Marion Technical College
Marion County

Single Audit

For The Year Ended June 30, 2003

Auditor of State
Betty Montgomery

Board of Trustees
Marion Technical College

We have reviewed the Independent Auditor's Report of the Marion Technical College, Marion County, prepared by Nagel, Weigand & Company LLC for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 6, 2004

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

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Nagel, Weigand & Company, LLC

Independent Auditors' Report

Board of Trustees
Marion Technical College
Marion, Ohio

We have audited the accompanying basic financial statements of Marion Technical College as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of Marion Technical College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marion Technical College as of June 30, 2003, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the College implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

As discussed in Note 3, during the year ended June 30, 2003, the College adopted a new capitalization threshold for their capital assets.

Marion Technical College
Marion County

In accordance with Government Auditing Standards, we have also issued a report dated December 16, 2003 on our consideration of the College's internal control over financial reporting and our tests of it's compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements of Marion Technical College taken as a whole. The accompanying Schedule of Federal Awards for the year ended June 30, 2003, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

December 16, 2003 *Nagel, Weigand & Company, LLC*

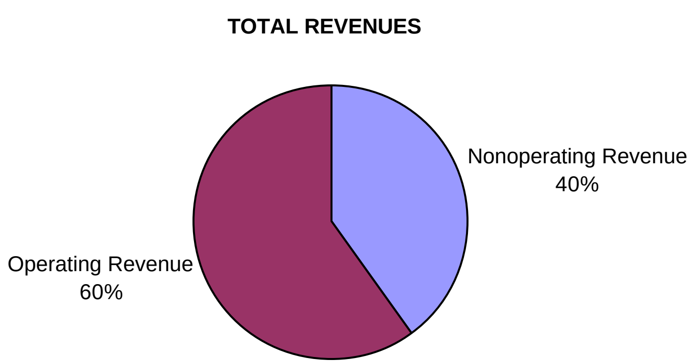
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003

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, 2003. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Marion Technical College.

Financial Highlights

Marion Technical College's financial position, as a whole, improved during the fiscal year ending June 30, 2003. Its combined net assets increased $312,972 or 19.05% from the previous year. This increase takes into consideration the adjustments required to restate capital assets at June 30, 2002 which is more fully explained in Note 3 to the financial statements.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2003:



In the fiscal year ending June 30, 2003, revenues and other support exceeded expenses, creating the increase in net assets of $312,972 (compared to a $305,191 decrease last year). Last year's figure does not include an adjustment for the method of recording fixed assets or for depreciation expense, which are included in the current year figures and are required by GASB 35.

Using This Annual Report

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

- **Primary Institution (College):** Most of the programs and services generally associated with the College fall into this category, including instruction, research, public service, and support services.

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

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

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

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

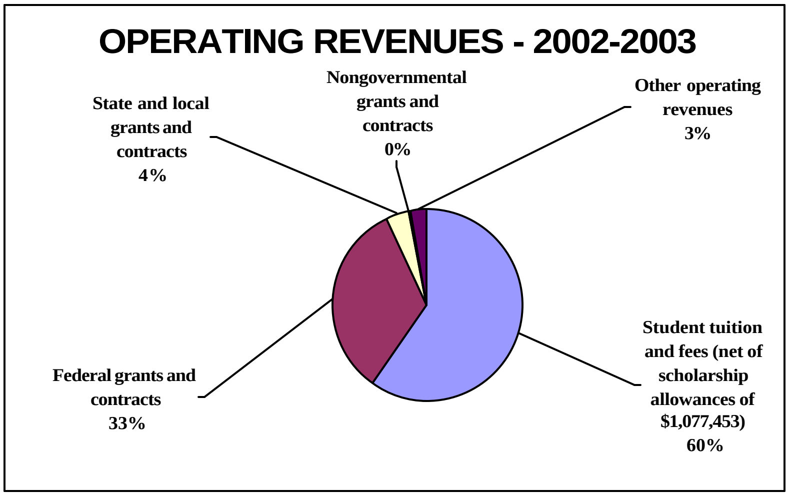
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003

