

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Marion Technical College, Marion County, prepared by Holbrook & Manter, for the audit period July 1, 2011 through June 30, 2012. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 4, 2013

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Marion Technical College  
Marion County  
Marion, OH 43302

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Marion Technical College, Marion County, Ohio (the College), as of and for the year ended June 30, 2012, 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 financial statements based on our audit.

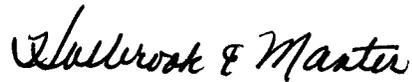
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 respective financial position of the business-type activities and the discretely presented component unit of the Marion Technical College as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 on our consideration of the Marion Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements taken as a whole. The schedule of expenditures of federal awards provides additional information required by the 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 expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

January 30, 2013

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED**

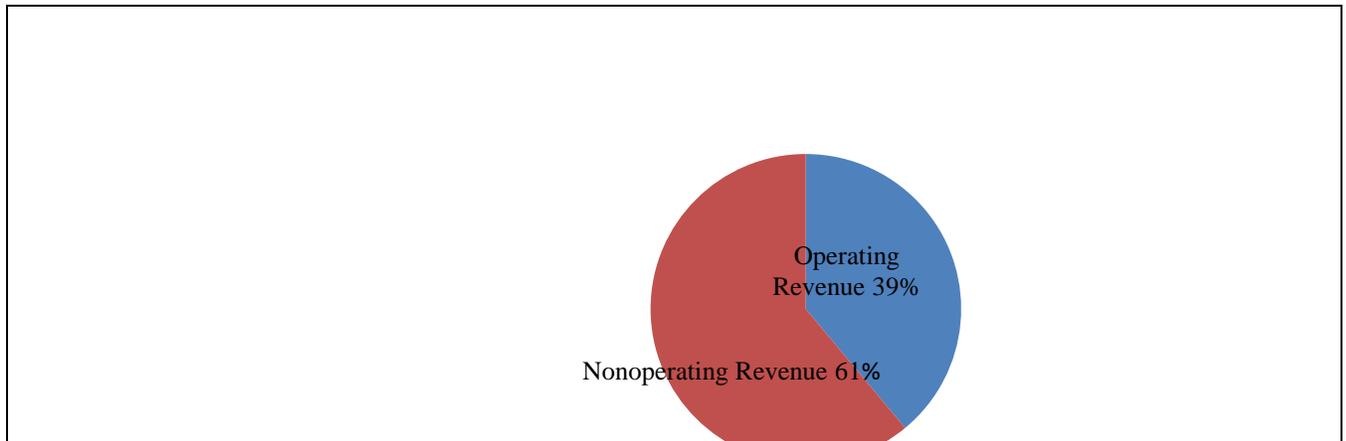
***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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, 2012. 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, 2012. Its combined net assets decreased \$755,733 or -7.3% from the previous year.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2012:



In the fiscal year ending June 30, 2012, revenues and other support were less than expenses, creating the decrease in net assets of \$755,733 (compared to a \$3,148,373 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.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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**  
**MARION COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**THE COLLEGE AS A WHOLE**

Table 1 provides a summary of the College's net assets for fiscal year 2012 and fiscal year 2011.

		<b>Table 1- Net Assets</b>			
<b>Assets</b>		<b>2012</b>	<b>2011</b>	<b>Change</b>	<b>Percent Change</b>
<b>Current assets:-</b>					
Cash & cash equivalents	\$	396,995	\$ 5,043,204	\$ ( 4,646,209)	-92.1%
Investments		538,144	537,909	235	0.0%
Student accounts receivable, net		4,061,583	149,380	3,912,203	2619.0%
Other receivables, net		1,311,562	1,343,968	( 32,406)	-2.4%
Total current assets		<u>6,308,284</u>	<u>7,074,461</u>	<u>( 766,177)</u>	<u>-10.8%</u>
<b>Noncurrent assets:-</b>					
Other receivables, net		991	991	0	0.0%
Prepaid expenses		5,023	0	5,023	100.0%
Capital assets, net (Note 4)		6,136,677	5,459,016	677,661	12.4%
Total noncurrent assets		<u>6,142,691</u>	<u>5,460,007</u>	<u>682,684</u>	<u>12.5%</u>
Total assets	\$	<u>12,450,975</u>	\$ <u>12,534,468</u>	\$ ( 83,493)	<u>-0.7%</u>
<b>Liabilities</b>					
<b>Current Liabilities:-</b>					
Accounts payable	\$	324,460	\$ 659,634	\$ ( 335,174)	-50.8%
Deferred income		233,552	223,899	9,653	4.3%
Accounts payable- OSUM		1,305,865	224,000	1,081,865	483.0%
Accrued payroll		373,915	372,801	1,114	0.3%
Accrued vacation leave		309,753	311,872	( 2,119)	-0.7%
Total current liabilities		<u>2,547,545</u>	<u>1,792,206</u>	<u>755,339</u>	<u>42.1%</u>
<b>Noncurrent Liabilities:-</b>					
Accrued sick leave		370,724	453,823	( 83,099)	-18.3%
Total noncurrent liabilities		<u>370,724</u>	<u>453,823</u>	<u>( 83,099)</u>	<u>-18.3%</u>
Total liabilities		2,918,269	2,246,029	672,240	29.9%
<b>Net Assets</b>					
Invested in capital assets, net of related debt		6,136,677	5,459,016	677,661	12.4%
<b>Restricted:-</b>					
<b>Nonexpendable</b>					
<b>Expendable:-</b>					
Student grants and scholarships		89,810	56,232	33,578	59.7%
Loans		3,981	3,913	68	1.7%
Instructional department uses		203,065	192,476	10,589	5.5%
Unrestricted		3,099,173	4,576,802	( 1,477,629)	-32.3%
Total net assets		<u>9,532,706</u>	<u>10,288,439</u>	<u>( 755,733)</u>	<u>-7.3%</u>
<b>Total liabilities and net assets</b>	\$	<u>12,450,975</u>	\$ <u>12,534,468</u>	\$ ( 83,493)	<u>-0.7%</u>

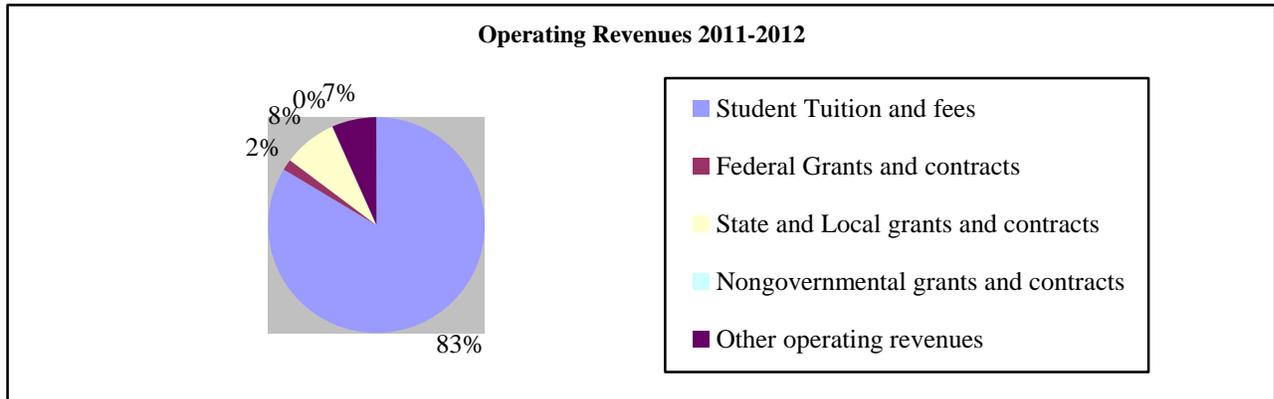
**MARION TECHNICAL COLLEGE**  
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Table 2 reflects the changes in net assets for fiscal years ended June 30, 2012 and 2011.

