Marion Technical College
Marion County

Audited Basic Financial Statements
And Independent Auditors' Report

For the Year Ended
June 30, 2004

Auditor of State
Betty Montgomery

Board of Trustees
Marion Technical College

We have reviewed the Independent Auditor's Report of the Marion Technical College, Marion County, prepared by Nagel, Weigand & Company, LLC for the audit period July 1, 2003 through June 30, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 13, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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MARION TECHNICAL COLLEGE
Marion County

Table of Contents

Nagel, Weigand & Company, LLC

Independent Auditors' Report

Board of Trustees
Marion Technical College
Marion, Ohio

We have audited the accompanying basic financial statements of Marion Technical College as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Marion Technical College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marion Technical College as of June 30, 2004, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 21, 2004 on our consideration of the College's internal control over financial reporting and our tests of it's compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Marion Technical College
Marion County

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements of Marion Technical College taken as a whole. The accompanying Schedule of Federal Awards for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

December 21, 2004 *Nagel, Weigand & Company, LLC*

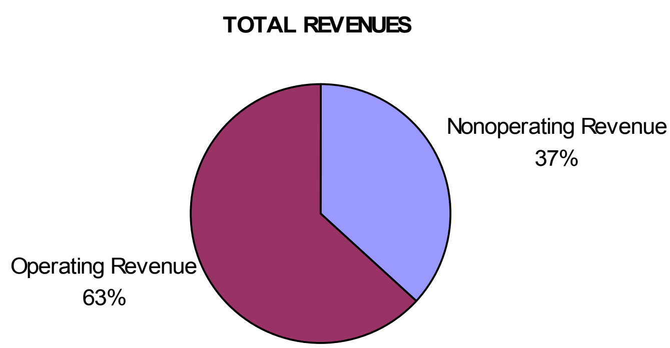
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004

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, 2004. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Marion Technical College.

Financial Highlights

Marion Technical College's financial position, as a whole, improved during the fiscal year ending June 30, 2004. Its combined net assets increased $771,619 or 39.5% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2004:



In the fiscal year ending June 30, 2004, revenues and other support exceeded expenses, creating the increase in net assets of $771,619 (compared to a $312,972 increase last year).

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

- **Primary Institution (College):** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.
- **Component Unit (MTC Development Fund):** Most of the College's fund raising and scholarship activity fall into this category.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

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

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

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004

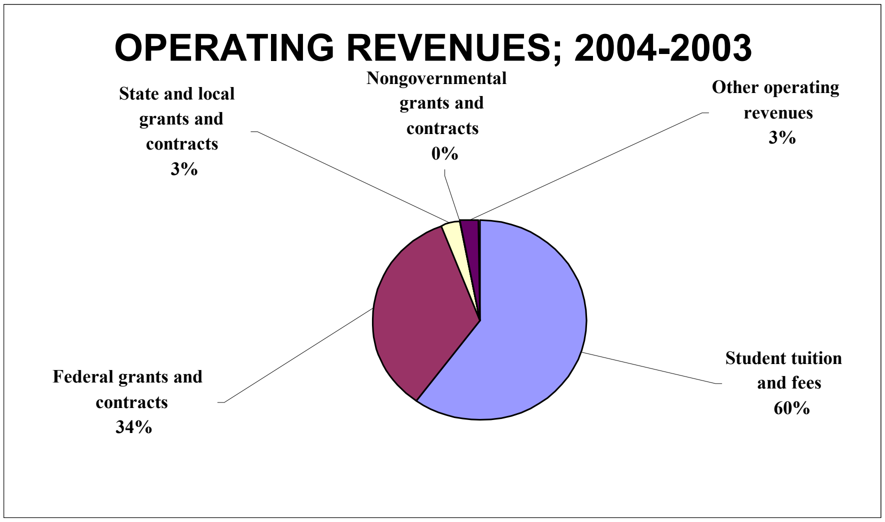
Net Assets – Primary Institution
FY2004 Versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
ASSETS				
Current Assets				
Cash & cash equivalents	$ 1,335,301	$ 660,640	$ 674,661	102.1%
Investments	1,048,273	1,037,808	10,465	1.0%
Student accounts receivable, net	54,802	37,546	17,256	46.0%
Other receivables, net	945,648	875,348	70,300	8.0%
Prepaid expenses	71,490	-	71,490	100.0%
Total current assets	3,455,514	2,611,342	844,172	32.3%
Noncurrent Assets				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	11,510	-	11,510	100.0%
Capital assets, net	319,964	356,282	(36,318)	-10.2%
Total noncurrent assets	332,465	357,273	(24,808)	-6.9%
TOTAL ASSETS	$ 3,787,979	$ 2,968,615	$ 819,364	27.6%
LIABILITIES				
Current Liabilities				
Accounts Payable	$194,216	$ 211,259	$ (17,043)	-8.1%
Deferred Income	101,304	119,285	(17,981)	-15.1%
Accounts Payable - OSUM	45,683	44,066	1,617	3.7%
Accrued Payroll	256,306	225,553	30,753	13.6%
Accrued Vacation Leave	233,883	209,666	24,217	11.6%
Total current liabilities	831,392	809,829	21,563	2.7%
Noncurrent Liabilities				
Accrued Sick Leave	229,822	203,640	26,182	12.9%
Total noncurrent liabilities	229,822	203,640	26,182	12.9%
TOTAL LIABILITIES	1,061,214	1,013,469	47,745	4.7%
NET ASSETS				
Invested in capital assets, net of related debt	319,964	356,282	(36,318)	-10.2%
Restricted:				
Nonexpendable				
Expendable				
Student Grants and Scholarships	66,491	59,533	6,958	11.7%
Loans	1,954	1,760	194	11.0%
Instructional Department Uses	61,667	47,827	13,840	28.9%
Unrestricted	2,276,689	1,489,744	786,945	52.8%
Total net assets	2,726,765	1,955,146	771,619	39.5%
TOTAL LIABILITES AND NET ASSETS	$ 3,787,979	$ 2,968,615	$ 819,364	27.6%

