



**Auditor of State  
Betty Montgomery**



**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

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**HOCKING TECHNICAL COLLEGE**  
**Appointed Officials**  
**June 30, 2005**

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<b><i>NAME</i></b>	<b><i>TITLE</i></b>	<b><i>TERM EXPIRES</i></b>
Mr. Larry Willard	Chairperson	August 2005
Mr. J. Thomas Hill, CPA	Vice Chairperson	August 2006
Mr. Richard Brandt	Trustee	August 2005
Dr. Jack H. Cline	Trustee	August 2006
Mr. Ellsworth Holden, CPA	Trustee	August 2005
Mr. Steve Holtel	Trustee	August 2007
Ms. Patricia Light	Trustee	August 2007
Ms. Carol Mackey	Trustee	August 2007
Mr. Frank Newlon	Trustee	August 2006

**HOCKING TECHNICAL COLLEGE**  
**Administrative Personnel**  
**June 30, 2005**

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<b><u>NAME</u></b>	<b><u>TITLE</u></b>
Dr. John J. Light .....	President
Dr. J. William Hill .....	Vice-President of Fiscal Operations
Ms. Cindy Baden .....	Secretary

**HOCKING TECHNICAL COLLEGE**

***Index of Funds***

***June 30, 2005***

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**COLLEGE FUNDS**

General Fund  
Direct Student Loan Fund  
Short-Term Loan Program Fund  
Unexpended Plant Fund  
Investment in Plant Fund  
Bookstore Fund  
International Field Studies Program Fund  
Hocking Heights Fund  
Hocking Hills Travel Fund  
Appalachian Regional Commission (ARC) Ceramic Center Grant Fund  
College Work Study (CWS) Program Fund  
Technical Preparation Grant Fund  
Support Services Grant Fund  
Civilian Conservation Corps Grant Fund  
Athens County Department of Job and Family Services (ACDJFS) Grant Fund  
Child Care Grant Fund  
Talent Search Grant Fund  
Millfield Mine Museum Fund  
Culinary Club Fund  
Pennsylvania Higher Education Fund  
Ohio Instructional Grant (OIG) Fund  
Supplemental Educational Opportunity Grant (SEOG) Fund  
Scholarship Fund  
Perkins Grant Fund  
Pell Grant Fund  
Athens County Department of Job and Family Services (ACDJFS) Post Secondary Grant Fund  
Appalachian Regional Commission (ARC) Ceramic Guild Grant Fund  
Perry County Department of Job and Family Services (PCDJFS) WIA Youth Grant Fund  
United States Department of Agriculture Grant Fund  
Southeastern Probation Treatment Alternative (SEPTA) Center Fund  
Institutional Aid: Quasi-Endowment Challenge Grant Program Fund  
Southeastern Probation Treatment Alternative (SEPTA) Center Adult Education Program Fund  
Southeastern Probation Treatment Alternative (SEPTA) Center Title I Grant Fund  
Judicial Corrections Board Fund  
Technical Education Equipment Grant Fund  
Southeastern Probation Treatment Alternative (SEPTA) Center Construction Fund  
Ramada Inn Fund  
President's Development Fund

**COMPONENT UNIT**

Hocking College Foundation, Inc.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Hocking Technical College  
Athens County  
3301 Hocking Parkway  
Nelsonville, Ohio 45764

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Hocking Technical College, Athens County, Ohio, as of June 30, 2005, and the respective changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States requires. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Federal Awards Revenues and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Revenues and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 15, 2005



## **Management's Discussion and Analysis**

The discussion and analysis of Hocking Technical College's financial statements provides an overview of the College's financial activities for the fiscal year ended June 30, 2005. 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 College's management.

The Management's Discussion and Analysis (MD&A) is an element of the reporting models adopted by the Governmental Accounting Standard Board (GASB) in their 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Using this Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34 and Statement No. 35, and are organized so the reader can understand Hocking Technical College as a financial whole, an entire operating entity.

This discussion and analysis is intended to serve as an introduction to the College's basic financial statements. The College's basic financial statements are comprised of two components: the government- wide financial statements and notes to the basic financial statements.

### **Financial Highlights**

The College's financial position decreased during the fiscal year ended June 30, 2005. The current assets increased \$4.6 million or 73.0% from the previous fiscal year due primarily to a shift from long-term investments to short-term investments. The other noncurrent assets decreased \$4.2 million or 10.0% from the previous year due to a shift from long-term investments to short-term investments. At the same time, long-term liabilities increased \$0.4 million or 57.1% from the previous fiscal year due primarily to the addition of new capital leases.

During the fiscal year ended June 30, 2005, the College's expenses exceeded revenue and other support creating a decrease in net assets of \$0.3 million (the College experienced a \$0.03 million increase in the previous fiscal year).

### **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 the 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 the College's operating results.

These two statements report the College's net assets and changes in them. You can think of the difference between assets and liabilities as 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 or deteriorating.

You will need to consider many other nonfinancial factors, such as the trend in College applicants, student retention, condition of the buildings, and strength of the faculty, 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.

The following is a comparative analysis of the major components of the net assets of the College:

<b>Net Assets as of June 30 (in millions)</b>				
	2005	Restated 2004	Increase (Decrease)	Percent Change
Current Assets	\$10.9	\$6.3	\$4.6	73.0%
<i>Noncurrent Assets:</i>				
Capital Assets, Net of Accumulated Depreciation	37.8	38.0	(0.2)	(0.5)%
Other	0.1	3.9	(3.8)	(97.4)%
Total Assets	<u>\$48.8</u>	<u>\$48.2</u>	<u>\$0.6</u>	1.2%
Current Liabilities	\$3.9	\$3.4	0.5	14.7%
Long-Term Liabilities	1.1	0.7	0.4	57.1%
Total Liabilities	<u>5.0</u>	<u>4.1</u>	<u>0.9</u>	22.0%
<i>Net Assets:</i>				
Invested in Capital Assets, Net of Related Debt	36.7	37.6	(0.9)	(2.4)%
Restricted - Nonexpendable	1.3	2.0	(0.7)	(35.0)%
Restricted - Expendable	3.0	1.9	1.1	57.9%
Unrestricted	2.8	2.6	0.2	7.7%
Total Net Assets	<u>\$43.8</u>	<u>\$44.1</u>	<u>(\$0.3)</u>	(0.7)%

The primary changes in the Statement of Net Assets relate to:

- Current asset increases are primarily due to an increase in cash and short-term investments.
- Other noncurrent asset decreases are due to the shift from long-term investments to short-term investments.
- Long-term liability increases resulting from the addition of four new capital leases.