**Table 2**  
**Change in Net Assets- Component Unit- MTC Development Fund**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets:-</b>				
<i>Current Assets:-</i>				
Cash equivalents	\$ 69,539	\$ 64,410	\$ 5,129	8.0%
Total current assets	<u>69,539</u>	<u>64,410</u>	<u>5,129</u>	<u>8.0%</u>
<i>Noncurrent Assets:-</i>				
Investment held w/ fiscal agent	<u>787,405</u>	<u>768,778</u>	<u>18,627</u>	<u>2.4%</u>
Total noncurrent assets	<u>787,405</u>	<u>768,778</u>	<u>18,627</u>	<u>2.4%</u>
Total Assets	<u>\$ 856,944</u>	<u>\$ 833,188</u>	<u>\$ 23,756</u>	<u>2.9%</u>
<b>Liabilities:-</b>				
<i>Current Liabilities:-</i>				
Accrued scholarships	\$ 0	\$ 0	\$ 0	0.0%
Total current liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
<b>Net Assets:-</b>				
<b>Nonexpendable</b>	355,840	355,840	0	0.0%
<i>Expendable:-</i>				
Capital	14,794	8,538	6,256	73.3%
Student grants and scholarships	431,565	416,306	15,259	3.7%
Unrestricted	<u>54,745</u>	<u>52,504</u>	<u>2,241</u>	<u>4.3%</u>
Total net assets	<u>856,944</u>	<u>833,188</u>	<u>23,756</u>	<u>2.9%</u>
<b>Total liabilities and net assets</b>	<u>\$ 856,944</u>	<u>\$ 833,188</u>	<u>\$ 23,756</u>	<u>2.9%</u>

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Primary Institution**  
**Operating Results for the Year**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Operating Revenues:-</b>				
Student tuition and fees	\$ 5,586,722	\$ 5,573,355	\$ 13,367	0.2%
Federal grants and contracts	108,482	264,127	( 155,645)	-58.9%
State and local grants and contracts	546,595	462,513	84,082	18.2%
Nongovernmental grants and contracts	0	209,000	( 209,000)	-100.0%
Other operating revenues	442,940	471,729	( 28,789)	-6.1%
<b>Total operating revenues</b>	<u>6,684,739</u>	<u>6,980,724</u>	<u>( 295,985)</u>	<u>-4.2%</u>
<b>Operating Expenses:-</b>	<u>18,375,207</u>	<u>18,215,937</u>	<u>159,270</u>	<u>0.9%</u>
Net operating revenues (expenses)	( 11,690,468)	( 11,235,213)	( 455,255)	4.1%
<b>Nonoperating revenues (expenses):-</b>				
State appropriations	5,391,736	6,098,653	( 706,917)	-11.6%
State and local grants	0	50,624	( 50,624)	-100.0%
Federal grants and contracts	5,077,087	5,236,585	( 159,498)	-3.0%
Investment income	2,844	21,930	( 19,086)	-87.0%
<b>Net nonoperating revenues</b>	<u>10,471,667</u>	<u>11,407,792</u>	<u>( 936,125)</u>	<u>-8.2%</u>
<b>Income before other revenues</b>	( 1,218,801)	172,579	( 1,391,380)	-806.2%
Capital appropriations	265,591	265,591	0	0.0%
Capital grants (revenue)	197,477	2,718,699	( 2,521,222)	-92.7%
Loss on asset disposals (expense)	0	( 8,496)	8,496	-100.0%
<b>Increase in net assets</b>	( 755,733)	3,148,373	( 3,904,106)	-124.0%
Net assets, beginning of year	<u>10,288,439</u>	<u>7,140,066</u>	<u>3,148,373</u>	<u>44.1%</u>
<b>Net assets, end of year</b>	<u>\$ 9,532,706</u>	<u>\$ 10,288,439</u>	<u>\$ ( 755,733)</u>	<u>-7.3%</u>

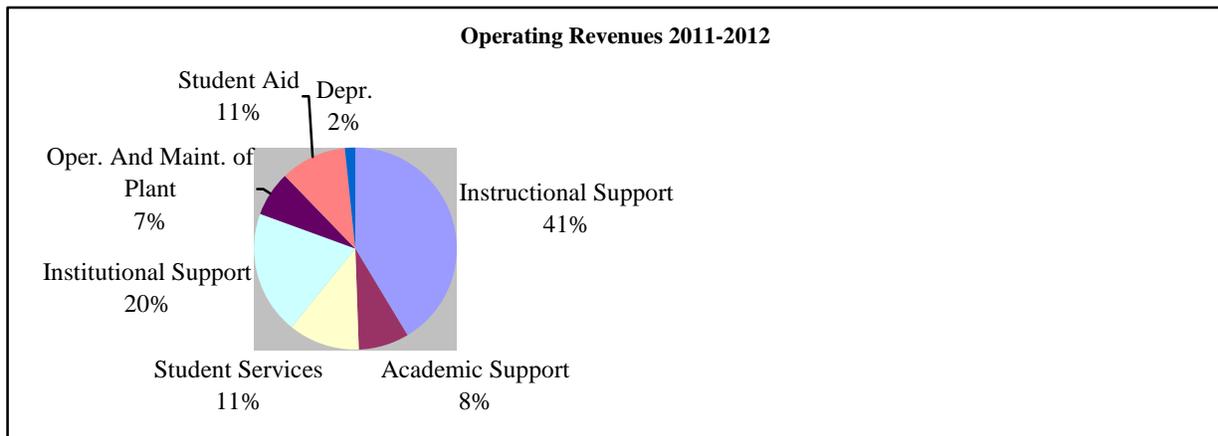
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**Component Unit  
Operating Results for the Year**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Operating Revenues:-</b>				
Contributions	\$ 35,211	\$ 131,030	\$ ( 95,819)	-73.1%
Total operating revenues	<u>35,211</u>	<u>131,030</u>	<u>( 95,819)</u>	<u>-73.1%</u>
<b>Operating Expenses:-</b>	<u>8,033</u>	<u>220,406</u>	<u>( 212,373)</u>	<u>-96.4%</u>
Net operating revenues (expenses)	27,178	( 89,376)	116,554	-130.4%
<b>Nonoperating revenues (expenses):-</b>				
Investment income	24,556	131,554	( 106,998)	-81.3%
Scholarships	( 27,978)	( 30,483)	2,505	-8.2%
Net nonoperating revenues (expenses)	<u>( 3,422)</u>	<u>101,071</u>	<u>( 104,493)</u>	<u>-103.4%</u>
<b>Increase (decrease) in net assets</b>	23,756	11,695	12,061	103.1%
Net assets, beginning of year	<u>833,188</u>	<u>821,493</u>	<u>11,695</u>	<u>1.4%</u>
<b>Net assets, end of year</b>	<u>\$ 856,944</u>	<u>\$ 833,188</u>	<u>\$ 23,756</u>	<u>2.9%</u>

**Primary Institution  
Operating Expenses for the Year**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Operating Expenses</b>				
Instructional	\$ 7,594,354	\$ 7,639,720	\$ ( 45,366)	-0.6%
Academic support	1,515,479	1,880,974	( 365,495)	-19.4%
Student services	2,058,819	2,135,983	( 77,164)	-3.6%
Institutional support	3,620,387	3,562,740	57,647	1.6%
Operation and maintenance of plant	1,332,391	636,032	696,359	109.5%
Student aid	1,934,757	1,984,195	( 49,438)	-2.5%
Depreciation	<u>319,020</u>	<u>376,293</u>	<u>( 57,273)</u>	<u>-15.2%</u>
<b>Total operating expenses</b>	<u>\$ 18,375,207</u>	<u>\$ 18,215,937</u>	<u>\$ 159,270</u>	<u>0.9%</u>