Net Asset Changes – Component Unit – MTC Development Fund
FY2004 versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
ASSETS				
Current Assets:				
Cash equivalents	$23,378	$59,712	($36,334)	-60.8%
Total current assets	$23,378	$59,712	($36,334)	-60.8%
Noncurrent Assets:				
Long-term investments	664,657	549,151	115,506	21%
Total noncurrent assets	664,657	549,151	115,506	21%
TOTAL ASSETS	$688,035	$608,863	$79,172	13.0%
LIABILITES				
Current Liabilities				
Accrued Scholarships	$28,032	0	$28,032	100%
Total current liabilities	28,032	0	28,032	100%
TOTAL LIABILITIES	28,032	0	28,032	100%
NET ASSETS				
Unrestricted	660,003	608,863	51,140	8.4%
Total net assets	660,003	608,863	51,140	8.4%
TOTAL LIABILITIES AND NET ASSETS	$688,035	$608,863	$79,172	13.0%

Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2004



Primary Institution
Operating Results for the Year – FY2004 Versus FY2003

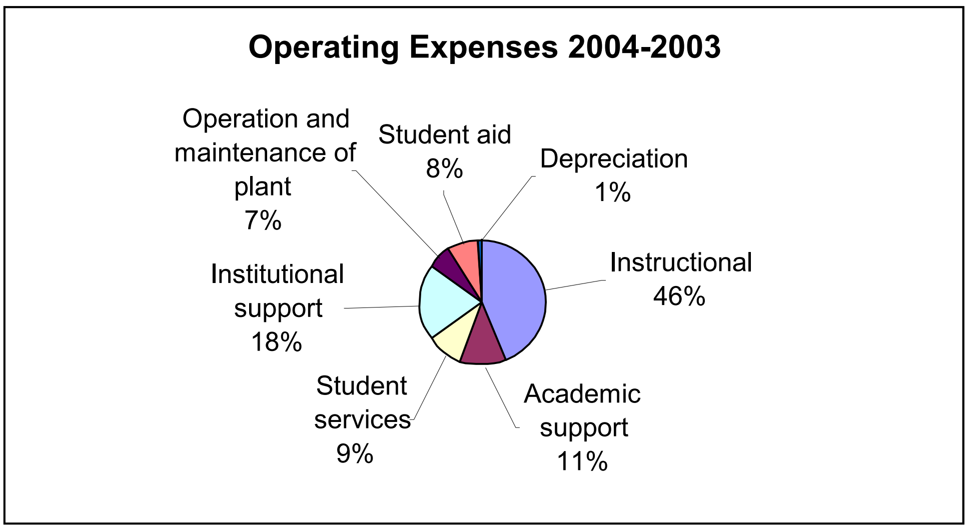
	6/30/2004	6/30/2003	Change	Percent Change
Operating Revenues:				
Student tuition and fees	$ 4,018,064	$ 3,326,978	$ 691,086	20.8%
Federal grants and contracts	2,284,855	1,858,681	426,174	22.9%
State and local grants and contracts	187,754	207,572	(19,818)	-9.5%
Nongovernmental grants and contracts	23,097	25,720	(2,623)	-10.2%
Other operating revenues	188,953	162,715	26,238	16.1%
Total operating revenues	6,702,723	5,581,666	1,121,057	20.1%
Operating Expenses:	10,030,720	9,151,790	878,930	9.6%
Net operating revenues (expenses)	(3,327,997)	(3,570,124)	242,127	-6.8%
Nonoperating Revenues (expenses)				
State appropriations	3,338,319	3,058,728	279,591	9.1%
State and local grants	542,900	522,741	20,159	3.9%
Gifts	-	22,500	(22,500)	-100.0%
Investment income	18,407	22,000	(3,593)	-16.3%
Other nonoperating revenues	25,000	32,015	(7,015)	-21.9%
Net Nonoperating Revenues	3,924,626	3,657,984	266,642	7.3%
Income before other revenues	596,629	87,860	508,769	579.1%
Capital Appropriations	174,990	225,112	(50,122)	-22.3%
Increase in net assets	771,619	312,972	458,647	146.5%
Net Assets, beginning of year	1,955,146	1,642,174	312,972	19.1%
Net Assets, end of year	$2,726,765	$1,955,146	$ 771,619	39.5%

Component Unit
Operating Results for the Year – FY2004 Versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
Operating Revenues				
Contributions	$21,320	$7,486	$13,834	184.8%
Other	60	330	(270)	-81.8%
Total operating revenues	21,380	7,816	13,564	173.5%
Operating Expenses	1,805	2,067	(262)	-12.7%
Net operating revenues (expenses)	19,575	5,749	13,826	240.5%
Nonoperating Revenues (Expenses)				
Investment Income	72,255	(49,683)	121,938	-245.4%
Scholarships	(40,690)	(54,385)	13,695	25.2%
Net nonoperating revenues (expenses)	31,565	(104,068)	135,633	130.3%
Increase (decrease) in Net Assets	51,140	(98,319)	149,459	152.0%
Net Assets, beginning of year	608,863	707,182	(98,319)	-13.9%
Net Assets, end of year	$660,003	$608,863	$51,140	8.4%