Net Assets, End of Year

	6/30/2003
ASSETS	
Current Assets	
Cash & cash equivalents	$660,641
Investments	1,037,808
Student accounts receivable, net	37,546
Other receivables, net	875,348
Total current assets	2,611,343
Noncurrent Assets	
Other receivables, net	991
Capital assets, net	356,281
Total noncurrent assets	357,272
TOTAL ASSETS	$2,968,615
LIABILITIES	
Current Liabilities	
Accounts Payable	$211,259
Deferred Income	119,285
Accounts Payable - OSUM	44,066
Accrued Payroll	225,553
Accrued Vacation Leave	209,666
Total current liabilities	809,829
Noncurrent Liabilities	
Compensated Absences	203,641
Total noncurrent liabilities	203,641
TOTAL LIABILITIES	1,013,470
NET ASSETS	
Invested in capital assets, net of related debt	356,281
Restricted:	
Nonexpendable	-
Expendable:	
Student Grants and Scholarships	59,533
Loans	1,760
Instructional Department Uses	47,827
Unrestricted	1,489,744
Total net assets	1,955,145
TOTAL LIABILITIES AND NET ASSETS	$2,968,615

Because of the significant adjustments required in the methods used for preparation of the financial statements for fiscal year 2003, a comparison to the fiscal year 2002 figures is not meaningful. In future years the current year's information will be compared to the prior year's data.

Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003



Operating Results for the Year

Operating Revenues:	
Student tuition and fees	$3,326,978
Federal grants and contracts	1,858,681
State and local grants and contracts	207,572
Nongovernmental grants and contracts	25,720
Other operating revenues	162,715
Total operating revenues	5,581,666
Operating Expenses:	9,151,790
Net operating revenues (expenses)	(3,570,124)
Nonoperating Revenues (Expenses)	
State appropriations	3,058,728
State and local grants	522,741
Gifts	22,500
Investment income	22,000
Other nonoperating revenues	32,015
Net Nonoperating Revenues	3,657,984
Income before other revenues, expenses, gains or losses	87,860
Capital Appropriations	225,112
Increase in net assets	312,972
Net Assets, beginning of year, restated	1,642,173
Net Assets, end of year	$1,955,145

The Statement of Cash Flows

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

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

Cash Flows for the Year

	6/30/2003
Cash provided (used) by:	
Operating activities	$(3,523,965)
Noncapital financing activities	3,613,484
Capital and related financing activities	(3,280)
Investing activities	7,064
Net increase (decrease) in cash	93,303
Cash, beginning of year	567,138
Cash, end of year	$660,441

A Statement of Cash Flows has not been prepared in previous years therefore no comparative information is available. In future years the current year's information will be compared to the prior year's data.

Capital and Debt Administration

Capital Assets

At June 30, 2003, the College had $356,281 invested in capital assets, net of accumulated depreciation of $788,809. Depreciation charges totaled $88,696 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End

	6/30/2002	6/30/2003
Machinery and Equipment	$ 180,193	$ 246,688
Computers and Computer Equipment	83,670	57,707
Vehicles	24,797	22,154
Land Improvements		29,732
Capital Assets, net	$288,660	$356,281

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

The College has planned expenditures for fiscal year ending June 30, 2004 at approximately $198,301. These planned additions include replacement computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 9 to the financial statements.

Debt

At year-end 2003, the College had no debt associated with capital assets.

Economic Factors that Will Affect the Future

The economic position of Marion Technical College is closely tied to that of the State of Ohio. Because of limited economic growth and increased demand for state resources from federal mandates, the current state budget projects a reduction in funding to the College in the next year. In response to this cutback and due to scarce public resources in general, the Board of Regents has reduced the Fiscal Year 2004 State Appropriations to the College by 8.8% ($321,000) of appropriations earned.