<b>Operating Results for the Year (in millions)</b>
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	2005	Restated 2004	Increase (Decrease)	Percent Change
<i>Operating Revenues:</i>				
Tuition and Fees	\$14.1	\$13.5	\$0.6	4.4%
Grants and Contracts	8.3	7.5	0.8	10.7%
Sales and Services of Departments	0.9	0.8	0.1	12.5%
Auxiliary Services	5.9	5.9	0.0	0.0%
Other Operating Revenue	0.2	0.1	0.1	100.0%
<b>Total Operating Revenues</b>	<b>29.4</b>	<b>27.8</b>	<b>1.6</b>	<b>5.8%</b>
<i>Operating Expenses:</i>				
Instructional and Departmental Research	22.6	21.7	0.9	4.1%
Public Service	1.2	0.7	0.5	71.4%
Academic Support	1.8	1.8	0.0	0.0%
Student Services	5.0	5.0	0.0	0.0%
Institutional Support	3.6	3.7	(0.1)	(2.7)%
Operation and Maintenance of Plant	1.3	1.1	0.2	18.2%
Scholarships and Fellowships	3.1	3.3	(0.2)	(6.1)%
Depreciation	1.3	1.5	(0.2)	(13.3)%
Auxiliary Services	6.4	6.4	0.0	0.0%
<b>Total Operating Expenses</b>	<b>46.3</b>	<b>45.2</b>	<b>1.1</b>	<b>2.4%</b>
<b>Operating Income (Loss)</b>	<b>(16.9)</b>	<b>(17.4)</b>	<b>0.5</b>	<b>2.9%</b>
<i>Nonoperating Revenues (Expenses):</i>				
State Appropriations	16.0	16.5	(0.5)	(3.0)%
Net Investment Income and Other	0.2	0.2	0.0	0.0%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>16.2</b>	<b>16.7</b>	<b>(0.5)</b>	<b>(3.0)%</b>
<i>Other Revenues:</i>				
Capital Appropriations	0.2	0.4	(0.2)	(50.0)%
Net Capital Grants, Gifts and Other	0.2	0.3	(0.1)	(33.3)%
<b>Total Other Revenues</b>	<b>0.4</b>	<b>0.7</b>	<b>(0.3)</b>	<b>(42.9)%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(0.3)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(100.0)%</b>
<b>Net Assets - Beginning of Year</b>	<b>44.1</b>	<b>44.1</b>	<b>0.0</b>	<b>0.0%</b>
<b>Net Assets - End of Year</b>	<b>\$43.8</b>	<b>\$44.1</b>	<b>(\$0.3)</b>	<b>(0.7)%</b>

## **Operating Revenues**

Operating revenues include all transactions that result from the sales of goods and services such as tuition and fees, educational department transactions and auxiliary service fees from Hocking Residence Hall, and operations of the College Bookstore, The Inn at Hocking College and Hocking Hills Travel Agency. In addition, certain federal, state, and local grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were primarily the result of the following factors:

- Student tuition and fee revenue increased \$0.6 million or 4.4% from the offsetting effects of a Board-approved tuition increase of 4.7% and an increase in scholarship allowances of 18.5%.
- Grants and contracts revenues increased in total primarily from a \$0.4 million increase in PELL grant revenue and a \$0.2 million increase in grant revenue from International Field Studies grant. A slight increase in other programs funded by state and local sources resulted in \$0.2 million more revenue.

## **Operating Expenses**

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. The operating expense changes were primarily the result of the following factors:

- Instructional and department research costs increased \$0.9 million or 4.1% due primarily to wage and fringe benefit increases.
- Public service costs increased \$0.5 million or 71.4% due to increased expenses relating to the WIA grant and the reclassification of expenses from student service expense related to an ARC grant and Civilian Conservation Corps grant.
- Scholarship and fellowship costs decreased due to an increase in scholarship allowances, which reduce both tuition and fee revenues, and scholarship and fellowship expenses.

## **Nonoperating Revenues**

Nonoperating revenues are all revenue sources that are primarily nonexchange in nature. They consist primarily of State appropriations and investment income.

Nonoperating revenue changes were primarily the result of decreases in state appropriation revenue during the current fiscal year.

## **Other Revenues**

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples are State of Ohio capital appropriations, and capital grants and gifts from local sources.

The change in other revenues was primarily the result of the State's capital appropriation decrease of \$0.2 million, which is due to the College having only minor construction projects taking place during the current fiscal year.

## **Statement of Cash Flows**

Another way to assess the financial health of a College 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 users assess:

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

<b>Cash Flows for the Year (in millions)</b>				
	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<i>Net Cash from:</i>				
Operating Activities	(\$15.3)	(\$16.3)	\$1.0	6.1%
Noncapital Financing Activities	16.1	16.5	(0.4)	(2.4)%
Capital and Related Financing Activities	(0.2)	(0.4)	0.2	50.0%
Investing Activities	<u>0.1</u>	<u>(0.2)</u>	<u>0.3</u>	<u>(150.0)%</u>
Net Increase (Decrease) in Cash	0.7	(0.4)	1.1	275.0%
Cash - Beginning of Year	<u>2.9</u>	<u>3.3</u>	<u>(0.4)</u>	<u>(12.1)%</u>
Cash - End of Year	<u><u>\$3.6</u></u>	<u><u>\$2.9</u></u>	<u><u>\$0.7</u></u>	<u>24.1%</u>

The major sources of cash from operating activities are tuition and fees, grants and contracts and auxiliary service charges. Cash outlays include payments for wages, benefits, supplies, utilities, contractual services, and scholarships and fellowships. Overall, net cash from operating activities increased due to increases in tuition and fees, and grants and contracts, as well as decreases from various budget tightening measures in operational costs.

State appropriations are the primary source of cash from noncapital financing activities. The new reporting standards require that the College reflect this source of revenue as nonoperating even though the budget of the College depends heavily on this source to continue the current level of operations. State appropriations decreased due to funding cuts made by the State of Ohio.

