Marion Technical College
Single Audit
July 1, 2004 through June 30, 2005
Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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Piketon, Ohio 45661

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Auditor of State
Betty Montgomery

Board of Trustees
Marion Technical College
Marion, Ohio

We have reviewed the *Independent Auditor's Report* of the Marion Technical College, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. 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

February 9, 2006

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

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Member American Institute of Certified Public Accountants Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

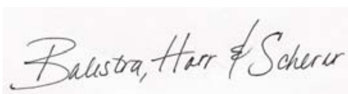
In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the College implemented Governmental Accounting Standards Board Statement Number 40, *Deposit and Investment Risk Disclosures – An amendment of GASB statement No. 3 Issued 3/03.*

As discussed in Note 16 to the basic financial statements, the Marion Technical College Development Fund, a component unit of the Marion Technical college, changed its accounting method to conform to the requirements of the College.



Balestra, Harr & Scherer, CPAs, Inc.
December 27, 2005

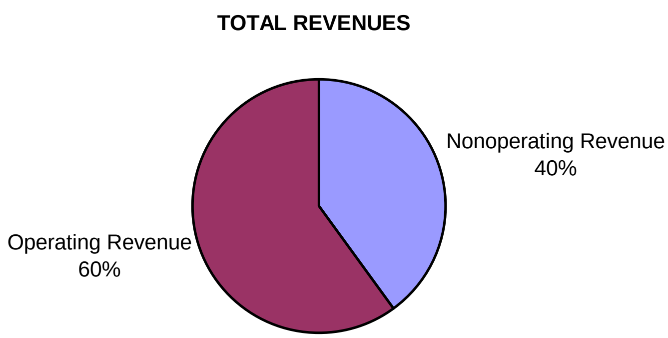
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005

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, 2005. 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, 2005. Its combined net assets increased $702,204 or 25.8% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2005:



In the fiscal year ending June 30, 2005, revenues and other support exceeded expenses, creating the increase in net assets of $702,204 (compared to a $771,619 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.

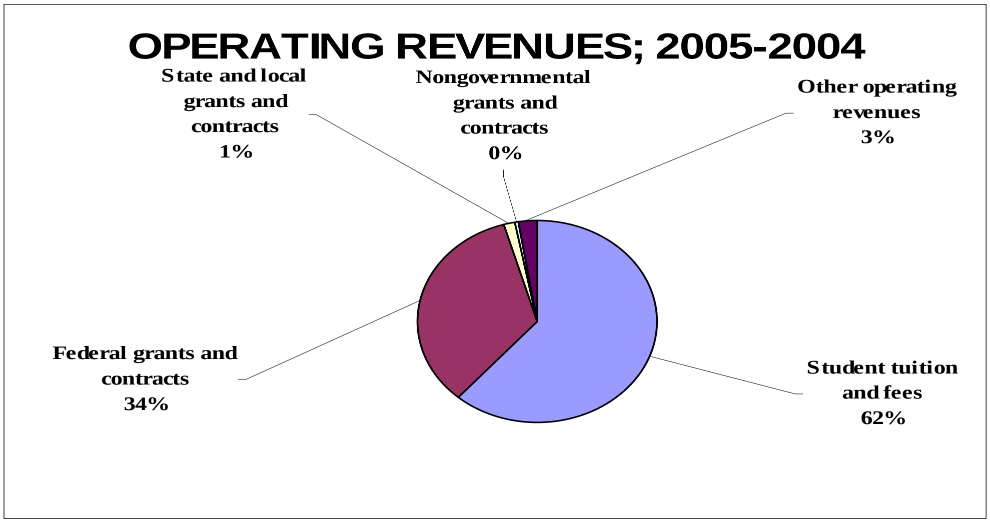
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2005

