Marion Technical College

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
Marion Technical College
1467 Mt. Vernon Avenue
Marion, Ohio 43302-4636

We have reviewed the *Report of Independent Accountants* of the Marion Technical College, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2009

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MARION TECHNICAL COLLEGE

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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 the Marion Technical College (the College), as of and for the year ended June 30, 2008, 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 an opinion 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 the Comptroller General of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure whether the basic 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 business-type activities and the discretely presented component unit of the College, as of June 30, 2008, and the respective changes in financial position and where applicable cash flows, 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 February 20, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance an the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 14, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements number 25 and 27".

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

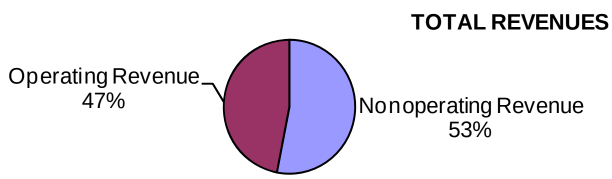
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2008

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, 2008. 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, 2008. Its net assets increased $1,018,797 or 21% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2008:



In the fiscal year ending June 30, 2008, revenues and other support exceeded expenses, creating the increase in net assets of $1,018,797 compared to a $457,190 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 Foundation):** 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.

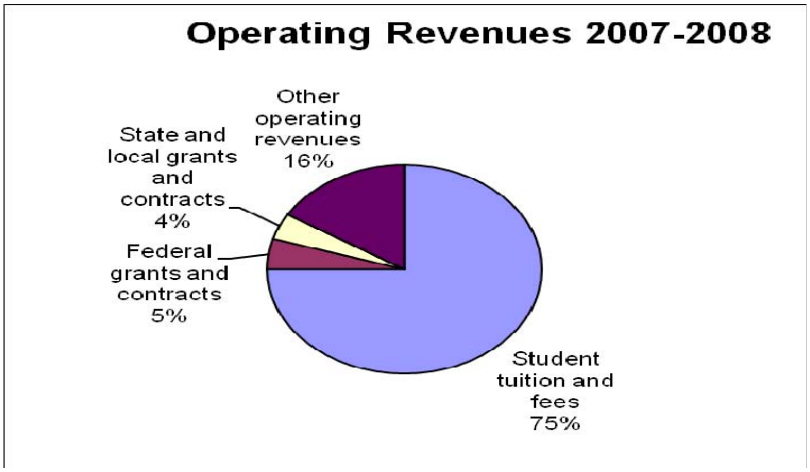
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2008

Net Assets – Primary Institution
FY2008 Versus FY2007

	06-30-08	06-30-07	Change	Percent Change
ASSETS				
Current Assets				
Cash & cash equivalents	$3,610,153	$2,489,735	$1,120,418	45.0%
Investments	1,220,090	1,173,035	47,055	4.0%
Student accounts receivable, net	185,918	115,191	70,727	61.4%
Other receivables, net	1,771,061	1,297,129	473,932	36.5%
Total current assets	6,787,222	5,075,090	1,712,132	33.7%
Noncurrent Assets				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	22,778	31,224	(8,446)	-27.0%
Capital assets, net (Note 9)	1,280,581	1,326,967	(46,386)	-3.5%
Total noncurrent assets	1,304,350	1,359,182	(54,832)	-4.0%
TOTAL ASSETS	$8,091,572	$6,434,272	$1,657,300	25.8%
LIABILITIES				
Current Liabilities				
Accounts Payable	$359,224	$475,874	$(116,650)	-24.5%
Deferred Income	218,722	174,379	44,343	25.4%
Accounts Payable - OSUM	734,362	83,414	650,948	780.4%
Accrued Payroll	316,254	309,162	7,092	2.3%
Accrued Vacation Leave	317,698	301,133	16,565	5.5%
Total current liabilities	1,946,260	1,343,962	602,298	44.8%
Noncurrent Liabilities				
Compensated Absences	326,665	290,460	36,205	12.5%
Total noncurrent liabilities	326,665	290,460	36,205	12.5%
TOTAL LIABILITIES	2,272,925	1,634,422	638,503	39.1%
NET ASSETS				
Invested in capital assets, net of related debt	1,280,581	1,326,967	(46,386)	-3.5%
Restricted:				
Nonexpendable				
Expendable				
Student Grants and Scholarships	79,408	76,819	2,589	3.4%
Loans	3,559	2,866	693	24.2%
Instructional Department Uses	204,796	100,699	104,097	103.4%
Unrestricted	4,250,303	3,292,499	957,804	29.1%
Total net assets	5,818,647	4,799,850	1,018,797	21.0%
TOTAL LIABILITES AND NET ASSETS	$ 8,091,572	$ 6,434,272	$ 1,657,300	25.8%

