

MUSKINGUM AREA TECHNICAL COLLEGE

SINGLE AUDIT

JULY 1, 2002 THROUGH JUNE 30, 2003

FISCAL YEAR AUDITED UNDER GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Muskingum Area Technical College
1555 Newark Road
Zanesville, Ohio 43701

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 15, 2004

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MUSKINGUM AREA TECHNICAL COLLEGE

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Management-s Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets.....	13
Statement of Revenues, Expenses and Changes in Net Assets	14
Statement of Cash Flows	15
Notes to Financial Statements	16
Schedule of Federal Awards Expenditures	36
Notes to Schedule of Federal Awards Expenditures.....	37
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	39
Schedule of Findings & Questioned Costs.....	41

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Muskingum Area Technical College
Muskingum County
1555 Newark Road
Zanesville, Ohio 43701-2626

We have audited the accompanying financial statements of the business-type activities of Muskingum Area Technical College (the College), and its discretely presented component unit, as of and for the year ended June 30, 2003, which comprises 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 an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 respective financial position of the business-type activities and discretely presented component unit of the College, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2003

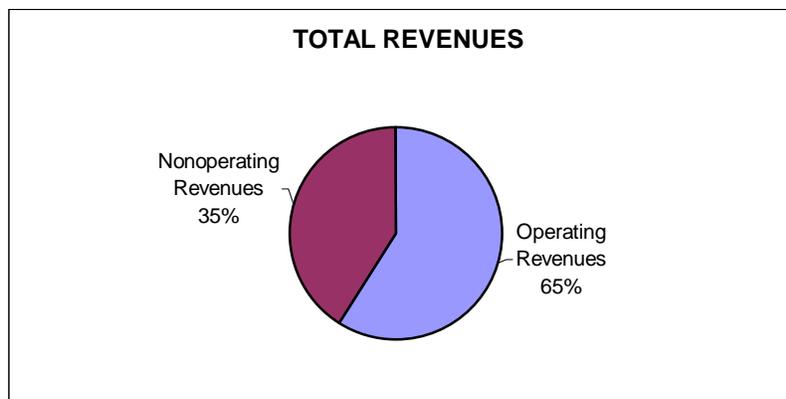
Muskingum Area Technical College Management Discussion and Analysis For the Year Ended June 30, 2003

The discussion and analysis of Muskingum Area Technical College's financial statements provides an overview of the College's financial activities for the year ending June 30, 2003. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains financial activities of Muskingum Area Technical College.

Financial Highlights

Muskingum Area Technical College's financial position, as a whole, worsened during the fiscal year ending June 30, 2003. Its combined net assets decreased \$(621,480) or 3.4% from the previous year.

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



In the fiscal year ending June 30, 2003, expenses exceeded revenues, creating the decrease in net assets of \$(621,480) (compared to a \$920,397 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 presents 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 a university fall into this category, including instruction, research, public service, and support services.
- **Component Unit (MATC Foundation):** Most of the College's fund raising and scholarship activity fall into this category.

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

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 Muskingum Area 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 Muskingum Area Technical College's operating results.

These two statements report Muskingum Area Technical College's net assets and changes in them. Muskingum Area 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 cash is received or paid.