Net Assets – Primary Institution
FY2005 Versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
ASSETS				
Current Assets				
Cash & cash equivalents	$ 1,731,254	$ 1,335,301	$ 395,953	29.7%
Investments	1,069,821	1,048,273	21,548	2.1%
Student accounts receivable, net	66,114	54,802	11,312	20.6%
Other receivables, net	1,315,736	945,648	370,088	39.1%
Prepaid expenses	-	71,490	(71,490)	100.0%
Total current assets	4,182,925	3,455,514	727,411	21.1%
Noncurrent Assets				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	1,106	11,510	(10,404)	-90.4%
Capital assets, net	375,842	319,964	55,878	17.5%
Total noncurrent assets	377,939	332,465	45,474	13.7%
TOTAL ASSETS	$ 4,560,864	$ 3,787,979	$ 772,885	20.4%
LIABILITIES				
Current Liabilities				
Accounts Payable	$221,219	$ 194,216	$ 27,003	13.9%
Deferred Income	118,632	101,304	17,328	17.1%
Accounts Payable – OSUM	67,228	45,683	21,545	47.2%
Accrued Payroll	256,639	256,306	333	0.1%
Accrued Vacation Leave	230,188	233,883	(3,695)	-1.6%
Total current liabilities	893,906	831,392	62,514	7.5%
Noncurrent Liabilities				
Accrued Sick Leave	237,989	229,822	8,167	3.6%
Total noncurrent liabilities	237,989	229,822	8,167	3.6%
TOTAL LIABILITIES	1,131,895	1,061,214	70,681	6.7%
NET ASSETS				
Invested in capital assets, net of related debt	375,842	319,964	55,878	17.5%
Restricted:				
Nonexpendable				
Expendable				
Student Grants and Scholarships	66,599	66,491	108	0.2%
Loans	2,177	1,954	223	11.4%
Instructional Department Uses	64,728	61,667	3,061	5.0%
Unrestricted	2,919,623	2,276,689	642,934	28.2%
Total net assets	3,428,969	2,726,765	702,204	25.8%
TOTAL LIABILITIES AND NET ASSETS	$ 4,560,864	$ 3,787,979	$ 772,885	20.4%

Net Asset Changes – Component Unit – MTC Development Fund
FY2005 versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
ASSETS				
Current Assets:				
Cash equivalents	$22,858	$23,378	($520)	-2.2%
Total current assets	$22,858	$23,378	($520)	-2.2%
Noncurrent Assets:				
Long-term investments	706,111	664,657	41,454	6.2%
Total noncurrent assets	706,111	664,657	41,454	6.2%
TOTAL ASSETS	$728,969	$688,035	$40,934	6.0%
LIABILITES				
Current Liabilities				
Accrued Scholarships	$32,053	$28,032	$4,021	14.3%
Total current liabilities	32,053	28,032	4,021	14.3%
TOTAL LIABILITIES	32,053	28,032	4,021	14.3%
NET ASSETS				
Nonexpendable	385,020	364,627	20,393	5.6%
Expendable:				
Student Grants and Scholarships	235,973	223,474	12,499	5.6%
Unrestricted	75,923	71,902	4,021	5.6%
Total net assets	696,916	660,003	36,913	5.6%
TOTAL LIABILITIES AND NET ASSETS	$728,969	$688,035	$40,934	6.0%