Net Asset Changes – Component Unit – MTC Foundation
FY2008 versus FY2007

	06-30-08	06-30-07	Change	Percent Change
ASSETS				
Current Assets:				
Cash equivalents	$67,164	$84,806	$(17,642)	-20.8%
Total current assets	$67,164	$84,806	$(17,642)	-20.8%
Noncurrent Assets:				
Long-term investments	692,346	749,844	(57,498)	-7.7%
Total noncurrent assets	692,346	749,844	(57,498)	-7.7%
TOTAL ASSETS	$759,510	$834,650	$(75,140)	-9.0%
LIABILITES				
Current Liabilities				
Accrued Scholarships	$31,218	$26,284	$4,934	18.77%
Total current liabilities	31,218	26,284	4,934	18.77%
TOTAL LIABILITIES	31,218	26,284	4,934	18.77%
NET ASSETS				
Restricted – Nonexpendable	346,001	381,366	(35,365)	-9.3%
Restricted – Expendable Student Grants and Scholarships	348,404	376,849	(28,445)	-7.5%
Unrestricted	33,887	50,151	(16,264)	-32.4%
Total net assets	728,292	808,366	(80,074)	-9.9%
TOTAL LIABILITIES AND NET ASSETS	$759,510	$834,650	$(75,140)	-9.0%