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

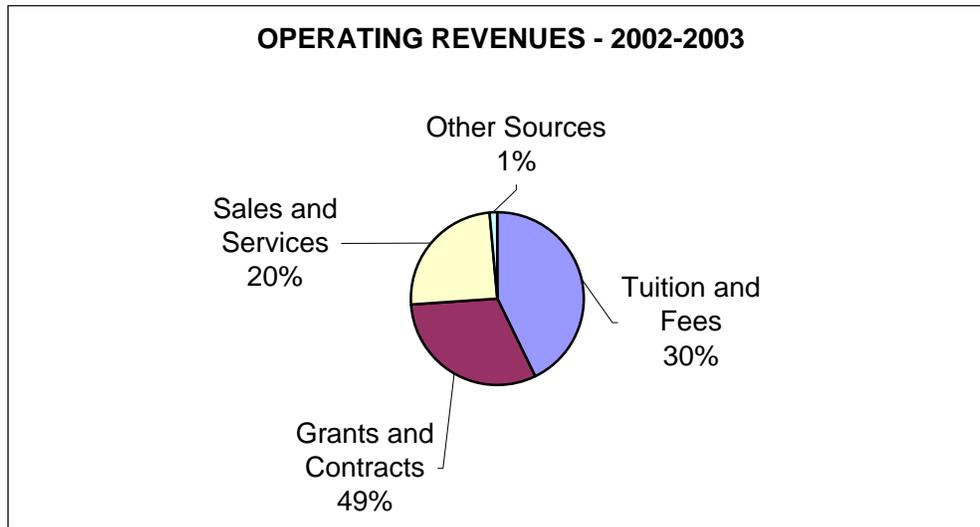
	Restated 6/30/2002	6/30/2003	Net Change
ASSETS			
<i>Current Assets:</i>			
Cash equivalents	\$ 4,386,590	\$ 4,116,298	\$ (270,292)
Accounts receivable, net	771,879	1,315,738	543,859
Accounts receivable - vendors	60,053	66,891	6,838
Grants receivable	221,351	354,015	132,664
Loans	700	735	35
Inventory	279,119	285,962	6,843
Total current assets	<u>5,719,692</u>	<u>6,139,639</u>	<u>419,947</u>
<i>Noncurrent Assets:</i>			
Capital assets, net of accumulated depreciation	14,571,188	13,798,258	(772,930)
Total noncurrent assets	<u>14,571,188</u>	<u>13,798,258</u>	<u>(772,930)</u>
TOTAL ASSETS	<u>\$ 20,290,880</u>	<u>\$ 19,937,897</u>	<u>\$ (352,983)</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accrued wages and benefits	\$ 593,220	\$ 579,457	(13,763)
Vouchers payable	208,100	536,634	328,534
Compensated absences	9,737	42,701	32,964
Capital lease payable - current portion	117,966	84,867	(33,099)
Deposits held in custody for others	162,249	153,898	(8,351)
Deferred revenue	313,446	393,880	80,434
Total current liabilities	<u>1,404,718</u>	<u>1,791,437</u>	<u>386,719</u>
<i>Noncurrent Liabilities:</i>			
Compensated absences	397,452	364,098	(33,354)
Capital lease payable	182,572	97,704	(84,868)
Total noncurrent liabilities	<u>580,024</u>	<u>461,802</u>	<u>(118,222)</u>
TOTAL LIABILITIES	1,984,742	2,253,239	268,497
NET ASSETS			
Invested in capital assets, net of related debt	14,270,650	13,615,687	(654,963)
Restricted:			0
<i>Expendable:</i>			
Loans	0	736	736
Instructional Department uses	182,924	488,126	305,202
Capital projects	0	1,510,888	1,510,888
Unrestricted	3,852,564	2,069,221	(1,783,343)
Total net assets	<u>18,306,138</u>	<u>17,684,658</u>	<u>(621,480)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,290,880</u>	<u>\$ 19,937,897</u>	<u>\$ (352,983)</u>

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

**Net Assets Changes - Component Unit - MATC Foundation
FY 2002 versus 2003**

	Foundation 6/30/2002	Foundation 6/30/2003	Net Change
ASSETS			
<i>Current Assets:</i>			
Cash equivalents	\$ 2,384	\$ 1,717	\$ (667)
Accrued interest receivable	16,344	0	(16,344)
Total current assets	18,728	1,717	(17,011)
<i>Noncurrent Assets:</i>			
Endowment Investments	1,843,609	1,870,323	26,714
Total noncurrent assets	1,843,609	1,870,323	26,714
TOTAL ASSETS	\$ 1,862,337	\$ 1,872,040	\$ 9,703
NET ASSETS			
<i>Restricted:</i>			
<i>Nonexpendable:</i>			
Scholarships	1,172,023	1,143,729	(28,294)
<i>Expendable:</i>			
Scholarships	450,966	358,310	(92,656)
Unrestricted	239,348	370,001	130,653
Total net assets	1,862,337	1,872,040	9,703
TOTAL LIABILITIES AND NET ASSETS	\$ 1,862,337	\$ 1,872,040	\$ 9,703

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**



	Restated 6/30/2002	Institution 6/30/2003	Net Change
Operating Revenues			
Tuition and fees	\$ 3,104,451	\$ 3,542,003	\$ 437,552
State grants and contracts	1,414,601	740,596	(674,005)
Federal grants and contracts	3,175,188	3,175,292	104
Local grants	371,620	252,163	(119,457)
Private gifts and grants	47,823	5,785	(42,038)
Auxiliary services	1,969,502	2,064,887	95,385
Other	130,688	109,932	(20,756)
Total operating revenues	<u>10,213,873</u>	<u>9,890,658</u>	<u>(323,215)</u>
Operating Expenses	<u>16,435,793</u>	<u>15,911,800</u>	<u>(523,993)</u>
Net operating revenues (expenses)	<u>(6,221,920)</u>	<u>(6,021,142)</u>	<u>200,778</u>
Nonoperating Revenues (Expenses)			
State Appropriations	5,391,267	5,158,578	(232,689)
Investment income	346,463	57,256	(289,207)
Other nonoperating revenues (expenses)	74,776	(24,668)	(99,444)
Net nonoperating revenues	<u>5,812,506</u>	<u>5,191,166</u>	<u>(621,340)</u>
Income (loss) before other revenues, expenses, gains or losses	(409,414)	(829,976)	(420,562)
Capital appropriations	<u>1,329,811</u>	<u>208,496</u>	<u>(1,121,315)</u>
Increase in Net Assets	920,397	(621,480)	(1,541,877)
Net Assets, beginning of year	<u>17,385,741</u>	<u>18,306,138</u>	<u>920,397</u>
Net Assets, end of year	<u>\$ 18,306,138</u>	<u>\$ 17,684,658</u>	<u>\$ (621,480)</u>

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

Tuition and fees increased by 14% which is the result of the number of students increasing 3% along with an increase in tuition of \$5 or 9.3% per credit hour. State appropriations and grants decreased by 14% primarily due to the loss in state funding due to budget cuts in fiscal year 2003. Investment income decreased from \$346,463 in 2002 to \$57,256 in 2003. This decrease is largely due to lower interest rates caused by an economic downturn in our economy.