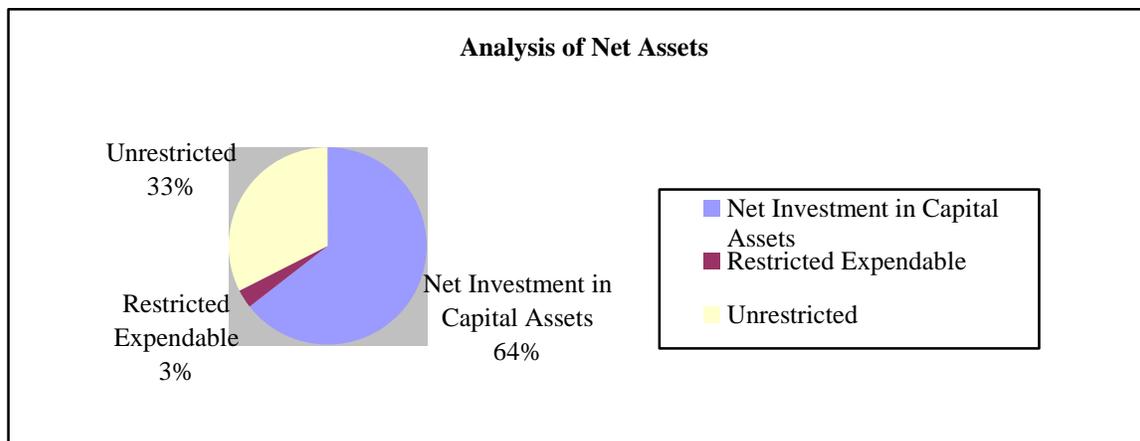


**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
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**Analysis of Net Assets- Primary Institution  
2012 versus 2011**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Net Assets:-</b>				
Net investment in capital assets	\$ 6,136,677	\$ 5,459,016	\$ 677,661	12.4%
Restricted expendable	296,856	252,621	44,235	17.5%
Unrestricted	3,099,173	4,576,802	( 1,477,629)	-32.3%
<b>Total</b>	<u>\$ 9,532,706</u>	<u>\$ 10,288,439</u>	<u>\$ ( 755,733)</u>	<u>-7.3%</u>

Unrestricted Net Assets decreased \$1,382,629 due to significant contributions toward the new Health Technology Center. Net Investment in Capital Assets increased significantly as construction was completed on the Health Technology Center.



**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.

**MARION TECHNICAL COLLEGE**  
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**Cash Flows – Primary Institution**  
**2012 versus 2011**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Cash provided (used) by:-</b>				
Operating activities	\$ ( 9,323,555)	\$ ( 11,217,511)	\$ 1,893,956	-16.9%
Noncapital financing activities	5,391,736	11,544,238	( 6,152,502)	-53.3%
Capital and related financing activities	( 716,999)	( 797,953)	80,954	-10.1%
Investing activities	2,609	2,721,009	( 2,718,400)	-99.9%
Net increase (decrease) in cash	( 4,646,209)	2,249,783	( 6,895,992)	-306.5%
Cash, beginning of year	5,043,204	2,793,421	2,249,783	80.5%
<b>Cash, end of year</b>	<u>\$ 396,995</u>	<u>\$ 5,043,204</u>	<u>\$ ( 4,646,209)</u>	<u>-92.1%</u>

**Capital and Debt Administration**

*Capital Assets*

At June 30, 2012, the College had \$6,136,677 invested in capital assets, net of accumulated depreciation of \$3,193,452. Depreciation charges totaled \$319,020 for the current fiscal year. Details of these assets for the two years are shown below:

**Capital Assets, Net - Primary Institution**  
**2012 versus 2011**

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
Machinery and equipment	\$ 358,359	\$ 218,410	\$ 139,949	64.1%
Computers and computer equipment	88,219	162,290	( 74,071)	-45.6%
Vehicles	16,279	24,077	( 7,798)	-32.4%
Land improvements	124,386	128,442	( 4,056)	-3.2%
Buildings	5,549,434	0	5,549,434	100.0%
Construction in progress	0	4,925,797	( 4,925,797)	-100.0%
<b>Capital assets, net</b>	<u>\$ 6,136,677</u>	<u>\$ 5,459,016</u>	<u>\$ 677,661</u>	<u>12.4%</u>

The major capital addition this year was for the new Health Technology Center. Previous years' construction in process was moved to the completed asset, "Building." The general revenue of the College funded about \$215,000 and state capital grants funded approximately \$462,735 for the new health technology center during 2012. The construction is now complete, so a fixed asset was added for the building.

The College has planned expenditures for fiscal year ending June 30, 2013 at approximately \$368,500. 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 4 to the financial statements.

*Debt*

At year-end 2012, the College had no debt associated with capital assets.

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**Economic Factors that Will Affect the Future**

The College did not increase tuition fees for fiscal year 2012. The College anticipated a 2% enrollment increase in fiscal year 2012.

The College increased tuition fees by 1.4% effective July 1, 2011 for fiscal year 2012. The College anticipated a 6% enrollment increase in fiscal year 2011. At the time of this report, the College's fall 2012 enrollment had decreased by 14%. The College is considering reduction in tuition reimbursement by half, no increases for employee contracts, and a potential 12% increase passed on to the employee for their share of the College's health insurance premiums during fiscal year 2013.

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

The College will be converting from a quarter to a semester credit reporting system Fall 2012. Normally when a college converts to a semester system there is a onetime drop in FTE enrollment. The anticipated loss in revenue will be offset by salary savings and reorganization of personnel as a result of anticipated retirements over the next couple of years.

**BASIC  
FINANCIAL STATEMENTS**

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
STATEMENT OF NET ASSETS  
PRIMARY INSTITUTION AND COMPONENT UNIT  
AS OF JUNE 30, 2012

	<b>Primary Institution</b>	<b>Component Unit</b>
<b>ASSETS:-</b>		
Current assets:-		
Cash and cash equivalents	\$ 396,995	\$ 69,539
Investments	538,144	0
Student accounts receivable, net	4,061,583	0
Other receivables, net	1,311,562	0
Total current assets	6,308,284	69,539
Noncurrent assets:-		
Other receivables, net	991	0
Prepaid expenses	5,023	0
Investment w/ fiscal agent	0	787,405
Capital assets, net	6,136,677	0
Total noncurrent assets	6,142,691	787,405
Total assets	\$ 12,450,975	\$ 856,944
<b>LIABILITIES:-</b>		
Current liabilities:-		
Accounts payable	\$ 324,460	\$ 0
Deferred income	233,552	0
Accounts payable - OSUM	1,305,865	0
Accrued payroll	373,915	0
Compensated absences	309,753	0
Total current liabilities	2,547,545	0
Noncurrent liabilities:-		
Compensated absences	370,724	0
Total noncurrent liabilities	370,724	0
Total liabilities	2,918,269	0
<b>NET ASSETS:-</b>		
Invested in capital assets, net of related debt	6,136,677	0
Restricted:-		
Nonexpendable	0	355,840
Expendable:-		
Capital	0	14,794
Student grants and scholarships	89,810	431,565
Loans	3,981	0
Instructional department uses	203,065	0
Unrestricted	3,099,173	54,745
Total net assets	9,532,706	856,944
<b>Total liabilities and net assets</b>	\$ 12,450,975	\$ 856,944

