

MUSKINGUM AREA TECHNICAL COLLEGE



**AUDITED
FINANCIAL STATEMENTS
JUNE 30, 1999**

**MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY**

JUNE 30, 1999

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| Independent Auditor's Report..... | 1 |
| Combined Balance Sheet - All Fund Groups..... | 2-3 |
| Statement of Changes in Fund Balances..... | 4-5 |
| Statement of Current Funds Revenues, Expenditures and Other Changes..... | 6 |
| Notes to the Financial Statements..... | 7-20 |
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards..... | 21-22 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 23-24 |
| Schedule of Expenditures of Federal Awards..... | 25 |
| Schedule of Findings and Questioned Costs..... | 26-27 |
| Schedule of Prior Audit Findings and Questioned Costs..... | 28 |



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OFFICE OF THE AUDITOR

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To the Board of Trustees
Muskingum Area Technical College
Zanesville, Ohio 43701

We have reviewed the Independent Auditor's Report of the Muskingum Area Technical College, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. 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 Muskingum Area Technical College is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

January 6, 2000

122 Fourth Street N.W.
P. O. Box 1020
New Philadelphia, Ohio 44663-5120
330 - 339 - 6651

Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

November 2, 1999

Board of Trustees
Muskingum Area Technical College
Zanesville, Ohio 43701

Independent Auditor's Report

We have audited the accompanying combined balance sheet of the Muskingum Area Technical College (the "College") as of and for the year ended June 30, 1999, and related statements of changes in fund balances and current funds revenues, expenditures and other changes, for the fiscal year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 1999, and the revenues and expenditures and changes in fund equities for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 2, 1999 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

MUSKINGUM AREA TECHNICAL COLLEGE

Combined Balance Sheet
 All Fund Groups
 As of June 30, 1999

| | Current Funds | | | | |
|--|---|-----------------------------------|-------------------------------|-------------------|---------------------|
| | Unrestricted Educational and General | Unrestricted Auxiliary | Total Unrestricted | Restricted | |
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,393,473 | \$ 481,906 | \$ 1,875,379 | \$ 226,612 | \$ 2,101,991 |
| Receivables: | | | | | |
| Accounts Receivable | 1,145,173 | 0 | 1,145,173 | 0 | 1,145,173 |
| Accounts Receivable - Vendors | 0 | 77,895 | 77,895 | 0 | 77,895 |
| Loans | 0 | 0 | 0 | 0 | 0 |
| Inventory | 0 | 274,324 | 274,324 | 0 | 274,324 |
| Fixed Assets | 0 | 0 | 0 | 0 | 0 |
| Total Assets | \$ 2,538,646 | \$ 834,125 | \$ 3,372,771 | \$ 226,612 | \$ 3,599,383 |
| Liabilities | | | | | |
| Accrued Wages and Benefits | \$ 490,680 | \$ 7,343 | \$ 498,023 | \$ 24,932 | \$ 522,955 |
| Vouchers Payable | 242,317 | 23,121 | 265,438 | 69,464 | 334,902 |
| Compensated Absences Payable | 371,491 | 18,056 | 389,547 | 7,394 | 396,941 |
| Deferred Revenue | 341,490 | 0 | 341,490 | 0 | 341,490 |
| Due to Others | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 1,445,978 | 48,520 | 1,494,498 | 101,790 | 1,596,288 |
| Fund Equity | | | | | |
| Fund Balance: | | | | | |
| Reserved for Encumbrances | 361,046 | 64,903 | 425,949 | 70,283 | 496,232 |
| Unallocated | 731,622 | 720,702 | 1,452,324 | 54,539 | 1,506,863 |
| Total Fund Equity | 1,092,668 | 785,605 | 1,878,273 | 124,822 | 2,003,095 |
| Total Liabilities and Fund Equity | \$ 2,538,646 | \$ 834,125 | \$ 3,372,771 | \$ 226,612 | \$ 3,599,383 |

