



Mary Taylor, CPA  
Auditor of State



**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

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**HOCKING TECHNICAL COLLEGE**  
**Appointed Officials**  
**June 30, 2009**

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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 2011
Mr. Frank Newlon	Vice Chairperson	August 2009
Mr. Joe Murtha	Trustee	August 2011
Mr. Steve Swart	Trustee	August 2011
Mr. Van Cardaras	Trustee	August 2010
Dr. Alan Geiger	Trustee	August 2010
Ms. Patricia Light	Trustee	August 2010
Dr. Jack H. Cline	Trustee	August 2009
Mr. J. Thomas Hill, CPA	Trustee	August 2009

**HOCKING TECHNICAL COLLEGE**  
**Administrative Personnel**  
**June 30, 2009**

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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, 2009***

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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  
United States Department of Commerce Energy 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  
Talent Search Grant Fund  
Lake Snowden Fund  
Student Club Accounts 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  
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) Judicial Fund  
United States Department of Education Smart Grant Fund  
The Inn at Hocking College Fund

**COMPONENT UNIT**

Hocking College Foundation, Inc.



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the business-type activities of Hocking Technical College, Athens County, Ohio (the College), and its discretely presented component unit as of and for the year ended June 30, 2009 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 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 the discretely presented component unit of Hocking Technical College, Athens County, Ohio, as of June 30, 2009 and the respective changes in financial position and, 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 November 30, 2009 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 of America requires. We have applied certain limited procedures, consisting 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.

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We conducted our audit to opine on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenses by Function and Object is not a required part of the College's basic financial statements. The Federal Awards Receipts and Expenditures Schedule 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 Expenses by Function and Object and the Federal Awards Receipts and Expenditures Schedule 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009



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

The discussion and analysis of Hocking Technical College's (the College) financial statements provides an overview of the College's financial activities for the fiscal year ended June 30, 2009. 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.

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 the 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 increased during the fiscal year ended June 30, 2009. The current assets increased \$1.2 million or 6.9% from the previous fiscal year due primarily to an increase in intergovernmental receivable. The capital assets increased \$2.4 million or 6.0% from the previous fiscal year due primarily to an increase in construction in progress. The other noncurrent assets increased \$1.4 million or 1400.0% from the previous fiscal year which is due to the reclassification of endowment investments from short-term to long-term. The current liabilities increased \$1.4 million or 16.1% from the previous fiscal year due primarily to an increase in deferred revenue associated to the increase in accounts receivable.

During the fiscal year ended June 30, 2009, the College's revenue and other support exceeded expenses creating an increase in net assets of \$3.9 million (the College experienced a \$0.5 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>				
	2009	2008	Increase (Decrease)	Percent Change
Current Assets	\$18.5	\$17.3	\$1.2	6.9%
<i>Noncurrent Assets:</i>				
Capital Assets, Net of Accumulated Depreciation	42.2	39.8	2.4	6.0%
Other	1.5	0.1	1.4	1400.0%
Total Assets	<u>\$62.2</u>	<u>\$57.2</u>	<u>\$5.0</u>	8.7%
Current Liabilities	\$10.1	\$8.7	1.4	16.1%
Long-Term Liabilities	5.6	5.9	(0.3)	(5.1)%
Total Liabilities	<u>15.7</u>	<u>14.6</u>	<u>1.1</u>	7.5%
<i>Net Assets:</i>				
Invested in Capital Assets, Net of Related Debt	36.1	33.4	2.7	8.1%
Restricted - Nonexpendable	0.0	0.4	(0.4)	(100.0)%
Restricted - Expendable	7.6	6.4	1.2	18.8%
Unrestricted	2.8	2.4	0.4	16.7%
Total Net Assets	<u>\$46.5</u>	<u>\$42.6</u>	<u>\$3.9</u>	9.2%

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

- Current asset increases are primarily due to an increase in intergovernmental receivable.
- Capital asset increases are primarily due to an increase in construction in progress.
- Noncurrent other asset increases are due to the reclassification of endowment investments from short-term to long-term.
- Current liability increases are primarily due to an increase in deferred revenue associated to the increase in accounts receivable.