The College has approved tuition and fees increases averaging 7.1% starting in Summer Quarter 2003. The College also has shown large enrollment increases during each quarter of fiscal year 2003.

Economic Factors (continued)

Fiscal year 2003 enrollment increases combined with the anticipated large enrollment increases for fiscal year 2004 will require the hiring of additional faculty positions.

The College has approved a 3.5% increase for employee contracts and a 20% increase for health insurance premiums during fiscal year 2004.

Despite the increase in new faculty positions and the increasing employee wages and benefits, the College's current financial plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of services.

Contacting the College's Financial Management

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

MARION TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2003

ASSETS	
Current Assets	
Cash & cash equivalents	$660,441
Investments	1,038,008
Student accounts receivable, net	37,546
Other receivables, net	875,348
Total current assets	2,611,343
Noncurrent Assets	
Other receivables, net	991
Capital assets, net	356,281
Total noncurrent assets	357,272
TOTAL ASSETS	$2,968,615
LIABILITIES	
Current Liabilities	
Accounts Payable	$211,259
Deferred Income	119,285
Accounts Payable – OSUM	44,066
Accrued Payroll	225,553
Accrued Vacation Leave	209,666
Total current liabilities	809,829
Noncurrent Liabilities	
Compensated Absences	203,641
Total noncurrent liabilities	203,641
TOTAL LIABILITIES	1,013,470
NET ASSETS	
Invested in capital assets, net of related debt	356,281
Restricted:	
Nonexpendable	-
Expendable:	
Student Grants and Scholarships	59,533
Loans	1,760
Instructional Department Uses	47,827
Unrestricted	1,489,744
Total net assets	1,955,145
TOTAL LIABILITIES AND NET ASSETS	$2,968,615

See accompanying notes to the basic financial statements

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

REVENUE:	
Operating Revenues:	
Student tuition and fees (net of scholarship allowances of $1,077,453)	$3,326,978
Federal grants and contracts	1,858,681
State and local grants and contracts	207,572
Nongovernmental grants and contracts	25,720
Other operating revenues	162,715
Total operating revenues	5,581,666
EXPENSES:	
Operating Expenses:	
Instructional	4,273,839
Academic support	1,025,377
Student services	918,207
Institutional support	1,555,013
Operation and maintenance of plant	652,117
Student aid	638,541
Depreciation	88,696
Total operating expenses	9,151,790
Operating Loss	(3,570,124)
NONOPERATING REVENUES:	
State appropriations	3,058,728
State and local grants	522,741
Gifts	22,500
Investment income	22,000
Other nonoperating revenues	32,015
Nonoperating Revenues	3,657,984
Income before other revenues, expenses, gains or losses	87,860
Capital Appropriations	225,112
Increase in net assets	312,972
Net Assets, beginning of year, restated	1,642,173
Net Assets, end of year	$1,955,145

See accompanying notes to the basic financial statements.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Tuition and Fees	$4,176,786
Grants & Contracts	524,746
Supplier and related payments	(2,015,431)
Employee and related payments	(6,379,264)
Other receipts (payments)	169,198
Net cash provided (used) by operating activities	(3,523,965)
Cash Flows from Non-Capital and Related Financing Activities:	
State Appropriations	3,058,728
Gifts and grants	522,741
Other	32,015
Net cash provided (used) by non-capital financing activities	3,613,484
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	140,789
Purchases of capital assets	(144,069)
Net cash provided (used) by capital and related financing activities	(3,280)
Cash Flows from Investing Activities	
Interest and other income	7,064
Net cash provided (used) by investing activities	7,064
Net increase in cash and cash equivalents	93,303
Cash and Cash Equivalents at beginning of year	567,138
Cash and Cash Equivalents at end of year	$660,441
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(3,570,124)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	88,696
Changes in assets and liabilities:	
Student accounts receivable, net	(6,500)
Other receivables, net	(156,335)
Accounts Payable	7,543
Deferred Income	22,807
Accounts Payable – OSUM	12,966
Accrued Payroll	18,261
Accrued Sick Leave	36,501
Accrued Vacation Leave	22,220
Net cash used by operating activities	$(3,523,965)

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

A. Organization

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

B. Basis of Presentation

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as mandated by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities* effective for the College's year ended June 30, 2003, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

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

C. Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

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

F. Accounts and Appropriations Receivable

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

G. Notes Receivable

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

H. Capital Assets

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

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

I. Restricted Assets

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

J. Noncurrent Long-Term Liabilities

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

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

K. Compensated Absences

The College has adopted GASB No. 16.

