



**Auditor of State  
Betty Montgomery**



**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

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**HOCKING TECHNICAL COLLEGE**  
**Appointed Officials**  
**June 30, 2003**

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<b><i>NAME</i></b>	<b><i>TITLE</i></b>	<b><i>TERM EXPIRES</i></b>
Ms. Carol Mackey	Chairperson	August 2004
Mr. J. Thomas Hill, CPA	Vice Chairperson	August 2003
Dr. Jack H. Cline	Trustee	August 2003
Mr. Robert Sullivan	Trustee	August 2003
Mr. Jack Maurer	Trustee	August 2004
Ms. Patricia Light	Trustee	August 2004
Mr. Richard Brandt	Trustee	August 2005
Mr. Larry Willard	Trustee	August 2005
Mr. Ellsworth Holden, CPA	Trustee	August 2005

**HOCKING TECHNICAL COLLEGE**  
**Administrative Personnel**  
**June 30, 2003**

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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, 2003***

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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  
Uniglobe Travel Fund  
College Work Study (CWS) Program Fund  
Technical Preparation Grant Fund  
Campus Compact Grant Fund  
Support Services Grant Fund  
Athens County Department of Job and Family Services (ACDJFS) Grant Fund  
Child Care Grant Fund  
Talent Search Grant Fund  
Millfield Mine Museum Fund  
Pennsylvania Higher Education Fund  
Ohio Instructional Grant (OIG) Fund  
Supplemental Educational Opportunity Grant (SEOG) Fund  
Scholarship Fund  
Perkins Grant Fund  
Pell Grant Fund  
Perry County Department of Job and Family Services (PCDJFS) WIA Youth 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  
Day Reporting Grant Fund  
Technical Education Equipment Grant Fund  
Southeastern Probation Treatment Alternative (SEPTA) Center Construction Fund  
Ramada Inn Fund  
President's Development Fund

**COMPONENT UNIT**

Hocking College Foundation, Inc.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2003, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely present component unit of Hocking Technical College, Athens County, Ohio, as of June 30, 2003, and the respective changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to form opinions 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 Schedule of Federal Awards Revenues and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, 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 Schedule of Federal Awards Revenues and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

November 24, 2003



## Management's Discussion and Analysis

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

### Using this Report

In June 1999, GASB released statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-column look at the entity as a whole, including capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies these standards to public colleges and universities.

The major changes from the fund basis financial statements presented by the College in the past and the "one-column look at the entity as a whole" are as follows:

- New reporting standards - Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows
- Recording of depreciation expense on the Statement of Revenues, Expenses and Changes in Net Assets, and capital assets, net of accumulated depreciation on the Statement of Net Assets
- Capitalizing all capital expenditures on the Statement of Net Assets instead of recording as an expense
- Establishing an operating and nonoperating basis of reporting whereby revenues that are charges for services are recorded as operating revenues. Essentially all other types of revenue are nonoperating or other revenue
- Netting tuition and fees for scholarship allowances that were also reported as federal and state grant revenue

This annual financial report includes the Report of Independent Accountants, this management's discussion and analysis, the basic financial statements in the above referred format and notes to the basic financial statements.

### Financial Highlights

The College's financial position increased during the fiscal year ended June 30, 2003. The current assets decreased \$4.6 million or 43.0% from the previous fiscal year due to investments maturing during the current fiscal year that were re-invested into financial instruments which will mature beyond the next fiscal year. At the same time, long-term liabilities decreased \$3.9 million or 88.6% from the previous fiscal year due primarily to the retirement of \$3.7 million in bond anticipation notes. In total, the College's net assets increased \$4.5 million or 11.4% from the previous fiscal year. The increase in net assets resulted primarily from additional capital appropriations that were made available to retire the bond anticipation notes and the completion of the student center construction project, both of which increased the net assets invested in capital assets.

During the fiscal year ended June 30, 2003, the College's revenues and other support exceeded expenses, creating an increase in net assets of \$4.5 million (the College also experienced a \$4.5 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>				
	2003	2002	Increase (Decrease)	Percent Change
Current Assets	\$6.1	\$10.7	(\$4.6)	(43.0)%
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	38.4	36.3	2.1	5.8%
Other	3.5	0.3	3.2	1066.7%
Total Assets	<u>\$48.0</u>	<u>\$47.3</u>	<u>\$0.7</u>	1.5%
Current Liabilities	\$3.4	\$3.3	0.1	3.0%
Long-Term Liabilities	0.5	4.4	(3.9)	(88.6)%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	37.9	31.9	6.0	18.8%
Restricted - Expendable	5.1	6.7	(1.6)	(23.9)%
Unrestricted	1.1	1.0	0.1	10.0%
Total Net Assets	<u>44.1</u>	<u>39.6</u>	<u>4.5</u>	11.4%
Total Liabilities and Net Assets	<u>\$48.0</u>	<u>\$47.3</u>	<u>\$0.7</u>	1.5%