Primary Institution
Operating Results for the Year – FY2008 Versus FY2007

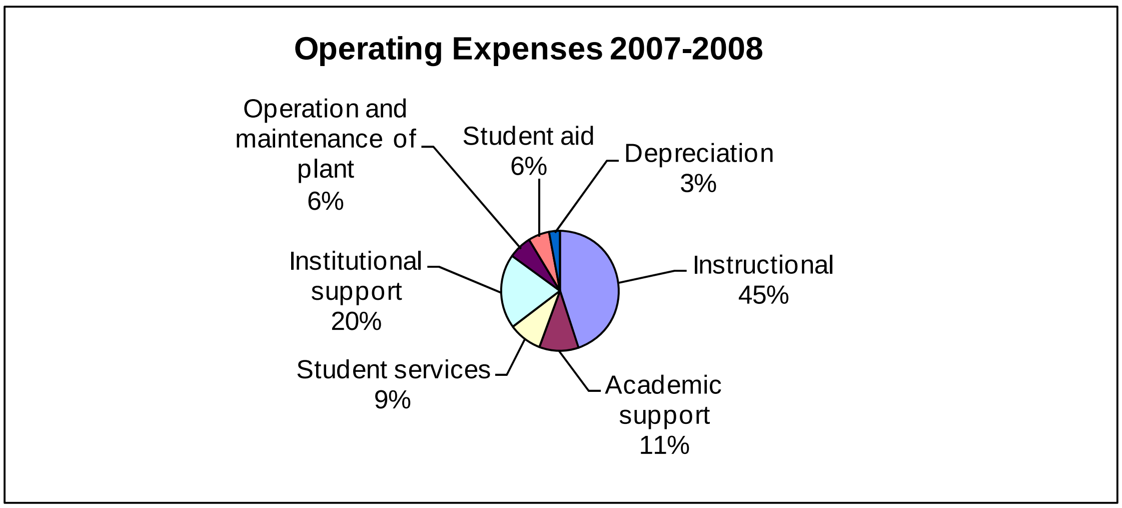
	06-30-08	06-30-07	Change	Percent Change
Operating Revenues:				
Student tuition and fees	$ 4,890,519	$ 4,829,027	$ 61,492	1.3%
Federal grants and contracts	305,407	326,083	(20,676)	6.3%
State and local grants and contracts	267,963	460,056	(192,093)	-41.8%
Nongovernmental grants and contracts	-	8,000	(8,000)	-100.0%
Other operating revenues	1,053,587	337,736	715,851	212.0%
Total operating revenues	6,517,476	5,960,902	556,574	9.3%
Operating Expenses:	13,192,283	12,800,811	391,472	3.1%
Net operating revenues (expenses)	(6,674,807)	(6,839,909)	165,102	-2.4%
Nonoperating Revenues (expenses)				
State appropriations	4,598,551	4,358,475	240,076	5.5%
State and local grants	696,292	587,280	109,012	18.6%
Federal grants and contracts	1,950,991	1,901,021	49,970	2.6%
Investment income	129,817	170,688	(40,871)	-23.9%
Other nonoperating revenues	-	-	-	-
Net Nonoperating Revenues	7,375,651	7,017,464	358,187	5.1%
Income before other revenues	700,844	177,555	523,289	294.7%
Capital Appropriations	260,486	215,871	44,615	20.7%
Captial Grants (Revenue)	57,467	63,764	(6,297)	-9.9%
Increase in net assets	1,018,797	457,190	561,607	122.8%
Net Assets, beginning of year	4,799,850	4,342,660	457,190	10.5%
Net Assets, end of year	$5,818,647	$4,799,850	$ 1,018,797	21.0%

Component Unit
Operating Results for the Year – FY2008 Versus FY2007

	06-30-08	06-30-07	Change	Percent Change
Operating Revenues				
Contributions	$20,809	$38,486	$(17,677)	-45.9%
Total operating revenues	20,809	38,486	(17,677)	-45.9%
Operating Expenses	11,470	16,657	(5,187)	-31.1%
Net operating revenues (expenses)	9,339	21,829	(12,490)	-57.2%
Nonoperating Revenues (Expenses)				
Investment Income/Loss	(58,195)	106,065	(164,260)	-154.8%
Scholarships	(31,218)	(26,284)	(4,934)	-18.77%
Net nonoperating revenues (expenses)	(89,413)	79,781	(169,194)	-212.1%
Increase (decrease) in Net Assets	(80,074)	101,610	(181,684)	-178.8%
Net Assets, beginning of year	808,366	706,756	101,610	14.4%
Net Assets, end of year	$728,292	$808,366	$(80,074)	-9.9%