	Foundation 6/30/2002	Foundation 6/30/2003	Net Change
Operating Revenues			
State and local appropriations	39,019	41,343	2,324
Contributions	73,293	46,491	(26,802)
Fund raising	16,700	15,720	(980)
Total operating revenues	<u>129,012</u>	<u>103,554</u>	<u>(25,458)</u>
Operating Expenses	<u>54,302</u>	<u>62,711</u>	<u>8,409</u>
Net operating revenues (expenses)	74,710	40,843	(33,867)
Nonoperating Revenues (Expenses)			
Investment income	67,017	45,170	(21,847)
Scholarships	(74,363)	(76,310)	(1,947)
Net nonoperating revenues (expenses)	<u>(7,346)</u>	<u>(31,140)</u>	<u>(23,794)</u>
Increase in Net Assets	67,364	9,703	(57,661)
Net Assets, beginning of year	<u>1,794,973</u>	<u>1,862,337</u>	<u>67,364</u>
Net Assets, end of year	<u>\$ 1,862,337</u>	<u>\$ 1,872,040</u>	<u>\$ 9,703</u>

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

**Operating Expenses for FY2002 Versus FY2003
Primary Institution**

	Restated <u>6/30/2002</u>	<u>6/30/2003</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
Instructional	\$ 4,608,716	\$ 4,611,595	\$ 2,879
Public service	12,924	0	(12,924)
Academic support	1,220,391	1,286,901	66,510
Student services	4,218,109	3,766,197	(451,912)
Institutional support	2,491,752	1,973,414	(518,338)
Depreciation	801,149	797,262	(3,887)
Student aid	36,158	4,312	(31,846)
Other expenses	361,011	12,894	(348,117)
Operation and maintenance of plant	<u>729,567</u>	<u>1,243,720</u>	<u>514,153</u>
Total Educational and General	<u>14,479,777</u>	<u>13,696,295</u>	<u>(783,482)</u>
Auxiliary Enterprises			
Bookstore	1,897,075	2,152,130	255,055
Other auxiliary	<u>58,941</u>	<u>63,375</u>	<u>4,434</u>
Total Auxiliary Enterprises	<u>1,956,016</u>	<u>2,215,505</u>	<u>259,489</u>
Total Operating Expenses	<u><u>\$ 16,435,793</u></u>	<u><u>\$ 15,911,800</u></u>	<u><u>\$ (523,993)</u></u>

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

**Operating Expenses for FY2002 Versus FY2003
Component Unit - MATC Foundation**

	<u>6/30/2002</u>	<u>6/30/2003</u>	<u>Net Change</u>
Operating Expenses			
Educational and General			
General and administrative	54,302	62,711	8,409
Total Educational and General	<u>54,302</u>	<u>62,711</u>	<u>8,409</u>
Total Operating Expenses	<u>\$ 54,302</u>	<u>\$ 62,711</u>	<u>\$ 8,409</u>

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 user assess:

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

**Cash Flows
FY 2002 Versus FY 2003**

	Primary Institution 6/30/2002	Primary Institution 6/30/2003	Net Change
Cash provided (used) by:			
Operating activities	\$ (5,449,898)	\$ (5,519,004)	\$ (69,106)
Noncapital financing activities	5,391,267	5,158,578	(232,689)
Capital and related financing activities	(1,039,495)	32,878	1,072,373
Investing activities	<u>346,463</u>	<u>57,256</u>	<u>(289,207)</u>
Net increase (decrease) in cash	(751,663)	(270,292)	481,371
Cash, beginning of year	<u>5,138,253</u>	<u>4,386,590</u>	<u>(751,663)</u>
Cash, end of year	<u>\$ 4,386,590</u>	<u>\$ 4,116,298</u>	<u>\$ (270,292)</u>

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

Capital and Debt Administration

Capital Assets

At June 30, 2003, the College had some \$13,798,259 invested in capital assets, net of accumulated depreciation of \$7,921,612. Depreciation charges totaled \$797,262 for the current fiscal year. Details of these assets for the two years are shown below:

**Capital Assets, Net, at Year-End
Primary Institution**

	Restated 6/30/2002	6/30/2003	Net Change
Land and land improvements	\$ 293,225	\$ 293,225	\$ 0
Buildings and improvements	12,691,993	12,162,985	(529,008)
General infrastructure	264,905	253,943	(10,962)
Machinery and equipment	753,822	613,315	(140,507)
Computers	201,850	112,475	(89,375)
Computer Software	316,600	325,524	8,924
Vehicles	17,540	11,135	(6,405)
Library books and materials	31,253	25,656	(5,597)
Total Capital Assets, Net	\$ 14,571,188	\$ 13,798,258	\$ (772,930)

There were no major additions during fiscal year 2003. The decrease of \$772,929 in capital assets was attributable to depreciation exceeding additional purchases.