Primary Institution
Operating Results for the Year – FY2005 Versus FY2004

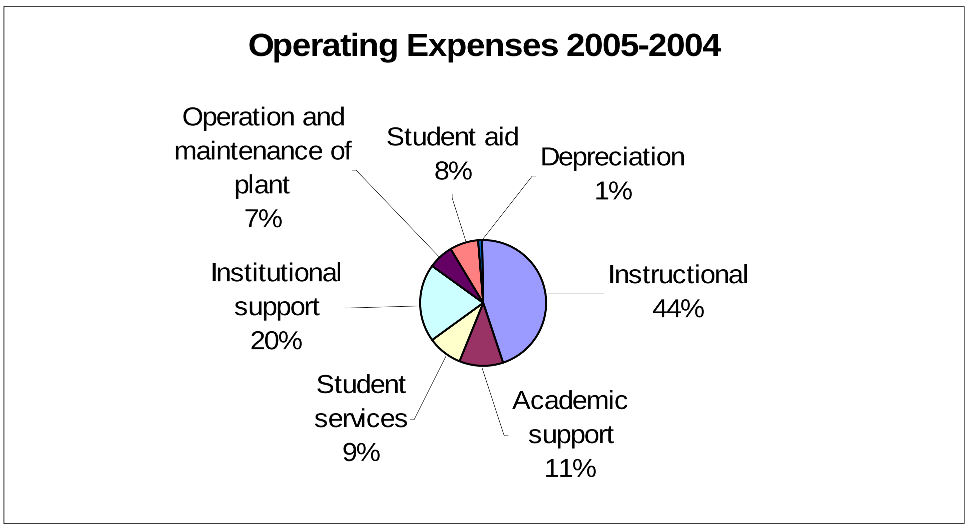
	6/30/2005	6/30/2004	Change	Percent Change
Operating Revenues:				
Student tuition and fees	$ 4,324,327	$ 4,018,064	$ 306,263	7.6%
Federal grants and contracts	2,422,827	2,284,855	137,972	6.0%
State and local grants and contracts	100,017	187,754	(87,737)	-46.7%
Nongovernmental grants and contracts	23,188	23,097	91	0.4%
Other operating revenues	185,746	188,953	(3,207)	-1.7%
Total operating revenues	7,056,105	6,702,723	353,382	5.3%
Operating Expenses:	11,203,225	10,030,720	1,172,505	11.7%
Net operating revenues (expenses)	(4,147,120)	(3,327,997)	$(819,123)	24.6%
Nonoperating Revenues (expenses)				
State appropriations	4,054,942	3,338,319	716,623	21.5%
State and local grants	530,804	542,900	(12,096)	-2.2%
Investment income	32,749	18,407	14,342	77.9%
Other nonoperating revenues	-	25,000	(25,000)	-100.0%
Capital Assets Disposals	(15,947)	-	(15,947)	-100.0%
Net Nonoperating Revenues	4,602,548	3,924,626	677,922	17.3%
Income before other revenues	455,428	596,629	(141,201)	-23.7%
Capital Appropriations	246,776	174,990	71,786	41.0%
Increase in net assets	702,204	771,619	(69,415)	-9.0%
Net Assets, beginning of year	2,726,765	1,955,146	771,619	39.5%
Net Assets, end of year	$3,428,969	$2,726,765	$ 702,204	25.8%

Component Unit
Operating Results for the Year – FY2005 Versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
Operating Revenues				
Contributions	$18,104	$21,320	($3,216)	-15.1%
Other	5	60	(55)	-91.7%
Total operating revenues	18,109	21,380	(3,271)	-15.3%
Operating Expenses	3,079	1,805	1,274	70.6%
Net operating revenues (expenses)	15,030	19,575	(4,545)	-23.2%
Nonoperating Revenues (Expenses)				
Investment Income	53,936	72,255	(18,319)	-25.4%
Scholarships	(32,053)	(40,690)	8,637	21.2%
Net nonoperating revenues (expenses)	21,883	31,565	(9,682)	-30.7%
Increase (decrease) in Net Assets	36,913	51,140	(14,227)	-27.8%
Net Assets, beginning of year	660,003	608,863	51,140	8.4%
Net Assets, end of year	$696,916	$660,003	$36,913	6.0%

Primary Institution
Operating Expenses for the Year – FY2005 Versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
Operating Expenses:				
Instructional	$ 5,029,018	$ 4,636,836	$ 392,182	8.5%
Academic support	1,188,150	1,101,389	86,761	7.9%
Student services	1,022,157	945,094	77,063	8.2%
Institutional support	2,249,469	1,804,691	444,778	24.6%
Operation and maintenance of plant	767,035	660,173	106,862	16.2%
Student aid	855,102	789,563	65,539	8.3%
Depreciation	92,294	92,974	(680)	-0.7%
Total operating expenses	$ 11,203,225	$ 10,030,720	$ 1,172,505	11.7%