Primary Institution
Operating Expenses for the Year – FY2008 Versus FY2007

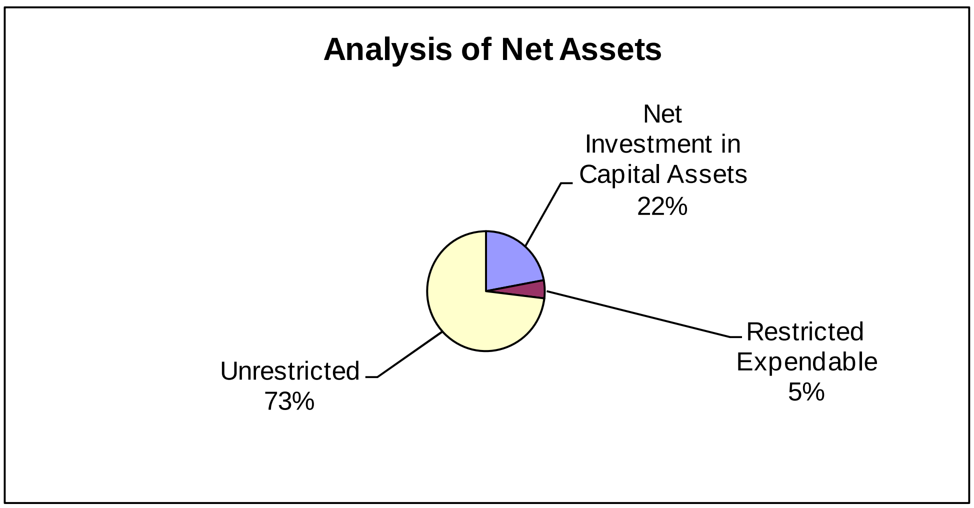
	06-30-08	06-30-07	Change	Percent Change
Operating Expenses:				
Instructional	$5,933,442	$5,639,065	$294,377	5.2%
Academic support	1,402,660	1,369,220	33,440	2.4%
Student services	1,195,095	1,153,955	41,140	3.6%
Institutional support	2,683,683	2,625,081	58,602	2.2%
Operation and maintenance of plant	831,372	907,591	(76,219)	-8.4%
Student aid	756,191	766,989	(10,798)	-1.4%
Depreciation	389,840	338,910	50,930	15.0%
Total operating expenses	$13,192,283	$12,800,811	$391,472	3.1%



Analysis of Net Assets – Primary Institution
FY2008 Versus FY2007

	06-30-08	06-30-07	Change	Percent Change
Net Assets				
Net Investment in Capital Assets	$ 1,280,581	$ 1,326,967	$ (46,386)	-3.5%
Restricted Expendable	287,763	180,384	107,379	59.5%
Unrestricted	4,250,303	3,292,499	957,804	29.1%
Total	$ 5,818,647	$ 4,799,850	$ 1,018,797	21.0%

Unrestricted Net Assets increased $957,807 due to revenues exceeding expenditures. Increased state funding, and the strategic use of unallocated budget line items contributed to the surplus for unrestricted net assets. Restricted Expendable Net Assets increased $107,379 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 expense exceeding purchases of equipment. A notable addition to capital assets was the College management information system.



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
FY2008 Versus FY2007

	06-30-08	06-30-07	Change	Percent Change
Cash provided (used) by:				
Operating activities	$(6,083,664)	$(6,210,215)	$ 126,551	2.0%
Noncapital financing activities	7,181,627	6,846,778	284,879	4.9%
Capital and related financing activities	(60,306)	(485,259)	424,953	87.6%
Investing activities	82,761	110,919	(28,158)	-25.4%
Net increase (decrease) in cash	1,120,418	262,223	858,195	327.3%
Cash, beginning of year	2,489,735	2,227,512	262,223	11.8%
Cash, end of year	$ 3,610,153	$ 2,489,735	$ 1,120,418	45.0%

Capital and Debt Administration

Capital Assets

At June 30, 2008 the College had $1,280,581 invested in capital assets, net of accumulated depreciation of $1,797,379. Depreciation charges totaled $389,592 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net; FY2008 Versus FY2007
Primary Institution

	06-30-08	06-30-07	Change	Percent Change
Machinery and Equipment	$ 224,541	$ 302,342	$ (77,801)	-25.7%
Computers and Computer Equipment	839,817	839,341	476	0.1%
Vehicles	49,445	29,405	20,040	68.2%
Land Improvements	166,778	155,879	10,899	7.0%
Capital Assets, net	$ 1,280,581	$ 1,326,967	$ (46,386)	-3.5%

The major capital additions this year were in computers and computer equipment. Additions to computers included a new management information system for the College. Additions were funded from the general revenue of the College.