The College has planned capital expenditures for the fiscal year ending June 30, 2003 at approximately \$235,000. The project is a new roof at Elson Hall with the costs to be shared with Ohio University. More detailed information about the College's capital assets is presented in Note 8 to the financial statements.

Debt

At year-end 2003, the College had \$182,571 in debt outstanding versus \$300,538 in the previous year. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt, at Year-End

	6/30/2002	6/30/2003	Net Change
Lease obligations	\$ 300,538	\$ 182,571	\$ (117,967)

More detailed information about the College's long-term liabilities is presented in Note 9 to the financial statements.

**Muskingum Area Technical College
Management Discussion and Analysis
For the Year Ended June 30, 2003**

Economic Factors that Will Affect the Future

The economic position of Muskingum Area Technical College is closely tied to that of the State. Because of limited economic growth and increased demand for state resources from federal mandates, the current state budget projects a reduction in funding to the College in the next year. In response to this cutback and due to scarce public resources in general, the Board of Regents has reduced Fiscal Year 2004 State Appropriations to the College by 1% (\$45,000).

The College announced tuition and fees increases averaging 9.3% starting Summer Quarter 2003. The College also expects enrollment to increase by approximately 3% for a total tuition and fees increase estimated at \$300,000.

The College estimates a \$100,000 increase in employee wages and benefits with an additional increase of \$80,000 for health care insurance costs in Fiscal Year 2004.

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

In addition, the College has not replaced three full-time service support positions which became vacant in fiscal year 2004. This action will result in a savings of approximately \$140,000.

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Department of Education, our citizens, taxpayers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it received. If you have questions about this report, or need additional financial information, contact Ronald Pratt, Vice-President for Business Services-Treasurer, at Muskingum Area Technical College, 1555 Newark Road, Zanesville, Ohio 43701.

MUSKINGUM AREA TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2003

	Primary Institution	Component Unit MATC Foundation
<u>ASSETS</u>		
<i>Current Assets:</i>		
Cash equivalents	\$ 4,116,298	\$ 1,717
Accounts receivable, net	1,315,738	0
Accounts receivable - vendors	66,891	0
Grants receivable	354,015	0
Loans	735	0
Inventory	285,962	0
Total current assets	6,139,639	1,717
<i>Noncurrent Assets:</i>		
Capital assets, net	13,798,258	0
Endowment investments	0	1,870,323
Total noncurrent assets	13,798,258	1,870,323
 TOTAL ASSETS	 \$ 19,937,897	 \$ 1,872,040
<u>LIABILITIES</u>		
<i>Current Liabilities:</i>		
Accrued wages and benefits	579,457	0
Vouchers payable	536,634	0
Compensated absences	42,701	0
Capital lease payable	84,867	0
Deposits held in custody for others	153,898	0
Deferred revenue	393,880	0
Total current liabilities	1,791,437	0
<i>Noncurrent Liabilities:</i>		
Compensated absences	364,098	0
Capital lease payable	97,704	0
Total noncurrent liabilities	461,802	0
 TOTAL LIABILITIES	 2,253,239	 0
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	13,615,687	0
<i>Restricted:</i>		
<i>Nonexpendable:</i>		
Scholarships	0	1,143,729
<i>Expendable:</i>		
Scholarships	0	358,310
Loans	736	0
Instructional Department uses	488,126	0
Capital projects	1,510,888	0
Unrestricted	2,069,221	370,001
Total net assets	17,684,658	1,872,040
 TOTAL LIABILITIES AND NET ASSETS	 \$ 19,937,897	 \$ 1,872,040

See accompanying notes to the basic financial statements.