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

Plant Funds

| Loan Funds | Unexpended Plant | Renewal & Replacement | Investment in Plant | Total Plant | Agency | Totals (Memorandum Only) |
|-----------------------|-----------------------------|--------------------------------------|--------------------------------|------------------------|-------------------|---|
| \$ 26 | \$ 620,805 | \$ 1,360,400 | \$ 0 | \$ 1,981,205 | \$ 119,461 | \$ 4,202,683 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,145,173 |
| 0 | 0 | 0 | 0 | 0 | 0 | 77,895 |
| 510 | 0 | 0 | 0 | 0 | 0 | 510 |
| 0 | 0 | 0 | 0 | 0 | 0 | 274,324 |
| 0 | 0 | 0 | 16,617,747 | 16,617,747 | 0 | 16,617,747 |
| <u>\$ 536</u> | <u>\$ 620,805</u> | <u>\$ 1,360,400</u> | <u>\$ 16,617,747</u> | <u>\$ 18,598,952</u> | <u>\$ 119,461</u> | <u>\$ 22,318,332</u> |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 522,955 |
| 0 | 0 | 0 | 0 | 0 | 2,834 | 337,736 |
| 0 | 0 | 0 | 0 | 0 | 0 | 396,941 |
| 0 | 0 | 0 | 0 | 0 | 0 | 341,490 |
| 0 | 0 | 0 | 0 | 0 | 116,627 | 116,627 |
| 0 | 0 | 0 | 0 | 0 | 119,461 | 1,715,749 |
| 0 | 0 | 0 | 0 | 0 | 0 | 496,232 |
| 536 | 620,805 | 1,360,400 | 16,617,747 | 18,598,952 | 0 | 20,106,351 |
| <u>536</u> | <u>620,805</u> | <u>1,360,400</u> | <u>16,617,747</u> | <u>18,598,952</u> | <u>0</u> | <u>20,602,583</u> |
| <u>\$ 536</u> | <u>\$ 620,805</u> | <u>\$ 1,360,400</u> | <u>\$ 16,617,747</u> | <u>\$ 18,598,952</u> | <u>\$ 119,461</u> | <u>\$ 22,318,332</u> |

MUSKINGUM AREA TECHNICAL COLLEGE

Statement of Changes in Fund Balances
For Fiscal Year Ended June 30, 1999

| | Current Funds | | Total Current Funds | Loan Funds |
|---|---------------------|-------------------|------------------------|---------------|
| | Unrestricted | Restricted | | |
| REVENUE AND OTHER ADDITIONS: | | | | |
| Unrestricted current fund revenue | \$ 10,758,807 | \$ 0 | \$ 10,758,807 | \$ 0 |
| Restricted current fund revenue | 0 | 15,696 | 15,696 | 0 |
| Federal grants and contracts | 64,889 | 279,155 | 344,044 | 0 |
| State grants and contracts | 0 | 320,835 | 320,835 | 0 |
| Local grants and contracts | 0 | 59,779 | 59,779 | 0 |
| Private gifts and grants | 0 | 0 | 0 | 0 |
| Investment income | 0 | 0 | 0 | 0 |
| Federal appropriations | 0 | 1,697,125 | 1,697,125 | 0 |
| State appropriations | 0 | 799,521 | 799,521 | 0 |
| Local appropriations | 0 | 32,432 | 32,432 | 0 |
| Loan principal collected | 0 | 0 | 0 | 1,875 |
| Received for plant facilities | 0 | 0 | 0 | 0 |
| Inventories | 0 | 0 | 0 | 0 |
| <i>Total revenue and other additions</i> | <u>10,823,696</u> | <u>3,204,543</u> | <u>14,028,239</u> | <u>1,875</u> |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | |
| Educational and general expenditures | 8,793,636 | 787,608 | 9,581,244 | 0 |
| Auxiliary enterprises expenditures | 1,575,072 | 0 | 1,575,072 | 0 |
| Expended for plant facilities | 0 | 0 | 0 | 0 |
| Distribution of grants | 22 | 3,259,296 | 3,259,318 | 1,775 |
| Refunds to grantors | 0 | 0 | 0 | 0 |
| Indirect costs | 0 | 12,950 | 12,950 | 0 |
| Administration and collection costs | 0 | 6,035 | 6,035 | 0 |
| <i>Total expenditures and other deductions</i> | <u>10,368,730</u> | <u>4,065,889</u> | <u>14,434,619</u> | <u>1,775</u> |
| <i>Total revenue and other additions over (under) expenditures and other deductions</i> | 454,966 | (861,346) | (406,380) | 100 |
| TRANSFERS - IN: | | | | |
| Mandatory transfers - in | 15,028 | 53,356 | 68,384 | 0 |
| Non-mandatory transfers - in | 0 | 48,946 | 48,946 | 0 |
| TRANSFERS - OUT: | | | | |
| Mandatory transfers - out | (33,170) | (20,186) | (53,356) | 0 |
| Non-mandatory transfers - out | (315,000) | (48,974) | (363,974) | 0 |
| <i>Net transfers</i> | <u>(333,142)</u> | <u>33,142</u> | <u>(300,000)</u> | <u>0</u> |
| <i>Excess of revenue, other additions and transfers in over (under) expenditures and other deductions and transfers-out</i> | 121,824 | (828,204) | (706,380) | 100 |
| FUND BALANCE - JULY 1, 1998 | <u>1,756,449</u> | <u>953,026</u> | <u>2,709,475</u> | <u>436</u> |
| FUND BALANCE - JUNE 30, 1999 | <u>\$ 1,878,273</u> | <u>\$ 124,822</u> | <u>\$ 2,003,095</u> | <u>\$ 536</u> |