The following is a comparative analysis of the major revenue and expense categories of the College:

<b>Operating Results for the Year (in millions)</b>
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	2009	2008	Increase (Decrease)	Percent Change
<i>Operating Revenues:</i>				
Tuition and Fees	\$18.6	\$17.9	\$0.7	3.9%
Grants and Contracts	11.9	9.2	2.7	29.3%
Sales and Services of Departments	0.8	0.7	0.1	14.3%
Auxiliary Services	7.9	5.3	2.6	49.1%
Other Operating Revenue	0.3	0.4	(0.1)	(25.0)%
<b>Total Operating Revenues</b>	<b>39.5</b>	<b>33.5</b>	<b>6.0</b>	<b>17.9%</b>
<i>Operating Expenses:</i>				
Instructional and Departmental Research	25.3	24.8	0.5	2.0%
Public Service	0.6	1.0	(0.4)	(40.0)%
Academic Support	2.9	3.3	(0.4)	(12.1)%
Student Services	5.1	4.8	0.3	6.3%
Institutional Support	4.7	4.0	0.7	17.5%
Operation and Maintenance of Plant	2.1	2.6	(0.5)	(19.2)%
Scholarships and Fellowships	5.6	4.6	1.0	21.7%
Depreciation	1.3	1.3	0.0	0.0%
Auxiliary Services	8.7	5.9	2.8	47.5%
<b>Total Operating Expenses</b>	<b>56.3</b>	<b>52.3</b>	<b>4.0</b>	<b>7.6%</b>
<b>Operating Income (Loss)</b>	<b>(16.8)</b>	<b>(18.8)</b>	<b>2.0</b>	<b>(10.6)%</b>
<i>Nonoperating Revenues (Expenses):</i>				
State Appropriations	17.6	17.0	0.6	3.5%
Interest on Capital Asset-Related Debt	(0.1)	(0.2)	0.1	(50.0)%
Net Investment Income and Other	0.2	0.3	(0.1)	(33.3)%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>17.7</b>	<b>17.1</b>	<b>0.6</b>	<b>3.5%</b>
<i>Other Revenues:</i>				
Capital Appropriations	2.8	2.0	0.8	40.0%
Net Capital Grants, Gifts and Other	0.2	0.2	0.0	0.0%
<b>Total Other Revenues</b>	<b>3.0</b>	<b>2.2</b>	<b>0.8</b>	<b>36.4%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>3.9</b>	<b>0.5</b>	<b>3.4</b>	<b>680.0%</b>
<b>Net Assets - Beginning of Year</b>	<b>42.6</b>	<b>42.1</b>	<b>0.5</b>	<b>1.2%</b>
<b>Net Assets - End of Year</b>	<b>\$46.5</b>	<b>\$42.6</b>	<b>\$3.9</b>	<b>9.2%</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 \$0.7 million or 3.9% and with tuition rates frozen the increase is primarily the result of increased course fees due to expanding courses offered.
- Grants and contracts increased \$2.7 million or 29.3% due to increases in federal grants received and intergovernmental receivables accrued.
- Auxiliary services increased \$2.6 million or 49.1% due primarily to increased revenue received from the expanded Hocking Residence Hall.

## **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:

- Scholarship and fellowship costs increased 21.7% due to an increase in scholarship funds available for disbursement, which increases both tuition and fee revenues, and scholarship and fellowship expenses.
- Instructional and department research costs increased \$0.5 million or 2.0% due primarily to wage and fringe benefit increases.
- Institutional support costs increased \$0.7 million or 17.5% primarily as a result of increased spending for legal fees, increases in utility costs, and increases in rental and repair costs.
- Auxiliary services costs increased \$2.8 million or 47.5% due primarily to the expansion of the Hocking Residence Hall which resulted in increased costs.

## **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 increase is the result of an increase in state appropriations to assist with capital projects at the college.

## **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 an increase in Capital Appropriations from the State of Ohio due to the College's improvements and construction during the 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>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<i>Net Cash from:</i>				
Operating Activities	(\$17.8)	(\$17.1)	(\$0.7)	(4.1)%
Noncapital Financing Activities	17.6	17.0	0.6	3.5%
Capital and Related Financing Activities	(1.1)	1.9	(3.0)	157.9%
Investing Activities	<u>0.7</u>	<u>0.3</u>	<u>0.4</u>	<u>133.3%</u>
Net Increase (Decrease) in Cash	(0.6)	2.1	(2.7)	128.6%
Cash - Beginning of Year	<u>4.9</u>	<u>2.8</u>	<u>2.1</u>	<u>75.0%</u>
Cash - End of Year	<u><u>\$4.3</u></u>	<u><u>\$4.9</u></u>	<u><u>(\$0.6)</u></u>	<u><u>(12.2)%</u></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 decreased due to increases in expenses exceeding increases in revenues.

