Marion Technical College
Single Audit
July 1, 2005 through June 30, 2006
Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Marion Technical College, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 10, 2007

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MARION TECHNICAL COLLEGE

TABLE OF CONTENTS

TITLE **PAGE**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Marion Technical College (the College), as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 3 to the basic financial statements, the College implemented Governmental Accounting Standards Board Statement Number 46, *Net Assets Restricted by Enabling Legislation (An Amendment of GASB Staement No. 34).*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2006

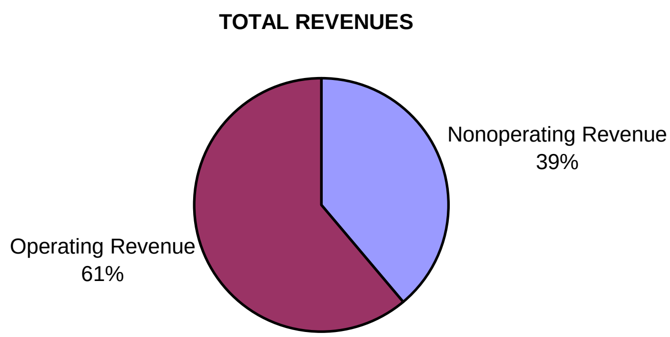
Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2006

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, 2006. 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, 2006. Its combined net assets increased $913,691 or 26.6% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2006:



In the fiscal year ending June 30, 2006, revenues and other support exceeded expenses, creating the increase in net assets of $913,691 (compared to a $702,204 increase last year).

Using This Annual Report

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

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

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

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

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

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

Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2006

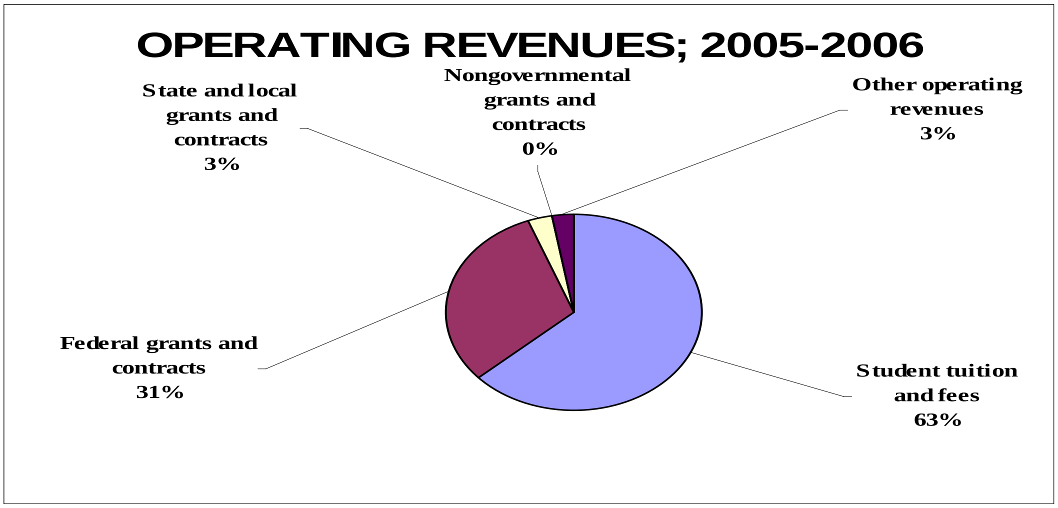
Net Assets – Primary Institution
FY2006 Versus FY2005

