MARION TECHNICAL COLLEGE

Financial Statements

June 30, 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Marion Technical College, Marion County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

December 28, 2018

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marion Technical College
Marion, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. Our opinions were not modified with respect to this matter.

Other Matters

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2018

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, 2018. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Marion Technical College.

Using This Annual Report

This annual financial report includes three financial statements:

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

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

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

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

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

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

Statement of Net Position

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

A summary of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2018 and 2017 is as follows:

	2018	2017 *(Revised)*	Change
Current assets	$ 9,110,911	$ 8,837,887	$ 273,024
Noncurrent assets	6,462,128	6,235,493	226,635
Total assets	15,573,039	15,073,380	499,659
Deferred outflows of resources	4,620,217	4,004,037	616,180
Current liabilities	3,594,957	2,404,008	1,190,949
Noncurrent liabilities	20,036,461	26,638,215	(6,601,754)
Total liabilities	23,631,418	29,042,223	(5,410,805)
Deferred inflows of resources	1,990,289	1,104,481	885,808
Net position			
Net investment in capital assets	6,462,128	6,234,502	227,626
Restricted			
Expendable	1,073,618	1,260,938	(187,320)
Unrestricted (deficit)	(12,964,197)	(18,564,727)	5,600,530
Total net position	$ (5,428,451)	$ (11,069,287)	$ 5,640,836

Current assets increased by $273,024 or 3.1% from 2017 to 2018 primarily due to increases in accounts receivable. Noncurrent assets increased by $226,635 due to capital asset purchases offset by current year depreciation expense. Significant asset additions included equipment for classroom laboratories and construction in progress. Current liabilities increased by $1,190,949 or 49.5% from 2017 to 2018 primarily due to an increase in accounts payable due to OSUM for services provided to the College under the shared use agreement. The current year increase is due to delays in OSUM's billing process as the College did not receive a final bill for 2016, 2017, or 2018 until after year-end. The noncurrent liabilities decreased $6,601,754 or 24.8% due to a decrease in net pension liability. Net position increased primarily as a result of decreases in the net pension liability. Changes in the deferred inflows and outflows of resources are a direct result of pension plan performance at both SERS and STRS and other post-employment benefits.

Statement of Revenues, Expenses and Changes in Net Position

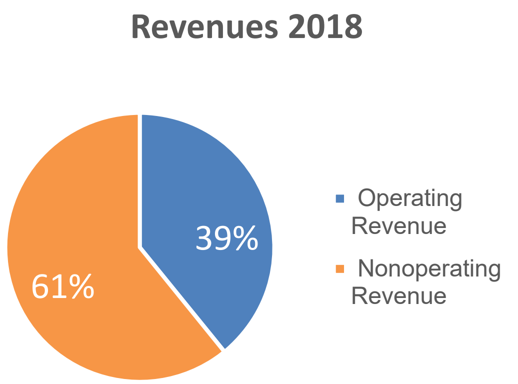
The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the College. A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2018 and 2017 is as follows:

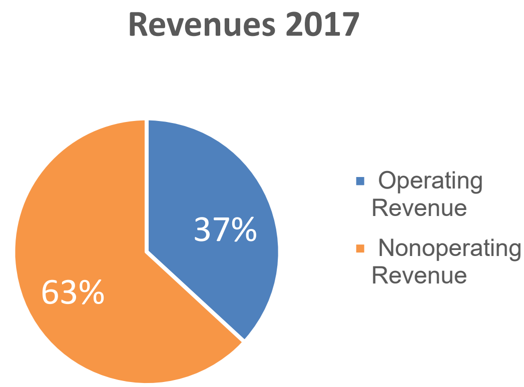
	2018	2017 *(Revised)*	Change
Operating revenues			
Student tuition and fees, net	$ 4,765,606	$ 4,539,109	$ 226,497
Grants and contracts	1,136,376	1,009,572	126,804
Other operating revenues	611,297	524,488	86,809
Total operating revenues	6,513,279	6,073,169	440,110
Operating expenses	10,992,895	16,118,224	(5,125,329)
Operating loss	(4,479,616)	(10,045,055)	5,565,439
Nonoperating revenues (expenses)			
State appropriations	7,330,556	7,319,687	10,869
Federal grants	2,658,626	2,939,411	(280,785)
State and local grants	-	12,459	(12,459)
Investment income	7,088	2,647	4,441
Capital appropriations	124,802	124,802	-
Other nonoperating items	(620)	(3,536)	2,916
Net nonoperating revenues (expenses)	10,120,452	10,395,470	(275,018)
Increase in net position	5,640,836	350,415	5,290,421
Net position - beginning of year (restated)	(11,069,287)	N/A	N/A
Net position - end of year	$ (5,428,451)	$ (11,069,287)	$ 5,640,836

