

# **MARION TECHNICAL COLLEGE**

Financial Statements

June 30, 2020

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
CPAs & ADVISORS



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Marion Technical College  
1467 Mt. 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, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 04, 2021

**This page intentionally left blank.**

## TABLE OF CONTENTS

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	3
Financial Statements	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position .....	11
Statement of Cash Flows .....	12
Notes to the Financial Statements.....	14
Required Supplementary Information	
Schedules of the College's Proportionate Share of the Net Pension Liability.....	37
Schedules of College Pension Contributions .....	39
Schedules of the College's Proportionate Share of the Net OPEB Liability (Asset).....	41
Schedules of College OPEB Contributions .....	43
Supplemental Information	
Board of Trustees .....	45
Administrative Personnel.....	46
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 <i>Government Auditing Standards</i> .....	47
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	49
Schedule of Expenditures of Federal Awards.....	51
Notes to Schedule of Expenditures of Federal Awards .....	52
Schedule of Findings and Questioned Costs.....	53
College's Summary Schedule of Prior Audit Findings .....	54

**This page intentionally left blank.**

## 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, 2020, 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 opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2020, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of the College's pension and OPEB amounts and contributions, as listed in the table of contents, 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 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*, and the schedules of the Board of Trustees and the Administrative Personnel are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 January 27, 2021 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  
January 27, 2021



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, 2020. 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 nonoperating. 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 nonoperating 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, 2020 and 2019 is as follows:

	<u>2020</u>		<u>2019</u>		<u>Change</u>
Current assets	\$ 10,581,346	\$	9,629,099	\$	952,247
Noncurrent assets	<u>7,964,911</u>		<u>7,991,191</u>		<u>(26,280)</u>
Total assets	<u>18,546,257</u>		<u>17,620,290</u>		<u>925,967</u>
 Deferred outflows of resources	 2,985,415		 3,957,996		 (972,581)
Current liabilities	5,355,665		4,701,238		654,427
Noncurrent liabilities	<u>16,705,063</u>		<u>17,508,656</u>		<u>(803,593)</u>
Total liabilities	<u>22,060,728</u>		<u>22,209,894</u>		<u>(149,166)</u>
 Deferred inflows of resources	 2,979,197		 2,878,186		 101,011
Net position					
Net investment in capital assets	7,248,364		7,274,080		(25,716)
Restricted					
Expendable	442,574		947,038		(504,464)
Unrestricted (deficit)	<u>(11,199,191)</u>		<u>(11,730,912)</u>		<u>531,721</u>
Total net position	<u>\$ (3,508,253)</u>	\$	<u>(3,509,794)</u>	\$	<u>1,541</u>

Current assets increased by \$952,247 or 9.9% from 2019 to 2020 primarily due to an increase in cash. Noncurrent assets decreased by \$26,280. Significant capital asset additions included equipment for classroom laboratories and placement of the cadaver lab into service. Current liabilities increased by \$654,427 or 13.9% from 2019 to 2020 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, 2017, 2018, 2019 or 2020 until after year-end. The noncurrent liabilities decreased \$803,593 or 4.6% due to decreases in the net pension and OPEB liabilities. Net position increased due decreases in the net pension and OPEB liabilities, offset by an increase in the OSUM payable. Changes in the deferred inflows and outflows of resources are a direct result of pension plan performance at both SERS and STRS and other post-employment benefits.

**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, 2020 and 2019 is as follows:

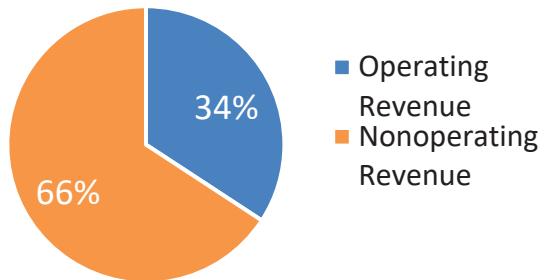
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Operating revenues			
Student tuition and fees, net	\$ 4,822,801	\$ 4,938,410	\$ (115,609)
Grants and contracts	473,275	783,377	(310,102)
Other operating revenues	465,007	298,744	166,263
Total operating revenues	<u>5,761,082</u>	<u>6,020,531</u>	<u>(259,449)</u>
Operating expenses	<u>16,836,261</u>	<u>14,913,759</u>	<u>1,922,502</u>
Operating loss	(11,075,179)	(8,893,228)	(2,181,951)
Nonoperating revenues (expenses)			
State appropriations	7,514,190	7,529,009	(14,819)
Federal grants	3,222,449	2,608,365	614,084
Investment income	24,394	33,202	(8,808)
Capital appropriations	315,687	641,309	(325,622)
Net nonoperating revenues (expenses)	<u>11,076,720</u>	<u>10,811,885</u>	<u>264,835</u>
Increase in net position	1,541	1,918,657	(1,917,116)
Net position - beginning of year	<u>(3,509,794)</u>	<u>(5,428,451)</u>	<u>1,918,657</u>
Net position - end of year	\$ <u><u>(3,508,253)</u></u>	\$ <u><u>(3,509,794)</u></u>	\$ <u><u>1,541</u></u>

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 student registrations. Registrations drive revenue based 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.