	6/30/2006	6/30/2005	Change	Percent Change
ASSETS				
Current Assets				
Cash & cash equivalents	$ 2,227,512	$ 1,731,254	$ 496,258	28.7%
Investments	1,114,113	1,069,821	44,292	4.1%
Student accounts receivable, net	81,099	66,114	14,985	22.7%
Other receivables, net	1,251,187	1,315,736	(64,549)	-4.9%
Total current assets	4,673,911	4,182,925	490,986	11.7%
Noncurrent Assets				
Other receivables, net	991	991	-	0.0%
Prepaid expenses	10,652	1,106	9,546	863.1%
Capital assets, net	964,747	375,842	588,905	156.7%
Total noncurrent assets	976,390	377,939	598,451	158.3%
TOTAL ASSETS	$ 5,650,301	$ 4,560,864	$ 1,089,437	23.9%
LIABILITIES				
Current Liabilities				
Accounts Payable	$232,914	$221,219	$ 11,695	5.3%
Deferred Income	157,246	118,632	38,614	32.5%
Accounts Payable – OSUM	133,288	67,228	66,060	98.3%
Accrued Payroll	278,932	256,639	22,293	8.7%
Accrued Vacation Leave	247,109	230,188	16,921	7.4%
Total current liabilities	1,049,489	893,906	155,583	17.4%
Noncurrent Liabilities				
Compensated Absences	258,152	237,989	20,163	8.5%
Total noncurrent liabilities	258,152	237,989	20,163	8.5%
TOTAL LIABILITIES	1,307,641	1,131,895	175,746	15.5%
NET ASSETS				
Invested in capital assets, net of related debt	964,747	375,842	588,905	156.7%
Restricted:				
Expendable				
Student Grants and Scholarships	70,060	66,599	3,461	5.2%
Loans	2,368	2,177	191	8.8%
Instructional Department Uses	71,755	64,728	7,027	10.9%
Unrestricted	3,233,730	2,919,623	314,107	10.8%
Total net assets	4,342,660	3,428,969	913,691	26.6%
TOTAL LIABILITES AND NET ASSETS	$ 5,650,301	$ 4,560,864	$ 1,089,437	23.9%

Net Asset Changes – Component Unit – MTC Development Fund
FY2006 versus FY2005

	6/30/2006	6/30/2005	Change	Percent Change
ASSETS				
Current Assets:				
Cash equivalents	$79,580	$22,858	$56,722	248.1%
Total current assets	79,580	22,858	56,722	248.1%
Noncurrent Assets:				
Long-term investments	659,032	706,111	($47,079)	-6.7%
Total noncurrent assets	659,032	706,111	($47,079)	-6.7%
TOTAL ASSETS	$738,612	$728,969	$9,643	1.3%
LIABILITIES				
Current Liabilities				
Accounts Payable	$31,856	$32,053	$(197)	-.6%
Total current liabilities	31,856	32,053	(197)	-.6%
TOTAL LIABILITIES	31,856	32,053	(197)	-.6%
NET ASSETS				
Restricted – Nonexpendable	403,279	385,020	18,259	4.7%
Restricted – Expendable Student Grants and Scholarships	263,892	235,973	27,919	11.8%
Unrestricted	39,585	75,923	(36,338)	47.8%
Total net assets	706,756	696,916	9,840	1.4%
TOTAL LIABILITIES AND NET ASSETS	$738,612	$728,969	$9,643	1.3%