MUSKINGUM AREA TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2003

	Primary Institution	Component Unit MATC Foundation
<u>REVENUE:</u>		
<i>Operating Revenues:</i>		
Student tuition and fees (net of scholarship allowances of \$309,495)	\$ 3,542,003	\$ 0
Local grants	252,163	0
Local appropriations	0	41,343
Federal grants and contracts	3,175,292	0
State grants and contracts	740,596	0
Private gifts and grants	5,785	0
Contributions	0	46,491
Fund raising	0	15,720
Auxiliary Enterprises:		
Bookstore	2,000,213	0
Campus security	64,674	0
Other sources	109,932	0
Total revenues	9,890,658	103,554
<u>EXPENSES:</u>		
<i>Operating Expenses:</i>		
Educational and General:		
Instructional	4,611,595	0
Academic support	1,286,901	0
Student services	3,766,197	0
Institutional support	1,973,414	0
Depreciation	797,262	0
Student aid	4,312	0
Other expense	12,894	0
General & Administrative	0	62,711
Operation and maintenance of plant	1,243,720	0
Total Educational and General	13,696,295	62,711
Auxiliary Enterprises		
Bookstore	2,152,130	0
Other auxiliary	63,375	0
Total Expenses	15,911,800	62,711
Operating Income (Loss)	(6,021,142)	40,843
<u>NONOPERATING REVENUES (EXPENSES):</u>		
State appropriations	5,158,578	0
Investment income	57,256	45,170
Interest on Capital Asset-Related Debt	(24,668)	0
Scholarships	0	(76,310)
Net nonoperating revenues (expenses)	5,191,166	(31,140)
Income (Loss) before other revenues, expenses, gains or losses	(829,976)	9,703
Capital appropriations		
Total other revenues	208,496	0
Increase (Decrease) in Net Assets	(621,480)	9,703
Net Assets, Beginning of Year, Restated- Note 3	18,306,138	1,862,337
Net Assets, End of Year	\$ 17,684,658	\$ 1,872,040

See accompanying notes to the basic financial statements.

MUSKINGUM AREA TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2003

	Primary Institution
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
<i>Cash Flows from Operating Activities:</i>	
Tuition and fees	\$3,504,937
Grants and contracts	3,283,897
Gifts and grants	108
Local grants	137,089
State and Federal grants	614,401
Payments to suppliers	(7,001,449)
Payments to employees for wages and benefits	(8,234,244)
Payments for scholarships and grants	(4,312)
Auxiliary Enterprises:	
Book Store	2,000,213
Campus Security	64,674
Other receipts	115,682
Net cash used by operating activities	(5,519,004)
 <i>Cash Flows from Non-Capital and Related Financing Activities:</i>	
State appropriations	5,158,578
Net cash provided by non-capital and related financing activities	5,158,578
 <i>Cash Flows from Capital and Related Financing Activities:</i>	
Purchase of capital assets	(32,983)
Capital appropriations	208,496
Principal paid on capital leases	(117,967)
Interest paid on capital leases	(24,668)
Net cash provided by capital and related financing activities	32,878
 <i>Cash Flows from Investing Activities:</i>	
Interest on investments	57,256
Net cash provided by investing activities	57,256
 Net decrease in cash and cash equivalents	 (270,292)
 Cash and Cash Equivalents, beginning of year	 4,386,590
 Cash and Cash Equivalents, end of year	 \$4,116,298
 <u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating loss	(\$6,021,142)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	797,262
Change in Assets and Liabilities:	
Accounts Receivable, vendors	(6,838)
Grant Receivable	(132,664)
Receivables, net	(543,859)
Inventories	(6,843)
Vouchers payable	328,834
Accrued wages and benefits	(13,763)
Compensated absences	(390)
Deferred revenue	80,434
Loans	(35)
Net cash used by operating activities	(\$5,519,004)

See accompanying notes to the basic financial statements.

MUSKINGUM AREA TECHNICAL COLLEGE

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

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.

The Muskingum Area Technical College Foundation is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a non-profit, tax-exempt organization operated exclusively to provide support for the general educational needs of the College. Specific disclosures relating to the component unit can be found in Note 11.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Plan. This organization is presented in Note 14 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.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

B. Basis of Accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

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.

C. Cash and Cash Equivalents

This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes petty cash, cash on deposit with private bank accounts and savings accounts. For purposes of the statement of cash flows and presentation on the statement of net assets, all investments with original maturities of three months or less at the time they are purchased by the College are presented on the financial statements as cash equivalents.

D. Investments

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Receivables

Receivables consist of tuition and fees and charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments, private sources in connections with reimbursements of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.

G. Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are significant in the aggregate and are therefore also capitalized. Improvements are capitalized; 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for building and infrastructure, 5 to 10 years for equipment, 5 years for vehicles, and 5 years for library books and materials. Improvements are depreciated over the remaining useful lives of the related capital assets.

The College's policy is to capitalize net interest on the enterprise fund construction projects until substantial completion of project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2003, no material interest costs were incurred on construction projects for Muskingum Area Technical College.

H. Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include capital lease obligations and compensated absences that will not be paid within the next fiscal year.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Compensated Absences

The College follows the provisions of Governmental Accounting Standards Board Statement No. 16, “Accounting for Compensated Absences.”

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.

J. Deferred Revenue

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period. The effect of not allocating the summer term between fiscal years does not have a significant impact on the financial statement presentation.

K. Net Assets

The College’s net assets are classified as follows:

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

L. Scholarship Allowances

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

M. Revenue and Expense Recognition

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

The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Budgetary Process

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

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. 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.

P. Use of Estimates

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

NOTE 3 – NET ASSET RESTATEMENT

A capital asset was erroneously omitted in the prior year’s statement of net assets.

	<u>College</u>
June 30, 2002 Fund Equity as Previously Reported	\$ 17,989,538
Error in Prior Period	<u>316,600</u>
July 1, 2002 Net Assets as Restated	<u>\$ 18,306,138</u>

NOTE 4 – 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, 2003**

NOTE 4 – STATE SUPPORT (Cont.)