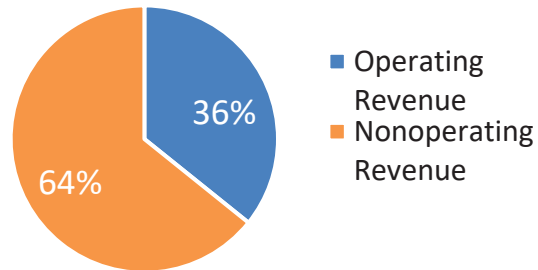
### Operating Revenue

The charts below present total revenue by category for the fiscal years ended June 30, 2020 and 2019:

**Revenues 2020**

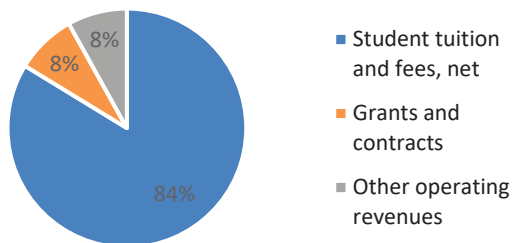


**Revenues 2019**

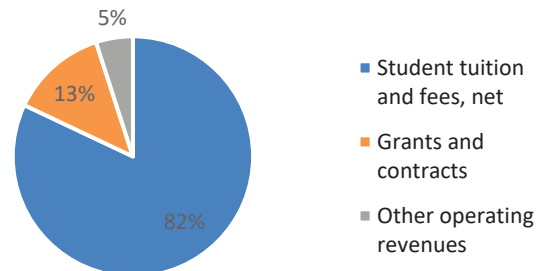


The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2020 and 2019:

**Operating Revenues 2020**



**Operating Revenues 2019**



State legislation allowed for a tuition increase of 2.7% for fiscal year 2020. This, along with the addition of a late fee for Fall 2020, and increased enrollment resulted in a 3.5% increase overall in gross student tuition and fee revenues in fiscal year 2020. Gross tuition and fees were \$6,907,556 and \$6,673,071 in fiscal years 2020 and 2019, respectively.

Scholarship allowances increased 20.2% in fiscal year 2020, due to a change in methodology in calculating the allowance resulting in a decrease in net tuition revenue between fiscal years. Scholarship allowances totaled \$2,084,755 and \$1,734,661 for fiscal years 2020 and 2019, respectively. FTE increased 4.2% from 1,337.5 in fiscal year 2019 to 1393.9 in fiscal year 2020.

Grant and contract revenue decreased in fiscal year 2020 by \$310,102 or 39.6%. The decrease in grant revenue for fiscal year 2020 was due to the timing of new grants beginning and existing grants ending during the year.

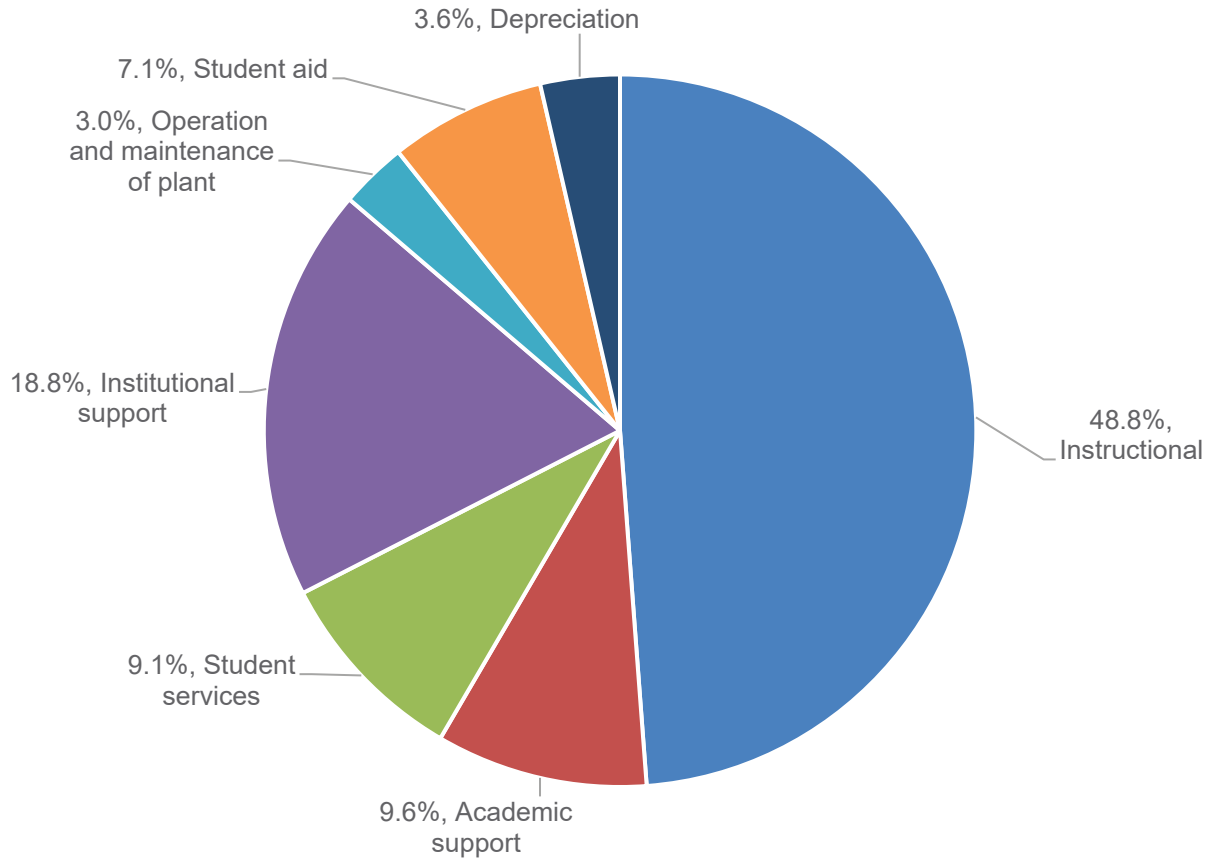
### Nonoperating Revenue

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 \$7,514,190 and \$7,529,009 in fiscal years 2020 and 2019, respectively. The College's State share of instruction was reduced by \$296,927 or 15.2% for the last quarter of fiscal year 2020, as the State attempted to deal with the financial impact caused by the global pandemic.