The major source of cash from capital and related financing activities is the capital appropriations from the State for the student center construction project, while cash outlays include payments for the construction project and other capital assets, and principal paid on the note debt and leases that were incurred to acquire these capital assets. Net cash from capital and related financing activities increased due to the proceeds received from capital debt.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2005, the College had \$37.8 million invested in capital assets, net of accumulated depreciation of \$17.5 million. Depreciation charges totaled \$1.3 million for the current fiscal year compared to \$1.5 million last year. Details of these assets for the past two years are shown below.

<b>Capital Assets - Net of Accumulated Depreciation as of June 30 (in millions)</b>
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	2005	2004	Increase (Decrease)
Land	\$4.5	\$4.5	\$0.0
Land Improvements	0.5	0.5	0.0
Buildings and Improvements	28.9	29.0	(0.1)
Furniture, Fixtures, and Equipment	3.2	3.1	0.1
Vehicles/Fleet	0.3	0.4	(0.1)
Library Holdings	0.4	0.5	(0.1)
Total	<u>\$37.8</u>	<u>\$38.0</u>	<u>(\$0.2)</u>

The major capital additions this year were for \$0.5 million for improvements to several buildings and \$0.5 million to upgrade computer equipment.

More detailed information about the College's capital assets is presented in the notes to the financial statements.

### **Debt**

At June 30, 2005, the College had \$1.0 million in debt outstanding versus \$0.5 million the previous year. The table below summarizes these amounts by type of debt instrument.

<b>Long-Term Debt Outstanding as of June 30 (in millions)</b>
---

	2005	2004	Increase (Decrease)
Bond Anticipation Notes	\$0.0	\$0.1	(\$0.1)
Lease Obligations	1.0	0.4	0.6
Total	<u>\$1.0</u>	<u>\$0.5</u>	<u>\$0.5</u>

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

### **Economic Factors That Will Affect the Future**

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects that it's funding to the College will remain stable for the fiscal year ended June 30, 2006. Appropriations for the upcoming fiscal year are projected at \$15.6 million, approximately 2.7% less than the previous year. In addition, the Board of Trustees approved an increase of 5.68% in tuition rates for the upcoming fiscal year.

The College's current financial plans indicate that the additional financial resources generated from the foregoing actions will enable it to maintain its present level of educational services.

**HOCKING TECHNICAL COLLEGE**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Institution	Component Unit Foundation
<b>ASSETS:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$3,576,654	\$62,728
Endowment Investments	2,883,523	0
Other Short-Term Investments	957,559	254,623
Accounts Receivable	1,331,971	0
Intergovernmental Receivables	1,212,935	0
Inventories	926,201	0
Prepaid Expenses	47,989	0
Accrued Interest Receivable	19,201	941
<i>Total Current Assets</i>	<u>10,956,033</u>	<u>318,292</u>
<i>Noncurrent Assets:</i>		
Other Long-Term Investments	82,517	25,088
Nondepreciable Capital Assets	4,504,656	70,114
Depreciable Capital Assets, Net of Accumulated Depreciation	33,267,050	3,479,365
<i>Total Noncurrent Assets</i>	<u>37,854,223</u>	<u>3,574,567</u>
<b>TOTAL ASSETS</b>	<u>48,810,256</u>	<u>3,892,859</u>
<b>LIABILITIES:</b>		
<i>Current Liabilities:</i>		
Accounts Payable and Other Accrued Liabilities	1,631,226	112
Deposits Held in Custody for Others	181,148	0
Deferred Revenue	1,193,087	0
Long-Term Liabilities - Current Portion	884,687	119,385
<i>Total Current Liabilities</i>	<u>3,890,148</u>	<u>119,497</u>
<i>Long-Term Liabilities:</i>		
Long-Term Liabilities	1,128,940	912,082
<i>Total Long-Term Liabilities</i>	<u>1,128,940</u>	<u>912,082</u>
<b>TOTAL LIABILITIES</b>	<u>5,019,088</u>	<u>1,031,579</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	36,731,977	2,518,012
<i>Restricted for:</i>		
<i>Term Endowment:</i>		
Nonexpendable	2,101,527	0
Expendable	821,904	0
Instructional Departmental Uses	1,250,177	0
Capital Projects	61,239	0
Loans	23,800	0
Unrestricted	2,800,544	343,268
<b>TOTAL NET ASSETS</b>	<u>\$43,791,168</u>	<u>\$2,861,280</u>

The accompanying notes are an integral part of this statement.

**HOCKING TECHNICAL COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2005**

	Primary Institution	Component Unit Foundation
<b>REVENUES:</b>		
<i>Operating Revenues:</i>		
Student Tuition and Fees (Net of Scholarship Allowances of \$4,274,085)	\$14,051,232	\$0
Federal Grants and Contracts	7,892,419	0
State and Local Grants and Contracts	433,129	0
Sales and Services of Educational Departments	898,802	0
Auxiliary Services Revenues (Net of Scholarship Allowances of \$361,181)	5,904,662	0
Other Operating Revenue	221,975	280,184
<i>Total Operating Revenues</i>	29,402,219	280,184
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
<i>Educational and General:</i>		
Instructional and Departmental Research	22,600,899	0
Public Service	1,217,117	0
Academic Support	1,765,691	0
Student Services	5,029,871	0
Institutional Support	3,617,686	0
Operation and Maintenance of Plant	1,263,588	0
Scholarships and Fellowships	3,098,247	0
Depreciation	1,291,772	71,946
Auxiliary Services	6,447,802	0
Other Operating Expenses	0	45,540
<i>Total Operating Expenses</i>	46,332,673	117,486
<b>OPERATING INCOME (LOSS)</b>	(16,930,454)	162,698
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State Appropriations	16,017,203	0
Gifts	58,223	82,198
Investment Income	163,693	11,396
Interest on Capital Asset-Related Debt	(39,642)	(49,505)
<i>Total Nonoperating Revenues (Expenses)</i>	16,199,477	44,089
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	(730,977)	206,787
Capital Appropriations	191,769	0
Capital Grants and Gifts	455,166	0
Loss on Disposal of Capital Assets	(274,186)	0
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(358,228)	206,787
<b>NET ASSETS - Beginning of Year, As Restated</b>	44,149,396	2,654,493
<b>NET ASSETS - End of Year</b>	\$43,791,168	\$2,861,280

The accompanying notes are an integral part of this statement.