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

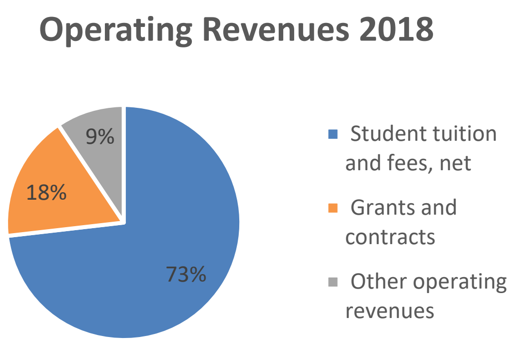
Operating Revenue

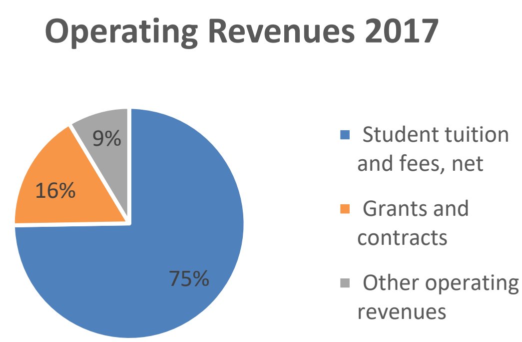
The charts below present total revenue by category for the fiscal years ended June 30, 2018 and 2017:





The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2018 and 2017:





For fiscal years 2017 and 2018, state legislation did not allow for tuition increases. Gross student tuition and fees revenue increased 0.6% in fiscal year 2018. Gross tuition and fees were $6,532,485 and $6,593,264 in fiscal years 2018 and 2017, respectively.

Scholarship allowances decreased 9.2% in fiscal year 2018. Scholarship allowances totaled $1,766,879 and $2,054,155 for fiscal years 2018 and 2017, respectively. FTE decreased 4.6% from 1,450.23 in fiscal year 2017 to 1,383.70 in fiscal year 2018.

Grant and contract revenue decreased in fiscal year 2018 by $126,804 or 12.6%. The increase in grant revenue for fiscal year 2018 was due to the timing of new grants beginning and existing grants ending during the year.

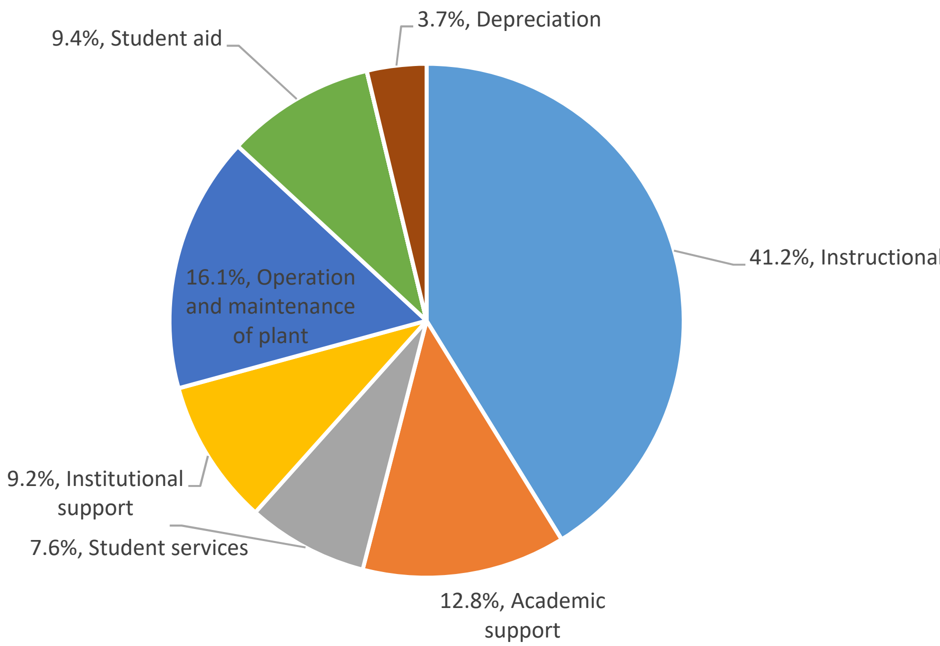
Nonoperating Revenue

The College's largest single source of revenue is the nonoperating revenue received from the State of Ohio. The College's State share of instruction amounted to $7,330,556 and $7,319,687 in fiscal years 2018 and 2017, respectively.

Pell grants decreased in fiscal year 2018 by $280,785 or 9.6% compared to fiscal year 2017. This decline is attributed to a decline in enrollment compared to fiscal year 2017.

Operating Expenses

The following is a graphic illustration of expenses by function for the year ended June 30, 2018:



The decrease in expenses in FY 2018 was the result of:

- Decreases in functional categories of instructional 39.5%, academic support 2.7%, student services 58.7%, and institutional support 52.9% are primarily related to current year net pension and other post-employment benefit liability adjustments offset by board approved pay rate increases and rising insurance premiums. Increases in functional categories of operation and maintenance of plant 17.3% and depreciation 7.3%. Increases in operation and maintenance of plant relate to various building repairs and parking lot improvements made throughout the campus. The increase in depreciation expense is primarily due to the additional depreciation charged to the current year additions.