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

| Plant Funds | | | | Total |
|-------------------|---------------------------|----------------------|----------------------|----------------------|
| Unexpended | Renewals and Replacements | Investment in Plant | Total Plant Fund | (Memorandum Only) |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,758,807 |
| 0 | 0 | 0 | 0 | 15,696 |
| 0 | 0 | 0 | 0 | 344,044 |
| 97,350 | 0 | 0 | 97,350 | 418,185 |
| 0 | 0 | 0 | 0 | 59,779 |
| 0 | 0 | 0 | 0 | 0 |
| 30,103 | 50,836 | 0 | 80,939 | 80,939 |
| 0 | 0 | 0 | 0 | 1,697,125 |
| 0 | 0 | 0 | 0 | 799,521 |
| 0 | 0 | 0 | 0 | 32,432 |
| 0 | 0 | 0 | 0 | 1,875 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| <u>127,453</u> | <u>50,836</u> | <u>0</u> | <u>178,289</u> | <u>14,208,403</u> |
| 0 | 0 | 0 | 0 | 9,581,244 |
| 0 | 0 | 0 | 0 | 1,575,072 |
| 0 | 0 | 196,708 | 196,708 | 196,708 |
| 0 | 0 | 0 | 0 | 3,261,093 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 12,950 |
| 0 | 0 | 0 | 0 | 6,035 |
| <u>0</u> | <u>0</u> | <u>196,708</u> | <u>196,708</u> | <u>14,633,102</u> |
| 127,453 | 50,836 | (196,708) | (18,419) | (424,699) |
| 0 | 0 | 0 | 0 | 68,384 |
| 0 | 300,000 | 0 | 300,000 | 348,946 |
| 0 | 0 | 0 | 0 | (53,356) |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(363,974)</u> |
| <u>0</u> | <u>300,000</u> | <u>0</u> | <u>300,000</u> | <u>0</u> |
| 127,453 | 350,836 | (196,708) | 281,581 | (424,699) |
| <u>493,352</u> | <u>1,009,564</u> | <u>16,814,455</u> | <u>18,317,371</u> | <u>21,027,282</u> |
| <u>\$ 620,805</u> | <u>\$ 1,360,400</u> | <u>\$ 16,617,747</u> | <u>\$ 18,598,952</u> | <u>\$ 20,602,583</u> |

MUSKINGUM AREA TECHNICAL COLLEGE

Statement of Current Funds Revenues, Expenditures, and Other Changes
For Fiscal Year Ended June 30, 1999

| | Current Fund | | Total |
|--|-------------------|---------------------|---------------------|
| | Unrestricted | Restricted | Current Fund |
| REVENUES: | | | |
| Tuition and fees | \$ 3,670,952 | \$ 15,696 | \$ 3,686,648 |
| Federal appropriations | 0 | 1,697,125 | 1,697,125 |
| State appropriations | 5,261,670 | 799,521 | 6,061,191 |
| Local appropriations | 0 | 32,432 | 32,432 |
| Federal grants and contracts | 64,889 | 279,155 | 344,044 |
| State grants and contracts | 0 | 320,835 | 320,835 |
| Local grants and contracts | 0 | 59,779 | 59,779 |
| Private gifts and grants | 0 | 0 | 0 |
| Sales/service - auxiliary | 1,553,135 | 0 | 1,553,135 |
| Other sources | 164,401 | 0 | 164,401 |
| Investment income | 108,649 | 0 | 108,649 |
| | <u>10,823,696</u> | <u>3,204,543</u> | <u>14,028,239</u> |
| TRANSFERS - IN: | | | |
| Mandatory transfers - in | 15,028 | 53,356 | 68,384 |
| Non-mandatory transfers - in | 0 | 48,946 | 48,946 |
| <i>Total Revenues</i> | <u>10,838,724</u> | <u>3,306,845</u> | <u>14,145,569</u> |
| EXPENDITURES - EDUCATIONAL AND GENERAL: | | | |
| Instruction | 4,081,974 | 522,106 | 4,604,080 |
| Public service | 16,430 | 0 | 16,430 |
| Academic support | 893,262 | 75,328 | 968,590 |
| Student services | 975,296 | 56,755 | 1,032,051 |
| Institutional support | 1,678,128 | 133,419 | 1,811,547 |
| Operation and maintenance of plant | 1,148,546 | 0 | 1,148,546 |
| <i>Total educational and general</i> | <u>8,793,636</u> | <u>787,608</u> | <u>9,581,244</u> |
| TRANSFERS - OUT: | | | |
| Mandatory transfers-out | 33,170 | 20,186 | 53,356 |
| Non-mandatory transfers-out | 315,000 | 48,974 | 363,974 |
| AUXILIARY ENTERPRISES | 1,575,072 | 0 | 1,575,072 |
| OTHER FUNCTION GROUPS: | | | |
| Distribution of grants | 22 | 3,265,331 | 3,265,353 |
| Indirect costs | 0 | 12,950 | 12,950 |
| <i>Total Expenditures and Others</i> | <u>10,716,900</u> | <u>4,135,049</u> | <u>14,851,949</u> |
| <i>Net increase (decrease) in fund balance</i> | <u>\$ 121,824</u> | <u>\$ (828,204)</u> | <u>\$ (706,380)</u> |