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

- Current asset decreases and other noncurrent asset increases which indicate that investments maturing during the current fiscal year were re-invested into financial instruments that will mature beyond the next fiscal year.
- Capital asset increases which resulted from the completion of the student center construction project.
- Long-term liability decreases resulting from the retirement of the bond anticipation notes that were incurred for the student center construction project.
- Net asset increases which resulted primarily from additional capital appropriations that were made available to retire the bond anticipation notes and the completion of the student center construction project, both of which increased the net assets invested in capital assets.

<b>Operating Results for the Year (in millions)</b>
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	2003	2002	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	\$11.4	\$11.2	\$0.2	1.8%
Grants and Contracts	7.0	5.8	1.2	20.7%
Sales and Services of Departments	0.9	0.9	0.0	0.0%
Auxiliary Services	5.6	5.6	0.0	0.0%
Other Operating Revenue	0.1	0.2	(0.1)	(50.0)%
<b>Total Operating Revenues</b>	<b>25.0</b>	<b>23.7</b>	<b>1.3</b>	<b>5.5%</b>
Operating Expenses:				
Instructional and Departmental Research	20.5	20.1	0.4	2.0%
Public Service	0.7	0.8	(0.1)	(12.5)%
Academic Support	1.8	1.8	0.0	0.0%
Student Services	4.7	4.4	0.3	6.8%
Institutional Support	3.3	3.5	(0.2)	(5.7)%
Operation and Maintenance of Plant	1.0	1.5	(0.5)	(33.3)%
Scholarships and Fellowships	2.0	3.1	(1.1)	(35.5)%
Depreciation	1.4	1.6	(0.2)	(12.5)%
Auxiliary Services	5.7	5.7	0.0	0.0%
<b>Total Operating Expenses</b>	<b>41.1</b>	<b>42.5</b>	<b>(1.4)</b>	<b>(3.3)%</b>
Operating Income (Loss)	(16.1)	(18.8)	2.7	14.4%
Nonoperating Revenues (Expenses):				
State Appropriations	16.5	17.4	(0.9)	(5.2)%
Net Investment Income and Other	0.4	0.3	0.1	33.3%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>16.9</b>	<b>17.7</b>	<b>(0.8)</b>	<b>(4.5)%</b>
Other Revenues:				
Capital Appropriations	3.4	5.4	(2.0)	(37.0)%
Net Capital Grants, Gifts and Other	0.3	0.2	0.1	50.0%
<b>Total Other Revenues</b>	<b>3.7</b>	<b>5.6</b>	<b>(1.9)</b>	<b>(33.9)%</b>
Increase in Net Assets	4.5	4.5	0.0	0.0%
Net Assets - Beginning of Year	39.6	35.1	4.5	12.8%
<b>Net Assets - End of Year</b>	<b>\$44.1</b>	<b>\$39.6</b>	<b>\$4.5</b>	<b>11.4%</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, Ramada Inn Motel and Uniglobe 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 \$.2 million or 1.8% from the offsetting effects of a Board-approved tuition increase of 7.1% and an increase in scholarship allowances of 39.9%.
- Grants and contracts revenues increased in total primarily from a \$.5 million increase in PELL grant revenue and a \$.8 million increase in grant revenue from International Field Studies grant. A decrease in other programs funded by state and local sources resulted in \$.1 million less revenue.

## **Operating Expenses**

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

- Instructional and department research costs increased only \$.4 million or 2.0% following the implementation of budget tightening measures by the College which eliminated special instructional programs being offered that were not self-sustaining, and certain faculty positions that were associated with those special instructional programs.
- Student service costs increased \$.3 million or 6.8% due to increased expenses relating to the new student center which opened during the current fiscal year.
- Institutional support costs and operation and maintenance costs decreased due to budget tightening measures by the College and the nonreplacement of several administrative positions.
- Scholarship and fellowship costs decreased due to a shift in more financial responsibility to students and an increase in scholarship allowances, which reduce both tuition and fee revenues, and scholarship and fellowship expenses.

## **Nonoperating Revenues**

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

Nonoperating revenue changes were primarily the result of State appropriation decreases of \$.9 million or 5.2%, that went into effect during the current fiscal year but were made retroactive to the beginning of the current fiscal year.