Marion Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2006



Primary Institution
Operating Results for the Year – FY2006 Versus FY2005

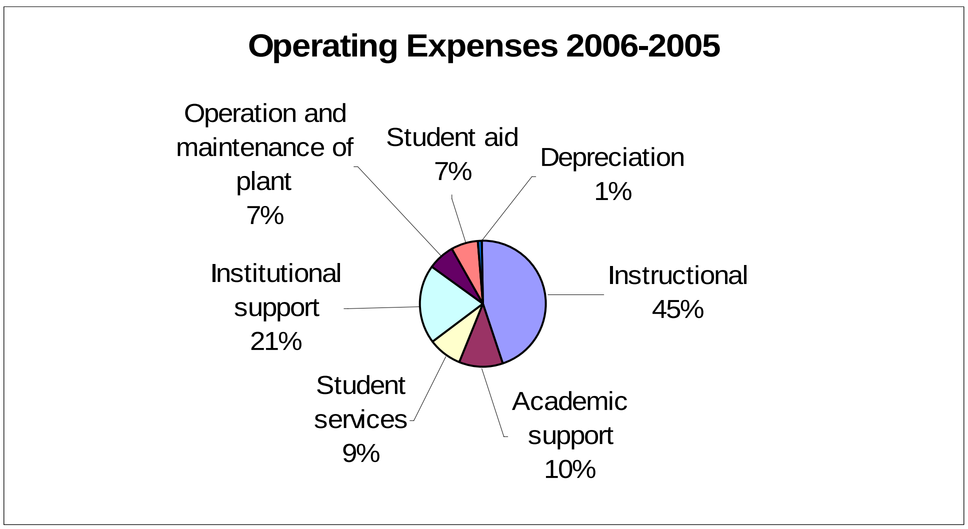
	6/30/2006	6/30/2005	Change	Percent Change
Operating Revenues:				
Student tuition and fees	$ 4,703,085	$ 4,324,327	$ 378,758	8.8%
Federal grants and contracts	2,291,404	2,422,827	(131,423)	-5.4%
State and local grants and contracts	219,142	100,017	119,125	119.1%
Nongovernmental grants and contracts	-	23,188	(23,188)	-100.0%
Other operating revenues	213,815	185,746	28,069	15.1%
Total operating revenues	7,427,446	7,056,105	371,341	5.3%
Operating Expenses:	11,862,260	11,203,225	659,035	5.9%
Net operating revenues (expenses)	(4,434,814)	(4,147,120)	(287,694)	6.9%
Nonoperating Revenues (expenses)				
State appropriations	4,234,624	4,054,942	179,682	4.4%
State and local grants	532,349	530,804	1,545	0.3%
Investment income	113,661	32,749	80,912	247.1%
Other nonoperating revenues	20,000	-	20,000	100.0%
Net Nonoperating Revenues	4,900,634	4,618,495	282,139	6.1%
Income before other revenues	465,820	471,375	(5,555)	-1.2%
Capital Appropriations	215,871	246,776	(30,905)	12.5%
Captial Grants (Revenue)	232,000	-	232,000	223.2%
Capital Assets Disposal	-	(15,947)	15,947	-100.0%
Increase in net assets	913,691	702,204	211,487	30.1%
Net Assets, beginning of year	3,428,969	2,726,765	702,204	25.8%
Net Assets, end of year	$4,342,660	$3,428,969	$ 913,691	26.6%

Component Unit
Operating Results for the Year – FY2006 Versus FY2005

	6/30/2006	6/30/2005	Change	Percent Change
Operating Revenues				
Contributions	$20,782	$18,104	$2,678	12.9%
Other	-	5	(5)	-100.0%
Total operating revenues	20,782	18,109	2,673	14.8%
Operating Expenses	9,507	3,079	6,428	67.6%
Net operating revenues (expenses)	11,275	15,353	(4,078)	36.2%
Nonoperating Revenues (Expenses)				
Investment Income	30,421	53,936	(23,515)	-77.3%
Scholarships	(31,856)	(32,053)	197	.6%
Net nonoperating revenues (expenses)	(1,435)	21,883	(23,318)	76.7%
Increase (decrease) in Net Assets	9,840	37,236	(27,396)	-278.4%
Net Assets, beginning of year	696,916	660,003	36,913	5.6%
Net Assets, end of year	$706,756	$696,916	$9,840	1.4%

Primary Institution
Operating Expenses for the Year – FY2006 Versus FY2005

	6/30/2006	6/30/2005	Change	Percent Change
Operating Expenses:				
Instructional	$ 5,337,681	$ 5,029,019	$ 308,662	6.1%
Academic support	1,241,536	1,188,150	53,386	4.5%
Student services	1,049,384	1,022,157	27,227	2.7%
Institutional support	2,451,804	2,249,469	202,335	9.0%
Operation and maintenance of plant	858,458	767,035	91,423	11.9%
Student aid	783,186	855,102	(71,916)	-8.4%
Depreciation	140,211	92,293	47,918	51.9%
Total operating expenses	$ 11,862,260	$ 11,203,225	$ 659,035	5.9%