- Decreases in student aid 9.3%. The decrease in student aid is attributed to a decline in FTE between years 2018 and 2017.

The following table shows a comparison of total operating expenses per FTE for fiscal years 2018 and 2017. Total operating expenses per FTE student decreased by $3,169 during fiscal year 2018.

	2018	2017	Change	% Change
Total operating expenses	$ 10,992,895	$ 16,118,224	$ (5,125,329)	-31.8%
FTE Enrollment	1,383.70	1,450.23	(66.53)	-4.6%
Total operating expense per FTE	$ 7,945	$ 11,114	$ (3,169)	-28.5%

Capital and Debt Administration

Capital Assets

At June 30, 2018 and 2017, the College had $6,462,128 and $6,234,502, respectively, invested in capital assets.

The details of the capital assets at June 30, 2018 and 2017 are shown below:

	2018	2017
Machinery and Equipment	$ 373,134	$ 425,518
Computers and Computer Equipment	110,801	179,385
Vehicles	412,614	(22)
Land Improvements	343,061	377,574
Building	4,699,023	4,841,007
Construction in Progress	523,495	411,040
Investment in capital assets	$ 6,462,128	$ 6,234,502

Capital additions this year included a college van, building renovations, and classroom equipment.

The College has planned capital expenditures for fiscal year ending June 30, 2019 to include the purchase of classroom and lab equipment. These planned expenditures normally include replacement of computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

Debt

At June 30, 2018, the College had no debt associated with capital assets.

The Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the College during the year ended June 30, 2018. The following is a summary of the Statement of Cash Flows for the years ended June 30, 2018 and 2017:

	2018	2017
Cash provided (used) by:		
Operating activities	$ (9,292,291)	$ (9,690,487)
Noncapital financing activities	9,988,562	10,268,021
Capital and related financing activities	(924,787)	(25,272)
Net increase (decrease) in cash	(228,516)	552,262
Cash, beginning of year	5,249,321	4,697,059
Cash, end of year	$ 5,020,805	$ 5,249,321

Cash and cash equivalents decreased by $228,516 primarily as a result of an increase in capital spending and decreases in noncapital financing.

Economic Factors that Will Affect the Future

The College anticipates an approximately 3% decrease in enrollment for fiscal year 2019. The College raised tuition for fiscal year 2019 by $10 per credit hour, as permitted by state law. State subsidy will increase $196,208 or 2.68% over fiscal year 2018. The College's share of state instructional subsidy increased to 1.65% for fiscal year 2019 as compared to 1.61% in fiscal year 2018.

Marion Technical College
Statement of Net Position
June 30, 2018

Assets		College	Component Unit Foundation
Current assets			
Cash and cash equivalents	$	4,913,585	147,911
Cash with fiscal agent		107,220	-
Investments		550,497	-
Student accounts receivable, net		1,087,597	-
Book inventory		27,006	-
Prepaid expenses		37,102	-
Other receivables, net		2,387,904	-
Total current assets		9,110,911	147,911
Noncurrent assets			
Investment with fiscal agent		-	872,886
Capital assets, not being depreciated		523,495	-
Capital assets, net of depreciation		5,938,633	-
Total noncurrent assets		6,462,128	872,886
Total assets		15,573,039	1,020,797
Deferred outflows of resources			
OPEB		177,406	-
Pensions		4,442,811	-
Total deferred outflows of resources		4,620,217	-
Liabilities			
Current liabilities			
Accounts payable		478,601	-
Accounts payable - OSUM		2,179,516	-
Accrued payroll		383,596	-
Claims payable		167,124	-
Unearned revenue		37,255	-
Accrued compensated absences		348,865	-
Total current liabilities		3,594,957	-
Noncurrent liabilities			
Accrued compensated absences		337,751	-
Net OPEB liability		3,952,057	-
Net pension liability		15,746,653	-
Total noncurrent liabilities		20,036,461	-
Total liabilities		23,631,418	-
Deferred inflows of resources			
OPEB		560,348	-
Pensions		1,429,941	-
Total deferred inflows of resources		1,990,289	-
Net position			
Investment in capital assets		6,462,128	-
Restricted			
Expendable			
Student grants and scholarships		72,208	-
Instructional department uses		1,001,410	-
Unrestricted (deficit)		(12,964,197)	1,020,797
Total net position	$	(5,428,451)	1,020,797

See accompanying notes to financial statements.

