MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

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Auditor of State
Betty D. Montgomery

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of Muskingum Area Technical College, Muskingum County, Ohio (the College), and it's discretely presented component unit, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Muskingum Area Technical College, Muskingum County, and its discretely presented component unit, as of June 30, 2002, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the College implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

As discussed in Note 3, during the year ended June 30, 2002, the College adopted a new capitalization threshold for their capital assets.

As discussed in Note 1 and 4, during the year ended June 30, 2002, a re-evaluation of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity,* resulted in now reporting the Muskingum Area Technical College Foundation as a component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 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.

Management's Discussion and Analysis 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.

We conducted our audit to form opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as whole.

Betty Montgomery

Betty Montgomery
Auditor of State

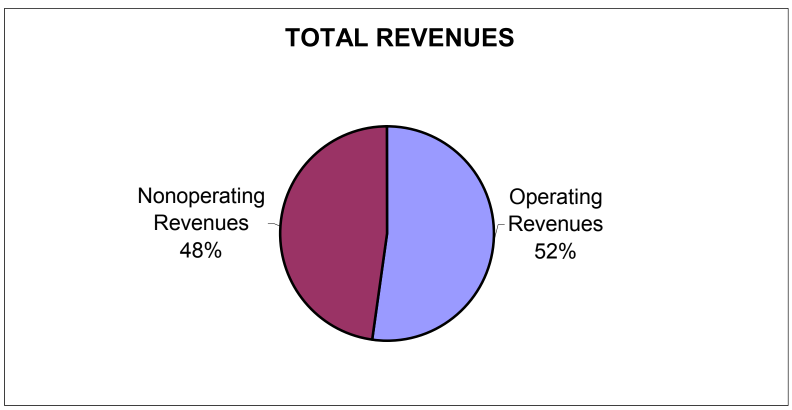
January 29, 2003

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, 2002. 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, improved during the fiscal year ending June 30, 2002. Its combined net assets increased $603,797 or 3.5% from the previous year. This increase takes into consideration the adjustments required to restate capital assets at June 30, 2001 which is more fully explained in Note 4 to the financial statements.

The following chart provides a graphic breakdown of revenues by category for the fiscal year ending June 30, 2002:



In the fiscal year ending June 30, 2002, revenues and other support exceeded expenses, creating the increase in net assets of $603,797 (compared to a $3,302,408 increase last year). Last year's figure does not include an adjustment for the method of recording fixed assets or for depreciation expense, which are included in the current year figures and are required by GASB 35.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on the College as a whole and 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.

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.

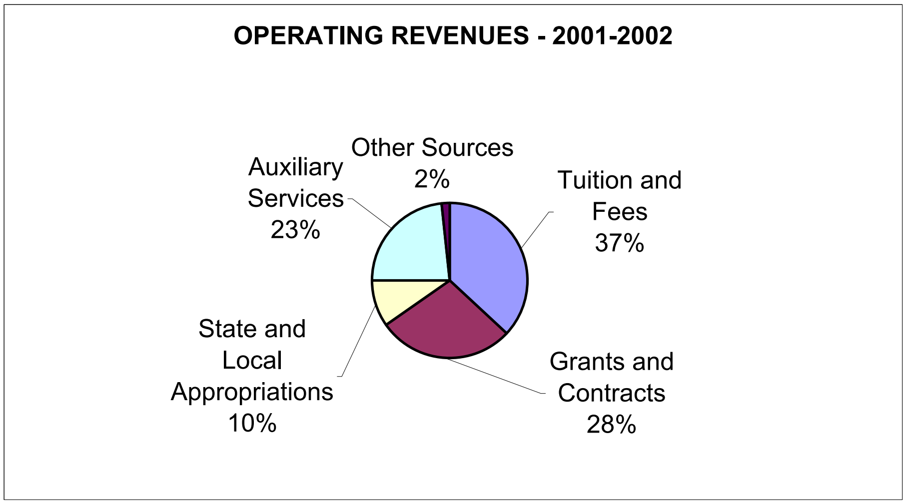
These two statements report Muskingum Area Technical College's net assets and changes in them. Muskingum Area Technical College's net asset amount – the difference between assets and liabilities – is one way to measure the College's financial health, or financial position. Over time, increases or decreases 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.