- A. Construction in progress for any portion of the facilities being financed by state agencies for use by the College is 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 5 – DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of 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.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Cont.)

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;
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 2003, the College's investments were limited to certificates of deposit and overnight sweep accounts.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Cont.)

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 \$3,708,298 and the bank balance was \$3,897,379. Of the bank balance, \$200,000 was covered by federal depository insurance and \$3,697,379, 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.

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 counterparty, 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 fair value amounts to \$408,000, and is classified as Category 3.

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 4,116,298	\$ 0
Investments:		
Repurchase Agreement	<u>(408,000)</u>	<u>408,000</u>
GASB Statement 3	<u>\$ 3,708,298</u>	<u>\$ 408,000</u>

The classification of cash and cash equivalents, and investments on the Statement of Net Assets is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting”.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 1,323,722	\$ (7,984)	\$ 1,315,738
Intergovernmental	354,015	0	354,015
Other	<u>66,891</u>	<u>0</u>	<u>66,891</u>
 Total Accounts Receivable	 <u>\$ 1,744,628</u>	 <u>\$ (7,984)</u>	 <u>\$ 1,736,644</u>

NOTE 7 – DONOR RESTRICTED ENDOWMENTS

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

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

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 8 – CAPITAL ASSETS

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

	Restated Balance at <u>07/01/02</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>06/30/03</u>
Land	<u>\$293,225</u>	<u>\$0</u>	<u>\$0</u>	<u>\$293,225</u>
Total Non-Depreciable	293,225	0	0	293,225
Capital Assets, Depreciable:				
Buildings	18,065,565	0	0	18,065,565
General Infrastructure	274,040	0	0	274,040
Machinery and Equipment	1,243,868	5,720	0	1,249,588
Computers	964,755	0	0	964,755
Computer Software	316,600	9,000	0	325,600
Motor Vehicles	83,040	0	0	83,040
Library books	<u>454,445</u>	<u>9,613</u>	<u>0</u>	<u>464,058</u>
Total Depreciable	21,402,313	24,333	0	21,426,646
Less Accumulated Depreciation:				
Buildings	(5,373,572)	(529,008)	0	(5,902,580)
General Infrastructure	(9,135)	(10,962)	0	(20,097)
Machinery and Equipment	(490,046)	(146,227)	0	(636,273)
Computers	(762,905)	(89,375)	0	(852,280)
Computer Software	0	(76)	0	(76)
Motor Vehicles	(65,500)	(6,405)	0	(71,905)
Library books	<u>(423,192)</u>	<u>(15,210)</u>	<u>0</u>	<u>(438,402)</u>
Total Depreciation	<u>(7,124,350)</u>	<u>(797,263)</u>	<u>0</u>	<u>(7,921,613)</u>
Total Capital Assets, Depreciable, net	<u>14,277,963</u>	<u>(772,930)</u>	<u>0</u>	<u>13,505,033</u>
Capital Assets, net	<u><u>\$14,571,188</u></u>	<u><u>(\$772,930)</u></u>	<u><u>\$0</u></u>	<u><u>\$13,798,258</u></u>

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 9 – LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2003</u>	<u>Current</u> <u>Portion</u>
Compensated Absences	\$ 407,189	\$ 0	\$ (390)	\$ 406,799	\$ 42,701
Lease Obligations	<u>300,538</u>	<u>0</u>	<u>(117,967)</u>	<u>182,571</u>	<u>84,867</u>
Long-Term Liabilities	<u>\$ 707,727</u>	<u>\$ 0</u>	<u>\$ (118,357)</u>	<u>\$ 589,370</u>	<u>\$ 127,568</u>

NOTE 10 – CAPITAL LEASES

The College leases copiers under capital leases. Capital leases are capitalized as capital assets, net, with a corresponding liability.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending December 31,</u>	
2004	\$ 101,343
2005	92,729
2006	<u>13,755</u>
Minimum lease payments	207,827
Less: Amount representing interest at the College's incremental borrowing rate of interest	<u>(25,256)</u>
Present value of minimum lease payments	<u>\$ 182,571</u>

NOTE 11 – COMPONENT UNIT DISCLOSURES - MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION

Description of the Foundation

The Muskingum Area Technical College Foundation (hereinafter “the Foundation”) is a nonprofit organization as determined by Section 501(c)(3) of the Internal Revenue Code, further, the Foundation is organized under Section 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code.

The Foundation is organized and shall be operated exclusively for directorial, scientific or charitable purposes by conducting or supporting activities which benefit, or carry out the purpose of Muskingum Area Technical College, a state institution of higher learning, authorized under Chapter 3357 of the Ohio Revised Code including, but not limited to the creation of an endowment fund for annual scholarships in each technology program, the improvement of technical laboratory equipment, and opportunities for the professional development of college employees.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 11 – COMPONENT UNIT DISCLOSURES - MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION (Cont.)