Marion Technical College
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

		College	Component Unit Foundation
Operating revenues			
Student tuition and fees,			
(net of scholarship allowance of $1,766,879)	$	4,765,606	-
Federal grants and contracts		103,670	-
State and local grants and contracts		965,506	-
Nongovernmental grants and contracts		67,200	-
Contributions		-	48,291
Other operating revenues		611,297	-
Total operating revenues		6,513,279	48,291
Operating expenses			
Educational and general			
Instructional		4,526,455	-
Academic support		1,412,957	-
Student services		834,987	-
Institutional support		1,006,598	-
Operation and maintenance of plant		1,770,927	-
Student aid		1,030,048	-
General and administrative		-	11,367
Depreciation expense		410,923	-
Total operating expenses		10,992,895	11,367
Operating income (loss)		(4,479,616)	36,924
Nonoperating revenues (expenses)			
State appropriations		7,330,556	-
Investment income		7,088	62,153
Federal grants and contracts		2,658,626	-
Other nonoperating items		(620)	(7,957)
Scholarships		-	(1,000)
Net nonoperating revenues (expenses)		9,995,650	53,196
Gain before other revenues, expenses, gains, or losses		5,516,034	90,120
Capital appropriations		124,802	-
Total other revenues, expenses, gains, or losses		124,802	-
Change in net position		5,640,836	90,120
Net position - beginning of year, restated (Note 2)		(11,069,287)	930,677
Net position - end of year	$	(5,428,451)	1,020,797

See accompanying notes to financial statements.

Marion Technical College
Statement of Cash Flows
Year Ended June 30, 2018

	College
Cash flows from operating activities	
Tuition and fees	$ 4,300,138
Grants and contracts	1,136,376
Supplier and related payments	(3,875,130)
Employee and related payments	(11,464,972)
Other receipts	611,297
Net cash from operating activities	(9,292,291)
Cash flows from noncapital financing activities	
State appropriations	7,330,556
Federal grants revenue	2,658,626
Other nonoperating items	(620)
Net cash from noncapital financing activities	9,988,562
Cash flows from capital financing activities	
Capital grants and gifts proceeds	124,802
Purchase of capital assets	(1,049,589)
Net cash from capital financing activities	(924,787)
Cash flow from investing activities	
Net purchase of investments	(7,088)
Income on investments	7,088
Net cash from investing activities	-
Net change in cash and cash equivalents	(228,516)
Cash and cash equivalents, beginning of year	5,249,321
Cash and cash equivalents, end of year	$ 5,020,805
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	$ 4,913,585
Cash with fiscal agent	107,220
	$ 5,020,805

(continued)

See accompanying notes to financial statements.

	College
Reconciliation of operating loss to net cash from operating activities	
Operating loss	$ (4,479,616)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	410,923
Amortization of CCP book inventory	67,995
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Student accounts receivable, net	(179,801)
Other receivables, net	(290,541)
Inventory	(54,012)
Prepaid expenses	(37,102)
Accounts payable	121,630
Unearned revenue	4,874
Accounts payable - OSUM	1,350,000
Accrued payroll	23,944
Claims payable	28,870
Net pension liability and related deferred outflows/inflows	(5,819,683)
Net OPEB liability and related deferred outflows/inflows	(526,041)
Compensated absences	86,269
Net cash from operating activities	$ (9,292,291)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Marion Technical College ("College") is a public, state assisted, two-year institution of higher learning. The College provides instructional programs in various fields and workforce development training. The College was chartered by the Ohio Department of Higher Education as a political subdivision in accordance with the provisions of Chapter 3357 of the Ohio Revised Code.

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

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

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

Basis of Presentation

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* ("GASB Statement No. 35") and subsequent statements issued by GASB, established standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted, nonexpendable** – Net position subject to externally-imposed stipulations that they be maintained permanently by the College.

- **Restricted, expendable** – Net position whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These represent amounts for capital construction projects, student services, and public service initiatives.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Investments
Investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenue, expense and changes in net position.

Accounts Receivable
Accounts receivable represents the balance of unpaid student tuition charges, federal and state grants receivable, and other receivables owed to the College. The allowance for doubtful accounts related to student receivables is based on historical collection rates and management's analysis. Management reviews the accounts receivable annually and adjusts the allowance to correspond with the collection rates.

Allowance for Doubtful Accounts
The allowance for doubtful accounts is determined by management based on the College's historical losses, specific student circumstances, and general economic conditions. Periodically, management reviews accounts receivable and records an allowance for specific student receivables based on current circumstances and charges off the receivable when all attempts to collect the receivable have failed.

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

Capital Assets
Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of the gift. In the absence of historical cost records, equipment is recorded at the current cost of replacement as of that date, based on an inventory and appraisal of the equipment by an independent appraisal firm. Land improvements, buildings and improvements, machinery, and equipment items costing $2,500 or more and having an estimated useful life of greater than one year are capitalized. Routine repairs and maintenance and items costing less than the capitalization thresholds are charged to operating expense in the year in which the expense is incurred.

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

Classification	Years
Land Improvements	10-20
Buildings and Improvements	10-50
Machinery and Equipment	5-20
Computer Equipment	5-10
Vehicles	5-10

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences
Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year. Employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of the separation. Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net position, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net position.