Net Assets, End of Year

	Primary Institution 6/30/2002	Component Unit 6/30/2002
ASSETS		
Current Assets:		
Cash equivalents	$ 4,386,590	$ 2,384
Accounts receivable, net	771,879	0
Accounts receivable - vendors	60,053	0
Grants receivable	221,351	0
Loans	700	0
Inventory	279,119	0
Accrued interest receivable	0	16,344
Total current assets	5,719,692	18,728
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	14,254,588	0
Endowment Investments	0	1,843,609
Total noncurrent assets	14,254,588	1,843,609
TOTAL ASSETS	$ 19,974,280	$ 1,862,337
LIABILITIES		
Current Liabilities:		
Accrued wages and benefits	$ 593,220	$ 0
Vouchers payable	208,100	0
Compensated absences	9,737	0
Capital lease payable - current portion	117,966	0
Deposits held in custody for others	162,249	0
Deferred revenue	313,446	0
Total current liabilities	1,404,718	0
Noncurrent Liabilities:		
Compensated absences	397,452	0
Capital lease payable	182,572	0
Total noncurrent liabilities	580,024	0
TOTAL LIABILITIES	1,984,742	0
NET ASSETS		
Invested in capital assets, net of related debt	13,954,050	0
Restricted:		
Nonexpendable:		
Scholarships	0	1,172,023
Expendable:		
Scholarships	0	450,966
Instructional Department uses	182,924	0
Unrestricted	3,852,564	239,348
Total net assets	17,989,538	1,862,337
TOTAL LIABILITIES AND NET ASSETS	$ 19,974,280	$ 1,862,337

Because of the significant adjustments required in the methods used for preparation of the financial statements for fiscal year 2002, a comparison to the fiscal year 2001 figures is not meaningful. In future years the current year's information will be compared to the prior year's data.



Operating Results for the Year

	Primary Institution 6/30/2002	Component Unit MATC Foundation 6/30/2002
Operating Revenues		
Tuition and fees	$ 3,104,451	$ -
State and local appropriations	816,594	39,019
Grants and contracts	2,375,392	0
Contributions	0	73,293
Fund raising	0	16,700
Auxiliary services	1,969,502	0
Other	130,688	0
Total operating revenues	8,396,627	129,012
Operating Expenses	16,752,393	54,302
Net operating revenues (expenses)	(8,355,766)	74,710
Nonoperating Revenues (Expenses)		
State Appropriations	5,391,267	0
Grants	1,817,246	0
Investment income	346,463	67,017
Scholarships	0	(74,363)
Interest on Capital Asset-Related Debt	(35,983)	0
Other nonoperating revenues	110,759	0
Net nonoperating revenues	7,629,752	(7,346)
Income (loss) before other revenues, expenses, gains or losses	(726,014)	67,364
Capital appropriations	1,329,811	0
Increase in Net Assets	603,797	67,364
Net Assets, beginning of year, restated	17,385,741	1,794,973
Net Assets, end of year	$ 17,989,538	$ 1,862,337

Operating Expenses

	Primary Institution 6/30/2002	Component Unit MATC Foundation 6/30/2002
Operating Expenses		
Educational and General		
Instructional	$ 4,608,716	$ 0
Public service	12,924	0
Academic support	1,220,391	0
Student services	4,218,109	0
Institutional support	2,491,752	0
Depreciation	801,149	0
Student aid	36,158	0
Other expenses	361,011	0
General and administrative	0	54,302
Expended for plant facilities	135,354	0
Operation and maintenance of plant	910,813	0
Total Educational and General	14,796,377	54,302
Auxiliary Enterprises		
Bookstore	1,897,075	0
Other auxiliary	58,941	0
Total Auxiliary Enterprises	1,956,016	0
Total Operating Expenses	$ 16,752,393	$ 54,302

Nonoperating Expenses

	Primary Institution 6/30/2002	Component Unit MATC Foundation 6/30/2002
Interest on Capital Asset Debt	$ 35,983	$ 0
Total Nonoperating Expenses	$ 35,983	$ -

Because of the significant adjustments required in the methods used for preparation of the financial statements for fiscal year 2002, a comparison to the fiscal year 2001 figures is not meaningful. In future years the current year's information will be compared to the prior year's data.