## **Other Revenues**

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

The change in other revenues was primarily the result of the State's capital appropriation decrease of \$2.0 million. Since the student center construction project was completed early in the current fiscal year, this revenue will be nonexistent during the fiscal year ended June 30, 2004.

## **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>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Cash from:				
Operating Activities	(\$14.0)	(\$16.5)	\$2.5	15.2%
Noncapital Financing Activities	16.7	17.4	(0.7)	(4.0)%
Capital and Related Financing Activities	(3.8)	(2.1)	(1.7)	(81.0)%
Investing Activities	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0%</u>
Net Increase (Decrease) in Cash	(1.0)	(1.1)	0.1	9.1%
Cash - Beginning of Year	<u>4.3</u>	<u>5.4</u>	<u>(1.1)</u>	<u>(20.4)%</u>
Cash - End of Year	<u><u>\$3.3</u></u>	<u><u>\$4.3</u></u>	<u><u>(\$1.0)</u></u>	<u><u>(23.3)%</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 increased due to increases in tuition and fees, and grants and contracts, as well as decreases from various budget tightening measures in operational costs.

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

The major source of cash from capital and related financing activities is the capital appropriations from the State for the student center construction project, while cash outlays include payments for the construction project and other capital assets, and principal paid on the note debt and leases that were incurred to acquire these capital assets. Net cash from capital and related financing activities decreased due to the principal payment made to retire a significant portion of the bond anticipation note debt.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2003, the College had \$38.4 million invested in capital assets, net of accumulated depreciation of \$16.6 million. Depreciation charges totaled \$1.4 million for the current fiscal year compared to \$1.6 million last year. Details of these assets for the past two years are shown below.

<b>Capital Assets - Net of Accumulated Depreciation as of June 30 (in millions)</b>
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	2003	2002	Increase (Decrease)
Land	\$4.5	\$4.4	\$0.1
Construction in Progress	0.0	6.3	(6.3)
Land Improvements	0.6	0.7	(0.1)
Buildings and Improvements	29.0	20.7	8.3
Furniture, Fixtures, and Equipment	3.3	3.0	0.3
Vehicles/Fleet	0.4	0.5	(0.1)
Library Holdings	0.6	0.7	(0.1)
Total	<u>\$38.4</u>	<u>\$36.3</u>	<u>\$2.1</u>

The major capital addition this year was for \$2.5 million to complete the student center construction project which was funded with capital appropriations from the State and bond anticipation notes. The total cost of this project was \$8.2 million with all of it being completed by the end of the current fiscal year.

Beginning in the fall quarter of the 2002-2003 academic year, the Board of Trustees approved the assessment of a fee to each student of \$45 per quarter that will be used for the operation of the student center and is anticipated to generate \$.8 million annually in revenue. More detailed information about the College's capital assets is presented in the notes to the basic financial statements.

### **Debt**

At June 30, 2003, the College had \$.5 million in debt outstanding versus \$4.4 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>
---

	2003	2002	Increase (Decrease)
Bond Anticipation Notes	\$0.2	\$3.9	(\$3.7)
Lease Obligations	0.3	0.5	(0.2)
Total	<u>\$0.5</u>	<u>\$4.4</u>	<u>(\$3.9)</u>

The College retired \$3.7 million debt outstanding on the bond anticipation notes with capital appropriations from the State. 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, 2004. Appropriations for the upcoming fiscal year are projected at \$16.5 million, and are consistent with revenues from the current fiscal year. In addition, the Board of Trustees approved an increase of 6.0% in tuition rates for the upcoming fiscal year.

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

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**HOCKING TECHNICAL COLLEGE**  
**Statement of Net Assets**  
**June 30, 2003**