State appropriations are the primary source of cash from noncapital financing activities. The 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 increased due to funding decisions made by the State of Ohio.

The major sources of cash from capital and related financing activities this year is from the issuance of a capital lease and capital appropriations from the State of Ohio, 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 decreased due primarily to the payments made for the construction project.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2009, the College had \$42.2 million invested in capital assets, net of accumulated depreciation of \$20.2 million. Depreciation charges totaled \$1.3 million for the current fiscal year compared to \$1.3 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>
---

	2009	Restated 2008	Increase (Decrease)
Land	\$5.0	\$5.0	\$0.0
Construction in Progress	2.2	0.2	2.0
Land Improvements	1.2	0.7	0.5
Buildings and Improvements	31.4	31.8	(0.4)
Furniture, Fixtures, and Equipment	2.0	1.7	0.3
Vehicles/Fleet	0.4	0.4	0.0
Total	<u>\$42.2</u>	<u>\$39.8</u>	<u>\$2.4</u>

The major capital addition this year was \$2.0 million for the work performed during the year on the Energy Center in Logan that was construction in progress at year end.

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

### **Debt**

At June 30, 2009, the College had \$6.1 million in debt outstanding versus \$6.4 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>
---

	2009	2008	Increase (Decrease)
Bond Anticipation Notes	\$4.5	\$4.6	(\$0.1)
Lease Obligations	1.6	1.8	(0.2)
Total	<u>\$6.1</u>	<u>\$6.4</u>	<u>(\$0.3)</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 its funding to the College will remain stable for the fiscal year ended June 30, 2009. Appropriations for the upcoming fiscal year are projected at \$17.4 million, which is \$0.3 million or 1.69% less than the projections in the previous year. In addition, tuition rates for the upcoming fiscal year were frozen at the fiscal year 2009 level per the Ohio Legislature.

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, 2009**

	Primary Institution	Component Unit Foundation
<b>ASSETS:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$4,285,093	\$237,449
Endowment Investments	1,058,923	0
Other Short-Term Investments	1,229,336	219,826
Accounts Receivable	8,143,783	0
Intergovernmental Receivables	3,168,512	0
Inventories	528,972	0
Prepaid Expenses	99,731	0
Accrued Interest Receivable	7,979	66
<i>Total Current Assets</i>	18,522,329	457,341
<i>Noncurrent Assets:</i>		
Endowment Investments	1,312,542	0
Other Long-Term Investments	111,700	187,768
Nondepreciable Capital Assets	7,220,507	70,114
Depreciable Capital Assets, Net of Accumulated Depreciation	34,993,945	22,205,779
<i>Total Noncurrent Assets</i>	43,638,694	22,463,661
<b>TOTAL ASSETS</b>	62,161,023	22,921,002
<b>LIABILITIES:</b>		
<i>Current Liabilities:</i>		
Accounts Payable and Other Accrued Liabilities	2,412,442	170,885
Deposits Held in Custody for Others	264,171	0
Deferred Revenue	6,016,683	0
Long-Term Liabilities - Current Portion	1,358,301	410,711
<i>Total Current Liabilities</i>	10,051,597	581,596
<i>Long-Term Liabilities:</i>		
Long-Term Liabilities	5,625,556	20,628,229
<i>Total Long-Term Liabilities</i>	5,625,556	20,628,229
<b>TOTAL LIABILITIES</b>	15,677,153	21,209,825
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	36,124,814	1,236,953
<i>Restricted for:</i>		
Term Endowment:		
Expendable	2,979,995	0
Instructional Departmental Uses	1,528,603	0
Capital Projects	3,070,008	0
Loans	36,467	0
Unrestricted	2,743,983	474,224
<b>TOTAL NET ASSETS</b>	\$46,483,870	\$1,711,177