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 for the Year

	Primary Institution 6/30/2002
Cash provided (used) by:	
Operating activities	$ (7,377,903)
Noncapital financing activities	7,319,272
Capital and related financing activities	(1,039,495)
Investing activities	346,463
Net increase (decrease) in cash	$ (751,663)
Cash, beginning of year	5,138,253
Cash, end of year	$ 4,386,590

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

Capital and Debt Administration

Capital Assets

At June 30, 2002, the College had some $14,254,588 invested in capital assets, net of accumulated depreciation of $7,124,350. Depreciation charges totaled $801,149 for the current fiscal year. Details of these assets for the two years are shown below:

Capital Assets, Net, at Year-End
Primary Institution

	6/30/2002	6/30/2001
Land and land improvements	$ 293,225	$ 293,225
Buildings and improvements	12,691,993	8,603,960
General infrastructure	264,905	0
Machinery and equipment	753,822	536,912
Computers	201,850	228,608
Vehicles	17,540	9,812
Library books and materials	31,253	35,652
Construction in progress	0	3,162,188
Total Capital Assets, Net	$ 14,254,588	$ 12,870,357

The major capital addition this year and the source of the resources that funded its acquisition was the construction of the East Ohio Regional Training Center ($1,523,738) funded by the State of Ohio capital appropriations.

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 9 to the financial statements.

Debt

At year-end 2002, the College had $300,538 in debt outstanding versus $448,481 in the previous year. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt, at Year-End

	6/30/2002	6/30/2001
Lease obligations	$ 300,538	$ 448,481

More detailed information about the College's long-term liabilities is presented in Note 10 to the financial statements.

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 2003 State Appropriations to the College by 3% ($154,000).

The College has approved tuition and fees increases averaging 9.3% starting Summer Quarter 2002. The College also has shown enrollment increases during the last two quarters of fiscal year 2002.

The College was awarded a Title III grant during fiscal year 2002 in the amount of $1,750,000 that will cover a five-year period.

The College has approved a 1.25% increase for employee contracts during fiscal year 2003.

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.

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, 2002

	Primary Institution	Component Unit MATC Foundation
ASSETS		
Current Assets:		
Cash equivalents	$ 4,386,590	$ 2,384
Accounts receivable, net	771,879	0
Accounts receivable - vendors	60,053	0
Grants receivable	221,351	0
Loans	700	0
Inventory	279,119	0
Accrued interest receivable	0	16,344
Total current assets	5,719,692	18,728
Noncurrent Assets:		
Capital assets, net	14,254,588	0
Endowment investments	0	1,843,609
Total noncurrent assets	14,254,588	1,843,609
TOTAL ASSETS	$ 19,974,280	$ 1,862,337
LIABILITIES		
Current Liabilities:		
Accrued wages and benefits	593,220	0
Vouchers payable	208,100	0
Compensated absences	9,737	0
Capital lease payable - current portion	117,966	0
Deposits held in custody for others	162,249	0
Deferred revenue	313,446	0
Total current liabilities	1,404,718	0
Noncurrent Liabilities:		
Compensated absences	397,452	0
Capital lease payable	182,572	0
Total noncurrent liabilities	580,024	0
TOTAL LIABILITIES	1,984,742	0
NET ASSETS		
Invested in capital assets, net of related debt	13,954,050	0
Restricted:		
Nonexpendable:		
Scholarships	0	1,172,023
Expendable:		
Scholarships	0	450,966
Instructional Department uses	182,924	0
Unrestricted	3,852,564	239,348
Total net assets	17,989,538	1,862,337
TOTAL LIABILITIES AND NET ASSETS	$ 19,974,280	$ 1,862,337