Pell grants increased in fiscal year 2020 by \$8,879 or .3% compared to fiscal year 2019. This increase is attributed to an increase in enrollment compared to fiscal year 2019.

**Operating Expenses**

The following is a graphic illustration of expenses by function for the year ended June 30, 2020:



The increase in expenses in FY 2020 was the result of:

- Increases in functional categories of instructional of 23.3%, academic support of 26.5%, and institutional support of 20.5% are primarily related to a prior year significant reduction in net pension expense versus a current year pension expense increase, and an increase in instructional headcount. There was a decrease in the functional category of operation and maintenance of plant of 59.1% and an increase in depreciation of 35.5%. Decreases in operation and maintenance of plant relate to various building repairs completed in fiscal year 2019 that did not repeat in fiscal year 2020 and a reconciliation of the payable due to OSUM under the shared use agreement. The increase in depreciation expense is primarily due to additional depreciation related to placing the cadaver lab in service.
- Increases in student aid of 17.7%. The increase in student aid is attributed to an increase in FTE between years 2020 and 2019 and a change in the methodology to calculate the scholarship allowance.

The following table shows a comparison of total operating expenses per FTE for fiscal years 2020 and 2019. Total operating expenses per FTE student increased by \$928 during fiscal year 2020.

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Total operating expenses	\$ 16,836,261	\$ 14,913,759	\$ 1,922,502	12.9%
FTE Enrollment	1,393.9	1,337.5	56.4	4.2%
Total operating expense per FTE	\$ 12,078	\$ 11,150	\$ 928	8.3%

### Capital and Debt Administration

#### *Capital Assets*

At June 30, 2020 and 2019, the College had \$7,248,363 and \$7,274,080, respectively, invested in capital assets.

The details of the capital assets at June 30, 2020 and 2019 are shown below:

	<u>2020</u>	<u>2019</u>
Machinery and Equipment	\$ 740,971	\$ 635,514
Computer Equipment	151,454	57,092
Vehicles	314,967	363,790
Land and Leasehold Improvements	1,603,537	311,207
Buildings	4,415,056	4,557,040
Construction in Progress	22,379	1,349,437
<b><i>Investment in capital assets</i></b>	<u>\$ 7,248,364</u>	<u>\$ 7,274,080</u>

Capital additions this year included the purchases of classroom and lab equipment and the placement of the cadaver lab in service.

The College is planning for capital expenditures, dependent on the approval of the state capital budget, in fiscal year ending June 30, 2021 including renovations to Bryson Hall, and the purchase of classroom and lab equipment. These planned expenditures include replacement of computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

#### *Debt*

At June 30, 2020, the College had no debt.

**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, 2020. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash provided (used) by:		
Operating activities	\$ (8,282,476)	\$ (9,580,193)
Noncapital financing activities	10,736,639	10,137,374
Capital and related financing activities	(266,521)	(619,260)
Investing activities	-	(1,000,000)
Net change in cash	2,187,642	(1,062,079)
Cash, beginning of year	3,958,726	5,020,805
 Cash, end of year	 \$ 6,146,368	 \$ 3,958,726

Cash and cash equivalents increased by \$2,187,642 from 2019 to 2020 primarily as a result of an increase in the payable to Ohio State University for cost sharing, and the timing of the Title IV draw of PELL funds and direct loan funds still in accounts receivable at the end of fiscal year 2019.

**Economic Factors that Will Affect the Future**

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. At that time, the College moved to an online learning platform for the remainder of the academic year, but returned in the Fall 2020 semester with in-person classes. As of November 16, 2020, the College returned to online classes, unless lab or curriculum requirements necessitated in-person attendance. The College's plan for Spring 2021 semester is to start online on January 11<sup>th</sup>, 2021 and return to in-person classes on January 19<sup>th</sup>, 2021, permitted College metrics related to COVID-19 case counts allow. The impact on the College's future operating costs, revenues and any recovery from emergency funding cannot be estimated. At this time, the College is operating within very tight budget constraints to allow for optimal flexibility with financial resources.

The College anticipated a 10% decrease in enrollment for fiscal year 2021 and raised tuition by \$5 per credit hour for the fall semester, as permitted by state law. State subsidy, as currently appropriated, decreased by 4.38% for the upcoming fiscal year. The 4.38% decrease is a preliminary estimate of the subsidy to be received, and is subject to further change by the State of Ohio.