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, 2009**

	Primary Institution	Component Unit Foundation
<b>REVENUES:</b>		
<i>Operating Revenues:</i>		
Student Tuition and Fees (Net of Scholarship Allowances of \$4,994,910)	\$18,619,003	\$0
Federal Grants and Contracts	11,379,702	0
State and Local Grants and Contracts	581,409	0
Sales and Services of Educational Departments	792,745	0
Auxiliary Services Revenues (Net of Scholarship Allowances of \$545,077)	7,898,858	0
Other Operating Revenue	266,575	768,221
<i>Total Operating Revenues</i>	39,538,292	768,221
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
<i>Educational and General:</i>		
Instructional and Departmental Research	25,356,993	0
Public Service	576,601	0
Academic Support	2,961,603	0
Student Services	5,061,563	0
Institutional Support	4,661,631	0
Operation and Maintenance of Plant	2,069,363	0
Scholarships and Fellowships	5,576,459	0
Depreciation	1,270,562	214,746
Auxiliary Services	8,718,894	0
Other Operating Expenses	0	108,952
<i>Total Operating Expenses</i>	56,253,669	323,698
<b>OPERATING INCOME (LOSS)</b>	(16,715,377)	444,523
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State Appropriations	17,609,171	0
Gifts	0	152,164
Investment Income	172,573	560
Interest on Capital Asset-Related Debt	(129,716)	(283,582)
<i>Total Nonoperating Revenues (Expenses)</i>	17,652,028	(130,858)
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	936,651	313,665
Capital Appropriations	2,820,810	0
Capital Grants and Gifts	167,751	0
<b>INCREASE (DECREASE) IN NET ASSETS</b>	3,925,212	313,665
<b>NET ASSETS - Beginning of Year</b>	42,558,658	1,397,512
<b>NET ASSETS - End of Year</b>	\$46,483,870	\$1,711,177

The accompanying notes are an integral part of this statement.



**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2009**

	Primary Institution	Component Unit Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and Fees	\$18,690,763	\$0
Grants and Contracts	9,216,960	0
Payments to Employees	(35,379,580)	0
Payments to Suppliers	(5,966,251)	0
Payments for Utilities	(1,629,486)	0
Payments for Contractual Services	(2,358,692)	0
Payments for Scholarships and Fellowships	(5,576,459)	0
Auxiliary Services Charges	7,881,370	0
Sales and Services of Educational Departments	792,745	0
Other Receipts	0	768,221
Other Payments	(3,463,598)	(108,952)
<i>Net Cash from Operating Activities</i>	(17,792,228)	659,269
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State Appropriations	17,609,171	0
Gifts Received for Other Than Capital Purposes	0	152,164
<i>Net Cash from Noncapital Financing Activities</i>	17,609,171	152,164
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Capital Leases	339,480	7,023,820
Capital Appropriations	2,820,810	0
Capital Grants and Gifts Received	167,751	0
Purchases of Capital Assets	(3,711,694)	(7,023,820)
Principal Paid on Capital Debt and Leases	(634,493)	(424,121)
Interest Paid on Capital Debt and Leases	(129,716)	(287,218)
<i>Net Cash from Capital and Related Financing Activities</i>	(1,147,862)	(711,339)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sales and Maturities of Investments	613,207	0
Interest on Investments	167,723	6,993
Purchase of Investments	(98,138)	(9,296)
<i>Net Cash from Investing Activities</i>	682,792	(2,303)
<i>Net Increase in Cash and Cash Equivalents</i>	(648,127)	97,791
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	4,933,217	139,658
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$4,285,090</u>	<u>\$237,449</u>

**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2009**

	Primary Institution	Component Unit Foundation
<b>Reconciliation of Net Operating Income (Loss) to</b>		
<b>Net Cash from Operating Activities:</b>		
Operating Income (Loss)	(\$16,715,377)	\$444,523
<i>Adjustments to Reconcile Net Operating Income (Loss) to</i>		
<i>Net Cash from Operating Activities:</i>		
Depreciation	1,270,562	214,746
<i>Change in Assets and Liabilities:</i>		
Receivables, Net	(861,335)	0
Inventories	(44,585)	0
Prepaid Expenses	(16,604)	0
Intergovernmental Receivable	(2,744,151)	0
Accounts Payable and Other Accrued Liabilities	91,741	0
Compensated Absences	131,881	0
Deferred Revenue	915,607	0
Deposits Held in Custody for Others	180,033	0
	<u>(\$17,792,228)</u>	<u>\$659,269</u>
<i>Net Cash from Operating Activities</i>		

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, 2009**

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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 16.