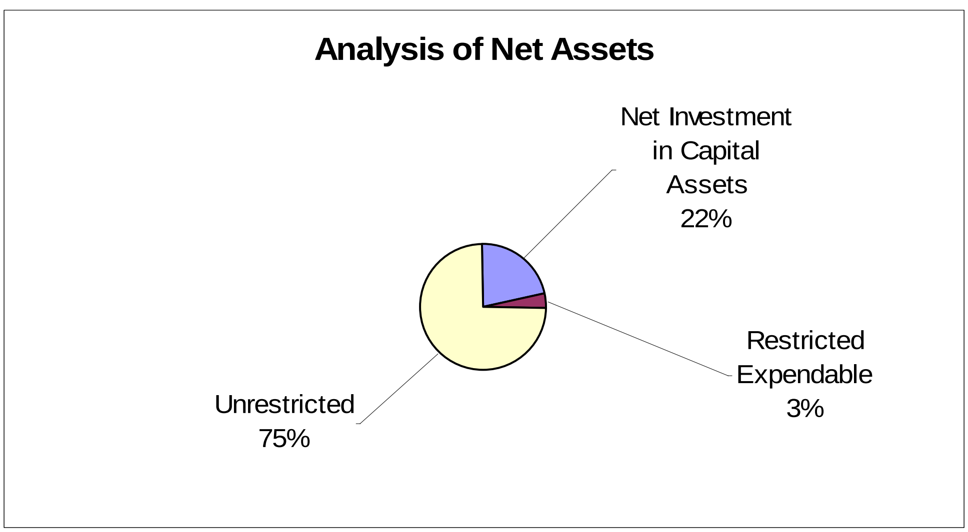


Total operating expenses increased by $659,035 or 5.9% over FY 2005. Three areas increased expenditures as a result of wage and benefit increases. These areas were Instructional $308,662 (6.1%), Student services $27,227 (2.7%), and Academic support increased by $53,386 (4.5%). Operations and maintenance of plant $91,423 (11.9%) increased due to additional staff and operating supplies. Institutional support increased by $202,335 (9.0%) due to the addition of leased space and the contracting of computer consultants. Student aid decreased by $71,916 -8.4% as a result of declining FTE enrollment despite increased student tuition.

Analysis of Net Assets – Primary Institution
FY2006 Versus FY2005

	6/30/2006	6/30/2005	Change	Percent Chang e
Net Assets				
Net Investment in Capital Assets	$ 964,747	$ 375,842	$ 588,905	156.7%
Restricted Expendable	144,183	133,504	10,679	8.0%
Unrestricted	3,233,730	2,919,623	314,107	10.8%
Total	$4,342,660	$ 3,428,969	$ 913,691	26.6%

Unrestricted Net Assets increased $314,107 due to revenues exceeding expenditures. Increased state funding, and the strategic use of unallocated budget line items contributed to the surplus for unrestricted net assets. Restricted Expendable Net Assets increased $10,679 due to receipts exceeding expenditures. Restricted Expendable Net Assets represent excess grant funds received for specific activities. Net Investment in Capital Assets increased due to purchases of equipment exceeding depreciation expense. Two notable additions to capital assets were a College management information system and an engineering simulation machine.



The Statement of Cash Flows

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

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

Cash Flows – Primary Institution
FY2006 Versus FY2005

	6/30/2006	6/30/2005	Change	Percent Change
Cash provided (used) by:				
Operating activities	$(4,149,898)	$(4,318,745)	$ 168,847	-3.9%
Noncapital financing activities	4,786,973	4,597,900	189,073	4.1%
Capital and related financing activities	(209,241)	105,598	(314,839)	-298.1%
Investing activities	68,424	11,201	57,223	510.9%
Net increase (decrease) in cash	496,258	395,954	100,304	25.3%
Cash, beginning of year	1,731,254	1,335,300	395,954	29.7%
Cash, end of year	$ 2,227,512	$ 1,731,254	$ 496,258	28.7%

Capital and Debt Administration

Capital Assets

At June 30, 2006, the College had $964,747 invested in capital assets, net of accumulated depreciation of $1,091,291. Depreciation charges totaled $140,211 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net; FY2006 Versus FY2005
Primary Institution

	6/30/2006	6/30/2005	Change	Percent Change
Machinery and Equipment	$ 377,810	$ 219,216	$ 158,594	72.3%
Computers and Computer Equipment	449,408	37,356	412,052	1,103%
Vehicles	32,202	21,236	10,966	51.6%
Land Improvements	105,327	98,033	7,294	7.4%
Capital Assets, net	$ 964,747	$ 375,841	$ 588,906	156.7%

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

The College has planned expenditures for fiscal year ending June 30, 2007 at approximately $432,000. These planned additions include replacement computers for academic computer labs and administration as well as various pieces of equipment for instructional labs. More detailed information about the College's capital assets is presented in Note 8 to the financial statements.