Primary Institution
Operating Expenses for the Year – FY2004 Versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
Operating Expenses:				
Instructional	$ 4,636,836	$ 4,273,839	$ 362,997	8.5%
Academic support	1,101,389	1,025,377	76,012	7.4%
Student services	945,094	918,207	26,887	2.9%
Institutional support	1,804,691	1,555,012	249,679	16.1%
Operation and maintenance of plant	660,173	652,118	8,055	1.2%
Student aid	789,563	638,541	151,022	23.7%
Depreciation	92,974	88,696	4,278	4.8%
Total operating expenses	$ 10,030,720	$ 9,151,790	$ 878,930	9.6%

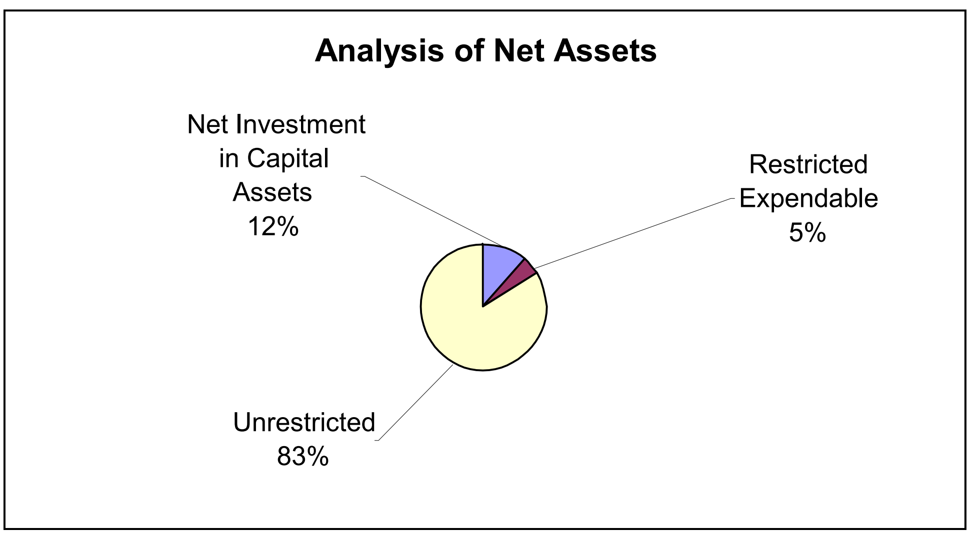


Total operating expenses increased by $878,930 or 10% over FY 2003. Three areas increased expenditures as a result of wage and benefit increases. These areas were Instructional $362,997 (8.5%), Student services $26,887 (2.9%), and Operations and maintenance of plant $8,055 (1.2%). Academic support increased by $76,012 (7.4%) due to additional staff. Institutional support increased by $249,679 (16.1%) due to major increases in general insurance, faculty and staff training, college supplies, advertising, computer equipment, and computer maintenance. Student aid increased by $151,022 (23.7%) as a result of expanded FTE enrollment and increased student tuition. Depreciation increased by $4,278 (4.8%) as a result of equipment purchases.

Analysis of Net Assets – Primary Institution
FY2004 Versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
Net Assets				
Net Investment in Capital Assets	$ 319,964	$ 356,282	$ (36,318)	-10.2%
Restricted Expendable	130,112	109,120	20,992	19.2%
Unrestricted	2,276,689	1,489,744	786,945	52.8%
Total	$ 2,726,765	$ 1,955,146	$ 771,619	39.5%

Unrestricted Net Assets increased $786,945 due to revenues exceeding expenditures. Increased enrollment in fiscal year 2004 contributed to surplus for unrestricted net assets. Restricted Expendable Net Assets increased $20,992 due to receipts exceeding expenditures. Restricted Expendable Net Assets represent excess grant funds received for specific activities. Net Investment in Capital Assets decreased due to depreciation exceeding additional purchases.



The Statement of Cash Flows

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

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

Cash Flows – Primary Institution
FY2004 Versus FY2003

	6/30/2004	6/30/2003	Change	Percent Change
Cash provided (used) by:				
Operating activities	$(3,357,983)	$ (3,523,965)	$ 165,982	-4.7%
Noncapital financing activities	3,894,066	3,613,484	280,582	7.8%
Capital and related financing activities	130,834	(3,280)	134,114	4088.8%
Investing activities	7,943	7,064	879	12.4%
Net increase (decrease) in cash	674,860	93,303	581,557	623.3%
Cash, beginning of year	660,441	567,138	93,303	16.5%
Cash, end of year	$ 1,335,301	$ 660,441	$ 674,860	102.2%

Capital and Debt Administration

Capital Assets

At June 30, 2004, the College had $319,964 invested in capital assets, net of accumulated depreciation of $881,784. Depreciation charges totaled $92,974 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net; FY2004 Versus FY2003
Primary Institution

	6/30/2004	6/30/2003	Change	Percent Change
Machinery and Equipment	$ 222,414	$ 246,690	$ (24,276)	-9.8%
Computers and Computer Equipment	53,970	57,707	(3,737)	-6.5%
Vehicles	15,971	22,154	(6,183)	-27.9%
Land Improvements	27,609	29,732	(2,123)	-7.1%
Capital Assets, net	$ 319,964	$ 356,283	$ (36,319)	-10.2%

The major capital additions this year were in machinery and equipment. Additions to machinery and equipment consisted of items for various academic labs and instructional equipment. Additions were funded from the general revenue of the College.