	Primary Institution	Component Unit Foundation
<b>ASSETS:</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$3,263,023	\$29,150
Endowment Investments	166,864	0
Other Short-Term Investments	79,232	166,340
Accounts Receivable	1,133,875	0
Intergovernmental Receivables	661,517	0
Inventories	703,910	0
Prepaid Expenses	53,467	0
Accrued Interest Receivable	26,082	479
<i>Total Current Assets</i>	<u>6,087,970</u>	<u>195,969</u>
<i>Noncurrent Assets:</i>		
Endowment Investments	2,555,626	0
Other Long-Term Investments	908,100	14,998
Nondepreciable Capital Assets	4,492,156	68,879
Depreciable Capital Assets, Net of Accumulated Depreciation	33,941,908	3,623,257
<i>Total Noncurrent Assets</i>	<u>41,897,790</u>	<u>3,707,134</u>
<b>TOTAL ASSETS</b>	<u>47,985,760</u>	<u>3,903,103</u>
<b>LIABILITIES:</b>		
<i>Current Liabilities:</i>		
Accounts Payable and Other Accrued Liabilities	1,549,504	153
Deposits Held in Custody for Others	538,556	0
Deferred Revenue	460,174	0
Long-Term Liabilities - Current Portion	866,711	244,530
<i>Total Current Liabilities</i>	<u>3,414,945</u>	<u>244,683</u>
<i>Long-Term Liabilities:</i>		
Long-Term Liabilities	456,238	1,221,882
<i>Total Long-Term Liabilities</i>	<u>456,238</u>	<u>1,221,882</u>
<b>TOTAL LIABILITIES</b>	<u>3,871,183</u>	<u>1,466,565</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt	37,936,270	2,225,724
<i>Restricted for:</i>		
<i>Quasi-Endowment:</i>		
Nonexpendable	2,010,451	0
Expendable	730,828	0
Instructional Departmental Uses	1,017,152	0
Capital Projects	1,324,551	0
Loans	11,680	0
Unrestricted	1,083,645	210,814
<b>TOTAL NET ASSETS</b>	<u>\$44,114,577</u>	<u>\$2,436,538</u>

The accompanying notes are an integral part of this statement.

**HOCKING TECHNICAL COLLEGE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2003**

	Primary Institution	Component Unit Foundation
<b>REVENUES:</b>		
<i>Operating Revenues:</i>		
Student Tuition and Fees (Net of Scholarship Allowances of \$4,207,547)	\$11,445,410	\$0
Federal Grants and Contracts	6,290,619	0
State and Local Grants and Contracts	753,348	0
Sales and Services of Educational Departments	861,543	0
Auxiliary Services Revenues (Net of Scholarship Allowances of \$364,957)	5,588,815	0
Other Operating Revenue	66,014	362,428
<i>Total Operating Revenues</i>	25,005,749	362,428
<b>EXPENSES:</b>		
<i>Operating Expenses:</i>		
<i>Educational and General:</i>		
Instructional and Departmental Research	20,519,105	0
Public Service	704,511	0
Academic Support	1,835,185	0
Student Services	4,726,116	0
Institutional Support	3,292,016	0
Operation and Maintenance of Plant	989,341	0
Scholarships and Fellowships	1,999,855	0
Depreciation	1,386,269	71,946
Auxiliary Services	5,668,665	0
Other Operating Expenses	0	39,572
<i>Total Operating Expenses</i>	41,121,063	111,518
<b>OPERATING INCOME (LOSS)</b>	(16,115,314)	250,910
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State Appropriations	16,551,618	0
Gifts	146,068	13,760
Investment Income	250,626	9,679
Interest on Capital Asset-Related Debt	(26,916)	(85,325)
<i>Total Nonoperating Revenues (Expenses)</i>	16,921,396	(61,886)
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	806,082	189,024
Capital Appropriations	3,411,675	0
Capital Grants and Gifts	318,963	0
Loss on Disposal of Capital Assets	(25,786)	0
<b>INCREASE IN NET ASSETS</b>	4,510,934	189,024
<b>NET ASSETS - Beginning of Year</b>	39,603,643	2,247,514
<b>NET ASSETS - End of Year</b>	\$44,114,577	\$2,436,538

The accompanying notes are an integral part of this statement.

**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2003**

	Primary Institution	Component Unit Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and Fees	\$11,894,384	\$0
Grants and Contracts	7,797,935	0
Payments to Employees	(27,587,962)	0
Payments to Suppliers	(5,623,360)	0
Payments for Utilities	(1,270,607)	0
Payments for Contractual Services	(1,201,729)	0
Payments for Scholarships and Fellowships	(3,162,446)	0
Auxiliary Services Charges	5,518,452	0
Sales and Services of Educational Departments	837,087	0
Other Receipts (Payments)	(1,228,671)	322,856
<i>Net Cash from Operating Activities</i>	<u>(14,026,917)</u>	<u>322,856</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State Appropriations	16,551,618	0
Gifts Received for Other Than Capital Purposes	146,068	13,760
<i>Net Cash from Noncapital Financing Activities</i>	<u>16,697,686</u>	<u>13,760</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Capital Debt	251,300	0
Capital Appropriations	3,411,675	0
Capital Grants and Gifts Received	318,963	0
Purchases of Capital Assets	(3,490,674)	0
Principal Paid on Capital Debt and Leases	(4,201,808)	(237,392)
Interest Paid on Capital Debt and Leases	(26,916)	(85,325)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(3,737,460)</u>	<u>(322,717)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sales and Maturities of Investments	3,330,436	0
Interest on Investments	251,255	9,679
Purchase of Investments	(3,531,312)	(16,233)
<i>Net Cash from Investing Activities</i>	<u>50,379</u>	<u>(6,554)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(1,016,312)</u>	<u>7,345</u>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>4,279,335</u>	<u>21,805</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u>\$3,263,023</u></u>	<u><u>\$29,150</u></u>