The College has planned expenditures for fiscal year ending June 30, 2008 at approximately $318,000. 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 7 to the financial statements.

Debt

At year-end 2008, the College had no debt.

Economic Factors that Will Affect the Future

The economic position of Marion Technical College is closely tied to that of the State of Ohio. The state of Ohio has prioritized the funding for higher education for fiscal years 2008 and 2009. In return higher education will minimize tuition increases for both the 2008 and the 2009 fiscal year.

The College will not increase tuition fees for fiscal year 2009. The College anticipated a 5% enrollment increase in fiscal year 2009. At the time of this report, College fall 2008 enrollment had increased by 10%.

The College is considering a 3% increase for employee contracts and a 15% increase for health insurance premiums during fiscal year 2009.

Economic Factors (continued)

The College's current financial plans indicate that the infusion of additional financial resources from prior year's record surpluses will enable it to maintain its present level of services and provide continued funding for facility improvements and equipment.

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, 2008

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & cash equivalents	$ 3,610,153	$ 67,164
Investments	1,220,090	-
Student accounts receivable, net	185,918	-
Other receivables, net	1,771,061	-
Total current assets	6,787,222	67,164
Noncurrent Assets		
Other receivables, net	991	-
Prepaid expenses and deferred charges	22,778	-
Long-term investment	-	692,346
Capital assets, net	1,280,581	-
Total noncurrent assets	1,304,350	692,346
Total assets	8,091,572	759,510
LIABILITIES		
Current Liabilities		
Accounts payable	359,224	31,218
Deferred income	218,722	-
Accounts payable - OSUM	734,362	-
Accrued payroll	316,254	-
Accrued vacation leave	317,698	-
Total current liabilities	1,946,260	31,218
Noncurrent Liabilities		
Compensated absences	326,665	-
Total noncurrent liabilities	326,665	-
Total liabilities	2,272,925	31,218
NET ASSETS		
Invested in capital assets	1,280,581	-
Restricted:		
Nonexpendable	-	346,001
Expendable:		
Student grants and scholarships	79,408	348,404
Loans	3,559	-
Instructional department uses	204,796	-
Unrestricted	4,250,303	33,887
Total net assets	5,818,647	728,292
Total liabilities and net assets	$ 8,091,572	$ 759,510

The notes to the basic financial statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30 2008

REVENUES	Primary Institution	Component Unit
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $1,395,342)	$ 4,890,519	$ -
Federal grants and contracts	305,407	-
State and local grants and contracts	267,963	-
Contributions	-	20,809
Other operating revenues	1,053,587	-
Total operating revenues	6,517,476	20,809
EXPENSES		
Operating Expenses:		
Instructional	5,933,442	-
Academic support	1,402,660	-
Student services	1,195,095	-
Institutional support	2,683,683	-
Operation and maintenance of plant	831,372	-
Student aid	756,191	-
General and administrative	-	11,470
Depreciation	389,840	-
Total operating expenses	13,192,283	11,470
Operating income (loss)	(6,674,807)	9,339
NONOPERATING REVENUES (EXPENSES)		
State appropriations	4,598,551	-
State and local grants	696,292	-
Federal grants and contracts	1,950,991	-
Investment income/(loss)	129,817	(58,195)
Scholarships	-	(31,218)
Nonoperating revenues	7,375,651	(89,413)
Income before other revenues, expenses, gains or losses	700,844	(80,074)
Capital appropriations	260,486	-
Capital grants	57,467	-
Increase/(Decrease) in net assets	1,018,797	(80,074)
Net assets, beginning of year	4,799,850	808,366
Net assets, end of year	$ 5,818,647	$ 728,292