**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2005**

	Primary Institution	Component Unit Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and Fees	\$14,033,335	\$0
Grants and Contracts	8,216,179	0
Payments to Employees	(29,700,678)	0
Payments to Suppliers	(6,345,582)	0
Payments for Utilities	(1,182,877)	0
Payments for Contractual Services	(1,314,115)	0
Payments for Scholarships and Fellowships	(4,474,884)	0
Auxiliary Services Charges	6,011,957	0
Sales and Services of Educational Departments	898,802	0
Other Receipts	314,821	280,184
Other Payments	(1,748,938)	(45,540)
<i>Net Cash from Operating Activities</i>	(15,291,980)	234,644
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State Appropriations	16,017,203	0
Gifts Received for Other Than Capital Purposes	58,223	82,198
<i>Net Cash from Noncapital Financing Activities</i>	16,075,426	82,198
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Capital Debt	838,883	0
Capital Appropriations	191,769	0
Capital Grants and Gifts Received	455,166	0
Purchases of Capital Assets	(1,301,237)	0
Principal Paid on Capital Debt and Leases	(315,271)	(198,021)
Interest Paid on Capital Debt and Leases	(39,642)	(49,525)
<i>Net Cash from Capital and Related Financing Activities</i>	(170,332)	(247,546)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	165,165	4,810
Purchase of Investments	(70,702)	(67,404)
<i>Net Cash from Investing Activities</i>	94,463	(62,594)
<i>Net Increase in Cash and Cash Equivalents</i>	707,577	6,702
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	2,869,077	56,026
<b>CASH AND CASH EQUIVALENTS, End of year</b>	\$3,576,654	\$62,728

(Continued)

**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2005**

	Primary Institution	Component Unit Foundation
<b>Reconciliation of Net Operating Income (Loss) to</b>		
<b>Net Cash from Operating Activities:</b>		
Operating Income (Loss)	(\$16,930,454)	\$162,698
<i>Adjustments to Reconcile Net Operating Income (Loss) to</i>		
<i>Net Cash from Operating Activities:</i>		
Depreciation	1,291,772	71,946
<i>Change in Assets and Liabilities:</i>		
Receivables, Net	44,227	0
Inventories	33,731	0
Prepaid Expenses	20,608	0
Other Assets	(109,369)	0
Accounts Payable and Other Accrued Liabilities	126,244	0
Compensated Absences	52,599	0
Deferred Revenue	85,816	0
Deposits Held in Custody for Others	92,846	0
<i>Net Cash from Operating Activities</i>	<u>(\$15,291,980)</u>	<u>\$234,644</u>

The accompanying notes are an integral part of this statement.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY**

**A. Description of the College**

Hocking Technical College (the College) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio (the State).

The College was formed after the creation of a technical college district, as defined in Chapter 3357 of the Ohio Revised Code. The College operates under the direction of an appointed nine-member Board of Trustees. Three members of this board are appointed by the Governor of the State. The remaining six members are appointed by a caucus of the county, city and exempted village school districts' boards of education that operate in the technical college district. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed Vice-President of Fiscal Operations is the custodian of funds and investment officer, and is also responsible for the fiscal controls of the resources of the College which are maintained in the funds described below.

The College is an institution of higher learning dedicated to providing the residents of the technical college district with a low-cost higher education in various academic and vocational technologies, leading to a two-year associate degree.

**B. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the College are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the College.

Component units are legally separate organizations for which the College is financially accountable. The College is financially accountable for an organization if the College appoints a voting majority of the organization's governing board and (1) the College is able to significantly influence the programs or services performed or provided by the organization; or (2) the College is legally entitled to or can otherwise access the organization's resources; the College is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the College is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the College in that the College approves the budget, the issuance of debt, or the levying of taxes.

The Inn at Hocking College and Hocking Hills Travel are considered a part of the reporting entity of the College and are included in the College's financial statements as Auxiliary Services.

The Hocking College Foundation, Inc. (the 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 nonprofit corporation fund-raising organization, dedicated solely to raising scholarships and other funds for the benefit of the College. Specific disclosures relating to the component unit can be found in Note 17.

The Southeast Ohio Probation Treatment Alternative Center (SEPTA) is a legally separate organization, but only the assets being held and a corresponding liability are included in the financial statements, since the College acts only as fiscal agent for them.

The College is not considered to be a component unit of the State.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

**A. Basis of Accounting and Presentation**

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when they have been reduced to a legal or contractual obligation to pay, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental 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. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the financial activities of the College.

The College also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. Additionally, the College has the option of applying FASB statements and interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The College maintains separate accounting records for approximately 38 funds, to help assure proper accountability over financial resources restricted to the respective funds. Management has consolidated these funds in these financial statements.

**B. Budgetary Process**

The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the current funds of the College. Formal adoption of the budget into the accounting records is not legally mandated and thus, the College does not integrate the budget into its accounts.

**C. Appropriations**

To provide control over expenditures, a budget is prepared by the Vice-President of Fiscal Operations with input from other administrative deans and presented to the Board of Trustees for their approval near the beginning of the fiscal year. To account for major developments that occur during the first six months, a revised budget may be prepared and presented to the Board for their approval in January of the same fiscal year.

**D. Encumbrances**

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2005 do not constitute expenses or liabilities and are not reflected in the financial statements.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

**E. Cash and Investments**

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for The Inn at Hocking College, President's Development, and Hocking College Foundation, Inc., which are held separately from the cash management pool of the College. For internal control and accountability purposes, individual fund integrity is maintained through the College records. During fiscal year 2005, investments were limited to certificates of deposit with local institutions and stocks.

The College makes investments in accordance with the Board of Trustees' policy, which conforms to the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Vice-President of Fiscal Operations within these policy guidelines.

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 and nonnegotiable certificates of deposit are reported at cost.

For purposes of the presentation on the Statement of Net Assets, investments of the cash management pool or investments with a maturity of three months or less at the time they are purchased by the College are considered to be cash equivalents.

**F. Accounts Receivables**

Receivables at June 30, 2005 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

**G. Inventory**

Inventories consist primarily of books and supplies of the bookstore and the warehouse stores inventories which are stated at the lower of cost or market determined on the first-in-first-out (FIFO) basis.