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, 2002

	Primary Institution	Component Unit MATC Foundation
REVENUE:		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of $296,818)	$ 3,104,451	$ 0
State appropriations	751,087	0
Local appropriations	65,507	39,019
Federal grants and contracts	2,327,569	0
Private gifts and grants	47,823	0
Contributions	0	73,293
Fund raising	0	16,700
Auxiliary Enterprises:		
Bookstore	1,909,537	0
Campus security	59,965	0
Other sources	127,488	0
Loan principal payments	3,200	0
Total revenues	8,396,627	129,012
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional	4,608,716	0
Public service	12,924	0
Academic support	1,220,391	0
Student services	4,218,109	0
Institutional support	2,491,752	0
Depreciation	801,149	0
Student aid	36,158	0
Other expense	361,011	0
General & Administrative	0	54,302
Expended for plant facilities	135,354	0
Operation and maintenance of plant	910,813	0
Total Educational and General	14,796,377	54,302
Auxiliary Enterprises		
Bookstore	1,897,075	0
Other auxiliary	58,941	0
Total Expenses	16,752,393	54,302
Operating Loss	(8,355,766)	74,710
NONOPERATING REVENUES (EXPENSES):		
State grants	663,514	0
Federal grants	847,619	0
State appropriations	5,391,267	0
Investment income	346,463	67,017
Local grants	306,113	0
Scholarships	0	(74,363)
Interest on Capital Asset-Related Debt	(35,983)	0
Other nonoperating revenues	110,759	0
Net nonoperating revenues (expenses)	7,629,752	(7,346)
Loss before other revenues, expenses, gains or losses	(726,014)	67,364
Capital appropriations	1,329,811	0
Total other revenues	1,329,811	0
Increase in Net Assets	603,797	67,364
Net Assets, Beginning of Year, Restated	17,385,741	1,794,973
Net Assets, End of Year	$ 17,989,538	$ 1,862,337

See accompanying notes to the basic financial statements.

MUSKINGUM AREA TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2002

	Primary Institution
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Tuition and fees	$ 3,091,958
Grants and contracts	3,134,423
Payments to suppliers	(9,102,898)
Payments to employees	(5,454,743)
Payments for benefits	(749,664)
Payments for scholarships and grants	(36,158)
Auxiliary Enterprises:	
Book Store	1,909,537
Campus Security	59,965
Other receipts	130,688
Other expenses	(361,011)
Net cash used by operating activities	(7,377,903)
Cash Flows from Non-Capital and Related Financing Activities:	
State appropriations	5,391,267
Gifts and grants	110,759
Local grants	306,113
State and Federal grants	1,511,133
Net cash provided by non-capital and related financing activities	7,319,272
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(2,185,380)
Capital appropriations	1,329,811
Principal paid on capital leases	(147,943)
Interest paid on capital leases	(35,983)
Net cash used by capital and related financing activities	(1,039,495)
Cash Flows from Investing Activities:	
Interest on investments	346,463
Net cash used by noncapital financing activities	346,463
Net decrease in cash and cash equivalents	(751,663)
Cash and Cash Equivalents, beginning of year	5,138,253
Cash and Cash Equivalents, end of year	$ 4,386,590
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	$ (8,355,766)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	801,149
Change in Assets and Liabilities:	
Receivables, net	51,591
Inventories	(29,170)
Vouchers payable	(44,984)
Accrued wages and benefits	101,984
Compensated absences	(8,285)
Deferred revenue	106,078
Loans	(500)
Net cash used by operating activities	$ (7,377,903)

See accompanying notes to the basic financial statements.

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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 12.

The College is associated with an insurance purchasing pool, the Ohio College Association Workers' Compensation Group Rating Plan. This organization is presented in Note 15 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

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* effective for the College's year ended June 30, 2002, 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.

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.

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.

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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings, improvements, and infrastructure, 5 to 10 years for equipment, 5 years for vehicles, and 5 years for library books and materials.

H. Restricted Assets

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

I. 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.

J. 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.

K. 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.

L. Net Assets

The College's net assets are classified as follows:

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

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

M. Scholarship Allowances

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

N. Revenue and Expense Recognition

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

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.

O. 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.

P. 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.

Q. Use of Estimates

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

NOTE 3 – ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation and capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

Because of the new burden to adopt depreciation on capital assets, a new capitalization policy was adopted by the College (see Note 2). A negative adjustment to fund balance in the amount of $2,568,756 was needed to account for all assets previously capitalized but not qualifying under the new $5,000 policy amount (see Note 4).

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on obligations under leases. New disclosures include information on the major components of receivable and payable balances.

NOTE 4 – NET ASSET RESTATEMENT

As referred to in Note 3, the College implemented GASB Statement 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.

	College	Foundation
July 1, 2001 Fund Equity as Previously Reported	$ 25,968,494	$ 0
Error in Prior Period	(25,825)	0
Re-evaluation of GASB 14	0	1,794,973
Implementation of GASB 34/35	(5,988,172)	0
Change in Accounting Capitalization Policy	(2,568,756)	0
July 1, 2001 Net Assets as Restated	$ 17,385,741	$ 1,794,973

NOTE 5 – 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.