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, 2009**

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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 36 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, 2009 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, 2009**

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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 2009, 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, 2009 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 \$5,000 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.

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

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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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 OMB Compliance Supplement.

During the fiscal year ended June 30, 2009, the College processed \$22,059,324 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 \$2,743,983 at June 30, 2009 includes \$1,218,152 held for auxiliary services, with \$1,525,831 remaining for other purposes.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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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 - 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.

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 2009, the College complied with the provisions for these statutes.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 3 - CASH AND INVESTMENTS - Continued**

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 (STAR Ohio).

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, 2009**

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**NOTE 3 - 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, 2009, the carrying amount of all College deposits was \$7,885,894. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$6,945,133 of the College's bank balance of \$8,000,654 was exposed to custodial risk as discussed above while \$1,055,521 was covered by Federal Deposit Insurance. The \$6,945,133 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, 2009, the College had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	\$111,700	\$111,700
Totals	\$111,700	\$111,700

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, 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009
<i>Nondepreciable Capital Assets:</i>				
Land	\$4,953,031	\$0	\$0	\$4,953,031
Construction in Progress	246,056	2,021,420	0	2,267,476
Total Nondepreciable Capital Assets	5,199,087	2,021,420	0	7,220,507
<i>Depreciable Capital Assets:</i>				
Land Improvements	3,234,098	614,854	0	3,848,952
Buildings and Improvements	42,998,802	452,911	0	43,451,713
Furniture, Fixtures and Equipment	5,624,131	537,475	0	6,161,606
Vehicles/Fleet	1,621,286	85,034	0	1,706,320
Total Depreciable Capital Assets	53,478,317	1,690,274	0	55,168,591
Total Cost of Capital Assets	58,677,404	3,711,694	0	62,389,098
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(2,523,487)	(65,548)	0	(2,589,035)
Buildings and Improvements	(11,247,830)	(843,443)	0	(12,091,273)
Furniture, Fixtures and Equipment	(3,900,926)	(269,057)	0	(4,169,983)
Vehicles/Fleet	(1,231,841)	(92,514)	0	(1,324,355)
Total Accumulated Depreciation	(18,904,084)	(1,270,562)	0	(20,174,646)
Capital Assets, Net	<u>\$39,773,320</u>	<u>\$2,441,132</u>	<u>\$0</u>	<u>\$42,214,452</u>

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 5 - QUASI-ENDOWMENT**

In 1987, 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 1989, 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, 2009, 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 \$474,736 of the interest earned to this date and has reinvested the remaining interest into the endowment. As of June 30, 2009, the 20 year term has ended for the entire I endowment, and therefore the total principal and interest earnings of \$2,972,509 is available to be used for current operations of the College.

**NOTE 6 - 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.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

**NOTE 7 - 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, 2008	Additions	Reductions	Balance at June 30, 2009	Due Within One Year
<i>Leases and Notes Payable:</i>					
Lease Obligations; 5.75 - 6.25%	\$1,785,751	\$339,480	\$534,492	\$1,590,739	\$575,535
Bond Anticipation Notes; 3.81%	1,598,899	0	0	1,598,899	0
Bond Anticipation Notes; 4.24%	3,000,000	0	100,000	2,900,000	100,000
Total Leases and Notes Payable	6,384,650	339,480	634,492	6,089,638	675,535
<i>Other Liabilities:</i>					
Compensated Absences Payable	762,338	859,026	727,145	894,219	682,766
Total Other Liabilities	762,338	859,026	727,145	894,219	682,766
Total Long-Term Liabilities	<u>\$7,146,988</u>	<u>\$1,198,506</u>	<u>\$1,361,637</u>	<u>\$6,983,857</u>	<u>\$1,358,301</u>

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURES**

The College is obligated under certain leases that are accounted for as capital leases. As of June 30, 2009, \$1,590,739 in capital lease obligations (excluding interest payments) were payable for computer equipment for the 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 2009 totaled \$534,492.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURES - Continued**

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, 2009.