See accompanying Notes to the Basic Financial Statements.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	<b>Primary Institution</b>	<b>Component Unit</b>
<b>REVENUE:-</b>		
Operating Revenues:-		
Student tuition and fees (net of scholarship allowance of \$3,575,372)	\$ 5,586,722	\$ 0
Federal grants and contracts	108,482	0
State and local grants and contracts	546,595	0
Contributions	0	35,211
Other operating revenues	442,940	0
Total operating revenues	6,684,739	35,211
<b>EXPENSES:-</b>		
Operating Expenses:-		
Instructional	7,594,354	0
Academic support	1,515,479	0
Student services	2,058,819	0
Institutional support	3,620,387	0
Operation and maintenance of plant	1,332,391	0
Student aid	1,934,757	0
General and administrative	0	8,033
Depreciation	319,020	0
Total operating expenses	18,375,207	8,033
Operating income (loss)	( 11,690,468)	27,178
<b>NONOPERATING REVENUES (EXPENSES):-</b>		
State appropriations	5,391,736	0
State and local grants	0	0
Investment income	2,844	24,556
Federal grants and contracts	5,077,087	0
Scholarships	0	( 27,978)
Nonoperating revenues	10,471,667	( 3,422)
Income (loss) before other revenues, expenses, gains or losses	( 1,218,801)	23,756
Capital appropriations	265,591	0
Capital grants	197,477	0
Increase (decrease) in net assets	( 755,733)	23,756
Net assets, beginning of year	10,288,439	833,188
<b>Net assets, end of year</b>	<b>\$ 9,532,706</b>	<b>\$ 856,944</b>

See accompanying Notes to the Financial Statements.

**MARION TECHNICAL COLLEGE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Primary Institution</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</b>	
<i>Cash flows from operating activities:-</i>	
Tuition and fees	\$ 4,974,458
Grants and contracts	502,485
Supplier and related payments	( 3,320,649)
Employee and related payments	( 11,921,959)
Other receipts (payments)	<u>442,110</u>
Net cash provided (used) by operating activities	( 9,323,555)
<i>Cash flows from non-capital and related financing activities:-</i>	
State appropriations	5,391,736
Federal grants and contracts	0
Gifts and grants	<u>0</u>
Net cash provided (used) by non-capital financing activities	5,391,736
<i>Cash flows from capital and related financing activities:-</i>	
Capital gifts and grants	463,068
Purchases of capital assets	<u>( 1,180,067)</u>
Net cash provided (used) by capital and related financing activities	( 716,999)
<i>Cash flows from investing activities:-</i>	
Interest and other income	2,609
Purchases of investments	<u>0</u>
Net cash provided (used) by investing activities	2,609
Net increase (decrease) in cash and cash equivalents	( 4,646,209)
<b>Cash and cash equivalents at beginning of year</b>	<u>5,043,204</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 396,995</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH:- PROVIDED (USED) BY OPERATING ACTIVITIES:-</b>	
Operating (loss)	\$ ( 11,595,468)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:-	
Depreciation expense	319,020
Changes in assets and liabilities:	
Student accounts receivable, net	( 326,173)
Other receivables, net	1,630,804
Prepaid expenses	( 5,023)
Accounts payable	( 335,174)
Deferred income	( 9,653)
Accounts payable- OSUM	1,081,865
Accrued payroll	1,465
Accrued sick leave	( 83,099)
Accrued vacation leave	<u>( 2,119)</u>
<b>Net cash used by operating activities</b>	<u><u>\$ ( 9,323,555)</u></u>

See accompanying Notes to the Financial Statements.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 1 - DESCRIPTION OF THE COLLEGE:-**

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

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

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 which was implemented by the College, further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The College has determined that the Marion Technical College Foundation (the Foundation) meets this definition and is therefore included as a discretely presented component unit in the College's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

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

***Basis Of Presentation***

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

Effective July 1, 2002, the College adopted GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities, as amended by GASB Statements No. 37 and No. 38. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

***Invested in capital assets, net of related debt:*** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

***Restricted:***

***Nonexpendable*** - Net assets subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds. (These assets are recorded in the Marion Technical College Foundation financial statements).

***Expendable*** - Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

***Unrestricted:*** Net assets whose use by the College is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of Management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB Statement No. 35 is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. It replaces the fund group perspective previously required.

***Accrual Basis*** - The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The college reports as a Business Type Activity (BTA). BTA's are those activities that are financed in whole or in part by fees charged to external parties for goods and services. Restricted grant revenue is recognized only to the extent expended.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental 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.

***Cash and Cash Equivalents*** - This includes all readily available sources of cash such as petty cash, demand deposits, money market funds, and temporary investments in marketable securities with original maturities of three months or less.

***Investments*** - All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments in publicly traded securities are stated at their fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenue, expenses, and changes in net assets.

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

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

***Capital Assets*** - Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at fair market value at the date of gift. Buildings and building renovations, land improvements, equipment, furniture and infrastructure items costing \$2,500 or more and having an estimated useful life of greater than one year are capitalized. Routine repairs and maintenance and items costing less than the capitalization thresholds are charged to operating expense in the year in which the expense is incurred.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	10 - 50 years
Land improvements	10 - 20 years
Infrastructure	10 - 25 years
Moveable equipment	5 - 20 years

***Noncurrent Liabilities*** - Noncurrent liabilities include compensated absences that will not be paid within the next fiscal year.

***Deferred Revenue*** - Deferred revenue consists of the student tuition and fees for Summer Quarter and grant advances, if any.

***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 behalf of the students. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating 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.

***Income Taxes*** - Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

***Operating Activities*** - The College defines operating activities, as reported on the statement of revenues, expenses, and changes in net assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, federal student grants, gifts, contracts and investment income, are recorded as non-operating revenues, in accordance with GASB Statement No. 35.

***Restricted Asset Spending Policy*** - The College's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

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

***Accounting Pronouncements*** - In fiscal year 2012, the provisions of the following GASB Statements became effective:

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This pronouncement had no impact on the College's financial statements or disclosures.

GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provision clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This pronouncement had no impact on the College's financial statements or disclosures.

In addition to Statements No. 57 and 64, GASB has issued the following pronouncements which are listed by effective dates.

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.
- GASB Statement No. 61, The Financial Reporting Entity: Omnibus, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, The Financial Reporting Entity and Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.
- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

- GASB Statement No. 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statements is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Management has not yet determined the impact these GASB Statements will have on the College's financial statements and disclosures.

**NOTE 3 - DEPOSITS AND INVESTMENT RISK DISCLOSURES:-**

The College conforms to GASB 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No.3). This statement amends statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement were effective for financial statements for the fiscal year ended June 30, 2005.

As of June 30, 2012, the College had the following deposits and investments:

	<b>Bank Balance</b>	<b>Carrying Amount</b>
Checking accounts	\$ 772,003	\$ 396,995
Certificates of deposit	2,000	2,000
STAR Ohio	536,144	536,144
<b>Total deposits and investments</b>	<b>\$ 1,310,147</b>	<b>\$ 935,139</b>

The differences between the bank balances and the carrying amounts are primarily due to outstanding checks and deposits in transit. All investments have maturities of less than six months.

**Credit Risk** - STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor's. The pooled collateral at Fifth Third Bank and Chase Bank is not rated.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 3 - DEPOSITS AND INVESTMENT RISK DISCLOSURES:-** (continued)

**Concentration of Credit Risk** - For fiscal year 2012, the College had the majority of its investments in STAR Ohio and the remaining balance in a small certificate of deposit.

**Foreign Currency Risk** - The College does not have exposure to foreign exchange risk since none of its deposits or investments are held in foreign currencies.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Of the bank balances, \$250,000 was insured by the Federal Depository Insurance Corporation (FDIC) for fiscal year 2012. For the fiscal year 2012, the remaining amount was not exposed to custodial credit risk because it was secured by pledges of pooled collateral held by the banks trust department covering more than 105% of the College's remaining balances. The collateral is limited to obligations of the United States and its agencies, and the State of Ohio as permitted by Ohio law. The securities are held at the Bank of New York. The College also does not have exposure to custodial credit risk for the investment in STAR Ohio as defined by Statement No. 40.