Marion Technical College  
Statement of Net Position  
June 30, 2020

	College	Component Unit Foundation
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,729,620	\$ 93,041
Cash with fiscal agent	416,748	-
Investments	1,608,093	-
Student accounts receivable, net	1,157,369	-
Book inventory	1,741	-
Prepaid expenses	17,739	-
Other receivables, net	1,650,036	-
Total current assets	10,581,346	93,041
<b>Noncurrent assets</b>		
Investment with fiscal agent	-	951,832
Net OPEB asset	716,547	-
Capital assets, not being depreciated	22,379	-
Capital assets, net of depreciation	7,225,985	-
Total noncurrent assets	7,964,911	951,832
Total assets	18,546,257	1,044,873
<b>Deferred outflows of resources</b>		
OPEB	389,748	-
Pensions	2,595,667	-
Total deferred outflows of resources	2,985,415	-
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	233,247	-
Accounts payable - OSUM	4,080,155	-
Accrued payroll	520,835	-
Claims payable	120,370	-
Unearned revenue	23,855	-
Accrued compensated absences	377,203	-
Total current liabilities	5,355,665	-
<b>Noncurrent liabilities</b>		
Accrued compensated absences	276,334	-
Net OPEB liability	1,940,323	-
Net pension liability	14,488,406	-
Total noncurrent liabilities	16,705,063	-
Total liabilities	22,060,728	-
<b>Deferred inflows of resources</b>		
OPEB	1,722,567	-
Pensions	1,256,630	-
Total deferred inflows of resources	2,979,197	-
<b>Net position</b>		
Investment in capital assets	7,248,364	-
Restricted		
Expendable		
Student grants and scholarships	67,869	-
Instructional department uses	374,705	-
Unrestricted (deficit)	(11,199,191)	1,044,873
Total net position	\$ (3,508,253)	\$ 1,044,873

See accompanying notes to financial statements.



Marion Technical College  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

	College	Component Unit Foundation
Operating revenues		
Student tuition and fees, (net of scholarship allowance of \$2,084,755)	\$ 4,822,801	\$ -
Federal grants and contracts	83,552	-
State and local grants and contracts	389,347	-
Nongovernmental grants and contracts	375	-
Contributions	-	97,182
Other operating revenues	465,007	-
Total operating revenues	5,761,082	97,182
Operating expenses		
Educational and general		
Instructional	8,217,591	-
Academic support	1,617,231	-
Student services	1,525,023	-
Institutional support	3,162,668	-
Operation and maintenance of plant	513,074	-
Student aid	1,192,750	53,807
General and administrative	-	5,196
Depreciation expense	607,924	-
Total operating expenses	16,836,261	59,003
Operating income (loss)	(11,075,179)	38,179
Nonoperating revenues (expenses)		
State appropriations	7,514,190	-
Investment income	24,394	37,625
Federal grants and contracts	3,222,449	-
Other nonoperating items	-	(54,146)
Net nonoperating revenues (expenses)	10,761,033	(16,521)
Gain (loss) before other revenues, expenses, gains, or losses	(314,146)	21,658
Capital appropriations	315,687	-
Total other revenues, expenses, gains, or losses	315,687	-
Change in net position	1,541	21,658
Net position - beginning of year	(3,509,794)	1,023,215
Net position - end of year	\$ (3,508,253)	\$ 1,044,873

See accompanying notes to financial statements.

Marion Technical College  
Statement of Cash Flows  
Year Ended June 30, 2020

	College
Cash flows from operating activities	
Tuition and fees	\$ 5,324,223
Grants and contracts	473,274
Supplier and related payments	(2,156,945)
Employee and related payments	(11,937,035)
Student and related payments	(451,000)
Other receipts	465,007
Net cash from operating activities	(8,282,476)
Cash flows from noncapital financing activities	
State appropriations	7,514,190
Federal grants revenue	3,222,449
Net cash from noncapital financing activities	10,736,639
Cash flows from capital financing activities	
Capital grants and gifts proceeds	315,687
Purchase of capital assets	(582,208)
Net cash from capital financing activities	(266,521)
Cash flow from investing activities	
Net purchase of investments	(24,394)
Income on investments	24,394
Net cash from investing activities	-
Net change in cash and cash equivalents	2,187,642
Cash and cash equivalents, beginning of year	3,958,726
Cash and cash equivalents, end of year	\$ 6,146,368
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 5,729,620
Cash with fiscal agent	416,748
	\$ 6,146,368

(continued)

Marion Technical College  
Statement of Cash Flows  
Year Ended June 30, 2020  
(Continued)

	College
Reconciliation of operating loss to net cash	
from operating activities	
Operating loss	\$ (11,075,179)
Adjustments to reconcile operating loss to net cash	
from operating activities	
Depreciation expense	607,924
Amortization of CCP book inventory	17,024
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Student accounts receivable, net	1,176,833
Other receivables, net	87,152
Inventory	(3,481)
Prepaid expenses	(17,739)
Net OPEB asset	564
Deferred outflows of resources	972,581
Accounts payable	(23,385)
Unearned revenue	(20,813)
Accounts payable - OSUM	550,639
Accrued payroll	137,660
Claims payable	(19,616)
Net pension liability	(333,546)
Net OPEB liability	(456,356)
Compensated absences	16,251
Deferred inflows of resources	101,011
	(8,282,476)
Net cash from operating activities	\$ (8,282,476)

See accompanying notes to financial statements.

## 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 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. Land improvements, buildings and improvements, machinery, and equipment 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:

<u>Classification</u>	<u>Years</u>
Land Improvements	10-20
Buildings and Improvements	10-50
Machinery and Equipment	5-20
Computer Equipment	5-10
Vehicles	5-10

**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 net position reports 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) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension and OPEB plans as explained in Notes 8 and 9.