(Continued)

**HOCKING TECHNICAL COLLEGE**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2003**

	Primary Institution	Component Unit Foundation
<b>Reconciliation of Net Operating Income (Loss) to Net Cash from Operating Activities:</b>		
Operating Income (Loss)	(\$16,115,314)	\$250,910
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	1,386,269	71,946
Change in Assets and Liabilities:		
Receivables, Net	(17,619)	0
Inventories	(16,501)	0
Prepaid Expenses	(1,162)	0
Other Assets	665,568	0
Accounts Payable and Other Accrued Liabilities	(868,445)	0
Compensated Absences	59,519	0
Deferred Revenue	460,174	0
Deposits Held in Custody for Others	420,594	0
	<u>(\$14,026,917)</u>	<u>\$322,856</u>
<i>Net Cash from Operating Activities</i>	<u>(\$14,026,917)</u>	<u>\$322,856</u>

The accompanying notes are an integral part of this statement.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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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 Ramada Inn - Hocking Valley and Uniglobe 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, 2003**

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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 33 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, 2003 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, 2003**

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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 Ramada Inn - Hocking Valley, 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 2003, 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, 2003 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

**G. Inventory**

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

**H. Capital Assets**

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

<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
Library Holdings	3-15

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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

**I. Compensated Absences**

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

**J. Pensions**

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

**K. Operating Revenues**

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

**L. Scholarship Allowances and Student Aid**

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

**M. Federal Financial Assistance Programs**

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

During the fiscal year ended June 30, 2003, the College distributed \$7,815,334 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 \$1,083,645 at June 30, 2003 includes \$994,650 held for auxiliary services, with \$88,995 remaining for other purposes.



**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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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.

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

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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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 (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for arbitrage, the use of leverage and short selling are also prohibited. Any investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:** At June 30, 2003, the carrying amount of the College's deposits was \$6,890,943 and the bank balance was \$8,903,058. All of the bank balance was protected by either federal depository insurance or qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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

**Investments:** GASB Statement No. 3 requires the College to categorize investments to give an indication of the level of risk assumed by the College at year end. Category 1 includes investments that are insured or registered for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the College's name.

	Category 2	Carrying Value	Fair Value
Stocks	\$81,902	\$81,902	\$81,902

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.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,890,943	\$81,902
<i>Investments:</i>		
Certificates of Deposit	(3,627,920)	3,627,920
GASB Statement No. 3	\$3,263,023	\$3,709,822

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2003 was as follows:

	Balance at July 1, 2002	Additions	Reductions	Balance at June 30, 2003
<i>Nondepreciable Capital Assets:</i>				
Land	\$4,438,916	\$53,240	\$0	\$4,492,156
Construction in Progress	6,255,342	1,976,267	8,231,609	0
Total Nondepreciable Capital Assets	10,694,258	2,029,507	8,231,609	4,492,156
<i>Depreciable Capital Assets:</i>				
Land Improvements	2,894,774	0	0	2,894,774
Buildings and Improvements	26,232,556	8,796,609	0	35,029,165
Furniture, Fixtures and Equipment	9,591,503	832,549	164,649	10,259,403
Vehicles/Fleet	1,352,726	14,765	7,260	1,360,231
Library Holdings	944,044	48,853	24,917	967,980
Total Depreciable Capital Assets	41,015,603	9,692,776	196,826	50,511,553
Total Cost of Capital Assets	51,709,861	11,722,283	8,428,435	55,003,739
<i>Less Accumulated Depreciation:</i>				
Land Improvements	2,201,373	110,201	0	2,311,574
Buildings and Improvements	5,492,607	524,720	0	6,017,327
Furniture, Fixtures and Equipment	6,531,328	517,696	139,952	6,909,072
Vehicles/Fleet	874,685	91,810	6,171	960,324
Library Holdings	254,423	141,842	24,917	371,348
Total Accumulated Depreciation	15,354,416	1,386,269	171,040	16,569,645
Capital Assets, Net	\$36,355,445	\$10,336,014	\$8,257,395	\$38,434,094

**NOTE 5 - QUASI-ENDOWMENT**

In 1985, the College was awarded \$446,499 from the U.S. Department of Education to create an endowment (Corpus I). The stipulation to receiving this award was that the College had to match this grant dollar for dollar and the corpus as well as interest earned on the corpus must be preserved for 20 years. In 1987, the College was awarded an additional \$193,313 from the U.S. Department of Education (Corpus II) with the same stipulation. As of June 30, 2003, 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 \$83,911 of the interest earned to this date and has reinvested the remaining interest into the endowment. As of June 30, 2003, the total principal and interest earnings accumulated in the endowment is \$2,741,279.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**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.