Fiscal Year Ending June 30	Equipment (2007)	Equipment (2007)	Equipment (2006)	Bookstore POS System	Culinary Kitchen and Lab Equipment	Culinary Kitchen Equipment	Computer Equipment	Equipment (2009)	Total
2010	\$91,142	\$8,179	\$250,603	\$14,246	\$32,602	\$40,965	\$114,982	\$93,392	\$646,111
2011	91,142	0	250,604	0	32,602	40,965	114,982	93,392	623,687
2012	91,142	0	125,302	0	5,433	30,724	0	93,392	345,993
2013	0	0	0	0	0	0	0	77,827	77,827
<b>Total</b>									
Payments	273,426	8,179	626,509	14,246	70,637	112,654	229,964	358,003	1,693,618
Less: Interest	(22,927)	(100)	(30,389)	(599)	(1,099)	(5,747)	(11,901)	(30,117)	(102,879)
<b>Net Present Value of Minimum Lease Pmts.</b>	<b>\$250,499</b>	<b>\$8,079</b>	<b>\$596,120</b>	<b>\$13,647</b>	<b>\$69,538</b>	<b>\$106,907</b>	<b>\$218,063</b>	<b>\$327,886</b>	<b>\$1,590,739</b>

**NOTE 9- DEFINED BENEFIT RETIREMENT PLANS**

**A. State Teachers Retirement System**

**Plan Description** - 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, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 9- DEFINED BENEFIT RETIREMENT PLANS - Continued**

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's lifetime contributions and earned interest matched by STRS Ohio funds divided 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity ar age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, 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 to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,238,008, \$2,267,611, and \$2,224,451 respectively; 100 percent has been contributed for fiscal years 2009, 2008, and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$42,393 made by the College and \$69,983 made by the plan members.

**B. School Employees Retirement System**

**Plan Description** - 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.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 9- DEFINED BENEFIT RETIREMENT PLANS - Continued**

**Funding Policy** - 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 2009, 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 up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$671,348, \$712,255, and \$707,963, respectively; 92.52 percent has been contributed for 2009 and 100 percent for years 2008 and 2007.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at [www.strsoh.org](http://www.strsoh.org) or obtain a copy by calling (888)227-7877.

**Funding Policy** - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$172,154, \$174,432 and \$167,279 respectively; 100 percent has been contributed for years 2009, 2008, and 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.7 billion at June 30, 2008 (the latest information year available). For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS had 126,506 eligible benefit recipients.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 10 - POSTEMPLOYMENT BENEFITS - Continued**

**B. School Employees Retirement System**

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

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**The Medicare B plan** - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. Hocking Technical College's contributions for the years ended June 30, 2009, 2008 and 2007 were, \$7,755, \$6,162, \$6,311, respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Hocking Technical College's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$307,239, \$221,413 and \$220,078, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.



**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 11 - 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, 2009, the long-term liability for vested and probable benefits for vacation and sick leave totaled \$211,453, and the short-term liability totaled \$682,766, for a total liability of \$894,219.
- 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 Standard 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 12 - THE INN AT HOCKING COLLEGE**

The Inn at Hocking College (The Inn) 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.

The Inn is the College's enterprise operation for the training of hotel/restaurant technology students and is ran without a formal franchise agreement with any major hotel brands.

For the fiscal year ended June 30, 2009, revenues and expenses at The Inn were \$1,493,685 and \$1,795,284, respectively.

**NOTE 13 - HOCKING HILLS TRAVEL AGENCY**

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, 2009, revenues and expenses at Hocking Hills Travel Agency were \$633,096 and \$687,333, respectively.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 14 - 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 \$10,000,000 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 \$95,457,409 with a \$10,000 deductible per occurrence. The College has a separate policy on The Inn at Hocking College in the amount of \$5,692,362 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 \$21,253,500, \$3,032,100, and \$514,800 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 total salaries from the prior calendar year. This rate is calculated based on accident history and administrative costs.

**NOTE 15 - 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, 2009.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

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**NOTE 15 - 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, 2009.