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

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

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

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

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

L. Accrued Salaries

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

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

M. Deferred Revenue

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

N. Net Assets

The College's net assets are classified as follows:

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

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

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

O. Scholarship Allowances

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

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

P. Revenue and Expense Recognition

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

Q. Budgetary

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

R. Income Taxes

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

S. Use of Estimates

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

2. ACCOUNTING CHANGES

Effective July 1, 2002, the College implemented GASB Statement No. 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation and capital assets, reporting revenues net of discounts and allowances, eliminating interfund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

Because of the new burden to adopt depreciation on capital assets, a new capitalization policy was adopted by the College (see Note 1). A negative adjustment to fund balance in the amount of $1,527,578 was needed to account for all assets previously capitalized but not qualifying under the new $2,500 policy amount (see Note 3).

In addition, the College implemented GASB Statement No. 38, Certain Financial Statement Note Disclosures. New disclosures include information on the major components of receivable and payable balances.

3. NET ASSET RESTATEMENT

As referred to in Note 2, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

July 1, 2002 Fund Equity as Previously Reported	$4,059,503
Implementation of GASB 34/35 - Accumulated Depreciation	(722,613)
Change in Accounting Capitalization Policy	(1,527,578)
Prior Period Adjustment for Compensated Absences	(167,139)
July 1, 2002 Net Assets Restated	$1,642,173

4. STATE SUPPORT

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

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

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

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

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

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

5. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the College into three categories

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

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

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

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

Interim monies may be deposited or invested in the following securities

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits: At year-end, the carrying amounts of the College's deposits were $660,641. The bank balance was $863,867. Of the bank balances:

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

2. $763,867 was collateralized with pooled securities not in the College's name.

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

	Carrying Amount	Market Value
Star Ohio	$ 1,037,808	$ 1,037,808
Total	$ 1,037,808	$ 1,037,808

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

6. RECEIVALBES

Receivables at June 30, 2003 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$361,499	$(70,000)	$291,499
Intergovernmental	443,726		443,726
Other	177,669		177,669
Total Receivables	$982,894	$(70,000)	$912,894

7. DONOR RESTRICTED ENDOWMENTS

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

At June 30, 2003, there was no net appreciation on donor restricted assets available to be spent.

8. 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.

9. CAPITAL ASSETS

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

	Restated Balance at 7/1/2002	Increases	Decreases	Balance at 6/30/2003
Capital Assets, Non-Depreciable:	-	-	-	-
Capital Assets, Depreciable:				
Machinery and Equipment	$538,753	$116,174	$22,500	$632,427
Computers and Computer Equipment	436,275	4,787	-	441,062
Vehicles	36,245	3,500	-	39,745
Land Improvements	-	31,856	-	31,856
Total Depreciable	1,011,273	156,317	22,500	1,145,090
Less Accumulated Depreciation:				
Machinery and Equipment	352,605	38,647	22,500	368,752
Computers and Computer Equipment	358,560	41,782	-	400,342
Vehicles	11,448	6,143	-	17,591
Land Improvements	-	2,124	-	2,124
Total Depreciation	722,613	88,696	22,500	788,809
Capital Assets, net	$288,660	$67,621	-	$356,281

10. LONG-TERM LIABILITIES

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

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Current Portion
Compensated Absences	$167,139	$36,502	-	$203,641	-
Total Long-Term Liabilities	$167,139	$36,502	-	$203,641	-