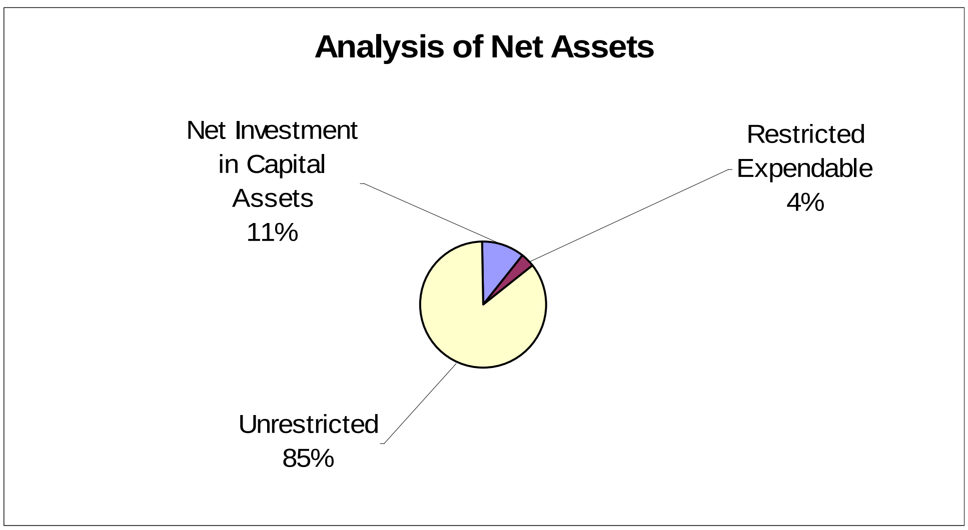


Total operating expenses increased by $1,172,505 or 11.7% over FY 2004. Three areas increased expenditures as a result of wage and benefit increases. These areas were Instructional $392,182 (8.5%), Student services $77,063 (8.2%), and Academic support increased by $86,761 (7.9%). Operations and maintenance of plant $106,862 (16.2%) increased due to additional staff and operating supplies. Institutional support increased by $444,778 (24.6%) due to the addition of leased space and the contracting of computer consultants. Student aid increased by $65,539 (8.3%) as a result of expanded FTE enrollment and increased student tuition.

Analysis of Net Assets – Primary Institution
FY2005 Versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
Net Assets				
Net Investment in Capital Assets	$ 375,842	$ 319,964	$ 55,878	17.5%
Restricted Expendable	133,504	130,112	3,392	2.6%
Unrestricted	2,919,623	2,276,689	642,934	28.2%
Total	$ 3,428,969	$ 2,726,765	$ 702,204	25.8%

Unrestricted Net Assets increased $642,934 due to revenues exceeding expenditures. Increased state funding, increased enrollment in fiscal year 2005, and the strategic use of unallocated budget line items contributed to the surplus for unrestricted net assets. Restricted Expendable Net Assets increased $3,392 due to receipts exceeding expenditures. Restricted Expendable Net Assets represent excess grant funds received for specific activities. Net Investment in Capital Assets increased due to purchases of equipment exceeding depreciation expense.



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
FY2005 Versus FY2004

	6/30/2005	6/30/2004	Change	Percent Change
Cash provided (used) by:				
Operating activities	$(4,318,745)	$ (3,357,983)	$ (960,762)	28.6%
Noncapital financing activities	4,597,900	3,894,066	703,834	18.1%
Capital and related financing activities	105,598	130,834	(25,236)	-19.3%
Investing activities	11,200	7,943	3,257	41.0%
Net increase (decrease) in cash	395,953	674,860	(278,907)	-41.3%
Cash, beginning of year	1,335,301	660,441	674,860	102.2%
Cash, end of year	$ 1,731,254	$ 1,335,301	$ 395,953	29.7%