**Component Unit - Foundation**

At June 30, 2012, the carrying amount of the Foundation's cash deposits was \$69,539 and the bank balances was \$97,517. The entire bank balance was covered by FDIC insurance at June 30, 2012.

**Credit Risk** - As of June 30, 2012, the investment balance recorded on the Foundation's statement of net assets is \$787,405. These investments are held and managed by a local community foundation. In accordance with the Accounting Standards Codification (ASC) No. 958-325-25, "Recognition", the funds are to be maintained as assets within the College's Foundation accounting records. Under ASC No. 958-325-25, states that when a transfer of assets to a resource provider specifies itself or an affiliate as the beneficiary, the transaction is not considered a disbursement in the form of a contribution, but maintained as assets, even if the variance power has been explicitly granted to the recipient organization. Accordingly, the component unit recognizes these funds as Investments held by a fiscal agent.

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

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

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

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 4 - CAPITAL ASSETS:-**

Capital Assets consisted of the following as of June 30, 2012:

<u>Costs:</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
Buildings	\$ 0	\$ 5,679,359	\$ 0	\$ 5,679,359
Construction in progress	4,925,797	0	4,925,797	0
Land improvements	209,070	10,765	0	219,835
Computers & computer equipment	1,890,694	23,128	0	1,913,822
Machinery & equipment	1,262,108	209,227	0	1,471,335
Vehicles	45,781	0	0	45,781
Total costs	<u>8,333,450</u>	<u>5,922,479</u>	<u>4,925,797</u>	<u>9,330,132</u>
Less accumulated depreciation:				
Buildings	0	129,925	0	129,925
Land improvements	80,629	14,820	0	95,449
Computers & computer equipment	1,728,404	97,199	0	1,825,603
Machinery & equipment	1,043,698	69,277	0	1,112,975
Vehicles	21,704	7,799	0	29,503
Total accum. depreciation	<u>2,874,435</u>	<u>319,020</u>	<u>0</u>	<u>3,193,455</u>
<b>Capital assets, net</b>	<b>\$ <u>5,459,015</u></b>	<b>\$ <u>5,603,459</u></b>	<b>\$ <u>4,925,797</u></b>	<b>\$ <u>6,136,677</u></b>

**NOTE 5 - ACCOUNTS RECEIVABLE:-**

The following is a summary of the accounts receivable as of June 30, 2012:

	<u>2012</u>
Students	\$ 4,156,583
Intergovernmental	0
Other	1,679,562
Less allowance for uncollectible accounts	<u>( 463,000)</u>
<b>Accounts receivable, net</b>	<b>\$ <u>5,373,145</u></b>

**NOTE 6 - ACCOUNTS PAYABLE- OSU SHARING:-**

The College and the Marion Branch of the Ohio State University (OSU) share various common buildings and facilities. An agreement is renewed annually whereby the College is billed by OSU for various operating expenses. At June 30, 2012, the college had an estimated payable of \$1,305,865 due to OSU for this agreement.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 7 - STATE SUPPORT:-**

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

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

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

In FY 2011, \$888,905 of the \$6,098,653 of state appropriations was federal stimulus funding that was passed through the state of Ohio. This funding is not provided in FY 2012.

**NOTE 8 - COMPENSATED ABSENCES:-**

Sick pay was accrued for all employees with ten or more years of service in accordance with GASB 16, Accounting for Compensated Absences. Vacation pay was accrued for all eligible employees. At June 30, 2012 and 2011, compensated absences consisted of the following:

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2012</b>	<b>Current Portion</b>
Compensated absences	\$ 765,695	\$ 31,307	\$ 116,525	\$ 680,477	\$ 309,753

**NOTE 9 - DEFINED BENEFIT PENSION PLANS:-**

***State Teachers Retirement System***

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

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

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 9 - DEFINED BENEFIT PENSION PLANS:-** (continued)

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary 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 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 a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's 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.

Eligible faculty of Ohio's public colleges 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.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 9 - DEFINED BENEFIT PENSION PLANS:-** (continued)

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

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

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

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

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

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$712,444, \$706,660 and \$662,908 respectively. 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* will be available after December 21, 2011.

Additional information or copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

***School Employees Retirement System***

Marion Technical College contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 9 - DEFINED BENEFIT PENSION PLANS:-** (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the years ended June 30, 2012, 2011 and 2010 were \$454,026, \$496,821 and \$460,185, respectively, which equaled the required contributions each year.

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Pension	12.65%	11.77%	12.74%
Death	0.05%	0.04%	0.04%
Pension total	<u>12.70%</u>	<u>11.81%</u>	<u>12.78%</u>
Medicare B	0.75%	0.76%	0.76%
Health Care	0.55%	1.43%	0.46%
OPEB total	<u>1.30%</u>	<u>2.19%</u>	<u>1.22%</u>
<b>Total contribution</b>	<u><u>14.00%</u></u>	<u><u>14.00%</u></u>	<u><u>14.00%</u></u>

**NOTE 10 - POST EMPLOYMENT BENEFITS:-**

***State Teachers Retirement System***

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

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 10 - POST EMPLOYMENT BENEFITS:-** (continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the College, these amounts equaled \$54,803, \$50,476 and \$47,351, respectively.

***School Employees Retirement System***

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

***Medicare Part B Plan*** - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent. For the College, contributions for the years ended June 30, 2012, 2011, and 2010, were \$26,813, \$36,970, and \$22,932, respectively, which equaled the required contributions for those years.

***Health Care Plan*** - Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provided that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College contributions assigned to health care the year years ended June 30, 2012, 2011, and 2010 were \$19,662, \$50,476 and \$47,351, respectively.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 10 - POST EMPLOYMENT BENEFITS:-** (continued)

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 11 - OPERATING EXPENSES BY NATURAL CLASSIFICATION:-**

The College's operating expenses by natural classification were as follows for the year ended June 30, 2012:

	<b>2012</b>
Salaries and benefits	\$ 11,838,205
Student scholarships and financial aid	1,934,757
Equipment	353,653
Supplies and other services	3,929,572
Depreciation	319,020
<b>Total operating expenses</b>	<b>\$ 18,375,207</b>

**NOTE 12 - RISK MANAGEMENT:-**

The College is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the College contracted with a Commercial Insurer for property and fleet insurance, liability insurance, and various other coverages.

Major coverages provided by this insurer is as follows at June 30, 2012:

<b>Description</b>	<b>Coverage</b>	<b>Deductible</b>
Inland Marine	\$ 59,885	\$ 1,000
Employee dishonesty blanket	250,000	2,500
Employment practices	5,000,000	2,500
Automobile liability	3,000,000	0
Equipment	1,563,100	1,000
General liability	5,000,000	N/A
Employee benefits liability	3,000,000	2,500
Educators professional liability	5,000,000	2,500
School board trustee liability	Included above	N/A
Building	11,118,000	1,000
Building contents	3,769,304	1,000
Extra expense	2,000,000	1,000
Business income	8,256,000	1,000

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 12 - RISK MANAGEMENT:-** (continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. In addition, the College offers medical, vision, and dental insurance to full-time employees through various commercial insurers.

**NOTE 13 - CONTINGENCIES:-**

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2012.

**NOTE 14 - COMPONENT UNIT – MARION TECHNICAL COLLEGE FOUNDATION:-**

The Marion Technical College Foundation was established for charitable and educational purposes for the benefit of the College and its students. The Foundation is a not for profit organization exempt from Federal Income Taxes under Section 501C(3) of the Internal Revenue Code. The Foundation provided \$27,978 in scholarships for the year ending June 30, 2012.