In addition to liabilities, the statement of net 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 (revenue) until that time. For the College, deferred inflows of resources are related to pension and OPEB plans and are reported on the statement of net position (See Notes 8 and 9).

**Pensions/Other Postemployment Benefits (OPEB)**

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

**Adoption of New Accounting Pronouncements**

Effective for fiscal year ended June 30, 2020, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position.

**Upcoming Accounting Pronouncements**

GASB Statement No. 84: *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB Statement 84 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No. 14 and No. 61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting by issuers of conduit debt obligations, and eliminates diversity in practice related to additional commitments by issuers; arrangements associated with conduit debt obligations; and related note disclosures. The requirements of GASB Statement No. 91 are effective for fiscal year 2023. The College is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued to improve the consistency of authoritative literature and enhance the comparability in the application of accounting and financial reporting requirements. The requirements of GASB Statement No. 92 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides exceptions to the existing provisions for hedge accounting termination and lease modifications to ease the accounting requirements related to the transition away from interbank offered rates (IBORs). It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of GASB Statement No. 93 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

**NOTE 2 – 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). 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, 2020 was \$416,748. 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. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2020, the carrying amount of the College’s cash and cash equivalents was \$5,729,620 and the bank balances were \$5,838,950. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2020 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 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

The College’s investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.



**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Investments: At June 30, 2020, investments included \$1,608,093 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College measures its investment in STAR Ohio 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.

The total of deposits and investments, by type, at June 30, 2020 are as follows:

Cash	\$	5,729,620
Star Ohio		1,608,093
Total		\$ 7,337,713

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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes. STAR Ohio carries a rating of AAAM by Standard and Poor’s.

**Component Unit**

At June 30, 2020, the carrying amount of the Foundation’s cash deposits was \$93,041 and the bank balance was \$146,948. The difference in the carrying amount and the bank balance is caused by outstanding checks and deposits in transit.

Credit Risk: As of June 30, 2020, the investment balance recorded on the Foundation’s statement of net position is \$951,832. 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, 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, 2020, 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 3 – ACCOUNTS RECEIVABLE**

Receivables at June 30, 2020 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, 2020:

Student receivables		\$	1,507,369
Other			1,650,036
Allowance for doubtful accounts			<u>(350,000)</u>
Total		\$	<u>2,807,405</u>

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of capital asset activity of the College for the year ended June 30, 2020:

	Balance, June 30 2019	Additions	Retirements	Transfers	Balance, June 30 2020
Nondepreciable capital assets:					
Construction in progress	\$ 1,349,437	\$ 22,379	\$ -	\$ (1,349,437)	\$ 22,379
Total nondepreciable capital assets	<u>1,349,437</u>	<u>22,379</u>	<u>-</u>	<u>(1,349,437)</u>	<u>22,379</u>
Depreciable capital assets:					
Land improvements	568,921	71,743	-	1,349,437	1,990,101
Buildings and improvements	5,679,359	-	-	-	5,679,359
Machinery and equipment	2,430,952	288,339	-	-	2,719,291
Computer equipment	2,288,644	199,747	-	-	2,488,391
Vehicles	480,462	-	-	-	480,462
Total depreciable capital assets	<u>11,448,338</u>	<u>559,829</u>	<u>-</u>	<u>1,349,437</u>	<u>13,357,604</u>
Less: accumulated depreciation					
Land improvements	257,714	128,850	-	-	386,564
Buildings and improvements	1,122,319	141,984	-	-	1,264,303
Machinery and equipment	1,795,438	182,882	-	-	1,978,320
Computer equipment	2,231,552	105,385	-	-	2,336,937
Vehicles	116,672	48,823	-	-	165,495
Total accumulated depreciation	<u>5,523,695</u>	<u>607,924</u>	<u>-</u>	<u>-</u>	<u>6,131,619</u>
Total depreciable capital assets, net	<u>5,924,643</u>	<u>(48,095)</u>	<u>-</u>	<u>1,349,437</u>	<u>7,225,985</u>
Capital assets, net	<u>\$ 7,274,080</u>	<u>\$ (25,716)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,248,364</u>

**NOTE 5 – 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, 2020, the college had payables of \$4,080,155 due to OSU for this agreement.

**NOTE 6 – 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.

**NOTE 6 – COMPENSATED ABSENCES (Continued)**

At June 30, 2020, compensated absences consisted of the following:

	Balance	Increases	Decreases	Balance	Amount Due
	July 1, 2019			June 30, 2020	Due Within
					One Year
Compensated absences	\$ 637,286	\$ 520,136	\$ (503,885)	\$ 653,537	\$ 377,203

**NOTE 7 – 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 (ODHE).

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 8 – 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's 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.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

GASB Statement No. 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.

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 contributions outstanding at the end of the fiscal year is included in *accrued payroll* on the accrual basis of accounting.

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

**Plan Description** – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement were as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit; or Age 65 with 5 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% for the first 30 years of service and 2.5% 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.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% 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% for plan members and 14% 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, 2020, the 14% was allocated to three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The College's contractually required contribution to SERS was \$420,381 for fiscal year 2020. 100 percent has been contributed for fiscal year 2020.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% 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, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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. For the fiscal year ended June 30, 2020, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was \$739,357 for fiscal year 2020. 100 percent has been contributed for fiscal year 2020.