Capital and Debt Administration

Capital Assets

At June 30, 2005, the College had $375,842 invested in capital assets, net of accumulated depreciation of $951,079. Depreciation charges totaled $92,294 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net; FY2005 Versus FY2004
Primary Institution

	6/30/2005	6/30/2004	Change	Percent Change
Machinery and Equipment	$ 219,217	$ 222,416	$ (3,199)	-1.4%
Computers and Computer Equipment	37,355	53,969	(16,614)	-30.8%
Vehicles	21,237	15,971	5,266	33.0%
Land Improvements	98,033	27,608	70,425	255.1%
Capital Assets, net	$ 375,842	$ 319,964	$ 55,878	17.5%

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

The College has planned expenditures for fiscal year ending June 30, 2006 at approximately $280,000. 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 8 to the financial statements.

Debt

At year-end 2005, 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 very small increase in funding to the College in the next year.

The College has approved tuition and fee increases averaging 5.5% starting in Summer Quarter 2005. The College also has shown large enrollment increases during each quarter of fiscal years 2003, 2004, and 2005. The College anticipates no enrollment increase in fiscal year 2006.

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.

The College is considering a 3% increase for employee contracts and a 20% increase for health insurance premiums during fiscal year 2006.

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 and provide funding for the anticipated new administrative software system in FY 2006.

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
As of June 30, 2005

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & cash equivalents	$1,731,254	$22,858
Investments	1,069,821	-
Student accounts receivable, net	66,114	-
Other receivables, net	1,315,736	-
Total current assets	4,182,925	$22,858
Noncurrent Assets		
Other receivables, net	991	-
Prepaid expenses	1,106	-
Long-term investment	-	706,111
Capital assets, net	375,842	-
Total noncurrent assets	377,939	706,111
TOTAL ASSETS	$4,560,864	$728,969
LIABILITIES		
Current Liabilities		
Accounts Payable	$221,219	$32,053
Deferred Income	118,632	-
Accounts Payable – OSUM	67,228	-
Accrued Payroll	256,639	-
Accrued Vacation Leave	230,188	-
Total current liabilities	893,906	32,053
Noncurrent Liabilities		
Compensated Absences	237,989	-
Total noncurrent liabilities	237,989	-
TOTAL LIABILITIES	1,131,895	32,053
NET ASSETS		
Invested in capital assets, net of related debt	375,842	-
Restricted:		
Nonexpendable	-	385,020
Expendable:		
Student Grants and Scholarships	66,599	235,973
Loans	2,177	-
Instructional Department Uses	64,728	-
Unrestricted	2,919,623	75,923
Total net assets	3,428,969	696,916
TOTAL LIABILITIES AND NET ASSETS	$4,560,864	728,969

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, 2005

	Primary Institution	Component Unit
REVENUE:		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $1,413,889)	$4,324,327	$ -
Federal grants and contracts	2,422,827	-
State and local grants and contracts	100,017	-
Nongovernmental grants and contracts	23,188	-
Contributions	-	18,104
Other operating revenues	185,746	5
Total operating revenues	7,056,105	18,109
EXPENSES:		
Operating Expenses:		
Instructional	5,029,018	-
Academic support	1,188,150	-
Student services	1,022,157	-
Institutional support	2,249,469	-
Operation and maintenance of plant	767,035	-
Student aid	855,102	-
General & Administrative	-	3,079
Depreciation	92,294	-
Total operating expenses	11,203,225	3,079
Operating Income (Loss)	(4,147,120)	15,030
NONOPERATING REVENUES (EXPENSES):		
State appropriations	4,054,942	
State and local grants	530,804	
Investment income	32,749	53,936
Scholarships	-	(32,053)
Capital Asset Disposal	(15,947)	-
Nonoperating Revenues	4,602,548	21,883
Income before other revenues, expenses, gains or losses	455,428	36,913
Capital Appropriations	246,776	-
Increase in net assets	702,204	36,913
Net Assets, beginning of year	2,726,765	660,003
Net Assets, end of year	$3,428,969	$696,916