The College has planned expenditures for fiscal year ending June 30, 2005 at approximately $521,000. These planned additions include replacement computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 9 to the financial statements.

Debt

At year-end 2004, the College had no debt associated with capital assets.

Economic Factors that Will Affect the Future

The economic position of Marion Technical College is closely tied to that of the State of Ohio. Because of limited economic growth and increased demand for state resources from federal mandates, the current state budget projects a reduction in funding to the College in the next year. In response to this cutback and due to scarce public resources in general, the Board of Regents has reduced the Fiscal Year 2005 State Appropriations to the College by 9% ($402,000) of appropriations earned.

The College has approved tuition and fees increases averaging 6% starting in Summer Quarter 2004. The College also has shown large enrollment increases during each quarter of fiscal years 2003 and 2004. The College anticipates a 4% enrollment increase in fiscal year 2005.

Economic Factors (continued)

The college anticipates that the state of Ohio economy which has been very slow to grow will continue at a slow growth rate over the next couple of years. This would normally result in a slight decline in enrollment and a solid improvement of state funding. One issue yet to be resolved is the state temporary one cent sales tax increase. This tax issue will be resolved for the fiscal year 2006.

The College is considering a 3.5% increase for employee contracts and a 25% increase for health insurance premiums during fiscal year 2005.

The College's current financial plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of services.

Contacting the College's Financial Management

The financial report is designed to provide the Ohio Department of Education, our citizens, taxpayers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it received. If you have questions about this report, or need additional financial information, contact Doug Boyer, Vice-President for Administrative and Financial Services, at Marion Technical College, 1467 Mt. Vernon Ave., Marion, Ohio 43302

MARION TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2004

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & cash equivalents	$1,335,301	$23,378
Investments	1,048,273	-
Student accounts receivable, net	54,802	-
Other receivables, net	945,648	-
Prepaid expenses	71,490	-
Total current assets	3,455,514	$23,378
Noncurrent Assets		
Other receivables, net	991	-
Prepaid expenses	11,510	-
Long-term investment	-	664,657
Capital assets, net	319,964	-
Total noncurrent assets	332,465	664,657
TOTAL ASSETS	$3,787,979	$688,035
LIABILITIES		
Current Liabilities		
Accounts Payable	$194,216	$28,032
Deferred Income	101,304	-
Accounts Payable - OSUM	45,683	-
Accrued Payroll	256,306	-
Accrued Vacation Leave	233,883	-
Total current liabilities	831,392	28,032
Noncurrent Liabilities		
Compensated Absences	229,822	-
Total noncurrent liabilities	229,822	-
TOTAL LIABILITIES	1,061,214	28,032
NET ASSETS		
Invested in capital assets, net of related debt	319,964	-
Restricted:		
Expendable:		
Student Grants and Scholarships	66,491	-
Loans	1,954	-
Instructional Department Uses	61,667	-
Unrestricted	2,276,689	660,003
Total net assets	2,726,765	660,003
TOTAL LIABILITIES AND NET ASSETS	$3,787,979	$688,035

The notes to the Basic Financial Statements are an integral part of these statements.

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2004

	Primary Institution	Component Unit
REVENUE:		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $1,396,922)	$4,018,064	$ -
Federal grants and contracts	2,284,855	-
State and local grants and contracts	187,754	-
Nongovernmental grants and contracts	23,097	-
Contributions	-	21,320
Other operating revenues	188,953	60
Total operating revenues	6,702,723	21,380
EXPENSES:		
Operating Expenses:		
Instructional	4,636,836	-
Academic support	1,101,389	-
Student services	945,094	-
Institutional support	1,804,691	-
Operation and maintenance of plant	660,173	-
Student aid	789,563	-
General & Administrative	-	1,805
Depreciation	92,974	-
Total operating expenses	10,030,720	1,805
Operating Income (Loss)	(3,327,997)	19,575
NONOPERATING REVENUES (EXPENSES):		
State appropriations	3,338,319	
State and local grants	542,900	
Investment income	18,407	72,255
Other nonoperating revenues	25,000	
Scholarships	-	(40,690)
Nonoperating Revenues	3,924,626	31,565
Income before other revenues, expenses, gains or losses	596,629	51,140
Capital Appropriations	174,990	-
Increase in net assets	771,619	51,140
Net Assets, beginning of year	1,955,146	608,863
Net Assets, end of year	$2,726,765	$660,003

The notes to the Basic Financial Statements are an integral part of these statements.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Primary Institution
Cash Flows from Operating Activities:	
Tuition and Fees	$5,102,892
Grants & Contracts	604,770
Supplier and related payments	(2,374,321)
Employee and related payments	(6,886,753)
Other receipts (payments)	195,429
Net cash provided (used) by operating activities	(3,357,983)
Cash Flows from Non-Capital and Related Financing Activities:	
State Appropriations	3,338,319
Gifts and grants	530,747
Other	25,000
Net cash provided (used) by non-capital financing activities	3,894,066
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	187,490
Purchases of capital assets	(56,656)
Net cash provided (used) by capital and related financing activities	130,834
Cash Flows from Investing Activities	
Interest and other income	7,943
Net cash provided (used) by investing activities	7,943
Net increase in cash and cash equivalents	674,860
Cash and Cash Equivalents at beginning of year	660,441
Cash and Cash Equivalents at end of year	$1,335,301
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(3,327,997)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	92,974
Changes in assets and liabilities:	
Student accounts receivable, net	(17,256)
Other receivables, net	(70,805)
Prepaid expenses	(83,000)
Accounts Payable	(16,687)
Deferred Income	(17,981)
Accounts Payable - OSUM	1,617
Accrued Payroll	30,753
Accrued Sick Leave	26,182
Accrued Vacation Leave	24,217
Net cash used by operating activities	$(3,357,983)