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

The net pension liability reported at June 30, 2020 was measured as of June 30, 2019, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
<b>Proportionate Share of the Net Pension Liability</b>	\$ 4,920,967	\$ 9,567,439	\$ 14,488,406
<b>Proportion of the Net Pension Liability</b>	0.082246736%	0.043263392%	
<b>Change in proportion</b>	-0.005221721%	-0.001363588%	
<b>Pension Expense</b>	\$ 588,473	\$ 1,113,122	\$ 1,701,595
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 124,785	\$ 77,896	\$ 202,681
Change in assumptions	-	1,123,881	1,123,881
Change in College's proportionate share and difference in employer contributions	50,178	59,189	109,367
Contributions subsequent to the measurement date	420,381	739,357	1,159,738
<b>Total Deferred Outflows</b>	<b>\$ 595,344</b>	<b>\$ 2,000,323</b>	<b>\$ 2,595,667</b>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ -	\$ (41,416)	\$ (41,416)
Net difference between projected and actual earnings on pension plan investments	(63,166)	(467,604)	(530,770)
Change in College's proportionate share and difference in employer contributions	(233,555)	(450,889)	(684,444)
<b>Total Deferred Inflows</b>	<b>\$ (296,721)</b>	<b>\$ (959,909)</b>	<b>\$ (1,256,630)</b>

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

\$1,159,738 reported as deferred outflows of resources at June 30, 2020 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in future years as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
FY2021	\$ 14,308	\$ 402,921	\$ 417,229
FY2022	(167,686)	53,079	(114,607)
FY2023	(4,203)	(156,052)	(160,255)
FY2024	35,823	1,109	36,932
	\$ (121,758)	\$ 301,057	\$ 179,299

**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 consider the employee's entire career with the employer and 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, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
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 for active members. 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.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

**Discount Rate** – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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 7.5%, 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 (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	\$ 6,896,033	\$ 4,920,967	\$ 3,264,626

**Actuarial Assumptions – STRS**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0.00%



**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	\$ 13,981,746	\$ 9,567,439	\$ 5,830,502

**Alternative Retirement Programs**

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 4.47 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 year ended June 30, 2020, were \$80,646.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *accrued payroll* on the accrual basis of accounting.

**Plan Description – School Employees Retirement System**

**Health Care Plan** – The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, there was no portion allocated to health care. 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. For fiscal year 2020, the minimum compensation amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the College's surcharge obligation was \$15,777.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was \$15,777 for fiscal year 2020.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

**Health Care Plan** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

**OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources for OPEB**

The net OPEB asset/liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

The following is information related to the College's proportionate share, OPEB expense, and deferred inflows and outflows for fiscal year 2020:

	SERS	STRS	Total
<b>Proportionate Share of the Net OPEB Liability (Asset)</b>	\$ 1,940,323	\$ (716,547)	\$ 1,223,776
<b>Proportion of the Net OPEB Liability (Asset)</b>	0.077156552%	0.043263392%	
<b>Change in proportion</b>	-0.009232993%	-0.001363588%	
<b>Net OPEB Expense (Negative)</b>	\$ (19,399)	\$ (222,426)	\$ (241,825)
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 28,484	\$ 64,960	\$ 93,444
Net Difference between projected and actual earnings on OPEB plan investments	4,656	-	4,656
Change in assumptions	141,718	15,060	156,778
Difference between employer contributions and proportionate share of contributions	102,636	16,457	119,093
Contributions subsequent to the measurement date	15,777	-	15,777
<b>Total Deferred Outflows</b>	<b>\$ 293,271</b>	<b>\$ 96,477</b>	<b>\$ 389,748</b>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ (426,278)	\$ (36,455)	\$ (462,733)
Net difference between projected and actual earnings on OPEB plan investments	-	(45,003)	(45,003)
Change in assumptions	(108,730)	(785,608)	(894,338)
Difference between employer contributions and proportionate share of contributions	(287,933)	(32,560)	(320,493)
<b>Total Deferred Inflows</b>	<b>\$ (822,941)</b>	<b>\$ (899,626)</b>	<b>\$ (1,722,567)</b>

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

\$15,777 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
FY2021	\$ (169,779)	\$ (174,092)	\$ (343,871)
FY2022	(80,096)	(174,092)	(254,188)
FY2023	(78,729)	(156,055)	(234,784)
FY2024	(78,951)	(149,727)	(228,678)
FY2025	(112,967)	(149,932)	(262,899)
FY2026	(24,925)	749	(24,176)
	\$ (545,447)	\$ (803,149)	\$ (1,348,596)

**Actuarial Assumptions – SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 consider the employee's entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	3.62%
Measurement Date	3.13%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	3.70%
Measurement Date	3.22%
Medical Trend Assumption:	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)** (Continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males' rate and 100% for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13% as of June 30, 2019 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability for fiscal year 2020, calculated using the discount rate of 3.22%, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and one percentage point higher (4.22%) than the current rate.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
College's proportionate share of the net OPEB liability	\$ 2,355,187	\$ 1,940,323	\$ 1,610,462

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the College's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and one percentage point higher (8.00% decreasing to 5.75%) than the current rates.