Debt

At year-end 2006, the College had no debt.

Economic Factors that Will Affect the Future

The economic position of Marion Technical College is closely tied to that of the State of Ohio. Because of limited economic growth and increased demand for state resources from federal mandates, the current state budget projects a very small increase in funding to the College in the next year.

The College has approved tuition and fees increases averaging 5.5% starting in Summer Quarter 2006. The College also has shown large enrollment increases during each quarter of fiscal years 2003, 2004, and 2005. The College anticipates no enrollment increase in fiscal year 2007.

Economic Factors (continued)

The College anticipates that the state of Ohio economy which has been very slow to grow will continue at a slow growth rate over the next couple of years. This would normally result in a slight decline in enrollment. The state has mandated that the budget for all agencies will not increase more than 3.5% for Fiscal Year 2008.

The College is considering a 3% increase for employee contracts and a 20% increase for health insurance premiums during fiscal year 2007.

The College's current financial plans indicate that the infusion of additional financial resources from prior years record surpluses will enable it to maintain its present level of services and provide continued funding for a new administrative software system in FY 2007.

Contacting the College's Financial Management

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

MARION TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
As of June 30, 2006

	Primary Institution	Component Unit
ASSETS		
Current Assets		
Cash & cash equivalents	$ 2,227,512	$ 79,580
Investments	1,114,113	-
Student accounts receivable, net	81,099	-
Other receivables, net	1,251,187	-
Total current assets	4,673,911	79,580
Noncurrent Assets		
Other receivables, net	991	-
Prepaid expenses and deferred charges	10,652	-
Long-term Investment	-	659,032
Capital assets, net	964,747	-
Total noncurrent assets	976,390	659,032
Total assets	$ 5,650,301	$ 738,612
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 232,914	$ 31,856
Deferred Income	157,246	-
Accounts Payable - OSUM	133,288	-
Accrued Payroll	278,932	-
Accrued Vacation Leave	247,109	-
Total current liabilities	1,049,489	31,856
Noncurrent Liabilities		
Compensated Absences	258,152	-
Total noncurrent liabilities	258,152	-
Total liabilities	1,307,641	31,856
NET ASSETS		
Invested in capital assets	964,747	-
Restricted:		
Nonexpendable	-	403,279
Expendable:		
Student Grants and Scholarships	70,060	263,892
Loans	2,368	-
Instructional Department Uses	71,755	-
Unrestricted	3,233,730	39,585
Total net assets	4,342,660	706,756
Total liabilities and net assets	**$ 5,650,301**	**$ 738,612**

The notes to the Basic Financial Statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

REVENUES	Primary Institution	Component Unit
Operating Revenues:		
Student Tuition and fees (net of scholarship allowances of $1,361,479)	$ 4,703,085	$ -
Federal grants and contracts	2,291,404	-
State and local grants and contracts	219,142	-
Contributions	-	20,782
Other operating revenues	213,815	-
Total operating revenues	7,427,446	20,782
EXPENSES		
Operating Expenses:		
Instructional	5,337,681	-
Academic support	1,241,536	-
Student services	1,049,384	-
Institutional support	2,451,804	-
Operation and maintenance of plant	858,458	-
Student aid	783,186	-
General and administrative	-	9,507
Depreciation	140,211	-
Total operating expenses	11,862,260	9,507
Operating income (loss)	(4,434,814)	11,275
NONOPERATING REVENUES (EXPENSES)		
State appropriations	4,234,624	-
State and local grants	532,349	-
Investment income	113,661	30,421
Scholarships	-	(31,856)
Other Nonoperating Revenues	20,000	-
Nonoperating revenues	4,900,634	(1,435)
Income before other revenues, expenses, gains or losses	465,820	9,840
Capital appropriations	215,871	-
Capital grants	232,000	-
Increase in net assets	913,691	9,840
Net assets, beginning of year	3,428,969	696,916
Net assets, end of year	**$ 4,342,660**	**$ 706,756**

The notes to the Basic Financial Statements are an integral part of this statement.