The notes to the Basic Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The significant accounting policies followed by Marion Technical College are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

Marion Technical College was created pursuant to Section 3357 of the Ohio Revised Code. The College's purpose is to provide instruction in post secondary education programs to its students. Those students who satisfactorily complete such programs receive certificates or associates degrees and are qualified to pursue careers in technical or professional fields.

The Marion Technical College Development Fund (the Fund) is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Fund is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 15.

B. Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as mandated by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2004, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

C. Basis of Accounting

The financial statements of the College have been prepared using the economic resource 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

D. Cash and Cash Equivalents

This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes petty cash, cash on deposit with private bank accounts and savings accounts.

For the purposes of the Statement of Cash Flows and for presentation of the Statement of Net Assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash and cash equivalents.

E. Investments

Investments are stated at cost, which approximates market value. The College investments consist of certificates of deposit and the State Treasurer’s investment pool (Star Ohio).

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

F. Accounts and Appropriations Receivable

Receivables consist of tuition and fees and charges to students and amounts due from employees. Receivables also include amounts due from the Federal government, state and local governments, private sources in connection with reimbursements of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Notes Receivable

Represents money given to students as "financial aid" in anticipation of the repayment of the funds.

H. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a cost in excess of $2,500 at the date of acquisition and an expected useful life of one or more years.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 10 years for equipment and 5 years for vehicles.

I. Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

J. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities are compensated absences that will not be paid within the next fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

K. Compensated Absences

The College has adopted GASB No. 16.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. Vacation liability is recognized in the period in which it is earned.

A liability sick leave and other compensated absences with similar characteristics (hereinafter referred to as "sick leave") should be accrued using one of the following termination approaches:

a. The sick leave liability generally would be an estimate based on governmental entity's past experience of making termination payments for sick leave, adjusted for the effects of changes in its termination payment policy and other current factors. This approach is known as the termination payment method.

b. The sick leave liability would be an accrual for those employees expected to become eligible in the near future based on assumptions concerning the probability that individual employees or classes of employees will become eligible to receive termination benefits. This accumulation should be reduced to the maximum amount allowed as a termination benefit. This approach is known as the vesting method.

For sick leave liability, the College uses the vesting method. The College posts a liability for any employee within five years of retirement. These accumulations are reduced to the maximum amount allowed as a termination payment.

L. Accrued Salaries

Represents employee salaries earned in the current fiscal year, but not paid until after the fiscal year. This is a contractual obligation of the College.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

M. Deferred Revenue

Deferred revenue includes amounts collected for tuition and student deposits prior to the end of the fiscal year, which will not be earned until the subsequent year end.

N. Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by the external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

O. Scholarship Allowances

Student tuition and fees revenue and certain other revenues from College charges are reported net of scholarship allowances in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees and other charges, the College has recorded a scholarship allowance discount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

P. Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to students, and grants received for student financial assistance. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of Revenues, Expenses, and Changes in Net Assets.

Q. Budgetary

Annually the Business Office develops a balanced budget for the College based on projected expenditures from department directors and anticipated revenue including tuition and fees and the subsidy from the Ohio Board of Regents. The Board of Trustees approves the budget.

R. Income Taxes

Marion Technical College is exempt from income taxes under Section 115 of the Internal Revenue Service Code, as a political subdivision.

S. Use of Estimates

Management of the College has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

2. STATE SUPPORT

The College is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents. The Ohio Public Facilities Commission distributes construction funds to the College through appropriations. Upon completion of a facility, the Ohio Board of Regents transfers control to the College.

Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations of the Ohio Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the special obligation 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 pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

a. Construction in progress for any portion of the facilities being financed by state agencies for use by the College are not recorded on the College's books of accounts until such time as the facility is completed.

b. Outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriations revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the College into three categories

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by the eligible securities pledged by the financial institution as security or repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all pubic monies deposited with the institution.

Interim monies may be deposited or invested in the following securities

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt instruments rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investment in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt or confirmation of transfer from the custodian.

3. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand: At year end, the College had $500 in undeposited cash on hand, which is included in the balance sheet of the College as part of "cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*".

Deposits: At year-end, the carrying amounts of the College's deposits were $1,335,301. The bank balance was $1,551,228. Of the bank balances:

1. $100,000 was covered by federal depository insurance.

2. $1,451,228 was collateralized with pooled securities not in the College's name.

GASB Statement 3 "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*" requires that local governments disclose the carrying amount and market value of investments, classified by risk. The College's investments are categorized as either (1) insured or registered or for which the securities are held by the college or its agent in the College's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the College's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the College's name.

	Carrying Amount	Market Value
Star Ohio	$ 1,048,273	$ 1,048,273
Total	$ 1,048,273	$ 1,048,273

Star Ohio investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry forms.