**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, 2002	Additions	Reductions	Balance at June 30, 2003	Due Within One Year
Leases and Notes Payable:					
Lease Obligations; 5.75 - 6.25%	\$518,302	\$60,000	\$271,808	\$306,494	\$235,455
Bond Anticipation Notes; 5%	3,930,000	0	3,738,700	191,300	100,000
<b>Total Leases and Notes Payable</b>	<b>4,448,302</b>	<b>60,000</b>	<b>4,010,508</b>	<b>497,794</b>	<b>335,455</b>
Other Liabilities:					
Compensated Absences Payable	765,636	1,047,146	987,627	825,155	531,256
<b>Total Other Liabilities</b>	<b>765,636</b>	<b>1,047,146</b>	<b>987,627</b>	<b>825,155</b>	<b>531,256</b>
<b>Total Long-Term Liabilities</b>	<b>\$5,213,938</b>	<b>\$1,107,146</b>	<b>\$4,998,135</b>	<b>\$1,322,949</b>	<b>\$866,711</b>

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. Any period in excess of five years must be deducted from the permitted maximum maturity of bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the original five year period.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 7 - LONG-TERM LIABILITIES - Continued**

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the College, or a combination of these sources. All notes are backed by the full faith and credit of the College and are reported as a liability in the fund which received the note proceeds.

The annual requirements to amortize the bond anticipation notes outstanding as of June 30, 2003, are as follows:

Fiscal Year Ending June 30	Bond Anticipation Notes
2004	\$114,600
2005	95,865
Total Payments	210,465
Less: Interest	(19,165)
Principal Due	<u>\$191,300</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, 2003, \$306,494 in capital lease obligations (excluding interest payments) were payable for equipment for the Perry County facility, computer equipment for administrative office, maintenance equipment for the main campus and equipment for the dormitory. 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 2003 totaled \$271,808.

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, 2003.

Fiscal Year Ending June 30	Computer Equipment	Maintenance Equipment (2000)	Maintenance Equipment (2002)	Maintenance Equipment (2003)	Dormitory Equipment	Total
2004	\$36,313	\$18,743	\$118,924	\$21,216	\$45,973	\$241,169
2005	0	18,743	19,821	21,215	7,662	67,441
2006	0	0	0	5,304	0	5,304
Total Payments	36,313	37,486	138,745	47,735	53,635	313,914
Less: Interest	(1,152)	(2,998)	0	(2,090)	(1,180)	(7,420)
Net Present Value of Minimum Lease Pmts.	<u>\$35,161</u>	<u>\$34,488</u>	<u>\$138,745</u>	<u>\$45,645</u>	<u>\$52,455</u>	<u>\$306,494</u>

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 9- DEFINED BENEFIT RETIREMENT PLANS**

**A. State Teachers Retirement System:** The faculty of Hocking Technical College are covered by the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary. The College is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year ended June 30, 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,946,603, \$1,379,609, and \$1,392,999, respectively; all of the required contributions have been made for 2003, 2002, and 2001. As of June 30, 2003, no liability is recorded by the College for STRS obligations.

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

**B. School Employees Retirement System:** The College contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute in Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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

Plan members are required to contribute 9 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 2003, 8.17 percent was the portion used to fund pension obligations. For fiscal year ended June 30, 2002, 5.46 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to a statutory maximum amount, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$447,158, \$216,152, and \$200,621, respectively; 92.10 percent has been contributed for 2003 and 100 percent for years 2002 and 2001. Of the 2003 amount, \$35,341 was unpaid at June 30, 2003 and is recorded as a current liability.

- C. Social Security:** Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, the College did not have any employees covered by the Social Security system. The College's liability would be 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the College, this amount equaled \$149,739 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002 (the latest information year available), the balance in the Health Care Stabilization Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and there were 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the College, the amount to fund health care benefits, including the surcharge, equaled \$319,085 during the 2003 fiscal year.