The notes to the basic financial statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Primary Institution
Cash Flows from Operating Activities:	
Tuition and fees	$4,099,730
Grants & contracts	339,268
Supplier and related payments	(2,761,729)
Employee and related payments	(8,812,615)
Other receipts (payments)	1,051,681
Net cash provided (used) by operating activities	(6,083,664)
Cash Flows from Non-Capital and Related Financing Activities:	
State appropriations	4,598,551
Federal grants and contracts	1,950,991
Gifts and grants	632,085
Net cash provided (used) by non-capital financing activities	7,181,627
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	260,486
Purchases of capital assets	(320,792)
Net cash provided (used) by capital and related financing activities	(60,306)
Cash Flows from Investing Activities	
Interest and other income	82,761
Net cash provided (used) by investing activities	82,761
Net increase in cash and cash equivalents	1,120,418
Cash and Cash Equivalents at beginning of year	2,489,735
Cash and Cash Equivalents at end of year	$3,610,153

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(6,674,807)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	389,840
Changes in assets and liabilities:	
Student accounts receivable, net	(70,728)
Other receivables, net	(387,817)
Prepaid expenses	8,446
Accounts payable	(103,751)
Deferred income	44,343
Accounts payable – OSUM	650,948
Accrued payroll	7,092
Accrued sick leave	36,205
Accrued vacation leave	16,565
Net cash used by operating activities	$(6,083,664)

The notes to the basic financial statements are an integral part of this statement.

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.

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.

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.

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

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. Noncurrent Long-Term Liabilities

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

I. 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 sick leave liability 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.

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

I. Compensated Absences (Continued)

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.

J. 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.

K. 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.

L. 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.

None of the College's restricted net assets are restricted by enabling legislation.

M. 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)

N. 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.

O. 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.

P. Income Taxes

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

Q. 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.

2. STATE SUPPORT (Continued)

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. 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.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2008, the carrying amount of the College's cash deposits were $3,610,153 and the bank balances were $3,986,482. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2008, $100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the College's name. Although the securities serving as collateral were held by the pledging financial institution's trust department in the College's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation. The following summarizes the carrying value and market value of investments:

		Investment Maturities (in years)
	Market Value	Less than 1
June 30, 2007:		
StarOhio	$1,218,090	$1,218,090
National City Bank CD	2,000	2,000
Total	$1,220,090	$1,220,090

The College held $1,218,090 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, 2008 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, 2008.

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.

4. RECEIVABLES

Receivables at June 30, 2008 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$185,918	$0	$185,918
Intergovernmental	1,891,759	(157,000)	1,734,759
Other	36,302	0	36,302
Total Receivables	$2,113,979	$(157,000)	$1,956,979

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, 2008, 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 7/1/07	Increases	Decreases	Balance at 6/30/08
Capital Assets, Depreciable:				
Machinery and Equipment	$1,018,342	$20,061	$-	$1,038,403
Computers and Computer Equipment	1,502,051	263,727	-	1,765,778
Vehicles	55,166	35,160	22,662	67,664
Land Improvements	181,609	24,506	-	206,115
Total Depreciable	2,757,168	343,454	22,662	3,077,960
Less Accumulated Depreciation:				
Machinery and Equipment	716,000	97,862	-	813,862
Computers and Computer Equipment	662,710	263,251	-	925,961
Vehicles	25,761	14,872	22,414	18,219
Land Improvements	25,730	13,607	-	39,337
Total Depreciation	1,430,201	389,592	22,414	1,797,379
Capital Assets, net	$1,326,967	$(46,138)	$(248)	$1,280,581

8. LONG-TERM LIABILITIES

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

	Balance July 01, 2007	Additions	Reductions	Balance June 30, 2008	Amount Due Within One Year
Compensated Absences	$290,460	$36,205	$0	$326,665	-
Total Long-Term Liabilities	$290,460	$36,205	$0	$326,665	-

9. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships and Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$5,046,069		$26,402	$860,971		$5,933,442
Academic Support	1,053,888		69,834	278,938		1,402,660
Student Services	944,560		95	250,440		1,195,095
Institutional Support	1,827,919		239,845	615,919		2,683,683
Operation and maintenance of plant				831,372		831,372
Student Aid		$756,191				756,191
Depreciation					$389,840	389,840
Totals	$8,872,436	$756,191	$336,176	$2,837,640	$389,840	$13,192,283