4. RECEIVABLES

Receivables at June 30, 2004 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$404,292	$(75,000)	$329,292
Intergovernmental	472,518		472,518
Other	198,640		198,640
Total Receivables	$1,075,450	$(75,000)	$1,000,450

5. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided instructions, state law permits the Board to authorize for expenditure the new appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board is required to consider the College's "long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. All expenditures must be approved by the Board.

At June 30, 2004, there was no net appreciation on donor restricted assets available to be spent.

6. ACCOUNTS PAYABLE – OSU COST SHARING

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses.

7. CAPITAL ASSETS

A summary of the changes in the capital assets is presented as follows:

	Balance at 7/1/2003	Increases	Decreases	Balance at 6/30/2004
Capital Assets, Non-Depreciable:	-	-	-	-
Capital Assets, Depreciable:				
Machinery and Equipment	$632,427	$33,125	-	$665,552
Computers and Computer Equipment	441,062	23,531	-	464,593
Vehicles	39,745		-	39,745
Land Improvements	31,856		-	31,856
Total Depreciable	1,145,090	56,656	-	1,201,746
Less Accumulated Depreciation:				
Machinery and Equipment	385,737	57,399	-	443,136
Computers and Computer Equipment	383,355	27,269	-	410,624
Vehicles	17,592	6,182	-	23,774
Land Improvements	2,124	2,124	-	4,248
Total Depreciation	788,808	92,974	-	881,782
Capital Assets, net	$356,282	$(36,318)	-	$319,964

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Compensated Absences	$203,641	$26,181	-	$229,822	-
Total Long-Term Liabilities	$203,641	$26,181	-	$229,822	-

9. LEASE OBLIGATIONS

The College is involved in two leases for copiers on which payments are made monthly. The equipment is leased from both Xerox Corporation and the Mansfield Typewriter Company. Agreements were entered into in July 2001 and have lease terms of 60 months. A summary of the obligations under these leases, including interest, is presented as follows:

June 30	Copiers
2005	$14,766
2006	14,766
TOTAL	$29,532

10. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships and Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$3,897,463		$65,001	$674,372		$4,636,836
Academic Support	$749,545		$64,439	$287,405		$1,101,389
Student Services	$783,209		$3,725	$158,160		$945,094
Institutional Support	$1,538,686		$97,097	$168,908		$1,804,691
Operation and maintenance of plant				$660,173		$660,173
Student Aid		$789,563				$789,563
Depreciation					$92,974	$92,974
Totals	$6,968,903	$789,563	$230,262	$1,949,018	$92,974	$10,030,720

11. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

Marion Technical College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. This report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The College's contributions to the plan for the years ending June 30, 2004, 2003, and 2002 were $275,438, $254,318, and $233,701 respectively, equal to the required contributions for the year.

STATE TEACHERS RETIREMENT SYSTEM

Marion Technical College contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 10% of their covered annual salary and Marion Technical College is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were $421,613, $386,133, and $357,775 respectively, equal to the required contributions for the year.

12. POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through School Employees Retirement System (SERS). Benefits include hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to a health care reserve fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $ 2.8 billion, at June 30, 2003 (the latest information available). For the year ended June 30, 2003, net health care costs paid by STRS were $352,301,000 and STRS had 108,294 eligible benefit recipients.

For the School Employees Retirement System, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as $14,500. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

12. POST-EMPLOYMENT BENEFITS (continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were $204,930,737 and the target level was $307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of $303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits. The portion of the College's contributions that were used to fund post-employment benefits was $114,692.

13. RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2004, the College has entered into contracts with various insurance agencies for various insurance, which includes the following types of insurance, amounts of coverage and the amount of the deductible:

Type of Coverage	Coverage	Amount of Deductible
Inland Marine	$ 9,000	$ 1,000
Employee Dishonesty Blanket	250,000	1,000
Automobile	1,000,000	500
School Board Trustee Liability	1,000,000	1,000
Equipment	3,300,000	5,000
General Liability	1,000,000	10,000
Umbrella	1,000,000	N/A
Employee Benefits Liability	1,000,000	1,000
Educators Professional Liability	1,000,000	50,000
Building	10,300,000	5,000
Building Contents	2,786,000	5,000
Extra Expense	250,000	N/A

All employees of the College are covered by a blanket bond, while certain individuals in policy-making roles are covered by a separate, higher limit bond coverage. Settled claims have not exceeded commercial coverage in the past three years. There have been no significant reductions in insurance coverage from last year.

13. RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2004, the College participated in the Ohio College Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Colleges is calculated as one experience and a common premium rate is applied to all Colleges in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

14. CONTINGENT LIABILITIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2004.

B. Litigation

The College is currently not party to any legal proceedings.

15. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND

A. Description of the Fund

The Marion Technical College Development Fund (hereinafter "The Fund") is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code.

The Fund is organized and is operated exclusively for educational, scientific, or charitable purposes by conducting and supporting activities which benefit, or carry out the purpose of Marion Technical College, a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Fund is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments,* and Statement No.35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* issued in June and November 1999. Since the Fund is a component unit of the College, it is required to apply these Statements the same as the College.

C. Net Asset Classification

In the accompanying financial statements, assets with similar characteristics have been combined in the following net asset groups:

Unrestricted Assets – These assets are used for continuing activities, scholarships, and operations of the Fund at the discretion of the Fund's governing body.

15. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND (Continued)

C. Net Asset Classifications (Continued)

Restricted: Expendable – Temporarily Restricted Assets – A donor imposed restriction that permits the Fund to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Fund. The Fund's expenditures of temporarily restricted assets are restricted to scholarships and faculty activities.