**H. Capital Assets**

Capital assets with a unit cost of over \$1,000, and all library holdings, are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. The College has no significant infrastructure assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Asset Description	Estimated Useful Life (Years)
Land Improvements	5
Buildings and Improvements	20-50
Furniture, Fixtures, and Equipment	5-15
Vehicles/Fleet	3-5
Library Holdings	3-15

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

**I. Compensated Absences**

The College records a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

**J. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

**K. Operating Revenues**

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, investment income, and gifts.

**L. Scholarship Allowances and Student Aid**

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduces revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**M. Federal Financial Assistance Programs**

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and various other federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

During the fiscal year ended June 30, 2005, the College processed \$10,569,312 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

**N. Net Assets**

GASB Statement No. 34 reports equity as "net assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfying obligations of the College. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal and state programs.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the policy of the College is to first apply restricted resources.

The unrestricted net asset balance of \$2,800,544 at June 30, 2005 includes \$1,091,339 held for auxiliary services, with \$1,709,205 remaining for other purposes.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - PRIOR PERIOD ADJUSTMENTS AND NEW GASB PRONOUNCEMENT**

**Restatement of Net Assets**

At June 30, 2004, it was determined that accounts receivable for the Hocking Hills Travel Fund was overstated by \$80,617. In addition, the College found an error in the calculation of depreciation for capital assets of The Inn during fiscal year 2004, which resulted in the June 30, 2004 balances being overstated.

	<u>Primary Institution</u>
Net Assets at June 30, 2004	\$44,312,889
Overstatement of Accounts Receivable	(80,617)
Overstatement of Capital Assets	(82,876)
Adjusted Net Assets at June 30, 2004	<u><u>\$44,149,396</u></u>

**New GASB Pronouncement**

For fiscal year 2005, the College implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosures.*" The implementation of GASB Statement No. 40 had no effect on the disclosure requirements or the prior period net assets of the College.

**NOTE 4 - CASH 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 College 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 deposits are public deposits 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.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 4 - CASH AND INVESTMENTS - Continued**

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2005, the College complied with the provisions of these statutes.

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

- a. United States Treasury Notes, Bills, Bonds, or other obligations or securities issued by the United States Treasury, or any other obligations guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or 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;
- c. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State;
- e. 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; and
- f. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for arbitrage, the use of leverage and short selling are also prohibited. Any investments 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies 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" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures".



**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 4 - CASH AND INVESTMENTS - Continued**

*Deposits:* Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At June 30, 2005, the carrying amount of all College deposits was \$7,417,736. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$7,483,671 of the College's bank balance of \$7,935,390 was exposed to custodial risk as discussed above while \$451,719 was covered by Federal Deposit Insurance. The \$7,483,671 exposed to custodial risk was collateralized with securities held by the College or its agency in the College's name.

*Investments:* As of June 30, 2005, the College had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	\$82,517	\$82,517
Totals	\$82,517	\$82,517

The classification of cash and cash equivalents, and investments in the financial statements 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". For purposes of the Statement of Cash Flows, cash and cash equivalents include investments of the cash management pool and investments with maturities of three months or less at the time of their purchase by the College.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the College's investment policy limits investment portfolio maturities to five years or less.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Restated Balance at July 1, 2004	Additions	Reductions	Balance at June 30, 2005
<i>Nondepreciable Capital Assets:</i>				
Land	\$4,492,156	\$12,500	\$0	\$4,504,656
Total Nondepreciable Capital Assets	4,492,156	12,500	0	4,504,656
<i>Depreciable Capital Assets:</i>				
Land Improvements	2,952,974	12,389	0	2,965,363
Buildings and Improvements	35,615,599	493,999	0	36,109,598
Furniture, Fixtures and Equipment	10,375,366	733,163	(1,807,804)	9,300,725
Vehicles/Fleet	1,390,589	11,250	(20,107)	1,381,732
Library Holdings	995,597	37,936	(10,251)	1,023,282
Total Depreciable Capital Assets	51,330,125	1,288,737	(1,838,162)	50,780,700
Total Cost of Capital Assets	55,822,281	1,301,237	(1,838,162)	55,285,356
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,404,764)	(51,888)	0	(2,456,652)
Buildings and Improvements	(6,617,723)	(609,665)	0	(7,227,388)
Furniture, Fixtures and Equipment	(7,249,421)	(405,025)	1,536,634	(6,117,812)
Vehicles/Fleet	(1,010,259)	(77,547)	17,091	(1,070,715)
Library Holdings	(503,687)	(147,647)	10,251	(641,083)
Total Accumulated Depreciation	(17,785,854)	(1,291,772)	1,563,976	(17,513,650)
Capital Assets, Net	\$38,036,427	\$9,465	(\$274,186)	\$37,771,706

**NOTE 6 - QUASI-ENDOWMENT**

In 1985, the College was awarded \$446,499 from the U.S. Department of Education to create an endowment (Corpus I). The stipulation to receiving this award was that the College had to match this grant dollar for dollar and the corpus as well as interest earned on the corpus must be preserved for 20 years. In 1987, the College was awarded an additional \$193,313 from the U.S. Department of Education (Corpus II) with the same stipulation. As of June 30, 2005, the endowment has \$1,279,624 in principal that is invested which consists of \$639,812 from federal dollars and \$639,812 from matching funds of the College.

According to the grant agreement, only the interest earned on the matching funds of the College is available and can be used for current operations of the College until the 20 year term has ended. The College has only used \$84,154 of the interest earned to this date and has reinvested the remaining interest into the endowment. As of June 30, 2005, the total principal and interest earnings accumulated in the endowment is \$2,923,431.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 7 - STATE SUPPORT**

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

In addition to the student subsidies, the State provides the funding and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by 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 the special obligation bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the financial statements of the College. These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly.

The facilities are not pledged as collateral for the 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 the 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. As a result of the above described financial assistance provided by the State to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the Statement of Net Assets of the College. In addition, appropriations by the Ohio General Assembly to the Ohio Board of Regents for payment of debt service charges are not reflected in the appropriations received by the College, and the related debt service payments are not recorded in the accounts of the College.