**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 10 - POSTEMPLOYMENT BENEFITS - Continued**

The target level for the health care reserve is 150% of annual health care expenses. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the retirement system's net assets available for payment of health care benefits were \$335.2 million. The number of participants currently receiving health care benefits is approximately 50,000.

**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, 2003, the long-term liability for vested and probable benefits for vacation and sick leave totaled \$293,899, and the short-term liability totaled \$531,256, for a total liability of \$825,155.

**B. Insurance Benefits:** Medical/surgical, prescription drugs, and vision insurance is offered to employees through Medical Mutual Benefits Insurance of Ohio. The College pays monthly premiums from the same funds that pay employees' salaries. Dental insurance is provided by CoreSource Insurance Company. The College provides life insurance and accidental death and dismemberment insurance to employees through Fortis Insurance Company.

**C. Deferred Compensation:** College employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

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

**NOTE 12 - RAMADA INN-HOCKING VALLEY**

The Ramada Inn is a full-time motel, restaurant and lounge that serves the public. Employees of the Inn are employees of the College.

On January 29, 1998, the College entered into a franchise agreement with Cendant Corporation, for marketing and operational support services. As a result, the name of the College's enterprise operation for the training of hotel/restaurant technology students, formerly the Quality Inn-Hocking Valley, was changed to Ramada Inn-Hocking Valley. The initial franchise fee of \$17,500 was waived. However, a continuing franchise fee was established, at 4.5% of gross room revenues for 15 years, beginning in 1998.

For the fiscal year ended June 30, 2003, revenues and expenses at the Ramada Inn were \$1,184,262 and \$1,206,334, respectively.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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**NOTE 13 - UNIGLOBE TRAVEL**

On November 19, 1990, the College entered into a franchise agreement with Uniglobe Travel, for marketing and operational support services. As a result, the name of the College's enterprise operation for the training of travel/tourism technology students, formerly the AAA Travel Agency, was changed to Uniglobe Travel Agency. The Uniglobe 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 was retained by the College. The initial franchise fee was \$15,000. A continuing franchise fee was established at \$750 per month.

For the fiscal year ended June 30, 2003, revenues and expenses at Uniglobe Travel Agency were \$1,114,931 and \$1,097,927, respectively.

**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 \$5,000,000 excess liability policy that provides coverage beyond the general liability and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

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

The College maintains replacement cost insurance on buildings and contents, excluding the Ramada Inn-Hocking Valley, in the amount of \$64,277,980 with a \$10,000 deductible per occurrence. The College has a separate policy on the Ramada Inn - Hocking Valley in the amount of \$4,724,718 with a \$1,000 deductible per occurrence. The College maintains tuition and fees insurance, and room and board rental insurance in the amounts of \$13,930,105 and \$1,200,000, respectively. Additionally, the College has a special liquor insurance policy in the amount of \$1,000,000 for the operations of the restaurant and lounge in the Ramada Inn - Hocking Valley. With the operations of the Uniglobe Travel Agency, the College has a special policy for professional liability for travel agents in the amount of \$1,000,000.

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

**NOTE 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, 2003.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

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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, 2003.

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

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 2003, 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, 2003**

**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".

**Deposits:** At June 30, 2003, the carrying amount of the Foundation's deposits was \$195,490, and the bank balance was \$211,336. The Foundation has invested these funds in certificates of deposits and savings accounts. All of the bank balance was protected by either federal depository insurance or a qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

**Investments:** GASB Statement No. 3 requires the College to categorize investments to give an indication of the level of risk assumed by the Foundation at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Foundation or its agent in the Foundation's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counter party's trust department or agent in the Foundation's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department or agent but not in the Foundation's name.

	Category 2	Carrying Value	Fair Value
Stocks	\$14,998	\$14,998	\$14,998

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.

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**NOTE 16 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued**

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$29,150	\$181,338
<i>Investments:</i>		
Certificates of Deposit	166,340	(166,340)
GASB Statement No. 3	\$195,490	\$14,998

**Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows:

	Balance at July 1, 2002	Additions	Reductions	Balance at June 30, 2003
<i>Nondepreciable Capital Assets:</i>				
Land	\$68,879	\$0	\$0	\$68,879
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	4,232,128	0	0	4,232,128
Total Cost of Capital Assets	4,301,007	0	0	4,301,007
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	536,925	71,946	0	608,871
Total Accumulated Depreciation	536,925	71,946	0	608,871
Capital Assets, Net	\$3,764,082	(\$71,946)	\$0	\$3,692,136