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

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1: DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

On September 19, 1969, the State of Ohio Board of Regents approved the charter of the Muskingum Area Technical Institute. In 1975, the College name was changed to the Muskingum Area Technical College. The College is a technical institute as defined by Section 3357.01 of the Ohio Revised Code and is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio. A college exposes students to job training leading to employment upon graduation.

The College's official service area consists of three counties: Muskingum, Guernsey, and Noble. However, a significant number of students come from Morgan, Coshocton, and Perry counties.

In 1971 working with the Ohio Board of Regents, the Muskingum Area Technical Institute and the Ohio University began a cooperative effort to provide the community with a coordinated state-assisted higher education complex of academic-technical programs and physical facilities. Planning for a new campus was accelerated after the Ohio General Assembly, on June 12, 1972, approved a 3 million dollar appropriation for the construction of a new technical college facility. In March 1974 a master plan for the Muskingum Area Technical Institute and Ohio University-Zanesville campus was completed. This plan has guided campus development to the present time. An agreement for inter-institutional cooperation and coordination was signed on June 15, 1975, by Ohio University-Zanesville and Muskingum Area Technical Institute.

The College operates under a nine member appointed Board of Trustees, of which three are appointed by the Governor of the State of Ohio, and are responsible for the provision of public education to its student body.

No separate governmental units meet the criteria for inclusion as a component unit.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Plan. This organization is presented in Note 6 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the College over which the College has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Muskingum Area Technical College have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

A. Basis of Presentation – Fund Accounting

The College uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain College functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are recorded and reported by such fund groups.

For financial statement presentation purposes, the various funds of the College are grouped into the following generic fund groups under the broad fund categories current, loan, plant, and agency.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purpose established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the board of trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group, and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets.

To the extent current funds are used to finance long term assets, the amounts so provided are accounted for as expenditures in the case of normal replacement of equipment, library books and furniture.

Current Fund Group

Unrestricted - The Unrestricted Current Fund includes resources to be used for the primary operation of the College and have not been restricted by the board of trustees for other purposes. The fund is used to account for transactions relating to the primary and supporting objectives of the College. Included in this fund group is the Auxiliary Fund, which is used to account for transactions relating to the College's book store.

Restricted - The Restricted Current Fund accounts for resources that are available to finance current operations of the College but whose use has been restricted by donors and other external agencies to the specific activity for which they can be expended.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

PELL Grant monies received by the College on behalf of eligible students are used by the students to pay tuition and other educational expenses. When Pell Grant monies are received from the Federal Government, they are recorded as Educational and General Restricted Fund income. Awarded amounts are then applied against each student's account receivable balance, which amounted to \$2,070,355 in FY99. Amounts in excess of the student's receivable balance are paid directly to the student, which amounted to \$478,474 in FY99. Awarded amounts are recorded as expenses of the Restricted Fund as "distribution of grants."

Expenditures for other grants are recorded in the same manner as PELL Grant monies. The "distribution of grants" account also include distributions of College Work Study Grants (\$100,962), National Science Foundation Grants (\$149,699), Tech Prep Grants (\$152,854), and other miscellaneous grants and contracts amounting to \$306,952.

Loan Fund - The Loan Fund is used to account for resources that are available to students for loan purposes. Monies in the fund are temporarily loaned to students. Repayment is required.

Plant Funds - Plant Funds are used to record transactions relating to the College's plant assets. The Plant Fund group is comprised of three self-balancing funds. They are:

- (1) *Renewals and Replacements Fund*: This fund is used to account for resources set aside for the renewal and replacement (improvement) of the College's fixed assets.
- (2) *Investment in Plant Fund*: This fund is used to account for resources expended, and thus invested, in the fixed assets of the College.
- (3) *Unexpended Plant Fund*: This fund is used to account for resources to be used for the acquisition of fixed assets for the College but unexpended at the reporting date.