	1% Decrease (6.00% decreasing to 3.75%)	Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
College's proportionate share of the net OPEB liability	\$ 1,554,593	\$ 1,940,323	\$ 2,452,097

**Actuarial Assumptions – STRS**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.98%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 was increased from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)**

The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates** – The following table presents the College's proportionate share of the net OPEB liability (asset) for fiscal year 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB liability (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net OPEB (asset)	\$ (611,429)	\$ (716,547)	\$ (804,924)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
College's proportionate share of the net OPEB (asset)	\$ (812,530)	\$ (716,547)	\$ (598,988)



**NOTE 10 – 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. As a risk transfer technique, the College participated in the OACC (Ohio Association of Community Colleges) Risk Management and Insurance Program and contracted with various insurance underwriters in fiscal year 2020 for property and fleet insurance, liability insurance, and various other coverages. More information can be found in the insurance policy. Major coverage is as follows at June 30, 2020:

Description of Coverage	Insurance Carrier	Limit of Liability	Member Deductible
Property Liability	Zurich American Insurance Company/MHEC	\$1,000,000,000	\$25,000
General Liability	Markel Insurance Company (Wright Specialty)	\$1,000,000	\$0
Limited Professional Liability	Markel Insurance Company (Wright Specialty)	\$1,000,000	\$0
Automobile	Markel Insurance Company (Wright Specialty)	\$1,000,000	\$0 Liab, \$500 PD (1)
Educators Legal Liability	Markel Insurance Company (Wright Specialty)	\$1,000,000	\$10,000
1st Excess Liability	UNITED EDUCATORS	\$15,000,000 excess \$1,000,000	N/A
1st Excess Educators Legal Liability	UNITED EDUCATORS	\$15,000,000 excess \$1,000,000	N/A
Crime	Markel Insurance Company (Wright Specialty)	\$250,000	\$2,500
Cyber Liability Breach Response	Lloyd's via CFC	\$1,000,000	\$5,000
Workers' Compensation	Hartford	\$1,000,000	N/A

**Notes:** (1) Auto deductibles are \$0 for Liability, \$500 for Physical Damage to owned or lease vehicles

**Employee Group Medical/Surgical, Dental, and Vision Insurance**

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance program. The College 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 \$120,370 reported in Claims Payable at June 30, 2020 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.

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
2020	\$ 139,986	\$ 1,188,359	\$ (1,207,975)	\$ 120,370
2019	167,124	1,254,397	(1,281,535)	139,986

**NOTE 11 – 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.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent periods of the College. The impact on the College's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 12 – 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, 2020, the Foundation distributed \$53,807 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, 2020, the fair value of the Foundation’s interest in community foundation’s assets was \$951,832.

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.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**This page intentionally left blank.**

**Marion Technical College**

Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Seven Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.105538%	\$ 6,276,006	\$ 3,484,566	180.11%	65.52%
2015	0.105538%	5,341,218	3,097,691	172.43%	71.70%
2016	0.093832%	5,354,139	3,253,202	164.58%	69.16%
2017	0.087249%	6,385,820	2,897,236	220.41%	62.98%
2018	0.082811%	4,947,797	2,773,564	178.39%	69.50%
2019	0.087468%	5,009,480	2,817,919	177.77%	71.36%
2020	0.082247%	4,920,967	2,821,452	174.41%	70.85%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

*Changes of benefit and funding terms.* In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

**Marion Technical College**  
 Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.048211%	\$ 13,698,757	\$ 5,467,300	250.56%	69.30%
2015	0.048211%	11,726,691	5,304,792	221.06%	74.70%
2016	0.047188%	13,041,319	5,008,843	260.37%	72.10%
2017	0.044920%	15,036,206	4,676,307	321.54%	66.80%
2018	0.045459%	10,798,856	4,926,007	219.22%	75.30%
2019	0.044627%	9,812,472	4,974,221	197.27%	77.30%
2020	0.043263%	9,567,439	4,949,957	193.28%	77.40%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

*Change in benefit terms.* Effective July 1, 2017, the COLA was reduced to zero.

**Marion Technical College**  
 Required Supplementary Information  
 Schedule of College Pension Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	496,821	(496,821)	-	3,952,434	12.57%
2012	460,185	(460,185)	-	3,421,450	13.45%
2013	482,264	(482,264)	-	3,484,566	13.84%
2014	429,340	(429,340)	-	3,097,691	13.86%
2015	428,772	(428,772)	-	3,253,202	13.18%
2016	405,613	(405,613)	-	2,897,236	14.00%
2017	388,299	(388,299)	-	2,773,564	14.00%
2018	380,419	(380,419)	-	2,817,919	13.50%
2019	380,896	(380,896)	-	2,821,452	13.50%
2020	420,381	(420,381)	-	3,002,724	14.00%

**Marion Technical College**

Required Supplementary Information

Schedule of College Pension Contributions

State Teachers Retirement System of Ohio

Last Ten Fiscal Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	706,660	(706,660)	-	5,435,846	13.00%
2012	712,444	(712,444)	-	5,480,338	13.00%
2013	710,749	(710,749)	-	5,467,300	13.00%
2014	689,623	(689,623)	-	5,304,792	13.00%
2015	701,238	(701,238)	-	5,008,843	14.00%
2016	654,683	(654,683)	-	4,676,307	14.00%
2017	689,641	(689,641)	-	4,926,007	14.00%
2018	696,391	(696,391)	-	4,974,221	14.00%
2019	692,994	(692,994)	-	4,949,957	14.00%
2020	739,357	(739,357)	-	5,281,121	14.00%