Solely for the above purpose, the Foundation is empowered to exercise all rights and powers conferred by the laws of the State of Ohio upon nonprofit corporations, including, but not limited to:

- A. To accept, acquire, receive, take, and hold by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree, or otherwise, for any of its objects and purposes, any property, both real and personal, whatever kind, nature or description and wherever situated;
- B. To seal, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the objects and purposes of the Foundation may require, subject to such limitations as may be prescribed by law;
- C. To invest and reinvest its funds in such savings account, stock, bonds, debentures, mortgages, or in such other securities, investments, and property as the Board of Directors shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with those provisions of the Internal Revenue Code and its regulations dealing with organizations exempt from taxation under Section 501(c)(3), as such provisions now exist or as they may hereafter be amended.

Financial Statement Presentation

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

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

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 11 – COMPONENT UNIT DISCLOSURES - MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION (Cont.)

Summary of Significant Accounting Policies

Net Asset Classifications

In the accompanying financial statements, assets with similar characteristics have been combined in the following net asset groups:

Unrestricted Assets – These assets are used for continuing activities, scholarships, and operations of the Foundation at the discretion of the Foundation’s governing body.

Restricted: Expendable – Temporarily Restricted Assets – A donor imposed restriction that permits the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or by actions of the Foundation. The Foundation’s expenditures of temporarily restricted assets are restricted to scholarships and faculty activities.

Restricted: Non-Expendable – Permanently Restricted Assets – A donor imposed restriction that stipulates that resources be maintained permanently but permits the Foundation to expend part or all of the income or other economic benefit derived from the donated asset. The Foundation’s income derived from these resources is restricted to expenditures on scholarships.

Income Tax Status

The Foundation has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Investments

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3, “*Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.*”

Deposits: At June 30, 2003, the carrying amount and bank balance of the Foundation’s deposits were \$206,656. The entire bank balance was covered by Federal Deposit Insurance.

Investments: GASB Statement No. 3 requires the College to categorize investments to give an indication of the level of risk assumed by the Foundation at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Foundation or its agent in the Foundation’s name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty’s trust department or agent in the Foundation’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Foundation’s name. The Foundation’s \$248,624 investment in the cash management fund is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 11 – COMPONENT UNIT DISCLOSURES - MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION (Cont.)

<u>June 30, 2003</u>	<u>Category 2</u>	<u>Carrying/Fair Value</u>
Corporate Bonds	\$ 474,363	\$ 495,974
Agency Bonds	200,061	202,477
Corporate Stocks	56,509	95,106
Bond Mutual Funds	640,000	623,803
Money Market Mutual Funds	<u>0</u>	<u>248,624</u>
Total Investments	<u>\$ 1,370,933</u>	<u>\$ 1,665,384</u>

Investments are reported at their fair market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Securities with original maturities of three months or less are reported as cash equivalents.

The net gain or loss on the investment portfolio is determined by calculating the differences between the market value of investment assets held at the end of the year and their market value as of the beginning of the year. Investment expense of \$9,107 has been netted against investment earnings.

A reconciliation between the classifications of cash and cash equivalents and investments on the Statement of Net Assets and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,717	\$ 1,870,323
Investments:		
Certificates of Deposit	<u>204,939</u>	<u>(204,939)</u>
GASB Statement No. 3	<u>\$ 206,656</u>	<u>\$ 1,665,384</u>

Donated Facilities/Operating Expenses

The Foundation occupies office space at Muskingum Area Technical College located at 1555 Newark Road, Zanesville, Ohio. No rent is paid by the Foundation. Muskingum Area Technical College pays operating expenses for the Foundation. The value of the operating expenses paid by the College was \$41,343. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net assets.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 11 – COMPONENT UNIT DISCLOSURES - MUSKINGUM AREA TECHNICAL COLLEGE FOUNDATION (Cont.)

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2003 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed \$76,310 in scholarships that related to the satisfaction of these donor restrictions.

NOTE 12 – PENSION AND RETIREMENT PLANS

The employees of Muskingum Area Technical College are covered by the School Employees Retirement System of Ohio (SERS), the State Teachers Retirement System of Ohio (STRS) or an Alternative Retirement Plan (ARP). The State of Ohio accounts for the activities of the SERS and STRS systems and amounts of these funds are not reflected in the accompanying financial statements.

School Employees Retirement System

The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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. 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 by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling 614-222-5853.

Plan members are required to contribute 9% of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll for fiscal year 2002. The contribution requirements of the plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The College's required contributions for the fiscal years ended June 30, 2003, 2002 and 2001 were \$281,165, \$262,835, and \$228,750, respectively. 100% has been contributed for fiscal years 2003, 2002 and 2001.

State Teachers Retirement System

The 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 stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 12 – PENSION AND RETIREMENT PLANS (Cont.)

State Teachers Retirement System (Cont.)