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, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**Primary Institution**
Cash Flows from Operating Activities:	
Tuition and Fees	$5,373,195
Grants & Contracts	283,463
Supplier and related payments	(2,757,108)
Employee and related payments	(7,441,969)
Other receipts (payments)	223,674
Net cash provided (used) by operating activities	(4,318,745)
Cash Flows from Non-Capital and Related Financing Activities:	
State Appropriations	4,054,942
Gifts and grants	542,958
Net cash provided (used) by non-capital financing activities	4,597,900
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	259,313
Purchases of capital assets	(153,715)
Net cash provided (used) by capital and related financing activities	105,598
Cash Flows from Investing Activities	
Interest and other income	11,200
Net cash provided (used) by investing activities	11,200
Net increase in cash and cash equivalents	395,954
Cash and Cash Equivalents at beginning of year	1,335,301
Cash and Cash Equivalents at end of year	$1,731,254

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(4,147,120)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	92,294
Changes in assets and liabilities:	
Student accounts receivable, net	(11,312)
Other receivables, net	(392,997)
Prepaid expenses	71,490
Accounts Payable	25,223
Deferred Income	17,328
Accounts Payable – OSUM	21,545
Accrued Payroll	332
Accrued Sick Leave	8,167
Accrued Vacation Leave	(3,695)
Net cash used by operating activities	$(4,318,745)

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 16.

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.

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.

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

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).

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. 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.

H. Restricted Assets

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

I. 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)

J. 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.

K. 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.

L. 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.

M. 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.

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

M. Net Assets (Continued)

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.

N. 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.

O. 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.

P. 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.

Q. Income Taxes

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

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

R. 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.

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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 is 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. CHANGE IN ACCOUNTING PRINCIPLES

The College has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which the governments are exposed. Implementation of this GASB statement had no impact on the College's financial position or results of operations.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

	Cash		Investments
Category 1	Deposits that are either insured or collateralized with securities held by the College or by its agent in the College's name.		Investments that are insured or registered, or securities held by College or by its agent in the College's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.		Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the College's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the College's name).		Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the College's name.
Not Categorized			Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2005, the carrying amount of the College's cash deposits were $1,731,254 and the bank balances was $2,064,691. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2005, $100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances were Category 3. The following summarizes the carrying value and market value of investments:

		Investment Maturities (in years)
Description	Market Value	Less than 1
June 30, 2005:		
StarOhio	$1,067,821	$1,067,821
National City Bank CD	2,000	2,000
Total	$1,069,821	$1,069,821

The College held $1,067,821 in Star Ohio investments, which is an external investment pool. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The College has no investment policy that limits its investment choices. As of the fiscal years ended June 30, 2005 the College's investments in Star Ohio were rated AAAm by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments are in Star Ohio. These investments were 99.8%, of the College's total investments as of June 30, 2005.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College's investments are held in the name of the College. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Deposits. The College does not have a policy for custodial credit risk. As of June 30, 2005, $1,964,691 of the College's bank balances was exposed to custodial credit risk as follows:

	June 30, 2005
Uninsured and collateral held by the pledging bank's trust department not in the College's name	$1,964,691
	$1,964,691

4. RECEIVALBES

Receivables at June 30, 2005 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$66,114		$66,114
Intergovernmental	1,239,828	(111,000)	1,128,828
Other	186,908		186,908
Total Receivables	$1,492,850	$(111,000)	$1,381,850

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, 2005, 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.