Restricted: Non-Expendable – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Fund to expend part or all of the income or other economic benefit derived from the donated asset. The Fund's income derived from these resources is restricted to expenditures on scholarships.

D. Income Tax Status

The Fund has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is, however, required to file annually IRS Form 990, which reports the activity of the Fund during the Year.

E Cash and Investments

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.*

Deposits: At June 30, 2004, the carrying amount and bank balance of the Fund's deposits were $115. The entire balance was covered by Federal Deposit Insurance.

Investments: GASB Statement No. 3 requires the College to categorize investments to give an indication of the level of risk assumed by the Fund at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Fund's name.

15. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND (Continued)

E. Cash and Investments (Continued)

June 30. 2004	Category 2	Carrying/Fair Value
Corporate Stocks	$ 431,839	$ 560,819
Corporate Bonds	100,765	95,201
Mutual Fund	8,638	3,238
Money Market Mutual Funds	-	23,262
Total Investments	**$ 541,242**	**$ 682,520**

Investments are reported at their fair market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Securities with original maturities of three months or less are reported as cash equivalents.

The net gain or loss on the investment portfolio is determined by calculating the differences between the market value of investment assets held at the end of the year and their market value as of the beginning of the year.

MARION TECHNICAL COLLEGE
SCHEDULE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	CFDA #	Project Number	Award Amount	Grant Balance 7/1/2003	Federal Receipts	Federal Disbursements	Grant Balance 6/30/2004
U.S. Department of Education							
Student Financial Aid Cluster:							
Pell Grant Program	84.063		$1,947,876	-	$1,947,876	$1,947,876	-
College Work Study Program	84.033		49,588		49,588	49,588	-
Passed Through Ohio Dept. of Education							
Vocational Education Basic Grants	84.048	064527-20-C2-02	114,038	(17,106)	17,106		-
Vocational Education Basic Grants	84.048	064527-20-C2-02	112,290	-	112,290	112,290	-
Total Vocational Education Basic Grants				(17,106)	129,396	112,290	-
Technical Preparation Grant	84.048	VETP-2003-02-FB	160,487	(24,073)	24,073	-	-
Technical Preparation Grant	84.048	VETP-2004-03-FB	158,062	-	158,062	158,062	-
Total Technical Preparation Grant				(24,073)	182,135	158,062	-
Adult and Community Education Grant	84.002	064527-AB-S1-03	18,270	(18,270)	18,270		
Adult and Community Education Grant	84.002	064527-AB-S1-04	17,039	-	17,039	17,039	-
Total Adult and Community Education Grant				(18,270)	35,759	17,039	-
Total U.S. Department of Education				(59,449)	346,840	287,391	-
TOTAL FEDERAL AWARDS				**$(59,449)**	**$2,344,304**	**$2,284,855**	**-**

MARION TECHNICAL COLLEGE
NOTES TO THE FEDERAL SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

1. This schedule is presented on a cash basis of accounting. Federal Funds are determined to be on a first-in, first-out basis.

2. The approximate amount of Guaranteed Student Loan (Stafford Loan (84.032)) money received in 2004 was $1,032,719, which is not required to be reflected in the Schedule of Federal Awards. This amount represents loans approved in the current year and the prior year and has been subjected to all applicable audit procedures.

Nagel, Weigand & Company, LLC

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

Board of Trustees
Marion Technical
Marion, Ohio

We have audited the basic financial statements of the Marion Technical College as of and for the year ended June 30, 2004, and have issued our report thereon dated December 21, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that we have reported to management in a separate letter dated December 21, 2004.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and the U.S. Department of Education and is not intended and should not be used by anyone other than these specified parties.

December 21, 2004 *Nagel, Weigand & Company, LLC*

Nagel, Weigand & Company, LLC

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Marion Technical College
Marion, Ohio

Compliance

We have audited the compliance of Marion Technical College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results, section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion Technical College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Marion Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Marion Technical College
Marion County

Internal Control Over Compliance

The management of the Marion Technical College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Trustees, and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

December 21, 2004 *Nagel, Weigand & Company, LLC*

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Marion Technical College.

2. No reportable conditions were disclosed during the audit of the financial statements of Marion Technical College.

3. No instances of noncompliance material to the financial statements of Marion Technical college were disclosed during the audit.

4. No reportable conditions were disclosed during the audit of the major federal award programs.

5. The auditor's report on compliance for the major federal award programs for Marion Technical college expresses an unqualified opinion.

6. No audit findings relative to the major programs for Marion Technical College were disclosed during the audit.

7. The programs tested as major included: Federal Family Education Loan Program (84.032), Federal Work Study (84.033), and Federal Pell Grant Program (84.063)

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Marion Technical College was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

none

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

none

MARION TECHNICAL COLLEGE
GENERAL COMMENTS
JUNE 30,2004

The audit report was reviewed with and acknowledged by the following officials on December 21, 2004:

Jeff Nutter	Controller
Doug Boyer	Vice President for Business
J. Richard Bryson	College President

These officials were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the contents of this report. No such response was received.

College personnel were very cooperative and available for questions and assistance during regular working hours. Records were well organized and maintained.