**NOTE 8 - LONG-TERM LIABILITIES**

Long-term liabilities of the College consist of lease obligations, bond anticipation notes, and compensated absences payable. The change in long-term liabilities are as shown below:

	Balance at July 1, 2004	Additions	Reductions	Balance at June 30, 2005	Due Within One Year
<i>Leases and Notes Payable:</i>					
Lease Obligations; 5.75 - 6.25%	\$424,817	\$838,883	\$223,971	\$1,039,729	\$278,199
Bond Anticipation Notes; 5%	91,300	0	91,300	0	0
<b>Total Leases and Notes Payable</b>	<b>516,117</b>	<b>838,883</b>	<b>315,271</b>	<b>1,039,729</b>	<b>278,199</b>
<i>Other Liabilities:</i>					
Compensated Absences Payable	921,830	901,278	849,210	973,898	606,488
<b>Total Other Liabilities</b>	<b>921,830</b>	<b>901,278</b>	<b>849,210</b>	<b>973,898</b>	<b>606,488</b>
<b>Total Long-Term Liabilities</b>	<b>\$1,437,947</b>	<b>\$1,740,161</b>	<b>\$1,164,481</b>	<b>\$2,013,627</b>	<b>\$884,687</b>

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURES**

The College is obligated under certain leases that are accounted for as capital leases. As of June 30, 2005, \$1,039,729 in capital lease obligations (excluding interest payments) were payable for computer equipment for administrative office, maintenance equipment for the main campus, equipment for culinary kitchen and lab and POS system for the bookstore. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets. A corresponding long-term liability was recorded on the Statement of Net Assets. Principal payments in fiscal year 2005 totaled \$223,971.

The following is a schedule of future minimum lease payments under these capital leases, together with the net present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30	Maintenance Equipment (2004)	Maintenance Equipment (2005)	Bookstore POS System	Culinary Kitchen and Lab Equipment	Culinary Kitchen Equipment	Total
2006	\$5,304	\$93,615	\$14,246	\$32,602	\$40,965	\$186,732
2007	0	93,614	14,246	32,602	40,965	181,427
2008	0	46,807	14,246	32,602	40,965	134,620
2009	0	0	14,246	32,602	40,965	87,813
2010	0	0	14,246	32,602	40,965	87,813
2011-2012	0	0	0	38,035	71,689	109,724
Total Payments	5,304	234,036	71,230	201,045	276,514	788,129
Less: Interest	(34)	(8,459)	(10,498)	(22,154)	(34,300)	(75,445)
Net Present Value of Minimum Lease Pmts.	<u>\$5,270</u>	<u>\$225,577</u>	<u>\$60,732</u>	<u>\$178,891</u>	<u>\$242,214</u>	<u>\$712,684</u>

Another equipment capital lease, authorized in the amount of \$700,000 is being used for the purchase of computer equipment for the College. Only \$416,705 of this lease has been drawn out as of June 30, 2005, the remaining \$283,295 is eligible to be drawn out during fiscal year 2006. Therefore, the final amount financed for the lease and the amortization schedule have not been established as of June 30, 2005. The College has begun making payments on this lease and as of June 30, 2005 has made principal payments of \$89,660.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 10- DEFINED BENEFIT RETIREMENT PLANS**

- A. State Teachers Retirement System:** The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,094,538, \$2,007,722 and \$1,946,603, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$23,417 made by the College and \$22,302 made by the plan members

*Alternative Retirement Plan:* Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS. Employees hired after the ARP is established have 90 days from their hire date to select a retirement plan.

- B. School Employees Retirement System:** The College contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 10- DEFINED BENEFIT RETIREMENT PLANS - Continued**

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year ended June 30, 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$631,265, \$466,004, and \$447,158, respectively; 92.12 percent has been contributed for 2005 and 100 percent for years 2004 and 2003. Of the 2005 amount, \$49,721 was unpaid at June 30, 2005 and is recorded as a current liability.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled \$161,118 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 (the latest information year available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and there were 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 11 - POSTEMPLOYMENT BENEFITS - Continued**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For fiscal year 2005, the College paid \$207,847 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the healthcare fund. The target level for the health care reserve is 150% of annual health care expenses. For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by SERS were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits were \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

- A. Compensated Absences:** Vacation and sick leave accumulated by employees has been recorded by the College. Upon termination of College service, a fully vested employee is entitled to 25% of their accumulated sick leave not to exceed 45 days for professional staff and 30 days for support staff plus all accumulated vacation. At June 30, 2004, the long-term liability for vested and probable benefits for vacation and sick leave totaled \$367,410, and the short-term liability totaled \$606,488, for a total liability of \$973,898.
- B. Insurance Benefits:** Medical/surgical, prescription drugs, and vision insurance is offered to employees through Medical Mutual Benefits Insurance of Ohio. The College pays monthly premiums from the same funds that pay employees' salaries. Dental insurance is provided by CoreSource Insurance Company. The College provides life insurance and accidental death and dismemberment insurance to employees through Fortis Insurance Company.
- C. Deferred Compensation:** College employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Under the deferred compensation program, all plan assets are now being held in a trust arrangement for the exclusive benefit of all participants and their beneficiaries as required by the Small Business Job Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to establish such a trust arrangement by January 1, 1999. As a result, the assets of this plan are no longer reflected in the financial statements of the College.

**NOTE 13 - THE INN AT HOCKING COLLEGE**

The Inn at Hocking College is a full-time motel, restaurant and lounge that serves the public. Employees of The Inn are employees of Hospitality Management Services and auxiliary funded employees of Hocking College.

On June 30, 2005, the College ended its franchise agreement with Cendent Corporation, for marketing and operational support services. As a result, the name of the College's enterprise operation for the training of hotel/restaurant technology students, formerly the Ramada Inn-Hocking Valley was changed to The Inn at Hocking College and will be ran without a formal franchise agreement with any major hotel brands.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 13 - THE INN AT HOCKING COLLEGE - Continued**

For the fiscal year ended June 30, 2005, revenues and expenses at The Inn were \$1,026,452 and \$1,146,543, respectively.

**NOTE 14 - HOCKING HILLS TRAVEL**

On November 19, 1990, the College entered into a franchise agreement with Uniglobe Travel, for marketing and operational support services. Because of many changes occurring in the travel industry the College elected to end its franchise with Uniglobe on September 30, 2004. As a result, the name of the College's enterprise operation for the training of travel/tourism technology students, formerly the Uniglobe Travel Agency, was changed to Hocking Hills Travel Agency. The Travel Agency is a full-time travel agency and travel bureau to serve the public. Employees of the Agency are employees of the College. Ownership and management of the Agency is retained by the College.