MARION TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**Primary Institution**
Cash Flows from Operating Activities:	
Tuition and Fees	$5,995,141
Grants & Contracts	553,595
Supplier and related payments	(3,067,056)
Employee and related payments	(7,835,611)
Other receipts (payments)	204,033
Net cash provided (used) by operating activities	(4,149,898)
Cash Flows from Non-Capital and Related Financing Activities:	
State Appropriations	4,234,624
Gifts and grants	552,349
Net cash provided (used) by non-capital financing activities	4,786,973
Cash Flows from Capital and Related Financing Activities:	
Capital gifts and grants	287,875
Purchases of capital assets	(497,116)
Net cash provided (used) by capital and related financing activities	(209,241)
Cash Flows from Investing Activities	
Interest and other income	68,424
Net cash provided (used) by investing activities	68,424
Net increase in cash and cash equivalents	496,258
Cash and Cash Equivalents at beginning of year	1,731,254
Cash and Cash Equivalents at end of year	$2,227,512

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	$(4,434,814)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	140,211
Changes in assets and liabilities:	
Student accounts receivable, net	(14,985)
Other receivables, net	(6,510)
Prepaid expenses	(9,546)
Accounts Payable	11,694
Deferred Income	38,614
Accounts Payable – OSUM	66,060
Accrued Payroll	22,293
Accrued Sick Leave	20,164
Accrued Vacation Leave	16,921
Net cash used by operating activities	$(4,149,898)
Non-cash Capital & Related Financing Activities: Contribution of Capital Assets	232,000

The Notes to the Basic Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

A. Organization

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

B. Basis of Presentation

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

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

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

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

F. Accounts and Appropriations Receivable

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

G. Capital Assets

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

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

H. Noncurrent Long-Term Liabilities

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

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

I. Compensated Absences

The College has adopted GASB No. 16.

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

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

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

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

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

J. Accrued Salaries

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

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

K. Deferred Revenue

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

L. Net Assets

The College's net assets are classified as follows:

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

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

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

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

M. Scholarship Allowances

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

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

N. Revenue and Expense Recognition

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

O. Budgetary

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

P. Income Taxes

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

Q. Use of Estimates

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

2. STATE SUPPORT

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

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

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

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

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

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

3. CHANGE IN ACCOUNTING PRINCIPLES

The College has implemented Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation,* which addresses certain legal restrictions on net assets. Implementation of this GASB statement had no impact on the College's financial position or results of operations.

4. DEPOSITS AND INVESTMENTS

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

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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2006, the carrying amount of the College's deposits were $2,227,512 and the bank balances was $2,241,672. The differences represent normal reconciling items associated with timing differences and cash on hand. At June 30, 2006, $100,000 of the bank balances was insured by the FDIC (Category 1); the remaining bank balances were Category 3. The following summarizes the carrying value and market value of investments:

	Market Value	Investment Maturities (in years) Less than 1
June 30, 2006:		
StarOhio	$1,114,113	$1,114,113

The College held $1,114,113 in Star Ohio investments, which is an external investment pool. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3.

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

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

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

The College has no investment policy that limits its investment choices. As of the fiscal year ended June 30, 2006 the College's investments in Star Ohio were rated AAAm by Standard & Poor's.

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

The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments are in Star Ohio. These investments were 99.8%, of the College's total investments as of June 30, 2006.