MARION TECHNICAL COLLEGE
DEVELOPMENT FUND

MARION COUNTY

AUDITED FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED
JUNE 30, 2004

MARION TECHNICAL COLLEGE
MARION COUNTY

TABLE OF CONTENTS

Nagel, Weigand & Company, LLC

Independent Auditor's Report

Board of Directors
Marion Technical College Development Fund
Marion, Ohio 43302

We have audited the accompanying statement of financial position of the Marion Technical College Development Fund, a nonprofit organization, as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Development Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marion Technical College Development Fund as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2004 on our consideration of the Development Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

December 21, 2004 *Nagel, Weigand & Company, LLC*

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS:	
Cash and Cash Equivalents	$ 23,378
Long-Term Investments	659,257
TOTAL ASSETS	$682,635
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Scholarships Payable	$ 28,032
Total Liabilities	28,032
Net Assets:	
Unrestricted	608,863
Excess of Revenue over Expenses	45,740
Total Net Assets	654,603
TOTAL LIABILITIES AND NET ASSETS	$682,635

The accompanying notes are an integral part of these financial statements.

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	UNRESTRICTED
Support and Revenue:	
Support:	
Scholarship/Grant Fund	$ 18,528
General Endowment Fund	26
Named Fund	1,533
Unspecified Fund	1,228
Other Fund	65
Dividend Income	16,958
Realized Gains (net of losses)	47,083
Unrealized Gains (net of losses)	2,814
Total Support	88,235
Expenses:	
Scholarships	28,190
Accounting Fees	1,755
Other Fund	12,500
State Fees	50
Total Expenses	42,495
Change in Net Assets	45,740
Net Assets, July 1, 2003	608,863
Net Assets, June 30, 2004	$ 654,603

The accompanying notes are an integral part of these financial statements.

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in Net Assets	$ 45,740
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized Gains on Investments	47,083
Net Cash From Operating Activities	92,823
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in Securities	(129,157)
Net Cash (Used) By Investing Activities	(129,157)
Net Increase in Cash and Cash Equivalents	(36,334)
Cash and Cash Equivalents - July 1, 2003	59,712
Cash and Cash Equivalents - June 30, 2004	$ 23,378

The accompanying notes are an integral part of these financial statements.

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Marion Technical College Development Fund is organized and is operated exclusively for educational, scientific, or charitable purposes by conducting and supporting activities which benefit, or carry out the purpose of the Marion Technical College (herein, "the College"). The College is a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code. The Marion Technical College Development Fund is empowered to exercise all rights and powers conferred by the laws of Ohio upon nonprofit corporations.

Basis of Accounting - The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Income Taxes - The Marion Technical College Development Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore makes no provision for income taxes. It is however, required to file annually, IRS Form 990, which reports the activity of the Foundation during the year.

Cash Equivalents - For purposes of the statement of cash flows, the Development Fund considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Fair value approximates carrying amounts.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments – The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.*

Deposits: At June 30, 2004, the carrying amount and bank balance of the Fund's deposits were $115. The entire balance was covered by Federal Deposit Insurance.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Investments - (Continued)

Investments: GASB Statement No. 3 requires the College to categorize investments to give an indication of the level of risk assumed by the Fund at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Fund's name.

June 30. 2004	**Category 2**	**Carrying/Fair Value**
Corporate Stocks	$ 431,839	$ 560,819
Corporate Bonds	100,765	95,201
Mutual Fund	8,638	3,238
Money Market Mutual Funds	-	23,262
Total Investments	**$ 541,242**	**$ 682,520**

Investments are reported at their fair market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Securities with original maturities of three months or less are reported as cash equivalents.

The net gain or loss on the investment portfolio is determined by calculating the differences between the market value of investment assets held at the end of the year and their market value as of the beginning of the year.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Promises to Give – For the 2004 fiscal year, contributions are recognized when the donor makes a promise to give to the Development Fund.

Contributions - The Development Fund has also adopted SFAS No 116, “Accounting for Contributions Received and Contributions Made” in 1999. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Financial Statement Presentation - In 1999, the Development Fund adopted SFAS No. 117, “Financial Statements of Not -for- Profit Organizations”. Under SFAS No. 117 the Development Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Development Fund is required to present a statement of cashflows. As permitted by this new statement, the Development Fund has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Functional Allocation of Expenses - The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Nagel, Weigand & Company, LLC

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE <u>WITH GOVERNMENT AUDITING STANDARDS</u>

Board of Directors
Marion Technical College Development Fund
Marion, Ohio 43302

We have audited the financial statements of the Marion Technical College Development Fund for the year ended June 30, 2004, and have issued our report thereon dated December 21, 2004. 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 *<u>Government Auditing Standards</u>*, issued by the Comptroller General of the United States.

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

<u>Internal Control Over Financial Reporting</u>
In planning and performing our audit, we considered the Development Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Marion Technical College Development Fund
Marion County

This report is intended for the information and use of management and the Auditor of State and is not to be and should not be used by anyone other than these specified parties.

December 21, 2004 *Nagel, Weigand and Company, LLC*

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Marion Technical College Development Fund.

2. No reportable conditions were disclosed during the audit of the financial statements of the Marion Technical College Development Fund.

3. No instances of noncompliance material to the financial statements of the Marion Technical College Development Fund.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

none

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

GENERAL COMMENTS

The audit report, including citations and recommendations, was reviewed with and acknowledged by the following officials on December 21, 2004:

Jeff Nutter	Controller
Teresa Parker	Assistant to the President
Doug Boyer	Vice President for Business
J. Richard Bryson	College President

These officials were informed that they had five working days for the Auditor of State from the date of the post audit conference to respond to, or contest, in writing, the contents of this report. No such response was received.

Foundation personnel were very cooperative and available for questions and assistance during regular working hours. Records were exceptionally well organized and maintained.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MARION TECHNICAL COLLEGE

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 10, 2005