**NOTE 16 - 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 2009, 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, 2009**

**NOTE 16 - 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, 2009, the carrying amount of all Foundation deposits was \$457,275. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2009, \$79,279 of the Foundation's bank balance of \$479,247 was exposed to custodial risk as discussed above while \$399,967 was covered by Federal Deposit Insurance, Congress enacted temporary legislation to increase FDIC insurance coverage to 250,000 until December 2013. The \$79,279 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, 2009, the Foundation had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	\$187,768	\$187,768
Totals	\$187,768	\$187,768

*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, 2009**

**NOTE 16 - 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, 2009 was as follows:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009
<i>Nondepreciable Capital Assets:</i>				
Land	\$70,114	\$0	\$0	\$70,114
in Progress	13,776,180	7,023,820	(20,800,000)	0
Total Nondepreciable Capital Assets	13,846,294	7,023,820	(20,800,000)	70,114
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	2,232,128	20,800,000	0	23,032,128
Total Cost of Capital Assets	16,078,422	27,823,820	(20,800,000)	23,102,242
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(611,603)	(214,746)	0	(826,349)
Total Accumulated Depreciation	(611,603)	(214,746)	0	(826,349)
Capital Assets, Net	<u>\$15,466,819</u>	<u>\$27,609,074</u>	<u>(\$20,800,000)</u>	<u>\$22,275,893</u>

The most significant capital assets reported by the Foundation are the Hocking Residence Hall buildings. The Foundation reports these buildings since they hold the title, but the operating revenue and expenses of this activity is 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 the buildings.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2009**

**NOTE 16 - 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, 2009:

Purpose	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009	Due Within One Year
<b><u>Long-Term Notes Payable</u></b>					
Hocking Heights Dormitory; 4.25%	\$644,900	\$0	(\$122,800)	\$522,100	\$138,871
Taxidermy Lab & Store; 5.75%	18,161	0	(11,321)	6,840	6,840
Student Housing; 4.00%	13,776,180	7,023,820	(290,000)	20,510,000	265,000
<b>Totals</b>	<b>\$14,439,241</b>	<b>\$7,023,820</b>	<b>(\$424,121)</b>	<b>\$21,038,940</b>	<b>\$410,711</b>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2009 are as follows:

Year Ended June 30	Hocking Heights Dormitory	Taxidermy Lab & Store	Student Housing	Totals
2010	\$147,803	\$7,000	\$1,086,242	\$1,241,045
2011	147,804	0	1,170,944	1,318,748
2012	147,803	0	1,173,047	1,320,850
2013	135,486	0	1,180,240	1,315,726
2014	0	0	1,180,719	1,180,719
2015-2019	0	0	5,959,040	5,959,040
2020-2024	0	0	6,051,219	6,051,219
2025-2029	0	0	6,179,154	6,179,154
2030-2034	0	0	6,328,453	6,328,453
2035-2038	0	0	5,207,043	5,207,043
<b>Total Payments</b>	<b>578,896</b>	<b>7,000</b>	<b>35,516,101</b>	<b>36,101,997</b>
<b>Less: Interest</b>	<b>(56,796)</b>	<b>(160)</b>	<b>(15,006,101)</b>	<b>(15,063,057)</b>
<b>Principal Due</b>	<b>\$522,100</b>	<b>\$6,840</b>	<b>\$20,510,000</b>	<b>\$21,038,940</b>

**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child and Adult Care Food Program	2009	10.558	\$ 6,297	\$ 6,297
Total U.S. Department of Agriculture			6,297	6,297
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Passed Through Perry County Department of Job and Family Services:</i>				
WIA Youth Activities	2009	17.259	157,379	179,169
Total U.S. Department of Labor			157,379	179,169
<b><u>APPALACHIAN REGIONAL COMMISSION</u></b>				
<i>Passed Through Ohio Department of Development:</i>				
Appalachian Area Development - Energy Center Grant	2009	23.002	20,883	112,725
Total Appalachian Regional Commission			20,883	112,725
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through Athens County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families (TANF)	2008/2009	93.558	10,450	47,982
Total U.S. Department of Health and Human Services			10,450	47,982
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Direct from the Federal Government:</i>				
Student Financial Aid Cluster				
Federal Supplemental Education Opportunity Grants	2009	84.007	175,269	175,269
Federal Work-Study Program	2009	84.033	219,743	219,890
Federal Pell Grant Program	2008/2009	84.063	8,648,527	8,650,324
Federal Direct Student Loans	2009	84.268	22,059,513	22,059,324
Academic Competitiveness Grants	2009	84.375	32,232	32,415
Total Student Financial Aid Cluster			31,135,284	31,137,222
Endowment Challenge Grant Program (See Note 2)	2009	84.031G	36,053	0
TRIO - Student Support Services	2009	84.042	250,295	268,912
TRIO - Talent Search	2009	84.044A	203,636	221,744
Grants to States for Workplace and Community Transition				
Training for Incarcerated Individuals	2009	84.331	228,834	228,834
<i>Passed Through Ohio Department of Education:</i>				
Career and Technical Education - Basic Grants to States	2009	84.048	311,132	303,210
Tech-Prep Education	2009	84.243	224,294	215,846
Total U.S. Department of Education			32,389,528	32,375,768
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 32,584,537</b>	<b>\$ 32,721,941</b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is 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, 2009**