11. LEASE OBLIGATIONS

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

June 30	Copiers
2004	$14,766
2005	14,766
2006	14,766
TOTAL	$44,298

12. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries and Benefits	Scholarships And Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$3,585,653	-	61,467	626,719	-	$4,273,839
Academic Support	652,254	-	81,757	291,366	-	1,025,377
Student Services	757,690	-	850	159,667	-	918,207
Institutional Support	1,460,135	-	34,433	60,445	-	1,555,013
Operation and maintenance of plant	-	-	-	652,117	-	652,117
Student Aid	-	638,541	-	-		638,541
Depreciation	-	-	-	-	88,696	88,696
Totals	$6,455,732	$638,541	$178,507	$1,790,314	$88,696	$9,151,790

13. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 9.0% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The College's contributions to the plan for the years ending June 30, 2003, 2002, and 2001 were $254,318, $233,701, and $198,993 respectively, equal to the required contributions for the year.

STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3% of their covered annual salary and Marion Technical College is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were $386,133, $357,775, and $356,008 respectively, equal to the required contributions for the year.

14. POST-EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to a health care reserve fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $ 3.011 billion, at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were $354,697,000 and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established as $12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

14. POST-EMPLOYMENT BENEFITS (Continued)

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were $182,946,777 and the target level was $274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of $335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. The portion of the College's contributions that were used to fund post-employment benefits was $155,134.

15. RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2003, the College has entered into contracts with various insurance agencies for various insurance, which includes the following types of insurance, amounts of coverage and the amount of the deductible:

Type of Coverage	Coverage	Amount of Deductible
Inland Marine	$ 9,000	$ 500
Employee Dishonesty Blanket	25,000	-
Automobile	1,000,000	500
School Board Trustee Liability	1,000,000	1,000
Equipment	2,261,250	500
General Liability	1,000,000	1,000

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

15. RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2003, the College participated in the Ohio College Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Colleges is calculated as one experience and a common premium rate is applied to all Colleges in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

16. CONTINGENT LIABILITIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2003.

B. Litigation

The College is currently not party to any legal proceedings.

Marion Technical College
Schedule of Federal Awards
For the Year Ended June 30, 2003

	CFDA #	Project Number	Award Amount	Grant Balance 7/1/2002	Federal Receipts	Federal Disbursements	Grant Balance 6/30/2003
U.S. Department of Education							
Student Financial Aid Cluster:							
Pell Grant Program	84.063		$1,523,886	-	$1,523,886	$1,523,886	-
College Work Study Program	84.033		42,000	-	42,000	42,000	-
Passed Through Ohio Dept. of Education							
Vocational Education Basic Grants	84.048	064527-20-C2-02	102,489	(15,794)	15,794	-	-
		064527-20-C2-03	114,038	-	96,932	114,038	(17,106)
Total Vocational Education Basic Grants				(15,794)	112,726	114,038	(17,106)
Technical Preparation Grant	84243	VETP-2002-02-FB	160,487	(58,481)	58,481	-	-
		VETP-2003-03-FB	160,487	-	136,414	160,487	(24,073)
Total Technical Preparation Grant				(58,481)	194,895	160,487	(24,073)
Adult and Community Education Grant	84.002	064527-AB-S1-03	18,270	-	-	18,270	(18,270)
Total U.S. Department of Education				(74,275)	307,621	292,795	(59,449)
TOTAL FEDERAL AWARDS				**$(74,275)**	**$1,873,507**	**$1,858,681**	**$(59,449)**

MARION TECHNICAL COLLEGE
MARION COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2003

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

2. The approximate amount of Guaranteed Student Loan (Stafford Loan (84.032)) money received in 2003, was $666,617 which is not required to be reflected in the Schedule of Federal Awards. This amount represents loans approved in the current year and the prior year and has been subjected to all applicable audit procedures.