Agency Fund - The Agency Fund consists of funds held by the College as temporary custodian or fiscal agent for resources that belong to others.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated and thus, the College does not integrate the budget into its accounts.

Appropriations:

To provide control over expenditures, a budget is prepared by the business office with input from other administrative deans and presented to the board of trustees for their approval near the beginning of the fiscal year. To account for major developments that occur during the first six months, a revised budget may be prepared and presented to the board for their approval in January of the same fiscal year. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Trustees.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Encumbrances:

The College utilizes an encumbrance system of accounting to record outstanding purchase orders and other commitments for materials or services as a measure of budgetary control over appropriations. At the end of the reporting period, amounts encumbered are reported as allocated fund balance.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

C. Cash, Cash Equivalents, and Investments

To improve cash management, all cash received by the College is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the College's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet. In accordance with the "Policies of the Board of Trustees of Muskingum Area Technical College", the Treasurer is authorized to invest temporary idle funds of the College in federally insured financial institutions within the College district and in issues of the United States Treasury.

During fiscal year 1999, investments were limited to certificates of deposits. All investments of the College had a maturity of two months or less. Investments are stated at fair value. Investment earnings are allocated as authorized by State statute. Based upon Board Policy the College distributes interest to the Unrestricted General and Auxiliary Funds, and Plant Funds.

D. Receivables

Receivables are reflected at their gross value and not reduced by an estimated amount that is expected to be uncollectible. Accounts over two years old are written off.

Accounts Receivable – Vendor reflects credit memos from book publishing companies.

E. Inventory

Inventory balances recorded in the Auxiliary Enterprise Fund are stated at historical cost under the first-in, first-out cost flow assumption method.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the Current Unrestricted Fund or Plant Fund, and related assets are reported in the Investment in Plant Fund. Fixed Assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The College maintains a capitalization threshold of five hundred dollars. The College does not have any infrastructure.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized.

The College follows the general educational practice of not providing for depreciation.

G. Compensated Absences

The College has adopted GASB No. 16.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the College's termination policy. The College records a liability for accumulated unused sick leave for certified employees, administrators, and classified employees after five years of current service with the College.

These amounts are recorded in the account "compensated absences payable" in the fund group from which the employees who have accumulated unpaid leave are paid.

H. Financial Statements

The "Statement of Current Funds Revenues, Expenditures and Other Changes" is a statement of financial activity of current funds related to the current reporting period. This statement is presented in two sections to separately account for unrestricted funds over which the Board has full control as to the use in achieving any of its institutional purposes, in contrast to restricted current funds, whose use is limited to specific activities or objectives. Unrestricted revenues reported in this statement represents funds available for current operating needs, while restricted revenues represent only those funds utilized to meet current year expenditures. Certain other current fund expendable resources received during the year will be reported as revenues when expended in future periods in accordance with their terms.

In general, current fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the College into three categories.

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

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

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

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

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. *The State Treasurer's investment pool (STAR Ohio);*
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 1999, the College's investments were limited to certificates of deposit and overnight sweep accounts.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the College's deposits was \$2,751,683 and the bank balance was \$2,888,008. Of the bank balance, \$213,778 was covered by federal depository insurance and \$2,674,230, was uninsured and uncollateralized. The College obtained Public Funds Pooled collateral in compliance with Ohio Revised Code Section 135.181 sufficient to cover depository balances. However, GASB Pronouncement No. 3 does not recognize these collateral pools when assessing investment risk. Although the securities serving as collateral were held by the pledging financial institution's trust department in the College's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the College to a successful claim by the Federal Deposit Insurance Corporation.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Investments: The College's investments are categorized below to give an indication of the level of risk assumed by the College at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the College's name. The carrying value of the investment in the overnight repurchase agreement sweep account approximate market value amounts to \$1,451,000, and is classified as Category 3.

| | Cash and Cash Equivalents/ | |
|----------------------|-------------------------------|---------------------|
| | <u>Deposits</u> | <u>Investments</u> |
| GASB Statement 9 | \$ 4,202,683 | \$ 0 |
| Investments: | | |
| Repurchase Agreement | <u>(1,451,000)</u> | <u>1,451,000</u> |
| GASB Statement 3 | <u>\$ 2,751,683</u> | <u>\$ 1,451,000</u> |