**NOTE 15 - SUBSEQUENT EVENTS:-**

The College has evaluated subsequent events through January 30, 2013, the date which the financial statements were available to be issued.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
**BOARD OF TRUSTEES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>NAME</b>	<b>TITLE</b>	<b>TERM OF OFFICE</b>
Mark Russell	Chairperson	10/12/07 - 4/30/13
Mitch Libster	Vice Chairperson	10/31/08 - 4/30/13
Edward R. Danner II	Secretary	11/17/98 - 4/30/12
Michele Pearson	Member	5/1/02 - 4/30/14
Jo Ellen Braden	Member	5/1/91 - 4/30/12
Scott Drew	Member	8/1/11 - 4/29/14
Catherine Gerber	Member	6/18/12 - 5/1/15
Gary E. Pendleton	Member	12/28/99 - 4/30/14
Rex Parrott	Member	5/1/12 - 4/30/15

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
ADMINISTRATIVE PERSONNEL  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>NAME</b>	<b>TITLE</b>
Dr. J. Richard Bryson	President
K. Jean Thomas	Interim Controller
Dennis Budkowski	Vice President of Instructional Services

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANT NUMBER</u>	<u>DISBURSEMENTS</u>
<i><u>U.S. DEPARTMENT OF EDUCATION:-</u></i>			
<i>Direct form the Federal Agency</i>			
<b>Student Financial Aid Cluster</b>			
Federal Work Study Program	84.033	Direct	\$ 25,000
Federal Direct Student Loan Program	84.268	Direct	5,038,801
Federal Pell Grant Program	84.063	Direct	<u>5,077,087</u>
<b>Total Student Financial Aid Cluster</b>			10,140,888
<i>Passed through the Ohio Department of Education</i>			
Career and Technical Education- Basic Grants to States	84.048	20C3	80,487
Adult Education- Basic Grants to States	84.002	VETP	236,100
Tech Prep Education	84.243	3ETC	<u>86,700</u>
<b>Subtotal</b>			<u>403,287</u>
<b>Total United States Department of Education</b>			<u>10,544,175</u>
<b>Total Federal Financial Assistance</b>			\$ <u><u>10,544,175</u></u>

See accompanying notes to schedule of federal awards expenditures.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

**NOTE 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. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - FEDERAL FAMILY EDUCATION LOANS:-**

The College participates in the Federal Family Education Loan Program. The dollar amounts listed in the Schedule of Expenditures of Federal Awards represents new loans awarded during the fiscal year ended June 30, 2012.



**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Marion Technical College  
Marion County  
Marion, OH 43302

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the Marion Technical College, Marion County, Ohio (the College), as of and for the year ended June 30, 2012, which collectively comprise the Marion Technical College's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting, that we consider a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Marion Technical College's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

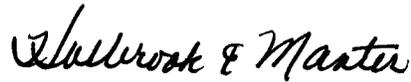
We also noted certain internal control matters that we reported to the College's management in a separate letter dated January 30, 2013.

**Compliance and Other Matters**

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2012-003.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the College's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Trustees of Marion Technical College, federal awarding agencies and pass-through entities, and others within the College. We intend it for no one other than these specified parties.



Certified Public Accountants

January 30, 2013



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Marion Technical College  
Marion County  
Marion, OH 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 could directly and materially affect each of the Marion Technical College's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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.

As described in items 2012-004 and 2012-005 in the accompanying schedule of findings, the Marion Technical College did not comply with requirements regarding Allowable Cost, Eligibility, and Cash Management that are applicable to its Federal Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

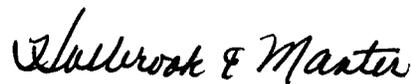
The College's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material affect a major federal program to determine the auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-004 to be a material weakness.

The College's response to the findings we identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

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



Certified Public Accountants

January 30, 2013

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other significant internal control deficiencies reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under §.510	No
Major Programs (list):	Student Financial Aid Cluster: Federal Direct Student Loan Program, CFDA # 84.268; Federal Work-Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063;
Dollar Threshold: Type A\B Programs	Type A> \$300,000 Type B: all others
Low Risk Auditee?	No

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2012-001</b>
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**Material Weakness- Treatment of Accounts Receivable**

During our audit procedures, we noted accounts receivable remaining on the accounting records of the College that were potentially uncollectible due to age and duplications of documentation from a software transition. To improve controls over receivables, we suggest that past-due balances be reviewed monthly and any outstanding balances should be considered for collectability and either followed up on or potentially removed from the receivables if deemed uncollectible.

We recommend that prompt collection action should be pursued when it is believed that amounts are valid and due to be paid. Otherwise, old, questionable, or unidentified balances should be written off in accordance with the College's write off policies and procedures. If these policies and procedures are not in place, we also recommend that a policy be approved for such instances.

**Officials' Response**

The College is aware that a decision is yet to be made regarding the accounts receivable stemming from the Department of Education program review and the collectability of these items at the time the audit report was issued. Their best estimate on the collectability is included within the allowance.

<b>Finding Number</b>	<b>2012-002</b>
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**Material Weakness- Treatment of Component Unit Investments**

During our audit, we noted that the College's component unit disbursed a significant amount of funds to a local Foundation to be managed. The College's Foundation recorded this transaction as a disbursement within their accounting records during the year based upon their understanding of the original agreement.

However, after further review and understanding of the agreement between the College's Foundation and the Community Foundation and in accordance with the Accounting Standards Codification (ASC) No. 958-325-25, "*Recognition*", the funds should have been maintained as assets within the College's Foundation accounting records. Under ASC No. 958-325-25, the topic states that when a transfer of assets to a resource provider specifies itself or an affiliate as the beneficiary, the transaction is not considered a disbursement in the form of a contribution, but maintained as assets, even if the variance power has been explicitly granted to the recipient organization. Accordingly, the component unit recognizes these funds as Investments held by a fiscal agent.

We recommend that in the event of future significant transactions, management should consider reviewing the application of accounting standards to gain a better understanding prior to the transaction taking place.

**Officials' Response**

The College is aware of this issue regarding this transaction, but does not intend for it to continue to be a problem in the future.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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<b>Finding Number</b>	<b>2012-003</b>
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**Non-Compliance- Annual Financial Reporting**

Per Ohio Revised Code Section 117.38, GAAP-basis entities must file annual reports within 150 days of their fiscal year end. Public offices must then publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the controller.

During our audit procedures, we noted that the reports were filed in a timely manner; however, we noted that the College did not publish notice in a local newspaper stating the financial report was available for public inspection. We recommend that the College publish a notice in the local newspaper when filing their reports with the Auditor of States Office.

**Officials' Response**

The College is now aware of this issue and moving forward will publish a notice when they file their report with the Auditor of States office and once their audited financial report is available.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2012-004</b>
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**CFDA Title and Number - CFDA 84.268 – Federal Direct Student Loan Program  
CFDA Title and Number - CFDA 84.063 – Federal Pell Grant Program  
Federal Award Number/Year – 2011 and 2012  
Federal Agency - U.S. Department of Education**

**Program Review Report**

The College has received a Program Review from the U.S. Department of Education (the Department) regarding its Student Financial Assistance Programs. We understand this review, in the aggregate, assesses the College’s internal controls and compliance related to the Student Financial Aid Cluster Awards. We understand that management and the Financial Aid Department have been representing the College in these matters and that many of these matters are currently on appeal within the proper administrative channels of the Department. We very strongly suggest that these Student Financial Aid matters be given the absolute highest priority and that whatever actions necessary be taken to resolve them.