8. CAPITAL ASSETS

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

	Balance at 7/1/2004	Increases	Decreases	Balance at 6/30/2005
Capital Assets, Depreciable:				
Machinery and Equipment	$665,552	$62,583	$(6,104)	$722,031
Computers and Computer Equipment	464,593	5,325	(3,095)	466,823
Vehicles	39,745	22,662	(29,745)	32,662
Land Improvements	31,856	73,549	-	105,405
Total Depreciable	1,201,746	164,119	(38,944)	1,326,921
Less Accumulated Depreciation:				
Machinery and Equipment	(443,136)	(62,776)	3,098	(502,814)
Computers and Computer Equipment	(410,624)	(21,939)	3,095	(429,468)
Vehicles	(23,774)	(4,455)	16,804	(11,425)
Land Improvements	(4,248)	(3,124)	-	(7,372)
Total Depreciation	(881,782)	(92,294)	22,997	(951,079)
Capital Assets, net	$319,964	$71,825	$(15,947)	$375,842

9. LONG-TERM LIABILITIES

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

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amount Due Within One Year
Compensated Absences	$229,822	$8,167	-	$237,989	-
Total Long-Term Liabilities	$229,822	$8,167	-	$237,989	-

10. LEASE OBLIGATIONS

The College is involved in two leases for copiers on which payments are made monthly. Both leases are considered operating leases. 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
2006	14,766
TOTAL	$14,766

11. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries And Benefits	Scholarships and Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$4,173,688	$0	$103,680	$751,650	$0	$5,029,018
Academic Support	734,965	0	112,280	340,905	0	1,188,150
Student Services	906,166	0	4,849	111,142	0	1,022,157
Institutional Support	1,631,952	0	214,771	402,746	0	2,249,469
Operation and maintenance of plant	0	0	0	767,035	0	767,035
Student Aid	0	855,102	0	0	0	855,102
Depreciation	0	0	0	0	92,294	92,294
Totals	$7,446,771	$855,102	$435,580	$2,373,478	$92,294	$11,203,225

12. 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, 2005, 2004, and 2003 were $303,953, $275,438, and $254,318 respectively, equal to the required contributions for the year.

12. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2005, 2004, and 2003 were $452,674, $421,613, and $386,133 respectively, equal to the required contributions for the year.

13. 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, 2004, 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 $ 3.1 billion, at June 30, 2004 (the latest information available). For the year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

13. POST-EMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% 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 2004, the minimum pay has been established as $25,400. 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.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were $223,443,805 and the target level was $335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits. The portion of the College's contributions that were used to fund post-employment benefits was $101,828.

14. 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 2005, 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 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.

14. RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2005, 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.

15. 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 subject to audits by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2005.

B. Litigation

The College is currently not party to any legal proceedings.

16. 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.

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

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. Change of Accounting Principles

In prior years, the Development Fund issued a separate report under FASB guidance. Reclassifications were made as necessary to conform to the GASB 35 format required for the College, for purposes of inclusion in the College's report as a discretely presented component unit. As of fiscal year ended June 30, 2005, the component unit will no longer issue a separate report, but rather follow the accounting policies of the College as described in Note 1 for presentation in the College's report.

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

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

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

E. Cash and Investments (Continued)

	Cash		Investments
Category 1	Deposits that are either insured or collateralized with securities held by the Foundation or by its agent in the Foundation's name.		Investments that are insured or registered, or securities held by Foundation or by its agent in the Foundation's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.		Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the Foundation's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Foundation's name).		Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the Foundation's name.
Not Categorized			Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 2005, the carrying amount of the Foundation's cash deposits was $22,857 and the bank balance was $22,857. At June 30, 2005, $22,857 of the bank balances was insured by the FDIC (Category 1). The following summarizes the market value and maturities of investments:

Description	Market Value	Investment Maturities (in years) Less than 1	1-5	6-10
June 30, 2005:				
Taxable Bonds	$ 197,917	$ -	$ 99,006	$ 98,911
Fixed Income Funds	40,847	40,847	-	-
Preferred Stock	13,637	13,637	-	-
Common Stock & Options	453,710	453,710	-	-
Total Investments	$ 706,111	$ 508,194	$ 99,006	$ 98,911