For the fiscal year ended June 30, 2005, revenues and expenses at Hocking Hills Travel Agency were \$1,348,859 and \$1,367,322, respectively.

**NOTE 15 - RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and have contracted with Reed and Baur Insurance and Marsh USA, Inc. for liability, property, and fleet insurance. Reed and Baur Insurance also provides public officials bonds. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. A separate educators legal liability policy is maintained with limits of liability of \$2,000,000 for each occurrence and \$2,000,000 in the aggregate. The College also carries a \$5,000,000 excess liability policy that provides coverage beyond the general liability and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The College maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The College maintains replacement cost insurance on buildings and contents, excluding The Inn at Hocking College, in the amount of \$68,501,680 with a \$10,000 deductible per occurrence. The College has a separate policy on The Inn at Hocking College in the amount of \$4,866,457 with a \$1,000 deductible per occurrence. The College maintains tuition and fees insurance, room and board insurance and rental insurance in the amounts of \$13,950,000, \$850,000, and \$350,000 respectively. Additionally, the College has a special liquor insurance policy in the amount of \$1,000,000 for the operations of the restaurant and lounge in The Inn at Hocking College. With the operations of the Hocking Hills Travel Agency, the College has a special policy for professional liability for travel agents in the amount of \$1,000,000, which includes terrorism coverage.

The College pays the States Workers' Compensation System a premium based on a rate per each \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 16 - CONTINGENCIES**

**Grants**

The College receives financial assistance from federal and state agencies in the form of grants. The receipt of funds 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 to the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2005.



**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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**NOTE 16 - CONTINGENCIES - Continued**

**Litigation**

The College is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The College's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the overall financial position of the College at June 30, 2005.

**NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC.**

The Hocking College Foundation Inc. was incorporated with the State of Ohio on October 21, 1992 and created for the purpose of operating exclusively for charitable and educational purposes in support of Hocking Technical College, a state institution of higher learning, authorized and existing under Chapter 3357 of the Ohio Revised Code.

The Internal Revenue Service granted a foundation status classification under 501(a) of the IRS Regulations as an organization described in Section 501(c)(3), granting the Foundation tax-exempt status. The initial five year ruling period ending June 30, 1997, was updated on November 6, 1997 with the IRS reaffirming the Foundation's exempt status under Section 501(a) as described in 501(c)(3) of the Internal Revenue Service Code.

**Summary of Significant Accounting Policies**

**Basis of Accounting and Presentation**

The financial statements of the Hocking College Foundation, Inc. (hereinafter referred to as "the Foundation"), 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 generally accepted accounting principles as prescribed by the Governmental 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 has adopted these Statements.

The Foundation also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. Additionally, the Foundation has the option of applying FASB statements and interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

**Cash and Investments**

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2005, investments were limited to certificates of deposit with local institutions and stocks.

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 and nonnegotiable certificates of deposit are reported at cost.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued**

For purposes of the presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased by the Foundation are considered to be cash equivalents.

**Capital Assets**

Capital assets with a unit cost of over \$1,000 are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. The Foundation has no significant infrastructure assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

Asset Description	Estimated Useful Life (Years)
Buildings and Improvements	20-50

**Cash and Investments**

The following information classifies 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" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

*Deposits:* Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Foundation.

At June 30, 2005, the carrying amount of all Foundation deposits was \$317,351. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2005, \$154,623 of the Foundation's bank balance of 4312,451 was exposed to custodial risk as discussed above while \$159,828 was covered by Federal Deposit Insurance. The \$154,623 exposed to custodial risk was collateralized with securities held by the Foundation or its agency in the Foundation's name.

*Investments:* As of June 30, 2005, the district had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	\$25,088	\$25,088
Totals	\$25,088	\$25,088

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Foundation's investment policy limits investment portfolio maturities to five years or less.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued**

The classification of cash and cash equivalents, and investments in the financial statements 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". For purposes of the Statement of Cash Flows, cash and cash equivalents include investments of the cash management pool and investments with maturities of three months or less at the time of their purchase by the Foundation.

**Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance at July 1, 2004	Additions	Reductions	Balance at June 30, 2005
<i>Nondepreciable Capital Assets:</i>				
Land	\$70,114	\$0	\$0	\$70,114
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	4,232,128	0	0	4,232,128
Total Cost of Capital Assets	4,302,242	0	0	4,302,242
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(680,817)	(71,946)	0	(752,763)
Total Accumulated Depreciation	(680,817)	(71,946)	0	(752,763)
Capital Assets, Net	<u>\$3,621,425</u>	<u>(\$71,946)</u>	<u>\$0</u>	<u>\$3,549,479</u>

The significant capital assets reported by the Foundation are the Hocking Residence Hall and The Inn at Hocking College buildings. The Foundation reports these buildings since they hold title to both, but the operating revenue and expenses of these activities are reported in the College's primary government column on the financial statements. The Foundation leases these buildings to the College for an amount equal to the debt payments associated with each building.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued**

**Long-Term Obligations**

The following is a summary of long-term obligations of the Foundation as of June 30, 2005:

Purpose	Balance at July 1, 2004	Additions	Reductions	Balance at June 30, 2005	Due Within One Year
<b><u>Long-Term Notes Payable</u></b>					
Hocking Heights Dormitory; 4.25%	\$1,087,019	\$0	(\$103,625)	\$983,394	\$110,613
Taxidermy Lab & Store; 5.75%	57,121	0	(9,048)	48,073	8,772
<b>Total Long-Term Notes Payable</b>	<b>1,144,140</b>	<b>0</b>	<b>(112,673)</b>	<b>1,031,467</b>	<b>119,385</b>
<b><u>Long-Term Loan Payable</u></b>					
Motel Renovation Loan; 8%	85,348	0	(85,348)	0	0
<b>Totals</b>	<b>\$1,229,488</b>	<b>\$0</b>	<b>(\$198,021)</b>	<b>\$1,031,467</b>	<b>\$119,385</b>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2005 are as follows:

Year Ended June 30	Hocking Heights Dormitory	Taxidermy Lab & Store	Totals
2006	\$147,803	\$12,000	\$159,803
2007	147,804	12,000	159,804
2008	147,803	12,000	159,803
2009	147,804	12,000	159,804
2010	147,803	10,000	157,803
2011-2013	418,768	0	418,768
<b>Total Payments</b>	<b>1,157,785</b>	<b>58,000</b>	<b>1,215,785</b>
<b>Less: Interest</b>	<b>(174,391)</b>	<b>(9,927)</b>	<b>(184,318)</b>
<b>Principal Due</b>	<b>\$983,394</b>	<b>\$48,073</b>	<b>\$1,031,467</b>

**HOCKING TECHNICAL COLLEGE**  
**Schedule of Federal Awards Revenues and Expenditures**  
**For the Fiscal Year Ended June 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Revenues	Expenditures
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>				
<i>Direct from Federal Government:</i>				
Natural Resources Conservation Service	10.916	N/A	\$27,350	\$27,350
Secondary Agriculture Education Program	10.226	N/A	10,058	10,058
<i>Pass-Through State Department of Education:</i>				
Child and Adult Care Food Program	10.558	142075	8,601	8,601
<b>Total United States Department of Agriculture</b>			<u>46,009</u>	<u>46,009</u>
<b><u>UNITED STATES DEPARTMENT OF LABOR</u></b>				
<i>Pass-Through Perry County Department of Jobs and Family Services:</i>				
WIA Youth Activities	17.259	N/A	391,048	369,311
<b>Total United States Department of Labor</b>			<u>391,048</u>	<u>369,311</u>
<b><u>APPALACHIAN REGIONAL COMMISSION</u></b>				
<i>Pass-Through State Department of Development:</i>				
Appalachian Area Development - Ceramic Guild	23.002	N/A	36,255	36,255
<b>Total Appalachian Regional Commission</b>			<u>36,255</u>	<u>36,255</u>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>				
<i>Direct from Federal Government:</i>				
<i>Student Financial Assistance Cluster:</i>				
Federal Supplemental Education Opportunity Grants	84.007	N/A	180,100	180,100
Federal Work-Study Program	84.033	N/A	238,578	238,578
Federal Pell Grant Program	84.063	N/A	5,841,466	5,843,961
Federal Direct Loan Program (See Note 3)	84.268	N/A	10,569,312	10,569,312
<b>Total Student Financial Assistance Cluster</b>			<u>16,829,456</u>	<u>16,831,951</u>
Endowment Challenge Grant Program (See Note 2)	84.031G	N/A	46,216	0
TRIO - Student Support Services	84.042	N/A	272,169	272,370
Talent Search	84.044A	N/A	215,825	215,825
Grants to States for Incarcerated Youth Offenders	84.331	N/A	218,198	218,198
<i>Pass-Through State Department of Education:</i>				
Vocational Education - Basic Grants to States	84.048	063339	205,927	223,480
Technical Preparation Education	84.243	063339	120,737	64,899
<b>Total United States Department of Education</b>			<u>17,908,528</u>	<u>17,826,723</u>
<b>Total Federal Financial Assistance</b>			<u>\$18,381,840</u>	<u>\$18,278,298</u>

The accompanying Notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Schedule of Federal Awards Revenues and Expenditures**  
**For the Fiscal Year Ended June 30, 2005**

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**Note 1 - Basis of Accounting**

The College prepares its Schedule of Federal Awards Revenues and Expenditures (the Schedule) on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

**Note 2 - Endowment Challenge Grant**

Revenues identified in the Schedule are from the investment of the grant and matching funds. Total grant and matching funds held as quasi-endowment funds at June 30, 2005, were \$1,279,624. Grant and matching funds are equally split.

Cumulative investment income, less allowable expenditures, of the grant and matching funds totaled \$1,643,807 through the fiscal year ended June 30, 2005.

Grant funds received in 1985 and 1987 are restricted for 20 years.

**Note 3 - Federal Direct Loan Program**

During the fiscal year ended June 30, 2005, the College processed \$10,569,312 of new loans under the Federal Direct Loan Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

**HOCKING TECHNICAL COLLEGE**  
**Schedule of Expenses by Function and Object**  
**For the Fiscal Year Ended June 30, 2005**

	Salaries	Benefits	Services	Supplies	Utilities	Other	Totals
<b>Educational and General:</b>							
Instructional and Departmental Research	\$15,346,033	\$4,396,070	\$164,527	\$2,294,828	\$126,314	\$273,127	\$22,600,899
Public Service	396,488	59,707	47,811	90,576	12,443	610,092	1,217,117
Academic Support	1,205,677	390,638	49,134	84,763	21,727	13,752	1,765,691
Student Services	3,032,043	912,816	200,018	347,580	160,773	376,641	5,029,871
Institutional Support	1,383,130	810,494	450,533	153,391	21,068	799,070	3,617,686
Operation and Maintenance of Plant	585,065	221,310	6,116	104,384	263,836	82,877	1,263,588
Scholarships and Fellowships	0	0	0	0	0	3,098,247	3,098,247
Depreciation	0	0	0	0	0	1,291,772	1,291,772
Auxiliary Services	1,221,081	347,929	262,789	3,325,758	249,405	1,040,840	6,447,802
<i>Totals</i>	<u>\$23,169,517</u>	<u>\$7,138,964</u>	<u>\$1,180,928</u>	<u>\$6,401,280</u>	<u>\$855,566</u>	<u>\$7,586,418</u>	<u>\$46,332,673</u>

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**Auditor of State  
Betty Montgomery**

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

Hocking Technical College  
Athens County  
3301 Hocking Parkway  
Nelsonville, Ohio 45764

To the Board of Trustees:

We have audited the financial statements of the business-type activities and discretely presented component unit of Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the College's management dated December 15, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the College's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 15, 2005



## Auditor of State Betty Montgomery

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

Hocking Technical College  
Athens County  
3301 Hocking Parkway  
Nelsonville, Ohio 45764

To the Board of Trustees:

#### Compliance

We have audited the compliance of Hocking Technical College, Athens 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 apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures 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 each of its major federal programs for the year ended June 30, 2005.

#### Internal Control over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 15, 2005

**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Student Financial Assistance Cluster:  Federal Supplemental Education Opportunity Grants – CFDA # 84.007  Federal Work-Study Program – CFDA # 84.033  Federal Pell Grant Program – CFDA # 84.063  Federal Direct Loan Program – CFDA # 84.268
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**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

**HOCKING TECHNICAL COLLEGE**

**ATHENS 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 23, 2006**