10. DEFINED BENEFIT PENSION PLANS

The employees of Marion Technical College are covered by the School Employees Retirement System of Ohio (SERS), the State Teachers Retirement System of Ohio (STRS) or an Alternative Retirement Plan (ARP). The State of Ohio accounts for the activities of the SERS and STRS systems and amounts of these funds are not reflected in the accompanying financial statements.

School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Forms and Publications*.

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% of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The College's contributions for the fiscal years ended June 30, 2008, 2007 and 2006 were $355,012, $348,693, and $329,838, respectively. 100% has been contributed for fiscal years 2008, 2007 and 2006.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing multiple employer public employee retirement system.

10. DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits –Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designed beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

10. DEFINED BENEFIT PENSION PLANS (Cont.)

State Teachers Retirement System (Cont.)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The College was required to contribute 14%. The College's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $556,878, $504,671, and $487,771, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free (888)227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

11. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit plan and the defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

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

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled $39,430, $36,350, and $32,986, respectively, for fiscal years 2008, 2007, and 2006.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was $96.40; SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006, the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. For the College, contributions for the years ended June 30, 2008, 2007, and 2006 were $16,803, $16,444, and $16,237, respectively, which equaled the required contributions for those years.

Health Care Plan

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

11. POST-EMPLOYMENT BENEFITS (Cont.)

party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the College, the amounts contributed to fund health care benefits, including the surcharge, during the fiscal years 2008, 2007, and 2006 equaled $85,130, $77,801, and $74,602, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

12. 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 2008, 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:

11. POST-EMPLOYMENT BENEFITS (Cont.)

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.

A. Worker's Compensation

For fiscal year 2008, 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.

13. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2008.

B. Litigation

The College is currently party to legal proceedings. It is the opinion of the College's management that none of the current legal proceedings will have a material effect on the financial statements.

14. CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". This principle establishes accounting and disclosure requirements for employers who provide employees post-employment benefits other than pensions. The implementation of this principle had no effect on previously reported net asset balances.

The College also implemented GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and 27." This principle more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements. The implementation of this principle had no effect on previously reported net asset balances.

15. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE FOUNDATION

A. Description of the Foundation

The Marion Technical College Foundation (hereinafter "The Foundation") is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code. During 2008, the Foundation legally changed its name from The Marion Technical College Development Fund to the Marion Technical College Foundation.

The Foundation 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 Foundation 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 Foundation is a component unit of the College, it is required to apply these Statements the same as the College.

C. Income Tax Status

The Foundation 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 Foundation during the Year.

D. 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.

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

These categories of risk follow:

	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 Fund 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, 2008, the carrying amount of the Foundation's cash deposits was $67,164 and the bank balance was $97,798. At June 30, 2008, $97,798 of the bank balances was insured by the FDIC (Category 1).

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

D. Cash and Investments (Continued)

The following summarizes the market value and maturities of investments:

Description	Market Value	Investment Maturities (in years) Less than 1	1-5
June 30, 2008:			
Taxable Bonds	$ 197,342	$ 49,923	$ 147,419
Government Securities	25,047	25,047	-
Fixed Income Funds	40,802	40,802	-
Common Stock & Options	429,155	429,155	-
Total Investments	$ 692,346	$ 544,927	$ 147,419

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 Foundation's assets. The Foundation'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.