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

E. Cash and Investments (Continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy provides for management of the portfolio to preserve the purchasing power of the principle. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the Fund's assets. The Fund's assets are to be managed in a balanced portfolio, which is comprised of common stock, convertible securities, fixed income instruments, and cash equivalents. Maximum exposure to the stock market shall be approximately 60% of the total portfolio and remaining assets are to be invested in fixed income or short-term investments. Cash balances may be invested in a money market fund. Fixed income investments are limited to U.S. Treasury, Federal Agency, A or better rated domestic corporate bonds, fixed income mutual funds, and Mortgage and Asset Back Securities.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Foundation's investment policy limits investments to the following categories: Cash Equivalents, Fixed Income Assets, Equities assets, and Mutual Funds. Fixed income assets are subject to several limitations including only corporate debt issues that meet or exceed a credit rating of "A" from S&P or "A2" or higher from Moody's. Preferred stocks should be rated "A" or better by Moody's or S&P at the time of purchase. Equities holdings should represent companies meeting a minimum capitalization requirement of two hundred and fifty million with high market liquidity. Standard & Poor's and Moody's rating are disclosed in the following table for rated investments:

Taxable Bond Issue	CUSIP	Maturity Date	Market Value	S & P Rating	Moody Rating
Caterpillar	14912L2L4	2/8/08	$24,770	A	A2
US Treasury	912828BG4	8/15/08	24,688	AAA	Aaa
Merrill Lynch	59018YUH2	9/10/09	24,894	A+	Aa3
Lehman Brothers Holding, Inc.	52517PXT3	11/10/09	24,654	A	A1
General Electric CAP Corporation	36966RFF8	11/15/12	23,973	AAA	Aaa
Federal National Mortgage Association	3136F4TZ7	11/26/13	25,008	AAA	Aaa
Federal National Mortgage Association	3136F22C1	2/13/14	24,930	AAA	Aaa
Federal Home Loan Bank	3133X5K72	4/7/14	25,000	AAA	Aaa
			$197,917		

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

E Cash And Investments (Continued)

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Foundation's investment policy calls for 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.

More than 5 percent of the Foundation's investments are in Common Stock & Options, Fixed Income Funds, and Taxable Bonds. These investments represent 64%, 6%, and 28%, respectively of the Foundation's total investments.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Foundation's investment policy provides that the investments' primary objective is preservation of the purchasing power of the principal. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the Fund's assets. The secondary investment objective is growth, of capital assets. Capital asset growth, exclusive of contributions and withdrawals, should provide a rate of return competitive with that of a blended index compromised of the Standard & Poor's 500, Shearson Lehman Intermediate Government Index, and 90 day Treasury Bills, while incurring similar or less risk than such index. All investments are held in the name of the Foundation.

Marion Technical College
Marion County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$50,000
Federal Pell Grant Program	P063P	84.063	2,056,046
Total Student Financial Aid Cluster			2,106,046
Passed through the Ohio Department of Education			
Vocational Education: Basic Grants to States	20C3	84.048	130,526
Adult and Community Education Grant	VETP	84.002	16,268
Tech Prep Education	3ETC	84.243	169,987
Subtotal			316,781
Total United States Department of Education			2,422,827
Total Federal Financial Assistance			$2,422,827

See accompanying notes to the schedule of federal awards expenditures

1. BASIS OF PRESENTATION

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

2. FEDERAL FAMILY EDUCATION LOANS

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032). The dollar amounts are not listed in the Schedule of Federal Awards Expenditures, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2005, totaled $1,475,627.

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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
1467 Mount Vernon Avenue
Marion, Ohio 43302

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Marion Technical College (the College) as of and for the year ended June 30, 2005,which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 27, 2005, in which we indicated the College adopted GASB Statement No. 40 and noted that the component unit changed its accounting methods to conform to the College's requirements. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the College in a separate letter dated December 27, 2005.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 27, 2005

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

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

Compliance

We have audited the compliance of Marion Technical College (the 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 its major federal program for the year ended June 30, 2005. Marion Technical College's major federal program is 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 its major federal program is the responsibility of the 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 of 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 its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 27, 2005

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Work- Study Program CFDA# 84.033; PELL Grant Program CFDA# 84.063; Federal Family Education Loan Program CFDA #84.032
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee ?	Yes

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

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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 21, 2006