Nagel, Weigand & Company, LLC

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

Board of Trustees
Marion Technical
Marion, Ohio

We have audited the basic financial statements of the Marion Technical College as of and for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

December 16, 2003 *Nagel, Weigand & Company, LLC*

Nagel, Weigand & Company, LLC

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

Board of Trustees
Marion Technical College
Marion, Ohio

Compliance

We have audited the compliance of Marion Technical College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The College's major federal programs are identified in the summary of auditor's results, section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marion Technical College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Marion Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Marion Technical College
Marion County

Internal Control Over Compliance

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

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

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

December 16, 2003 *Nagel, Weigand & Company, LLC*

MARION TECHNICAL COLLEGE
MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

A. SUMMARY OF AUDIT RESULTS

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

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

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

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

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

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

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

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

none

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

none

MARION TECHNICAL COLLEGE
MARION COUNTY

GENERAL COMMENTS

The audit report was reviewed with and acknowledged by the following officials on December 16, 2003.

Doug Boyer	Vice President for Business
Jeff Nutter	Controller

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

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

MARION TECHNICAL COLLEGE
DEVELOPMENT FUND

MARION COUNTY

AUDITED GENERAL PURPOSE
FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED
JUNE 30, 2003

MARION TECHNICAL COLLEGE
MARION COUNTY

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Nagel, Weigand & Company, LLC

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of the Marion Technical College Development Fund, a nonprofit organization, as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Development Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marion Technical College Development Fund as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2003 on our consideration of the Development Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

December 16, 2003 *Nagel, Weigand & Company, LLC*

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

ASSETS:	
Cash and Cash Equivalents	$ 59,712
Long-Term Investments	549,151
TOTAL ASSETS	$608,863
LIABILITIES AND FUND BALANCES:	
Net Assets:	
Unrestricted	$608,863
Total Fund Balances	608,863
TOTAL LIABILITIES AND NET ASSETS	$608,863

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

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	UNRESTRICTED
Support and Revenue:	
Support:	
Scholarship/Grant Fund	$ 7,816
Interst Income	2,592
Dividend Income	11,821
Realized Gains (net of losses)	(78,693)
Unrealized Gains (net of losses)	14,597
Total Support	(41,867)
Expenses:	
Scholarships	54,385
Accounting Fees	1,735
Supplies & Other Fees	132
State Fees	200
Total Expenses	56,452
Change in Net Assets	(98,319)
Net Assets, July 1, 2002	707,182
Net Assets, June 30, 2003	$ 608,863

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

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in Net Assets	$ (98,319)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized Gains on Investments	14,597
Net Cash (Used) By Operating Activities	(83,722)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment in Securities	(250,714)
Net Cash (Used) By Investing Activities	(250,714)
Net Increase in Cash and Cash Equivalents	(334,436)
Cash and Cash Equivalents - July 1, 2002	394,148
Cash and Cash Equivalents - June 30, 2003	$ 59,712

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

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Investments - The Foundation maintains an investment account at United Bank, which consists of U.S. obligations and other equity securities for the purpose of long term investment. These investments represent restricted funds which the Foundation is holding in accordance with the terms of an endowment or other restricted contribution. During the fiscal year, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain

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

Investments - (Continued)

Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are recognized in the change in net assets. The value of the investment, stated at market, at year end June 30, 2003 was $549,151. Unrealized gains recorded for the year were $14,597.

Promises to Give – For the 2003 fiscal year, contributions are recognized when the donor makes a promise to give to the Development Fund.

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

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

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

Nagel, Weigand & Company, LLC

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

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

We have audited the financial statements of the Marion Technical College Development Fund for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

December 16, 2003 *Nagel, Weigand & Company, LLC*

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

A. SUMMARY OF AUDIT RESULTS

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

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

none

MARION TECHNICAL COLLEGE DEVELOPMENT FUND
MARION COUNTY

GENERAL COMMENTS

The audit report, including citations and recommendations, was reviewed with and acknowledged by the following officials on December 16, 2003:

Teresa Parker	Assistant to the President

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

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

Auditor of State
Betty Montgomery

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

MARION TECHNICAL COLLEGE

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 22, 2004