Plan members are required to contribute 9.3% of their annual covered salary and the College is required to contribute 14%; 9.5% 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% for members and 14% for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$472,527, \$486,829, and \$497,049, respectively. 100% has been contributed for fiscal years 2003, 2002 and 2001.

Alternative Retirement Plan

The College offers a defined contribution plan as an alternative to participation with State mandated defined benefit plans in accordance with state law. Non-elective employee contributions and employer contributions are made to the plan in amounts equivalent to the participant's compensation which would have otherwise been contributed to the State Retirement System that applies to the participant's position. The College's contributions to the plan for the fiscal year ended June 30, 2003 was \$11,250.

NOTE 13 – POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician's 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 on pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs 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% of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$151,884 during the 2003 fiscal year. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, the health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

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% of the premium.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 13 – POST-EMPLOYMENT BENEFITS (Cont.)

After the allocation for basic benefits, the remainder of the employer’s 14% contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate was 8.54%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the College, the amount to fund health care benefits, including surcharge, equaled \$171,511 during the 2003 fiscal year. For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by SERS were \$182,946,777. The number of participants currently receiving health care benefits is 50,000. At June 30, 2002 (the latest information available), the Retirement System’s net assets available for payment of health care benefits were \$335.2 million.

NOTE 14 – 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 2003, the College contracted with the Young Insurance Agency for liability, property and vehicle insurance.

Coverage provided is as follows:

Table with 2 columns: Insurance Coverage Description and Limit. Rows include Umbrella (\$10,000 deductible) \$ 4,000,000 limit; Building and Contents - replacement cost (\$1,000 deductible) 27,959,854 limit; Inland Marine (\$500 deductible) 10,141 limit; Boiler and Machinery (\$1,000 deductible) 20,000,000 limit; Theft, Disappearance and Destruction Insurance (No deductible) 150,000 limit inside and outside premises; Employee Dishonesty Insurance (No deductible) Security Officers (4) and Bookstore Supervisor 47,500 limit each employee; College President, Foundation Executive, Bookstore Cashiers (4), and Business Office (5) EORTC Cashiers (2), EORTC Director, Foundation Cashier 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.

MUSKINGUM AREA TECHNICAL COLLEGE

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

NOTE 14 – RISK MANAGEMENT

B. Workers' Compensation

For fiscal year 2003, 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.

NOTE 15 – CONTINGENCIES

A. Grants

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

B. Litigation

The College is currently not party to any legal proceedings.

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**Muskingum Area Technical College
Muskingum County
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Appalachian Regional Commission				
<i>Direct Program:</i>				
Appalachian Area Development	N/A	23.002	\$25,000	\$0
Total Appalachian Regional Commission			25,000	0
U.S. Department of Labor				
<i>Direct Program:</i>				
Employment and Training Administration Pilots, Demonstrations and Research Projects	N/A	17.261	0	1,736
Total U.S. Department of Labor			0	1,736
United States Department of Education				
<i>Direct from the Federal Agency</i>				
Title III	N/A	84.031	297,382	287,060
<i>Student Financial Aid Cluster:</i>				
Federal Family Education Loans (Guaranteed Student Loans)	N/A	84.032	1,823,316	1,823,316
Federal Work-Study Program	N/A	84.033	167,073	167,384
Federal Pell Grant Program	N/A	84.063	2,550,558	2,552,788
<i>Total Student Financial Aid Cluster</i>			4,540,947	4,543,488
<i>Passed through the Ohio Department of Education</i>				
Vocational Education: Basic Grants to States (Perkins)	20-C2	84.048	106,172	105,413
Tech Prep	3ETC	84.243	122,167	117,297
Improving Teacher Quality State Grants	TRSP	84.367	10,000	4,778
Total passed through the Ohio Department of Education			238,339	227,488
Total United States Department of Education			\$5,076,668	\$5,058,036
Total Federal Financial Assistance			\$5,101,668	\$5,059,772

NA - Not applicable, Direct Grant
See accompanying Notes to the Schedule of Federal Awards Expenditures.

MUSKINGUM AREA TECHNICAL COLLEGE
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal grant transactions of the Muskingum Area Technical College (the College) recorded on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2- FEDERAL FAMILY EDUCATION LOAN PROGRAM

During the fiscal year ended June 30, 2002, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as the lender for the College. The amount shown only reflects the fiscal year amount that has been certified by the College.

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Ohio Society of Certified Public Accountants

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

Board of Trustees
Muskingum Area Technical College
Muskingum County
1555 Newark Road
Zanesville, Ohio 43701-2626

We have audited the financial statements of Muskingum Area Technical College (the College), and its discretely presented component unit, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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

Board of Trustees
Muskingum Area Technical College
Muskingum County
1555 Newark Road
Zanesville, Ohio 43701-2626

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 its major federal program for the year ended June 30, 2003. 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 its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the 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, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.
December 15, 2003

MUSKINGUM AREA TECHNICAL COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

FOR THE YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR-S RESULTS

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

MUSKINGUM AREA TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2003

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2004**