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension and OPEB plans as explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the College, deferred inflows of resources are related to pension and OPEB plans and are reported on the statement of net position as explained in Notes 9 and 10.

Pensions/Other Postemployment Benefits (OPEB)
For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounting Pronouncements
For the year ended June 30, 2018, the College implemented the provisions of GASB Statement No. 75 and No. 85. GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The implementation of this pronouncement required a restatement of net position as reported June 30, 2017 (Note 2).

GASB 85, *Omnibus 2017,* addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the College implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from* (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($6,208,247)
Adjustments:	
Net OPEB Liability	(4,892,036)
Deferred Outflow – Payments Subsequent to Measurement Date	30,996
Restated Net Position June 30, 2017	($11,069,287)

NOTE 3 – CASH AND INVESTMENTS

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

Cash with Fiscal Agent: The College is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2018 was $107,220. This amount is not included in the "deposits" or "investments" reported below.

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

> Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At June 30, 2018, the carrying amount of the College's cash and cash equivalents was $4,913,585 and the bank balances were $5,299,558. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the June 30, 2018 bank balances, $250,000 is covered by federal deposit insurance. The remaining balances of cash and cash equivalents are collateralized by the depository institution per Ohio Revised Code 135.182 or by a pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State (OPCS program).

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

Investments: At June 30, 2018, investments included $550,497 in State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants.* The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTE 3 – CASH AND INVESTMENTS (Continued)

The total of deposits and investments, by type, at June 30, 2018 are as follows:

Cash	$	4,913,585
Star Ohio		550,497
Total	$	5,464,082

There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Component Unit

At June 30, 2018, the carrying and the bank balance amount of the Foundation's cash deposits was $147,911. The entire bank balance was covered by FDIC insurance at June 30, 2018.

Credit Risk: As of June 30, 2018, the investment balance recorded on the Foundation's statement of net position is $872,886. These investments are held and managed by a local community foundation. In accordance with the Accounting Standards Codification (ASC) No. 58-325-25, Recognition", the funds are to be maintained as assets within the College's Foundation accounting records. Under ASC No. 958-325-25, when a transfer of assets to a resource provider specifies itself or an affiliate as the beneficiary, the transaction is not considered a disbursement in the form of a contribution, but maintained as assets, even if the variance power has been explicitly granted to the recipient organization. Accordingly, the Foundation recognizes these funds as investments held by a fiscal agent.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy calls for a maximum exposure to the stock market shall be approximately sixty percent (60%) of the total portfolio. The remaining assets shall be invested in fixed income or short-term investments as outlined herein. Cash balances maintained as part of the normal course of business may be invested in a money market fund. As of June 30, 2018, these investments are held and managed by a local community foundation.

Foreign Currency Risk: The Foundation does not have exposure for foreign exchange risk since none of its deposits or investments are held in foreign currencies.

Custodial Credit Risk: The Foundation's investments are not exposed to custodial credit risk as defined by Statement No. 40. Securities are held by its agent in the name of the College Foundation. All of the bank balances were insured by the FDIC at year-end.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2018 consisted of billings for student fees, contracts, and intergovernmental receivables arising from grants. All receivables are not considered collectible in full and an allowance for doubtful accounts was established as reflected in the financial statements.

The following is a summary of the accounts receivable as of June 30, 2018:

Student receivables	$ 1,552,597
Other	2,387,904
Allowance for doubtful accounts	(465,000)
Total	$ 3,475,501

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the College for the year ended June 30, 2018:

	Balance, June 30 2017	Additions	Retirements	Transfers	Balance, June 30 2018
Nondepreciable capital assets:					
Construction in progress	$ 411,040	523,495	-	(411,040)	523,495
Total nondepreciable capital assets	411,040	523,495	-	(411,040)	523,495
Depreciable capital assets:					
Land improvements	566,071	-	-	-	566,071
Buildings and improvements	5,679,359	-	-	-	5,679,359
Machinery and equipment	1,953,266	60,358	-	-	2,013,624
Computer equipment	2,269,917	4,278	-	-	2,274,195
Vehicles	26,004	50,418	(7,000)	411,040	480,462
Total depreciable capital assets	10,494,617	115,054	(7,000)	411,040	11,013,711
Total capital assets	10,905,657	638,549	(7,000)	-	11,537,206
Accumulated depreciation					
Land improvements	188,497	34,513	-	-	223,010
Buildings and improvements	838,352	141,984	-	-	980,336
Machinery and equipment	1,527,748	112,742	-	-	1,640,490
Computer equipment	2,090,532	72,862	-	-	2,163,394
Vehicles	26,026	48,822	(7,000)	-	67,848
Total accumulated depreciation	4,671,155	410,923	(7,000)	-	5,075,078
Capital assets, net	$ 6,234,502	227,626	-	-	6,462,128

NOTE 6 – ACCOUNTS PAYABLE – OSU COST SHARING

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses. At June 30, 2018, the college had payables of $2,179,516 due to OSU for this agreement.