NOTE 4: FIXED ASSETS

A summary of the changes in fixed assets during fiscal year 1999 follows:

| | <u>Balance at 6/30/98</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/99</u> |
|--------------------------------------|-------------------------------|------------------|-------------------|-------------------------------|
| Land | \$ 17,450 | \$ 0 | \$ 0 | \$ 17,450 |
| Buildings | 13,104,897 | 0 | 0 | 13,104,897 |
| Furniture, fixtures and equipment | 3,218,956 | 51,338 | 269,344 | 3,000,950 |
| Library books | 388,008 | 19,773 | 0 | 407,781 |
| Vehicles | <u>85,144</u> | <u>12,025</u> | <u>10,500</u> | <u>86,669</u> |
| Total | <u>\$ 16,814,455</u> | <u>\$ 83,136</u> | <u>\$ 279,844</u> | <u>\$ 16,617,747</u> |

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 5: RISK MANAGEMENT

A. Property and Liability

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 1998, the College contracted with the Young Insurance Agency for liability, property and vehicle insurance.

Coverage provided is as follows:

| | |
|---|--|
| Umbrella (\$10,000 deductible) | \$ 4,000,000 limit |
| Building and Contents - replacement cost (\$1,000 deductible) | 20,973,052 limit |
| Inland Marine (\$100 deductible) | 6,273 limit |
| Boiler and Machinery (\$1,000 deductible) | 20,000,000 limit |
| Theft, Disappearance and Destruction Insurance (No deductible) | 50,000 limit inside and outside premises |
| Employee Dishonesty Insurance (No deductible) | |
| Security Officers (4) | 47,500 limit each employee |
| College President, Foundation Executive and Bookstore Cashiers (3) | 22,500 limit each employee |
| Automobile Liability - Bodily Injury and Property Damage | 1,000,000 each accident |
| General Liability Insurance | 1,000,000 each occurrence 2,000,000 aggregate |

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.

B. Workers' Compensation

For fiscal year 1999, the College participated in the Ohio College Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the College by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Colleges is calculated as one experience and a common premium rate is applied to all Colleges in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Colleges that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 6: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Muskingum Area Technical College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute 14 percent; 9.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The College's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$213,196, \$210,750, and \$196,790, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the College is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$471,570, \$454,609, and \$435,209, respectively. 100 percent has been contributed for the fiscal years 1999, 1998 and 1997.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 7: POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the College, this amount equaled \$67,367 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, the most current information available, net health care costs paid by STRS were \$219,224,000 statewide.

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for the maintenance of asset target level for the health care fund. For the College, the amount to fund health care benefits, including the surcharge, equaled \$75,836 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, the most current information available, net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the retirement system's net assets available for payment of health care benefits was \$160.3 million.

NOTE 8: EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from Board Policy and State laws. Full-time employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and classification. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Part-time employees working less than 30 hours per week are not eligible to receive any accumulated unused vacation time upon termination.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Teachers, administrators, and support staff earn sick leave at the rate of one and one-fourth days per month. There is no limit to sick leave accrual. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 30 days for all employees. An estimate of probable future payments for sick leave was made based upon historical employment information.

B. Insurance Benefits

The College provides health and major medical insurance for all eligible employees. The College pays the full monthly premiums for single plan coverage. Employees, who have the family coverage, are required to pay a portion of the monthly premiums with the remainder picked up by the board. Premiums are paid from the same funds that pay the employees' salaries. The College also provides prescription drug insurance to its employees through the United Health Company and Ameritas.

The College provides life insurance to employees through Anthem in the amount of \$50,000 for all eligible employees.

Dental insurance was provided by Anthem (Med Benefits) through 12/31/98. Premiums for this insurance were \$42.05 monthly for family coverage and \$14.98 for single coverage. Starting 1/1/99, dental insurance is provided through Ameritas. Premiums for this coverage are \$49.84 monthly for family coverage and \$19.48 for single coverage.

Vision insurance was provided by Vision Service Plan through 12/31/98. Premiums for this coverage were \$14.74 monthly for family coverage and \$8.09 for single coverage. Starting 1/1/99, vision insurance is provided through Ameritas. Premiums for this insurance are \$12.76 monthly for family coverage and \$6.52 for single coverage.

NOTE 9: STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds issued by the Ohio Public Facilities Commission (OPFC), which proceeds in turn causes the construction and subsequent lease of the facility to the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof.

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

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

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

- A. Construction in progress for any portion of the facilities being financed by state agencies for use by the College are not recorded on the College's books of account until such time as the facility is completed.
- B. Outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the College, and the related debt service payments are not recorded in the College's accounts.

