253,202	$ 3,097,691	$ 3,484,566
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	220.41%	164.58%	172.43%	180.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio				
College's Proportion of the Net Position Liability	0.04492038%	0.04718777%	0.04821100%	0.04821100%
College's Proportionate Share of the Net Pension Liability	$ 15,036,206	$ 13,041,319	$ 11,726,691	$ 13,698,757
College's Covered Payroll	$ 4,676,307	$ 5,008,843	$ 5,304,792	$ 5,467,300
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	321.54%	260.37%	221.06%	250.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Schedule of College Contributions
Last Eight Fiscal Years (1)

	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio								
Contractually Required Contribution	$ 388,299	$ 405,613	$ 428,772	$ 429,340	$ 482,264	$ 460,185	$ 496,821	$ 454,026
Contributions in Relation to the Contractually Required Contribution	(388,299)	(405,613)	(428,772)	(429,340)	(482,264)	(460,185)	(496,821)	(454,026)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 2,773,564	$ 2,897,236	$ 3,253,202	$ 3,097,691	$ 3,484,566	$ 3,421,450	$ 3,952,434	$ 3,353,220
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
State Teachers Retirement System of Ohio								
Contractually Required Contribution	$ 689,641	$ 654,683	$ 701,238	$ 689,623	$ 710,749	$ 712,444	$ 706,660	$ 662,908
Contributions in Relation to the Contractually Required Contribution	(689,641)	(654,683)	(701,238)	(689,623)	(710,749)	(712,444)	(706,660)	(662,908)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 4,926,007	$ 4,676,307	$ 5,008,843	$ 5,304,792	$ 5,467,300	$ 5,480,338	$ 5,435,846	$ 5,099,292
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2010 is not available.

Marion Technical College
Board of Trustees
Year Ended June 30, 2017

Name	Title	Term of Office
Donald Plotts	Chair	04/30/17 to 04/30/20
Jude Foulk	Vice Chair	05/01/16 to 04/30/19
Roxane Somerlot	Secretary	05/01/17 to 04/30/20
Rex Parrott	Member	05/01/15 to 04/30/18
Mark Russell	Member	05/01/17 to 04/30/20
Timothy Anderson	Member	05/01/16 to 04/30/19
Edward R. Danner II	Member	05/01/15 to 04/30/18
Justin Hamper	Member	05/01/16 to 04/30/19
Kenneth L. Young	Member	05/01/15 to 04/30/18

Name	Title
Dr. Ryan McCall	President
Jeff Nutter, CPA	Vice President and Chief Financial Officer
James Lavery	Controller
Dr. Vicky Wood	Vice President and Chief Academic Officer
Dr. Amy Adams	Vice President Enrollment and Advancement

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number		Expenditures
U.S. Department of Education				
Direct:				
Title IV Program				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007	P007A163311	$	41,215
Federal Work Study	84.033	P033A163311		30,000
Federal Pell Grant	84.063	P063P163377		2,939,411
Federal Direct Student Loans	84.268	P268K173377		2,042,851
Total Student Financial Aid Cluster				5,053,477
Passed through the State of Ohio Department of Education:				
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	20C3		68,051
Adult Education—Basic Grants to States	84.002	VETP		116,340
Tech-Prep Education	84.243	3ETC		93,000
Total U.S. Department of Education				5,330,868
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	5,330,868

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Marion Technical College under programs of the federal government for the year ended June 30, 2017. The information 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* (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 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College’s financial statements. Expenditures are recognized following, as applicable, to the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subreceipients during the year ended June 30, 2017.

The College has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance

NOTE 3 – LOAN PROGRAMS

The College originates but does not provide funding under the Direct Loan Program. The amount presented represents the value of new Direct Loans awarded by the Department of Education during the year.

CLARK SCHAEFER HACKETT
CPAs & Advisors

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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*

Board of Trustees
Marion Technical College
Marion, Ohio

We have audited, in accordance with the 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 discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2017, 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 22, 2017, wherein it was noted the College restated beginning net position for certain matters.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, 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* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

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.*

College's Response to Findings
The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The 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 in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2017

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

Board of Trustees
Marion Technical College
Marion, Ohio

Report on Compliance for Each Major Federal Program
We have audited Marion Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs 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 that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each major federal program to determine the 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 the 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 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, in the normal course of 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.

The 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 22, 2017

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major program:

Student Financial Aid Cluster:
CFDA# 84.007 – Supplemental Educational Opportunity Grant
CFDA# 84.033 – College Work Study
CFDA# 84.063 – Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

<u>Significant Deficiency 2017-001: Audit Adjustments</u>

Management is responsible for designing and implementing internal controls over financial reporting which provides reasonable assurance of the integrity of the financial reporting process, the safeguarding of assets and compliance with applicable laws, regulations and contracts.

The adjustments discovered during the audit and which were posted to the financial statements include:

- Recording of accounts payable at year-end to properly reflect amounts due from the College for expenses incurred during the year.
- Adjustments to record balances and activity from the self-insurance program in both the current and prior year.

Other insignificant adjustments were proposed as a result of the audit, but were not posted.

The College should review the procedures and controls in place to prepare its annual financial statements to ensure the internal control environment is sufficient to identify potential misstatements during the preparation of the annual financial statements.

<u>Management Response:</u> The College concurs with the adjustments proposed. Please refer to the College's corrective action plan presented on page 46.

Section III – Federal Awards Findings and Questioned Costs

None noted

None noted in prior year

Significant Deficiency 2017-001: Audit Adjustments

Contact Person: Jeff Nutter, Chief Financial Officer

Corrective Actions:

1. Recording of accounts payable at year-end to properly reflect amounts due from the College for expenses incurred during the year.

   Corrective Action:

   In June the College received an invoice for partial payment of the RAPIDS mobile engineering lab. This invoice was paid in September, however was not reflected by the College in accounts payable at year end. The College will conduct a thorough review of all invoices paid subsequent to year end to ensure accounts payable at properly stated.

2. Adjustments to record balances and activity from the self-insurance program in both the current and prior.

   Corrective Action:

   In fiscal year 2016 the College joined Jefferson Health Plan Consortium. As a member of this plan the College became self-funded for health insurance. The College's reserve account, held in trust by Jefferson, along with any unrecorded claims at year end were not reflected in the College annual financial statements. The College will review monthly reserve account statements and adjust its monthly and annual financial statements to accurately reflect the balances reported by Jefferson to the College in its monthly and annual financial statements.

Completion Date: Annually, in conjunction with the preparation of the financial statements.

Dave Yost • Auditor of State

MARION TECHNICAL COLLEGE

MARION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 25, 2018

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