NOTE 7 – COMPENSATED ABSENCES

Sick pay is accrued for all employees who meet or are projected to meet the retirement requirements of length of service and age within the next five years, in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees.

NOTE 7 – COMPENSATED ABSENCES (Continued)

At June 30, 2018, compensated absences consisted of the following:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Compensated absences	$ 600,347	$ 86,269	$ -	$ 686,616	$ 348,865

NOTE 8 – STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for construction and renovation of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and renovation of the facility by the ODHE. Upon completion of a construction project, the ODHE turns over control to the College, which capitalizes the cost.

Neither the obligation for the revenue bonds issued by the OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the ODHE by the Ohio General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a requirement exists to assess a special student fee uniformly applicable in state-assisted institutions of higher education throughout the state.

NOTE 9 – PENSION PLANS

College employees are covered by one of two retirement systems. The College faculty is covered by the State Teachers Retirement System of Ohio (STRS). Other employees are covered by the School Employees Retirement System of Ohio (SERS). These plans are statewide, multi-employer, cost sharing defined benefit plans. Employees may opt out of STRS or SERS and participate in the alternative retirement plan (ARP) if they meet certain eligibility requirements.

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

NOTE 9 – PENSION PLANS (Continued)

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

NOTE 9 – PENSION PLANS (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $380,419 for fiscal year 2018. 100 percent has been contributed for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

NOTE 9 – PENSION PLANS (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The College was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $696,391 for fiscal year 2018. 100 percent has been contributed for fiscal year 2018.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities.

NOTE 9 – PENSION PLANS (Continued)

Following is information related to the College's proportionate share, pension expense and deferred inflows and outflows for fiscal year 2018:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 4,947,797	$ 10,798,856	$ 15,746,653
Proportion of the Net Pension Liability	0.0828114%	0.0454589%	
Change in Proportion	-0.0044376%	0.0005385%	
Pension Expense (negative)	$ (457,017)	$ (4,285,856)	$ (4,742,873)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 212,936	$ 417,003	$ 629,939
Change in assumptions	255,855	2,361,828	2,617,683
Change in College's proprotionate share and difference in employer contributions	-	118,379	118,379
College contributions subsequent to the measurement date	380,419	696,391	1,076,810
	$ 849,210	$ 3,593,601	$ 4,442,811
Deferred Inflows of Resources			
Difference between expected and actual experience	$ -	$ (87,036)	$ (87,036)
Net difference between projected and actual earnings on pension plan investments	(23,486)	(356,375)	(379,861)
Change in the College's proportionate share and difference in employer contributions	(502,429)	(460,615)	(963,044)
	$ (525,915)	$ (904,026)	$ (1,429,941)

$1,076,810 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$ (91,162)	$ 348,926	$ 257,764
2020	130,023	833,716	963,739
2021	19,358	592,297	611,655
2022	(115,343)	218,245	102,902
	$ (57,124)	$ 1,993,184	$ 1,936,060

NOTE 9 – PENSION PLANS (Continued)

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination).

Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

NOTE 9 – PENSION PLANS (Continued)

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 6,866,254	$ 4,947,797	$ 3,340,695

NOTE 9 – PENSION PLANS (Continued)

Actuarial Assumptions – STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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

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

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

NOTE 9 – PENSION PLANS (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class were the are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	6.84%

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

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 15,479,791	$ 10,798,856	$ 6,855,868

Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement plan (ARP) for academic and administrative College employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The College board of trustees adopted such a plan effective April 1999.

NOTE 9 – PENSION PLANS (Continued)

Eligible employees (those who are full-time and salaried) have 120 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement plan must contribute their share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.5 percent. The employer contribution is the lower of a rate determined by an independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. The College plan provides these employees with immediate plan vesting.

The ARP is a defined contribution plan under IRS Section 401(a). The College's total employer contributions to the ARP for the year ended June 30, 2018, were $79,441.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is reported in salaries, wages and fringe benefits payable.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the College's surcharge obligation was $36,247, which is reported in accrued payroll.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund, which equaled $50,337 for fiscal year 2018 for the College.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$ 2,178,419	$ 1,773,638	$ 3,952,057
Proportion of the Net OPEB Liability	0.0811711%	0.0454589%	
Change in Proportion	-0.0061748%	0.0005385%	
OPEB Expense (negative)	$ 61,401	$ (537,105)	$ (475,704)
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 102,384	$ 102,384
Change in College's proprotionate share and difference in employer contributions	-	24,685	24,685
College contributions subsequent to the measurement date	50,337	-	50,337
	$ 50,337	$ 127,069	$ 177,406
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$ (5,752)	$ (75,808)	$ (81,560)
Change in assumptions	(206,721)	(142,872)	(349,593)
Change in the College's proportionate share and difference in employer contributions	(129,195)	-	(129,195)
	$ (341,668)	$ (218,680)	$ (560,348)