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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, 2009, were \$1,279,624. Grant and matching funds are equally split.

Cumulative investment income, less allowable expenditures, of the grant and matching funds totaled \$1,729,366 through the fiscal year ended June 30, 2009.

Grant funds received in 1987 and 1989 are restricted for 20 years.

**Note 3 - Federal Direct Loan Program**

During the fiscal year ended June 30, 2009, the College processed \$22,059,324 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, 2009**

	Salaries	Benefits	Services	Supplies	Utilities	Other	Totals
Educational and General:							
Instructional and Departmental Research	\$17,186,615	\$5,472,075	\$2,239,375	\$110,668	\$43,279	\$304,981	\$25,356,993
Public Service	197,006	25,132	10,069	0	0	344,394	576,601
Academic Support	2,010,584	686,704	196,449	42,521	1,220	24,125	2,961,603
Student Services	3,250,322	1,094,708	317,452	45,804	168,576	184,701	5,061,563
Institutional Support	1,694,228	642,891	248,117	784,101	119	1,292,175	4,661,631
Operation and Maintenance of Plant	701,935	248,012	270,867	13,939	828,613	5,997	2,069,363
Scholarships and Fellowships	0	0	0	0	0	5,576,459	5,576,459
Depreciation	0	0	0	0	0	1,270,562	1,270,562
Auxiliary Services	1,928,502	492,662	3,134,231	862,766	492,618	1,808,115	8,718,894
<i>Totals</i>	<u>\$26,969,192</u>	<u>\$8,662,184</u>	<u>\$6,416,560</u>	<u>\$1,859,799</u>	<u>\$1,534,425</u>	<u>\$10,811,509</u>	<u>\$56,253,669</u>

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# Mary Taylor, CPA

Auditor of State

## 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 the discretely presented component unit of Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

We consider finding 2009-001 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the College's management in a separate letter dated November 30, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the College's management in a separate letter dated November 30, 2009.

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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 30, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 its major federal program for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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 other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

#### Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that the College's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009**

**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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<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 significant deficiencies in internal control 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 Student Loans – CFDA # 84.268  Academic Competitiveness Grants – CFDA # 84.375
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 981,658 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**FINDING NUMBER 2009-001**

**Significant Deficiency**

The College is the fiscal agent for International Field Studies, Inc. (IFS), a not-for-profit corporation created under Internal Revenue Code Section 501(c)(3). While the College accounts for the financial activity of IFS in a separate fund within the accounting system, all revenues and expenses of IFS flow through the College's general checking account. This results in the commingling of public and private funds.

As of June 30, 2009, the College reported a negative balance of \$16,183 in the IFS fund that indicates the College used public monies to cover the expenses of IFS.

We recommend the College monitor International Field Studies' fund balances regularly and deny payment of expenses whenever the fund is in deficit. In addition, the use of public funds to cover the expenses of IFS may result in findings for recovery if negative balances continue.

**Officials' Response:** Steps and measures have been established to monitor cash on hand for IFS and to deny expenditures if the fund balance is a deficit. Although the fund balance doesn't show until we do the credit to IFS, there are times during the year that the College receives a large amount of payments from students, understating the fund balance until we do the crediting to IFS. This will be an element to the IFS fund balance that we will consider.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315 (b)  
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Significant Deficiency relating to the President's Development Fund balances, credit card expenses and charges.	Yes	NA





**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 22, 2009**