During the Department’s compliance Review (referred to as “Review” within Finding Number 2012-005), including testing of student accounts, the following issues were noted and the College was required to formulate and implement corrective actions:

- **Eligibility- Ineligible Non-Degree Programs**

During the Department’s Review of the College, it was determined that the College’s most recent application to participate in the Title IV, Higher Education Act (Title IV), the College disclosed that it was providing Title IV funds to students based on enrollment in educational programs that had yet to be approved by the Department; therefore, programs that are deemed “ineligible.” These programs included non-degree/certificate programs not meeting the Department’s minimum requirements for clock and/or credit hours. The Department provided a list of “ineligible” programs to the College.

The Department then provided the College with a written notice to cease disbursement of eligible Title IV funds to students enrolled in certain programs. The Department also required the College to provide a list of students enrolled in the “ineligible” programs and determine the amount of Title IV funds to be returned due to the nature of the programs under the Department’s requirements.

During our audit of the 2011-2012 school year, we verified through testing and analysis that the College had discontinued Title IV disbursements to students enrolled in programs denoted as ineligible by the Department of Education. From our testing of 2011 Summer and Fall quarters, we noted that a majority of the students who were enrolled in “ineligible” programs were incorrectly enrolled. The students had selected the wrong program via on-line applications, but through verification of curriculum, students were on track for eligible programs. The College subsequently corrected the denoted programs for the students within the system. We also noted that other students were enrolled in multiple programs in which the other program(s) enrollment constituted eligibility for Title IV funding. Through further testing of Title IV fund disbursements, we noted that students we tested were not enrolled in “ineligible” programs during the 2012 Winter and Spring quarters.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>2012-004</b>
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**Program Reports** (continued)

We recommend during the College's implementation of a new program, all Department of Education requirements be considered and implemented prior to offering the program to students who are eligible for Federal Assistance. Furthermore, the College should work proactively and closely with the Department to ensure proper implementation.

**Officials' Response**

The College has ceased providing Title IV funds to the students based on the enrollment in any of the programs the Department has deemed ineligible. The College also voluntarily cancelled all programs deemed ineligible and discontinued the programs until a final determination is received by the Department. The College has also accumulated a listing of all students that were enrolled in the programs and received Title IV funds. The College determined that all students, in question, were properly enrolled in other eligible courses or programs that have deemed them eligible for Title IV funds; therefore, no return of funds calculation has been calculated. All documentation of students' course and program information has been provided to the Department for final determination.

- **Eligibility and Allowable Costs- Return of Title IV Funds Calculations Not Performed for Unofficial Withdrawals**

During the Department's Review of the College, it was determined that the College's procedures for identifying students who unofficially withdrew from the institution were deficient. Policy required withdrawal calculations for any student withdrawing from classes prior to the determined 60% completion of the given school term; but in most instances, calculations were not performed unless students initiated the withdrawal process.

If a recipient of a Title IV grant or loan assistance withdraws from the College during period of enrollment, the College must determine the amount of Title IV assistance the student earned as of the student's withdrawal date, which is determined as a student's last date of attendance. The College must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of the College's determination of the student's withdrawal date or last day of attendance.

The Department required the College to update, revise, develop and implement written procedures to ensure that it is able to identify students who have withdrawn without notice, correctly perform Return of Title IV Funds Calculation (R2T4 calculations) for those students, and return funds to the Department in a timely manner. The Department required the College to incorporate students with failing grades to determine if R2T4 calculations should have been administered due to Title IV eligibility requirements.

During our audit of the 2011-2012 school year, it was determined through testing and analysis that student's with withdrawal dates prior to the 60% completion of the four quarters during the 2011-2012 year or those with failing grades with the noted terms, had proper R2T4 calculations in his/her financial aid records. For students that did not correctly have R2T4 calculations performed for the Summer 2011 and Fall 2011 terms, we noted that calculations were performed subsequent to the Department's Review. For our test selections, calculations appeared reasonable and consistent and corresponding funds were appropriately returned to/requested from the Department and disbursed to/invoiced from the student.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	<b>2012-004</b>
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**Program Reports** (continued)

We recommend that the College closely monitor the attendance and grade records of the students and administer the R2T4 calculations when necessary for students throughout the year and implement and follow updated procedures for the R2T4 calculations moving forward.

**Officials' Response**

The College indicated that it has already reviewed its attendance and grade records for students who were enrolled in the 2011-2012 award year. The College administered R2T4 calculations for any students who did not attend at least 60% of the given term. The College also administered R2T4 calculations for students with failing grades during the terms in the noted award year. The College provided documentation to the Department for any and all funds that were appropriately returned for the students identified during these procedures. The College also updated its policies and procedures regarding the R2T4 calculations and return of funds.

- **Eligibility and Allowable Costs- Incorrect R2T4 Calculations**

Title IV policy specifies that in cases of nonattendance, the College's basis of its refund calculation is the last date of attendance recorded by a student's instructors. Beginning July 1, 2011, the College was required under Department regulations to take attendance for every class and every student. During the Department's Review, the College treated the last day of attendance as the date of a student's withdrawal notice. The College's officials verbally confirmed that the College did not use the last date of attendance for all withdrawals occurring in the Summer 2011 and Fall 2011 terms.

The Department required the College to develop and implement written procedures to ensure that it uses the correct withdrawal date when it completes R2T4 calculations. The procedures must clearly state that the institution will use the last day of attendance as the withdrawal date for R2T4 purposes; and it must describe the source of the attendance data.

During our audit of the 2011-2012 school year, it was determined through testing and analysis that student's R2T4 forms were correctly calculated or initial calculations were revised taking into account the last day of attendance as the official date of a student's withdrawal. For our test selections in which revisions were administered to initial R2T4 calculations, the revisions appeared reasonable and corresponding funds were appropriately returned to/requested from the Department and disbursed to/invoiced from the student. The College also updated its policies and procedures accordingly.

We recommend that the College closely monitor the attendance and grade records of the students and administer the R2T4 calculations when necessary for students throughout the year and implement and follow updated procedures for the R2T4 calculations moving forward.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2012-004</b>
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**Program Reports** (continued)

**Officials' Response**

The College has reviewed its attendance records and R2T4 calculations for students who withdrew after July 1, 2011 and indicated that it has revised applicable student calculations utilizing the last day of attendance as the withdrawal date in the R2T4 calculations. The College submitted documentation to the Department that lists those students and the amounts that the College has returned or disbursed to students as a result of the Review. Subsequent to the Review, the College updated its policies and procedures for the R2T4 calculations.

- **Eligibility and Allowable Costs- Pell Underpayments**

During the Department's Review of the College's policies, it was determined that the College's policies for awarding and disbursing Pell funds during its Summer 2011 term were deficient. The College required eligible students to complete a verification form to release Pell funds for the summer term. If a student did not complete the form (Request for Summer Pell Grant Funds), the student would not receive Pell Grant funds for the summer term. Therefore, numerous Pell eligible students did not receive Pell funds during the Summer 2011 term and the Pell award amount was only applied to other applicable terms during the 2011-2012 school year.

The Department required the College to develop and implement written policies to ensure that it pays the appropriate amount of Pell funds to each eligible student enrolled. The College was also required to review the records of all Title IV recipients who were Pell eligible and attended during the Summer 2011 term to determine if funds were not properly allocated to the Summer 2011 term.

During our audit of the 2011-2012 school year, it was determined through testing and analysis that eligible Pell students attending the Summer 2011 term were retroactively funded the Pell funds that should have been allocated for the noted term. Due to the correction taking place during the school year, the remaining terms were recalculated taking into account Summer 2011 retroactive application of funds as well as any Pell disbursements for the Fall 2011 term. For the students tested, funds were properly released through the corrective actions examined.