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

$50,337 reported as deferred outflows of resources related to OPEB at June 30, 2018 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$ (123,147)	$ (21,586)	$ (144,733)
2020	(123,147)	(21,586)	(144,733)
2021	(93,936)	(21,586)	(115,522)
2022	(1,438)	(21,586)	(23,024)
2023	-	(2,634)	(2,634)
2024	-	(2,633)	(2,633)
	$ (341,668)	$ (91,611)	$ (433,279)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Trend Assumption:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

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

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

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

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%), or one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	$ 2,630,718	$ 2,178,419	$ 1,820,083

The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease (6.5% decreasing to 4.0%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
College's proportionate share of the net OPEB liability	$ 1,767,623	$ 2,178,419	$ 2,722,113

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

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

Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity	28.00	%	7.35	%
International Equity	23.00		7.55	
Alternatives	17.00		7.09	
Fixed Income	21.00		3.00	
Real Estate	10.00		6.00	
Liquidity Reserves	1.00		2.25	
Total	100.00	%	6.84	%

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

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the College's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current rate.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (Continued)

Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 2,381,080	$ 1,773,638	$ 1,293,559

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
College's proportionate share of the net OPEB liability	$ 1,232,248	$ 1,773,638	$ 2,486,171

NOTE 11 – RISK MANAGEMENT

Comprehensive

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages. More information can be found in the insurance policy. Major coverage provided by this insurer is as follows at June 30, 2018:

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

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

Employee Group Medical/Surgical, Dental, and Vision Insurance

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance program. The District is a member of the JHP Health Benefits Program, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the College's behalf. The claims liability of $167,124 reported in Claims Payable at June 30, 2018 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Financing Omnibus," which requires that a liability for unpaid claim costs, including estimates of costs related to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

NOTE 11 – RISK MANAGEMENT (Continued)

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

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	$ 138,254	$ 1,450,244	$ (1,421,374)	$ 167,124
2017	113,794	1,244,343	(1,219,883)	138,254

NOTE 12 – CONTINGENCIES

The College receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. It is the opinion of management that any potential disallowance of claims would not have a significant effect on the financial statements.

NOTE 13 – COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION

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

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

During the year ended June 30, 2018, the Foundation distributed $1,000 to the College for scholarships.

The Foundation has transferred assets to the Marion Community Foundation and retained a beneficial interest in those assets. The Foundation is allocated their funds' proportionate share of the pooled funds' investment returns on an annual basis. Distributions from the fund balances may be withdrawn each year in accordance with the terms of each scholarship fund agreement, and undistributed earnings are retained in the fund. As of June 30, 2018, the fair value of the Foundation's interest in community foundation's assets was $872,886.

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio					
College's Proportion of the Net Position Liability	0.0828114%	0.0872490%	0.0938319%	0.1055380%	0.1055380%
College's Proportionate Share of the Net Pension Liability	$ 4,947,797	$ 6,385,820	$ 5,354,139	$ 5,341,218	$ 6,276,006
College's Covered Payroll	$ 2,773,564	$ 2,897,236	$ 3,253,202	$ 3,097,691	$ 3,484,566
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	178.39%	220.41%	164.58%	172.43%	180.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
College's Proportion of the Net Position Liability	0.0454589%	0.0449204%	0.0471878%	0.0482110%	0.0482110%
College's Proportionate Share of the Net Pension Liability	$ 10,798,856	$ 15,036,206	$ 13,041,319	$ 11,726,691	$ 13,698,757
College's Covered Payroll	$ 4,926,007	$ 4,676,307	$ 5,008,843	$ 5,304,792	$ 5,467,300
College's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	219.22%	321.54%	260.37%	221.06%	250.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio									
Contractually Required Contribution	$ 380,419	$ 388,299	$ 405,613	$ 428,772	$ 429,340	$ 482,264	$ 460,185	$ 496,821	$ 454,026
Contributions in Relation to the Contractually Required Contribution	(380,419)	(388,299)	(405,613)	(428,772)	(429,340)	(482,264)	(460,185)	(496,821)	(454,026)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 2,817,919	$ 2,773,564	$ 2,897,236	$ 3,253,202	$ 3,097,691	$ 3,484,566	$ 3,421,450	$ 3,952,434	$ 3,353,220
Contributions as a Percentage of College Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
State Teachers Retirement System of Ohio									
Contractually Required Contribution	$ 696,391	$ 689,641	$ 654,683	$ 701,238	$ 689,623	$ 710,749	$ 712,444	$ 706,660	$ 662,908
Contributions in Relation to the Contractually Required Contribution	(696,391)	(689,641)	(654,683)	(701,238)	(689,623)	(710,749)	(712,444)	(706,660)	(662,908)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 4,974,221	$ 4,926,007	$ 4,676,307	$ 5,008,843	$ 5,304,792	$ 5,467,300	$ 5,480,338	$ 5,435,846	$ 5,099,292
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2010 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