**Marion Technical College**  
 Required Supplementary Information  
 Schedule of College's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.087346%	\$ 2,489,682	\$ 2,897,236	85.93%	11.49%
2018	0.081171%	2,178,419	2,773,564	78.54%	12.46%
2019	0.086390%	2,396,679	2,817,919	85.05%	13.57%
2020	0.077157%	1,940,323	2,821,452	68.77%	15.57%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

*Change in benefit and funding terms.* In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

**Marion Technical College**

Required Supplementary Information

Schedule of College's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	College's Proportion of the Net OPEB Liability (Asset)	College's Proportionate Share of the Net OPEB Liability (Asset)	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.044920%	\$ 2,402,354	\$ 4,676,307	51.37%	37.30%
2018	0.045459%	1,773,638	4,926,007	36.01%	47.11%
2019	0.044627%	(717,111)	4,974,221	(14.42%)	176.00%
2020	0.043263%	(716,547)	4,949,957	(14.48%)	174.70%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior fiscal year-end.

**Notes to Schedule:**

*Change in assumption.* For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

*Change in benefit terms.* For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For measurement year 2019, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**Marion Technical College**  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 School Employees Retirement System of Ohio  
 Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 39,599	\$ (39,599)	\$ -	\$ 2,897,236	1.37%
2017	30,996	(30,996)	-	2,773,564	1.12%
2018	50,337	(50,337)	-	2,817,919	1.79%
2019	27,785	(27,785)	-	2,821,452	0.98%
2020	15,777	(15,777)	-	3,002,724	0.53%

(1) The College elected not to present information prior to 2016. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

**Marion Technical College**

Required Supplementary Information

Schedule of College OPEB Contributions

State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016 \$	-	\$ -	\$ -	\$ 4,676,307	0.00%
2017	-	-	-	4,926,007	0.00%
2018	-	-	-	4,974,221	0.00%
2019	-	-	-	4,949,957	0.00%
2020	-	-	-	5,281,121	0.00%

(1) The College elected not to present information prior to 2016. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

**SUPPLEMENTAL INFORMATION**

**This page intentionally left blank.**

Marion Technical College  
Board of Trustees  
Year Ended June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>
Jude Foulk	Member	05/01/19 to 04/30/22
Timothy Anderson	Chair	05/01/19 to 04/30/22
Roxane Somerlot	Vice-Chair	05/01/20 to 04/30/23
Donald Plotts	Member	04/30/20 to 04/29/23
Kit Fogle	Member	05/01/18 to 04/30/21
Justin Hamper	Member	05/01/19 to 04/30/22
Kenneth L. Young	Member	05/01/18 to 04/30/21
Gregory Moon	Member	04/30/18 to 04/29/21

<u>Name</u>	<u>Title</u>
Dr. Ryan McCall	President
Rhonda Ward	Vice President of Business Affairs/Chief Financial Officer
James Lavery	Controller
Dr. Amy Adams	Vice President Planning and Advancement
Dr. Robert Haas	Interim Vice President of Academic Affairs & Student Services/ Chief Strategy Officer



**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 discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 27, 2021.

**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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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  
January 27, 2021

## **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, 2020. 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, 2020.

## **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  
January 27, 2021

Marion Technical College  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number		Grant or Pass Through Number	Expenditures
<u>U.S. Department of Education</u>				
<u>Title IV Program</u>				
<u>Student Financial Aid Cluster:</u>				
Federal Supplemental Educational Opportunity Grant	84.007	(1)	P007A193311	\$ 56,948
Federal Work-Study Program	84.033	(1)	P033A193311	20,860
Federal Pell Grant Program	84.063	(1)	P063P193377	2,617,244
Federal Direct Student Loans	84.268	(1)	P268K203377	1,535,690
Total Student Financial Aid Cluster				4,230,742
 <i>Passed through the State of Ohio Department of Education:</i>				
Adult Education—Basic Grants to States	84.002		VETP	87,297
Career and Technical Education - Basic Grants to States	84.048		20C3	62,692
Tech-Prep Education	84.243		3ETC	98,700
 <i>COVID-19 - Higher Education Emergency Relief Fund:</i>				
Student Aid Portion	84.425E	(1)	P425E200711	451,000
Institutional Portion	84.425F	(1)	P425F201454	26,195
Total Higher Education Emergency Relief Fund				477,195
Total U.S. Department of Education				4,956,626
 <u>U.S. Department of the Treasury</u>				
<i>Passed through the Ohio Department of Higher Education:</i>				
COVID-19 - Coronavirus Relief Fund	21.019		N/A	71,062
Total U.S. Department of the Treasury				71,062
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 5,027,688

(1) - Direct Award

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, 2020. 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, 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 subrecipients during the year ended June 30, 2020.

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

**NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER**

For the year ended June 30, 2020, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

**NOTE 4 – 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.

**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)?	None noted
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 – Federal Supplemental Educational Opportunity Grant
  - CFDA# 84.033 – College Work-Study Program
  - CFDA# 84.063 – Pell Grant Program
  - 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?	No

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted



**Marion Technical College  
Summary Schedule of Prior Audit Findings  
June 30, 2020**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Status</u></b>
2019-001	Audit adjustments and reclassifications were required to correct financial statements.	Corrective action taken and finding is fully corrected.





**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**MARION TECHNICAL COLLEGE**

**MARION COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/16/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)