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 6 – 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;

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 (STAROhio);

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 2002, 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 $3,662,590 and the bank balance was $3,795,833. Of the bank balance, $200,000 was covered by federal depository insurance and $3,595,833, 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 $724,000, and is classified as Category 3.

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	$ 4,386,590	$ 0
Investments:		
Repurchase Agreement	(724,000)	724,000
GASB Statement 3	$ 3,662,590	$ 724,000

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 133,021	$ (11,201)	$ 121,820
Intergovernmental	221,351	0	221,351
Other	428,708	0	428,708
Total Accounts Receivable	$ 783,080	$ (11,201)	$ 771,879

NOTE 8 – 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, 2002, there was no net appreciation on donor restricted assets available to be spent.

NOTE 9 – CAPITAL ASSETS

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

	Restated Balance at 7/1/2001	Increases	Decreases	Balance at 6/30/2002
Capital Assets, Non-Depreciable:				
Land	$ 293,225	$ 0	$ 0	$ 293,225
Construction in Progress	3,162,188	1,701,619	(4,863,807)	0
Total Non-Depreciable	3,455,413	1,701,619	(4,863,807)	293,225
Capital Assets, Depreciable:				
Buildings	13,475,798	4,589,767	0	18,065,565
General Infrastructure	0	274,040	0	274,040
Machinery and Equipment	883,328	360,540	0	1,243,868
Computers	867,865	96,890	0	964,755
Motor Vehicles	69,790	13,250	0	83,040
Library books	441,364	13,081	0	454,445
Total Depreciable	15,738,145	5,347,568	0	21,085,713
Less Accumulated Depreciation:				
Buildings	4,871,838	501,734	0	5,373,572
General Infrastructure	0	9,135	0	9,135
Machinery and Equipment	346,416	143,630	0	490,046
Computers	639,257	123,648	0	762,905
Motor Vehicles	59,978	5,522	0	65,500
Library books	405,712	17,480	0	423,192
Total Depreciation	6,323,201	801,149	0	7,124,350
Total Capital Assets, Depreciable, net	9,414,944	4,546,419	0	13,961,363
Capital Assets, net	$ 12,870,357	$ 6,248,038	$ (4,863,807)	$ 14,254,588

NOTE 10 – LONG-TERM LIABILITIES

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

	Balance July 1, 2001	Additions	Reductions	June 30, 2002	Current Portion
Compensated Absences	$ 415,474	$ 0	$ (8,285)	$ 407,189	$ 9,737
Lease Obligations	448,481	0	(147,943)	300,538	117,966
Long-Term Liabilities	$ 863,955	$ 0	$ (156,228)	$ 707,727	$ 127,703

NOTE 11 – 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, 2002:

Year Ending December 31,	
2003	$ 142,635
2004	101,343
2005	92,729
2006	13,755
Minimum lease payments	350,462
Less: Amount representing interest at the College's incremental borrowing rate of interest	(49,924)
Present value of minimum lease payments	$ 300,538

NOTE 12 – 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.

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. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, the College has adopted these Statements in accordance with the States requirement for adoption by all Ohio colleges and universities for the year ended June 30, 2002. Since the Foundation is a component unit of the College, it is required to adopt these Statements in the same year as the College.

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, 2002, the carrying amount and bank balance of the Foundation's deposits were $53,681. 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 $152,881 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.

June 30, 2002	Category 2	Carrying/Fair Value
Corporate Bonds	$ 573,732	$ 579,202
Agency Bonds	280,043	283,495
Corporate Stocks	246,842	262,416
Bond Mutual Funds	540,000	514,318
Money Market Mutual Funds	0	152,881
Total Investments	$ 1,640,617	$ 1,792,312

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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	$ 2,384	$ 1,843,609
Investments:		
Certificates of Deposit	51,297	(51,297)
GASB Statement No. 3	$ 53,681	$ 1,792,312

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 $39,019. This amount has been recorded in the financial statements as a contribution to and an expense from unrestricted net assets.

Net Assets Released from Restrictions

Net assets were released from donor restrictions in fiscal year 2002 by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. The Foundation distributed $64,180 in scholarships that related to the satisfaction o f these donor restrictions.