	2017	2016
School Employees Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.081171%	0.087346%
College's Proportionate Share of the Net OPEB Liability	$ 2,178,419	$ 2,489,682
College's Covered Payroll	$ 2,773,564	$ 2,897,236
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	78.54%	85.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio		
College's Proportion of the Net OPEB Liability	0.045459%	0.044920%
College's Proportionate Share of the Net OPEB Liability	$ 1,773,638	$ 2,402,354
College's Covered Payroll	$ 4,926,007	$ 4,676,307
College's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	36.01%	51.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

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

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

Notes to Schedule:

School Employees Retirement System of Ohio
Change in assumption. Amounts reported for fiscal year 2017 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
2017 Measurement Period	3.56%
2016 Measurement Period	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
2017 Measurement Period	3.63%
2016 Measurement Period	2.98%

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

Also for fiscal year 2017 the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

	2018	2017	2016
School Employees Retirement System of Ohio			
Contractually Required Contribution (2)	$ 50,337	$ 30,996	$ 39,599
Contributions in Relation to the Contractually Required Contribution	(50,337)	(30,996)	(39,599)
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 2,817,919	$ 2,773,564	$ 2,897,236
Contributions as a Percentage of College (2) Covered Payroll	1.79%	1.12%	1.37%
State Teachers Retirement System of Ohio			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
College Covered Payroll	$ 4,974,221	$ 4,926,007	$ 4,676,307
Contributions as a Percentage of College Covered Payroll	0.00%	0.00%	0.00%

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

(2) Includes Surcharge

SUPPLEMENTAL INFORMATION

Name	Title
Dr. Ryan McCall	President
Jeff Nutter, CPA	Vice President and Chief Financial Officer
James Lavery	Controller
Dr. Richard Prystowsky	Vice President and Chief Academic Officer
Dr. Amy Adams	Vice President Enrollment and Advancement
Dr. Robert Haas	Vice President and Chief Strategy Officer

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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

Board of Trustees
Marion Technical College
Marion, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Marion Technical College (the "College"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 21, 2018, wherein we noted the College adopted the provisions of GASB Statement No. 75.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as item 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2018

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

Board of Trustees
Marion Technical College
Marion, Ohio

Report on Compliance for Each Major Federal Program
We have audited Marion Technical College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 21, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant or Pass Through Number	Expenditures
U.S. Department of Education			
Direct:			
Title IV Program			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	P007A163311	$ 42,150
Federal Work Study	84.033	P033A163311	30,000
Federal Pell Grant	84.063	P063P163377	2,658,626
Federal Direct Student Loans	84.268	P268K173377	1,559,854
Total Student Financial Aid Cluster			4,290,630
Passed through the State of Ohio Department of Education:			
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	20C3	46,815
Adult Education—Basic Grants to States	84.002	VETP	127,714
Tech-Prep Education	84.243	3ETC	104,517
Total U.S. Department of Education			4,569,676
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,569,676

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

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Marion Technical College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marion Technical College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marion Technical College.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the College's financial statements. Expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. In addition, the College did not pass-through any federal awards to subreceipients during the year ended June 30, 2018.

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

NOTE 3 – FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For the year ended June 30, 2018, the College received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

NOTE 4 – LOAN PROGRAMS

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

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major program:

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

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

Section II – Financial Statement Findings

Material Weakness 2018-001: Financial Statement Preparation

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

During the audit, significant reclassification adjustments, numerous corrections, and additions to various footnotes were required to the financial statements filed by the College. Additionally, the College omitted required supplementary information related to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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

Management Response: The College concurs with the adjustments proposed. Please refer to the College's corrective action plan presented on page 56.

Section III – Federal Awards Findings and Questioned Costs

None noted

Marion Technical College

Significant Deficiency 2017-001: Audit Adjustments

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

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

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

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

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

Repeat Comment with variation: The FY 2018 financial statements required significant reclassification adjustments and numerous corrections and additions to various footnotes. Additionally, the College excluded certain required RSI schedules related to the implementation of GASB 75.

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Marion
Technical College

Material Weakness 2018-001: Financial Reporting

Contact Person: Jim Nargang, Interim Chief Financial Officer

Corrective Actions:

1. In fiscal year 2018, the College was required to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, A*ccounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Accounting principles generally accepted in the United States of America require that the schedules of net OPEB liabilities and OPEB contributions be presented to supplement the basic financial statements. During the audit, we noted that the required supplementary information related to GASB 75 was omitted from the financial statements.

   Corrective Action:

   The College will implement procedures necessary to identify required supplementary information and disclosures to be presented with each new accounting standard.

2. The financial statements filed with the Auditor of State Hinkle System required significant reclassification adjustments, numerous corrections, and additions to various footnotes.

   Corrective Action:

   The College will reconcile significant accounts regularly and conduct a thorough review of account activity in preparation of the financial statements.

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

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Dave Yost • Auditor of State

MARION TECHNICAL COLLEGE

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 10, 2019

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