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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits. The College does not have a policy for custodial credit risk. As of June 30, 2006, $2,141,672 of the College's bank balances was exposed to custodial credit risk as follows:

	June 30, 2005
Uninsured and collateral held by the pledging bank's trust department not in the College's name	$2,141,672
	$2,141,672

5. RECEIVABLES

Receivables at June 30, 2006 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$81,099		$81,099
Intergovernmental	1,171,032	$(132,000)	1,039,032
Other	212,155		212,155
Total Receivables	$1,464,286	$(132,000)	$1,332,286

6. 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, 2006, there was no net appreciation on donor restricted assets available to be spent.

7. ACCOUNTS PAYABLE – OSU COST SHARING

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

8. CAPITAL ASSETS

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

	Balance at 7/1/2005	Increases	Decreases	Balance at 6/30/2006
Capital Assets, Depreciable:				
Machinery and Equipment	$722,031	$265,782	-	$987,813
Computers and Computer Equipment	466,823	431,867	-	898,690
Vehicles	32,662	16,849	-	49,511
Land Improvements	105,405	14,619	-	120,024
Total Depreciable	1,326,921	729,117	-	2,056,038
Less Accumulated Depreciation:				
Machinery and Equipment	(502,815)	(107,188)	-	(610,003)
Computers and Computer Equipment	(429,467)	(19,815)	-	(449,282)
Vehicles	(11,426)	(5,883)	-	(17,309)
Land Improvements	(7,372)	(7,325)	-	(14,697)
Total Depreciation	(951,080)	(140,211)	-	(1,091,291)
Capital Assets, net	$375,841	$588,906	-	$964,747

9. LONG-TERM LIABILITIES

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

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amount Due Within One Year
Compensated Absences	$237,989	$258,152	(237,989)	$258,152	-
Total Long-Term Liabilities	$237,989	$258,152	(237,989)	$258,152	-

10. OPERATING EXPENSES BY FUNCTION AND NATURAL CLASS

	Salaries And Benefits	Scholarships and Fellowships	Equipment	Supplies and Other Services	Depreciation	Total
Instruction	$4,438,661	$ -	$106,702	$792,318	$ -	$5,337,681
Academic Support	846,038	-	5,072	390,426	-	1,241,536
Student Services	878,685	-	1,194	169,505	-	1,049,384
Institutional Support	1,731,606	-	45,768	674,430	-	2,451,804
Operation and maintenance of plant	-	-	-	858,458	-	858,458
Student Aid	-	783,186	-	-	-	783,186
Depreciation	-	-	-	-	140,211	140,211
Totals	$7,894,990	$783,186	$158,736	$2,885,137	$140,211	$11,862,260

11. DEFINED BENEFIT PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The College's contributions to the plan for the years ending June 30, 2006, 2005, and 2004 were $329,838, $303,953, and $275,438 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.

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (Continued)

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

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

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (Continued)

Eligible faculty of Ohio's public college's and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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

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

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

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

STATE TEACHERS RETIREMENT SYSTEM (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2006, were 10% of covered payroll for members for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were $487,771, $452,674, and $421,613 respectively, equal to the required contributions for the year.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2005 Comprehensive Annual Financial Report are available by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

12. POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through School Employees Retirement System (SERS).

SERS – The Ohio Revised Code gives SERS the discretionary authority to provide postretirement healthcare to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. in addition, SERS levies a surcharge to fund healthcare 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 2005, the minimum pay has been established as $27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the healthcare fund.

12. POST-EMPLOYMENT BENEFITS (continued)

Healthcare benefits are financed on a pay-as-you-go basis. Net healthcare costs for the year ended June 30, 2005 were $178,221,113. the target level for the healthcare fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the healthcare fund $267.5 million, which is about 168% of next year's projected net healthcare costs of $158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a healthcare reserve equal to at least 150% of annual net claim costs. The number of participants eligible to receive benefits is 58,123. The portion of employer contributions that were used to fund postemployment benefits was $91,222.

STRS – State Teachers Retirement System of Ohio (STRS Ohio) provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and partial reimbursement of Monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated healthcare costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of the health care cost in the form of a monthly premium.

Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2005 and June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.3 billion on June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000. There were 115,395 eligible benefit recipients.