NOTE 13 – 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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, 2002, 2001 and 2000 were $262,835, $228,750, and $214,210, respectively. 100% has been contributed for fiscal years 2002, 2001 and 2000.

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 43215-3771.

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, 2002, 2001 and 2000 were $486,829, $497,049, and $490,858, respectively. 100% has been contributed for fiscal years 2002, 2001 and 2000.

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, 2002 was $21,806.

NOTE 14 – POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through 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 $156,481 during the 2002 fiscal year. The balance in the Health Care Reserve Fund was $3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, the health care costs paid by STRS were $300,772,000. There were 102,132 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.

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 $164,959 during the 2002 fiscal year. For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by SERS were $161,439,934. The number of participants currently receiving health care benefits is 50,000. At June 30, 2001 (the latest information available), the Retirement System's net assets available for payment of health care benefits were $315.7 million.

NOTE 15 – 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 2002, 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)	$22,264,958 limit
Inland Marine ($100 deductible)	$9,641 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) and Bookstore Supervisor	$47,500 limit each employee
College President, Foundation Executive, Bookstore Cashiers (4), and Business Office (5)	$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 2002, 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 16 – 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, 2002.

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 RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
APPALACHIAN REGIONAL COMMISSION				
Direct Program:				
Skills for the Promotion of People and Industry	N/A	23.002	$225,000	$250,000
Total Appalachian Regional Commission			225,000	250,000
NATIONAL SCIENCE FOUNDATION				
Direct Program:				
Women and Girls in Science	N/A	47.076	83,277	91,465
Total National Science Foundation			83,277	91,465
UNITED STATES DEPARTMENT OF EDUCATION				
Direct Programs:				
Title III	N/A	84.031	255,000	281,649
Student Financial Assistance Cluster:				
Federal Family Education Loans (Guaranteed Student Loans)	N/A	84.032	1,745,146	1,745,146
Federal Work Study Program	N/A	84.033	133,087	131,025
Federal Pell Grant Program	N/A	84.063	2,197,395	2,192,103
Total Student Financial Assistance Cluster			4,075,628	4,068,274
Passed Through Ohio Department of Education:				
Vocational Education (Perkins)	VECPII-P2001-501	84.048	15,633	342
	VECPII-P2002-501	84.048	31,919	101,107
Total Vocational Education (Perkins)			47,552	101,449
Tech Prep	VETP-2002-17-FB	84.243	33,146	109,814
	VETP-2002-17-TG	84.243	5,006	14,917
Total Tech Prep			38,152	124,731
Total Passed Through Ohio Department of Education			85,704	226,180
Passed Through Ohio Board of Regents:				
Dwight D. Eisenhower (Math Minds)	00-37	84.281	35,139	17,134
Total United States Department of Education			4,451,471	4,593,237
Total Federal Awards Receipts and Expenditures			**$4,759,748**	**$4,934,702**

The accompanying Notes to this Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the College's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – GUARANTEED STUDENT LOANS

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.

Auditor of State
Betty D. Montgomery

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the basic financial statements of Muskingum Area Technical College, Muskingum County, Ohio (the College), and its discretely presented component unit, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 29, 2003, wherein we noted the College adopted Governmental Accounting Standards Board Statements 35. In addition, we noted the College adopted a new capitalization threshold for their capital assets, and a re-evaluation of Governmental Accounting Standards Board Statement No. 14 resulted in now reporting the Muskingum Area Technical College Foundation as a component unit. 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated January 29, 2003.

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 basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more 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 basic 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the College in a separate letter dated January 29, 2003.

This report is intended for the information and use of management, Board of Trustees, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

January 29, 2003

Auditor of State
Betty D. Montgomery

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
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800-441-1389
Facsimile 740-594-2110
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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of Muskingum Area Technical College, Muskingum County, Ohio (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, 2002. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 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, 2002. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the College in a separate letter dated January 29, 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 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 and use of management, Board of Trustees, 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.

Betty Montgomery

Betty Montgomery
Auditor of State

January 29, 2003

MUSKINGUM AREA TECHNICAL COLLEGE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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 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 § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Assistance Cluster – Federal Family Education Loans (Guaranteed Student Loans), Federal Work-Study Program, and Federal Pell Grant Program – 84.032, 84.033, and 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

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

There were no findings related to the financial statements required to be reported herein.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards that were required to be reported herein.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MARCH 18, 2003