NOTE 10: RECONCILIATION OF INTERFUND TRANSFERS

| | <u>Transfers-In</u> | | <u>Transfers-Out</u> | |
|---------------------------|---------------------|--------------------------|----------------------|--------------------------|
| | <u>Mandatory</u> | Non- <u>Mandatory</u> | <u>Mandatory</u> | Non- <u>Mandatory</u> |
| <u>Current Funds:</u> | | | | |
| Unrestricted | \$ 0 | \$ 15,127 | \$ (33,170) | \$ (315,000) |
| Restricted | 53,356 | 48,946 | (20,186) | (48,974) |
| <u>Plant Funds:</u> | | | | |
| Renewals and replacements | 0 | 300,000 | 0 | 0 |
| Agency | <u>0</u> | <u>0</u> | <u>0</u> | <u>(99)</u> |
| | <u>\$ 53,356</u> | <u>\$ 364,073</u> | <u>\$ (53,356)</u> | <u>\$ (364,073)</u> |

The schedule does not agree with the interfund transfers reported on the Statement of Changes in Fund Balance and the Statement of Current Funds Revenues, Expenditures, and Other Changes because the Agency Fund activity amounting to \$99 is not required to be reported on those statements.

NOTE 11: CONTINGENCIES

A. Grants

The College received financial assistance from federal, state and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 1999.

B. Litigation

The College is not party to any claims or lawsuits that would have a material effect on the financial statements.

MUSKINGUM AREA TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 12: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the college's operations as early as calendar year 1999.

Muskingum Area Technical College has completed an inventory of computer systems and other equipment necessary to conducting College operations and has identified such systems as being financial reporting, payroll, and student support.

- The College has a financial reporting system. Software has been purchased from a third-party vendor. The software was installed and tested in February 1999, and is currently being utilized in day-to-day operations. Assurances have been obtained from the vendor, American Management Systems, that the financial reporting software is Year 2000 compliant.
- The College entered into a capital lease agreement for IBM mainframe hardware in January 1998.
- The College also has payroll and student registration systems. The College currently uses in-house staff for maintenance and upgrades on both of these systems. The payroll and the student registration systems have been tested and are currently being utilized in day-to-day operations.

The State of Ohio distributes a substantial sum of money to the College in the form of "Subsidy" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the College through the State's Higher Education Information System (HEI). The State is responsible for remediating these systems.

Assurances have been obtained from National City Bank and First National Bank of Zanesville, who provide services to the College, that all systems have already been moved forward and are year 2000 compliant.

The College obtains utility services from outside vendors whose systems have been identified as mission critical to the College. Vendors are responsible for remediating their systems and are solely responsible for any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the College is or will be Year 2000 ready, that the College's remediation efforts will be successful in whole or in part, or that parties with whom the College does business will be year 2000 ready.

122 Fourth Street N.W.
P. O. Box 1020
New Philadelphia, Ohio 44663-5120
330 - 339 - 6651

Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

November 2, 1999

To the Board of Trustees
Muskingum Area Technical College
Zanesville, Ohio 43701

**Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of Muskingum Area Technical College (the "College") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we reported to management of the College in a separate letter dated November 2, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as Item 99-001.

Muskingum Area Technical College
Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
November 2, 1999
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated November 2, 1999.

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

Rea & Associates, Inc.

122 Fourth Street N.W.
P. O. Box 1020
New Philadelphia, Ohio 44663-5120
330 - 339 - 6651

Rea & Associates, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

November 2, 1999

To the Board of Trustees
Muskingum Area Technical College
Zanesville, Ohio 43701

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Muskingum Area Technical College the ("College") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The College's major federal program is identified in the "SUMMARY OF AUDITOR'S RESULTS" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on College's compliance based on our audit.

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

In our opinion, Muskingum Area Technical College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Columbus
New Philadelphia
Millersburg
Coshocton
Cambridge
Marietta
Medina
Lima

Muskingum Area Technical College
Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133
November 2, 1999
Page 2

Internal Control Over Compliance

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

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

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

Rea & Associates, Inc.