We recommend that the College properly distribute the Pell awards in future periods to the applicable terms for those students enrolled and the College develop and implement policies and procedures in an attempt to prevent this issue from occurring again in the future.

**Officials' Response**

The College has reviewed its enrollment and financial aid records for students enrolled during the Summer 2011 term and subsequently disbursed Pell funds to each eligible student. The College submitted documentation to the Department that lists those students and the amounts of Pell funds that were subsequently disbursed to correct the error. The College appropriately prorated subsequent terms (Winter 2012 and Spring 2012) payments based on four terms, if applicable.

**MARION TECHNICAL COLLEGE**  
**MARION COUNTY, OHIO**  
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FOR THE YEAR ENDED JUNE 30, 2012

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding Number**

**2012-004**

**Program Reports** (continued)

- **Eligibility and Allowable Costs- Improper Pell Proration**

During the Department’s Review, the College disbursed Title IV funds on a standard term basis, where all quarters for all programs were equal. The College calculates the Pell payments based upon the formula described 34 C.F.R. §690.63(b). Due to the Department’s Review of “Ineligible Non-Degree Programs” above, it was determined that certain programs were less than 30 weeks in duration. Therefore, the College should have been utilizing the formulas described at 34 C.F.R. §§ 690.63(d) or (e) taking into account the number of credit hours as opposed to weeks of instruction.

During our audit of the 2011-2012 school year, it was determined through testing and analysis that Pell proration based upon the formula described 34 C.F.R. §690.63(b) was being utilized. Pell payments appeared to be reasonably applied per our testing. Our testing did not warrant any instances where the formulas described at 34 C.F.R. §§ 690.63(d) or (e) should have been utilized.

We recommend that the College develop and implement written policies to ensure that it uses the correct Pell proration method when it calculates student awards if the “ineligible” programs are reinstated.

**Officials’ Response**

The College developed a “Pell Proration Policy” for a student in a program using terms and credit hours, but whose academic calendar does not include at least two semesters. The calculation is in agreement with Department’s recommendations and explicitly states that at this time, the College does not offer programs less than 30 weeks that meet the criteria of the Pell Proration policy.

- **Eligibility and Allowable Costs- Attendance Not Substantiated Before Disbursement**

During the Department’s review, the Department noted that the College applied credits or administered payments to a student account for Title IV funds even though the student had not attended any classes in a given term.

During our audit of the 2011-2012 school year, it was determined through testing and analysis that Pell attendance was properly kept within the College’s recordkeeping system, however, it appears the Title IV payments were issued before the College confirmed the student’s attendance.

We recommend the College continually review and strengthen its procedures to ensure that it has methods in place to monitor eligibility regarding Title IV funds and not distribute any funds prior to the verification process of determining the student’s attendance.

**Officials’ Response**

The College revised its “Class Attendance and Recordkeeping” policies and procedures and will continue to monitor Title IV eligibility in accordance with these policies and procedures.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>2012-004</b>
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**Program Reports** (continued)

- **Eligibility and Allowable Costs- Verification Not Completed**

During the Department's Review, it was reported that the College had incorrectly administered verification of a student's financial information during the 2011-2012 school year based upon the student's submission of requested verification information. However, upon receipt of the information, it was determined that the student's Estimated Family Contribution (EFC) varied from the initial calculation, creating an underpayment of Pell funds to the eligible student.

Upon receipt of verification information, the College must determine if the information agrees to the Title IV calculations based upon student supplied information from the Free Application for Student Financial Aid (FASFA) received from the Department in the form of Institutional Student Information Record (ISIR). If the information does not match, this must be corrected internally and reported to the Department on a timely basis.

During our audit, we noted timely and proper verification procedures. The information within the verification documents agreed to the College's recordkeeping system. It appears that corrective action was being taken by the College for the noted errors above based upon our testing performed.

We recommend the College continually review and strengthen its verification procedures in order to ensure proper Title IV payments to students in accordance with the Department's standards.

**Officials' Response**

The College corrected the stated error above and issued a payment to the student. The College has reviewed its policies and procedures regarding Title IV student verification and deemed the policies and procedures adequate. The College will continue to closely monitor the verification procedures to reduce future errors.

- **Eligibility and Allowable Costs- Exit Counseling Not Provided**

During the Department's Review, the Department identified several instances (only one instance noted in the 2011-2012 school year) where no evidence was present that withdrawn students with Federal Direct Loans had received exit counseling. The students identified had unofficially withdrawn from the institution.

We noted one instance during our testing and analysis performed during the audit where a timely exit counseling conference did not occur. Management asserted that this instance was an isolated instance.

We recommend the policies and procedures for the exit counseling conferences should be reviewed and revised as deemed appropriate to ensure compliance with the Department's requirements.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	<b>2012-004</b>
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**Program Reports** (continued)

**Officials' Response**

The College subsequently provided exit counseling to all but one of the students identified during the Department's Review. The College revised internal reports to identify students who have unofficially withdrawn from the institution as well as those who fall below half-time status for other reasons to ensure proper exit counseling for future terms.

- **Eligibility and Allowable Costs- Inadequate Policies**

During the Department's Review, it was determined that many of the policies and procedures regarding Student Financial Aid were outdated, lacked important information, contained incorrect information, or were non-existent.

During our audit, we noted many of the missing policies and procedures were on file and some were updated subsequent to the Department's review. A few of the policies appeared to be outdated and not all of the documents were signed and dated .

We recommend the College have standards in place to perform internal reviews of its policies and procedures on a continual basis to ensure that it is fully complying with all applicable regulatory provisions prescribed under the Title IV statutory authority and any and all special arrangements or agreements. For record keeping purposes, we recommend that the College implement a signature or name of creator/reviewer as well as a recorded date. This will provide a history of the College's policies and procedures.

**Officials' Response**

The College has corrected several of the deficiencies in policy and procedures and is aware of the issues of internal control regarding compliance with the federal requirements. The College is working with the Department to meet and comply with all of the requirements.

**MARION TECHNICAL COLLEGE  
MARION COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding Number**

**2012-005**

**CFDA Title and Number - CFDA 84.268 – Federal Direct Student Loans (DIRECT LOAN)  
Federal Award Number/Year – 2011 and 2012  
Federal Agency - U.S. Department of Education**

**Cash Management - Advances**

According to Cash Management, Direct Loans, a disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA funds or its own funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the Department of Education (34 CFR section 668.166(a)(1)). Per review of the College's receipts, disbursements and cash balances, we noted that a large balance existed at the end of calendar year 2011. We observed that the College was not in compliance with spending window requirements. This leads to the issue of possible interest earned as noted in the next paragraph.

We noted that the cash received from Direct Loans was directly deposited into the federal funds cash account and then transferred to the College's main interest bearing checking account. This account earned varying rates throughout FYE 2012. Proper accounting of receipts and expenditures appeared to occur throughout the year, but the funds were not kept in a non-interest bearing account. Therefore, during this one instance, the College earned interest on the Federal funds, which is disallowed for Federal funds. Taking the total interest earned during the 19 days in December 2011 and 31 days in January 2012. The total interest earned would be less than \$365. This amount is not material for this Fund.

Amounts could be deemed payable back to the Ohio Department of Education or the United States Department of Education under Federal statutes, but with the given interest amounts, the total would be nominal compared to total amount of Federal funds received for the year.

We recommend that the College monitor the spending of advanced federal grant moneys and follow the guidelines set forth by the U.S. Department of Education. Also, the College should consider maintaining the deposited federal funds in their non-interest bearing account.

**Officials' Response**

The College is aware of this issue and does not intend for it to happen again as their current practice is to only draw down funds as reimbursements and not advances.

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# Dave Yost • Auditor of State

**MARION TECHNICAL COLLEGE**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2013**