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

D. Cash and Investments (Continued)

Standard & Poor's and Moody's rating are disclosed in the following table for rated investments:

Taxable Bond Issue	Maturity Date	Market Value	S & P Rating	Moody Rating
CIT GROUP INC NEW	11/24/08	$24,463	A-	Baa1
ABBOTT LABS NTS B/E	5/15/09	25,460	AA	A1
MERRILL LYNCH & CO INC	9/10/09	24,702	A	A1
LEHMAN BROS HLDGS INC	11/10/09	24,186	A	A1
US BANCORP NTS B/E	7/29/10	25,326	AA	Aa2
WACHOVIA CORP	3/15/11	24,461	AA-	Aa3
GENL ELEC CORP	4/10/12	25,173	AAA	Aaa
GE CAPITAL INTERNOTES	11/15/12	23,571	AAA	Aaa

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, Government Securities, Fixed Income Funds, and Taxable Bonds. These investments represent 62%, 4%, 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 Foundation'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 Fiscal Year Ended June 30, 2008

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	Direct	84.033	$ 27,331
Federal Family Educational Loans	Direct	84.032	2,332,668
Federal Pell Grant Program	Direct	84.063	1,950,991
Total Student Financial Aid Cluster			4,310,990
Passed through the Ohio Department of Education:			
Vocational Education: Basic Grants to States	20C3	84.048	108,043
Adult and Community Education Grant	VETP	84.002	16,288
Tech Prep Education	3ETC	84.243	170,033
Subtotal			294,364
Total United States Department of Education			4,605,354
Total Federal Financial Assistance			$ 4,605,354

See accompanying Notes to the Schedule of Federal Awards Expenditures.

MARION TECHNICAL COLLEGE
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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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**

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the Schedule of Federal Awards Expenditures represents new loans awarded during the fiscal year ended June 30, 2008.

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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, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 20, 2009, wherein we noted the College implemented GASB Statements No. 45 and 50. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant in internal control over financial reporting: 2008-001

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above, we do not believe is also a material weakness.

We also noted a certain internal control matter that we reported to the College's management in a separate letter dated February 20, 2009.

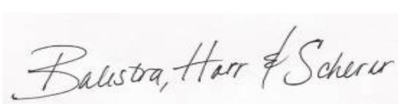
Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the College's management in a separate letter dated February 20, 2009.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the College's response and, accordingly, we express no opinion of it.

We intended this report solely for the information and use of the audit committee, the College's management, members of the Board and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

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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, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures 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 apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The College's management 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, the College's management, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. SUMMARY OF AUDITOR′S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies 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; Federal 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	2008-001

Significant Deficiency – Failure to Reconcile Monthly Bank Balances to Book Balances

The College utilizes the Great Plains financial accounting software. The system generated monthly reconciliations which did not balance to the College's general ledger balance. The College was aware of the differences and worked with their IT consultants to resolve the issue during the year; however, the issue was not resolved for greater than a year. Further, the College did not perform a manual reconciliation of the balances until February, 2008 to resolve these unreconciled differences.

Not resolving unreconciled differences on a monthly basis can lead to errors or other irregularities not being recognized and resolved on a timely basis. Also, it is generally less time consuming to reconcile accounts while transactions are fresh in mind. All bank accounts should be reconciled to the College's general ledger balances each month prior to presenting balances to the Board of Trustees and any unreconciled differences should be promptly investigated and resolved.

College's response –

Bank reconciliations were completed during the audit period using the Great Plains accounting software. No reconciling items were noted in the reconciliations. There were variances between the general ledger cash balance and the reconciled bank balance per the bank reconciliation. The College noted these variances and worked with a Great Plains consultant to determine the cause of the variances. Upon completion of manual bank reconciliations, after year end, the College identified the cause of the variance to be a voided check. A check written during the fiscal period was returned to the College after year end and voided in Great Plains. This action caused the original entry to be reversed and caused a variance between the general ledger and the bank reconciliation. The College discovered that the timing of receipts and deposits must match in order to avoid these variances. The College will ensure the general ledger cash balance agrees with the bank reconciliation balance. Additionally the College did reconcile the general ledger cash balance with the bank statement at year end.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

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
MARCH 17, 2009

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