13. RISK MANAGEMENT

A. Property and Liability

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2006, the College has entered into contracts with various insurance agencies for various insurance, which includes the following types of insurance, amounts of coverage and the amount of the deductible:

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

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

13. RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2006, the College participated in the Ohio College Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Colleges is calculated as one experience and a common premium rate is applied to all Colleges in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

14. CONTINGENT LIABILITIES

A. Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Unrestricted Educational and General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2006.

B. Litigation

The College is currently not party to any legal proceedings.

15. COMPONENT UNIT DISCLOSURES – MARION TECHNICAL COLLEGE DEVELOPMENT FUND

A. Description of the Fund

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

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

B. Financial Statement Presentation

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

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

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

C. Income Tax Status

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

D. Cash and Investments

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

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

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

At June 30, 2006, the carrying amount of the Fund's cash deposits was $79,580 and the bank balance was $79,580. At June 30, 2006, $79,580 of the bank balances was insured by the FDIC (Category 1). The following summarizes the market value and maturities of investments:

Description	Market Value	Investment Maturities (in years) Less than 1	1-5	6-10
June 30, 2006:				
Taxable Bonds	$ 166,175	$ -	$ 95,861	$ 70,314
Fixed Income Funds	39,606	39,606	-	-
Preferred Stock	38,958	38,958	-	-
Common Stock & Options	414,293	414,293	-	-
Total Investments	$ 659,032	$ 492,857	$ 95,861	$ 70,314

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

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

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

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

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

Taxable Bond Issue	CUSIP	Maturity Date	Market Value	S&P Rating	Moody Rating
Caterpillar	14912L2L4	2/8/08	$24,306	A	A2
US Treasury	912828BG4	8/15/08	24,055	AAA	Aaa
Merrill Lynch	59018YUH2	9/10/09	23,871	A+	Aa3
Lehman Brothers Holding, Inc.	52517PXT3	11/10/09	23,629	A	A1
General Electric CAP Corporation	36966RFF8	11/15/12	22,251	AAA	Aaa
Federal National Mortgage Association	3136F4TZ7	11/26/13	24,281	AAA	Aaa
Federal Home Loan Bank	3133X5K72	4/7/14	23,782	AAA	Aaa
			$166,175		

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

D. Cash And Investments (Continued)

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

The Fund's investment policy calls for maximum exposure to the stock market shall be approximately sixty percent (60%) of the total portfolio. The remaining assets shall be invested in fixed income or short-term investments as outlined herein. Cash balances maintained as part of the normal course of business may be invested in a money market fund.

More than 5 percent of the Fund's investments are in Common Stock & Options, Preferred Stock, Fixed Income Funds, and Taxable Bonds. These investments represent 63%, 6%, 6% and 25%, respectively of the Fund's total investments.

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

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

Marion Technical College
Marion County, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$58,000
Federal Pell Grant Program	P063P	84.063	1,927,906
Total Student Financial Aid Cluster			1,985,906
Passed through the Ohio Department of Education			
Vocational Education: Basic Grants to States	20C3	84.048	122,695
Adult and Community Education Grant	VETP	84.002	16,268
Tech Prep Education	3ETC	84.243	166,535
Subtotal			305,498
Total United States Department of Education			2,291,404
Total Federal Financial Assistance			$2,291,404

NA - Direct from the federal government
N - Pass through entity numbers could not be located by the College

See accompanying notes to the schedule of federal awards expenditures

MARION TECHNICAL COLLEGE
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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1. **BASIS OF PRESENTATION**

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

2. **FEDERAL FAMILY EDUCATION LOANS**

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program (CFDA No. 84.032). The dollar amounts are not listed in the Schedule of Federal Awards Expenditures, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2006, totaled $1,085,666.

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Marion Technical College (the College) as of and for the year ended June 30, 2006,which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2006, in which we indicated the College adopted GASB Statement No. 46. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the College in a separate letter dated November 30, 2006.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2006

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

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

Compliance

We have audited the compliance of Marion Technical College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Marion Technical College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Marion Technical College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2006

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

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

MARION TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2006

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Mary Taylor, CPA
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 25, 2007

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