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| Grantor Agency/Grant Program | CFDA# | Program Number | Federal Award | Federal Receipts | Federal Expenditures |
|--|--------|----------------|---------------------|---------------------|----------------------|
| STUDENT FINANCIAL ASSISTANCE: | | | | | |
| U.S. Department of Education: | | | | | |
| Pell Grant (A) | | | | | |
| | 84.063 | EPO63P75140 | \$ 1,515,262 | \$ 80,000 | \$ 1,042,843 |
| | | EPO63P85140 | 1,666,338 | 1,506,876 | 1,682,570 |
| | | | <u>3,181,600</u> | <u>1,586,876</u> | <u>2,725,413</u> |
| College Work Study | | | | | |
| | 84.033 | EPO33A973323 | 91,848 | 25,247 | 6,034 |
| | | EPO33A983323 | 95,781 | 85,002 | 77,305 |
| | | | <u>187,629</u> | <u>110,249</u> | <u>83,339</u> |
| Guaranteed Student Loans (B) | | | | | |
| | 84.032 | | <u>2,118,527</u> | <u>2,118,527</u> | <u>2,118,527</u> |
| Total Student Financial Assistance | | | 5,487,756 | 3,815,652 | 4,927,279 |
| OTHER FEDERAL ASSISTANCE: | | | | | |
| U.S. Department of Education: | | | | | |
| <i>Pass through State Department of Education:</i> | | | | | |
| Vocational Education (Access) | | | | | |
| | 84.048 | VECPH-P98-501 | 76,153 | 11,423 | |
| | | VECPH-P99-501 | 76,340 | 64,889 | 64,889 |
| | | | <u>152,493</u> | <u>76,312</u> | <u>64,889</u> |
| Vocational Education (Pate) | | | | | |
| | 84.048 | VESE-PATE98 | 10,871 | 671 | 0 |
| | | VESE-PATE99 | 15,000 | 12,750 | 13,119 |
| | | | <u>25,871</u> | <u>13,421</u> | <u>13,119</u> |
| Vocational Education (Tech Prep) | | | | | |
| | 84.048 | VESE-SP-TECH99 | <u>33,457</u> | <u>23,714</u> | <u>33,409</u> |
| Total Vocational Education | | | 211,821 | 113,447 | 111,417 |
| Tech Prep (A) | | | | | |
| | 84.243 | VETP-17J | 90,161 | 12,448 | 0 |
| | | VETP-17K | 14,445 | 5,056 | 5,056 |
| | | VETP-17Y | 1,015 | 507 | 507 |
| | | VETP-17R | 68,000 | 52,586 | 92,265 |
| | | | <u>173,621</u> | <u>70,597</u> | <u>97,828</u> |
| U.S. Department of Education: | | | | | |
| Strengthening Institutions | | | | | |
| | 84.031 | P031A980316 | 34,868 | 5,000 | 14,006 |
| U.S. National Science Foundation: | | | | | |
| Women and Girls in Science | | | | | |
| | 47.076 | HRD-9714792 | <u>791,236</u> | <u>155,000</u> | <u>166,621</u> |
| Total Other Federal Assistance | | | <u>1,211,546</u> | <u>344,044</u> | <u>389,872</u> |
| Total Federal Financial Assistance | | | <u>\$ 6,699,302</u> | <u>\$ 4,159,696</u> | <u>\$ 5,317,151</u> |

Note (A) The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the College Federal Awards Program. The schedule has been prepared on the cash basis of accounting.

Note (B) Included per A-133 Section 205C. The amount only includes new loan proceeds received by the College for FY 99 because the banks administer the loans.

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

| | | |
|----------------|--|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unqualified |
| (d) (1) (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (ii) | Were there any other reportable control weaknesses or conditions reported at the financial statement level (GAGAS)? | Yes |
| (d) (1) (iii) | Were there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d) (1) (iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d) (1) (vi) | Are there any reportable findings under Section .510? | No |
| (d) (1) (vii) | Major Programs (list): <u>Student Financial Assistance Cluster:</u> Pell College Work Study Guaranteed Student Loans | <u>CFDA #</u> 84.063 84.033 84.032 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: >\$300,000 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | No |

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999

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

Internal Control – Reportable Condition

| | |
|-----------------------|---------------|
| FINDING NUMBER | 99-001 |
|-----------------------|---------------|

Fixed Assets

Amounts for newly purchased equipment entered into the College's fixed asset listing are taken from the purchase order encumbered amount and not the actual invoice when paid. We recommend amounts be taken from the actual invoice and entered into the fixed asset listing upon payment to give greater assurances that the amounts on the listing are accurate.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

NONE

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SEC. 315(b)

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different, Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---|------------------|---|
| 1998-001 | <p>The College's accounting system does not have controls in place to assure that revenues and expenditures on the Statement of Changes in Fund Balances and the Statement of Current Funds, Revenues, Expenditures, and Other Changes agree with each other. Also, controls are not in place to assure the fund balances on the Statement of Changes in Fund Balances agree with the fund balances on the Balance Sheet. As a result, the financial activity and balances on these three statements did not reconcile with each other.</p> <p>We recommend these three statements be reviewed each month for discrepancies. Causes for the discrepancies should be identified and the accounting system should be corrected immediately.</p> | Yes | N/A |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
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MUSKINGUM AREA TECHNICAL COLLEGE

MUSKINGUM 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.

By: *Susan Babbitt*

Date: **JAN 18 2000**