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

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2003**

**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, 2003:

Purpose	Balance at July 1, 2002	Additions	Reductions	Balance at June 30, 2003	Due Within One Year
<b><u>Long-Term Notes Payable</u></b>					
Hocking Heights Dormitory; 4.25%	\$1,281,345	\$0	\$103,126	\$1,178,219	\$100,008
Taxidermy Lab & Store; 6.30%	73,413	0	7,735	65,678	7,285
<b>Total Long-Term Notes Payable</b>	<b>1,354,758</b>	<b>0</b>	<b>110,861</b>	<b>1,243,897</b>	<b>107,293</b>
<b><u>Long-Term Loan Payable</u></b>					
Motel Renovation Loan; 8%	349,046	0	126,531	222,515	137,237
<b>Totals</b>	<b>\$1,703,804</b>	<b>\$0</b>	<b>\$237,392</b>	<b>\$1,466,412</b>	<b>\$244,530</b>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2003 are as follows:

Year Ended June 30	Hocking Heights Dormitory	Taxidermy Lab & Shop	Motel Renovation	Totals
2004	\$157,714	\$12,000	\$150,206	\$319,920
2005	157,714	12,000	87,620	257,334
2006	157,714	12,000	0	169,714
2007	157,715	12,000	0	169,715
2008	157,714	12,000	0	169,714
2009-2013	697,170	60,000	0	757,170
2014	0	9,000	0	9,000
<b>Total Payments</b>	<b>1,485,741</b>	<b>129,000</b>	<b>237,826</b>	<b>1,852,567</b>
<b>Less: Interest</b>	<b>(307,522)</b>	<b>(63,322)</b>	<b>(15,311)</b>	<b>(386,155)</b>
<b>Principal Due</b>	<b>\$1,178,219</b>	<b>\$65,678</b>	<b>\$222,515</b>	<b>\$1,466,412</b>

**HOCKING TECHNICAL COLLEGE**  
**Schedule of Expenses by Function and Object**  
**For the Fiscal Year Ended June 30, 2003**

	<u>Salaries</u>	<u>Benefits</u>	<u>Services</u>	<u>Supplies</u>	<u>Utilities</u>	<u>Other</u>	<u>Totals</u>
Educational and General:							
Instructional and Departmental Research	\$14,288,494	\$4,137,720	\$144,839	\$1,381,422	\$123,662	\$442,968	\$20,519,105
Public Service	199,075	38,202	3,993	26,698	11,410	425,133	704,511
Academic Support	1,221,395	398,647	62,001	100,794	16,304	36,044	1,835,185
Student Services	2,804,723	887,140	170,100	471,589	166,825	225,739	4,726,116
Institutional Support	1,147,199	309,675	684,464	58,086	16,568	1,076,024	3,292,016
Operation and Maintenance of Plant	512,007	199,249	18,139	0	259,946	0	989,341
Scholarships and Fellowships	0	0	0	0	0	1,999,855	1,999,855
Depreciation	0	0	0	0	0	1,386,269	1,386,269
Auxiliary Services	1,165,193	328,059	91,319	3,259,938	233,512	590,644	5,668,665
<i>Totals</i>	<u>\$21,338,086</u>	<u>\$6,298,692</u>	<u>\$1,174,855</u>	<u>\$5,298,527</u>	<u>\$828,227</u>	<u>\$6,182,676</u>	<u>\$41,121,063</u>

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**HOCKING TECHNICAL COLLEGE**  
**Schedule of Federal Awards Revenues and Expenditures**  
**For the Fiscal Year Ended June 30, 2003**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Revenues	Expenditures
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>				
<i>Direct from Federal Government:</i>				
Natural Resources Conservation Service	10.916	N/A	\$136,262	\$136,262
<i>Pass-Through State Department of Education:</i>				
Child and Adult Care Food Program	10.558	142075	9,149	9,149
<b>Total United States Department of Agriculture</b>			<u>145,411</u>	<u>145,411</u>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>				
<i>Direct from Federal Government:</i>				
<i>Student Financial Assistance Cluster:</i>				
Federal Supplemental Education Opportunity Grants	84.007	N/A	142,995	142,995
Federal Work-Study Program	84.033	N/A	219,890	219,890
Federal Pell Grant Program	84.063	N/A	4,837,871	4,837,871
Federal Direct Loan Program (See Note 3)	84.268	N/A	7,816,073	7,815,334
Total Student Financial Assistance Cluster			<u>13,016,829</u>	<u>13,016,090</u>
Endowment Challenge Grant Program (See Note 2)	84.031G	N/A	74,421	0
TRIO - Student Support Services	84.042	N/A	236,499	243,121
Talent Search	84.044A	N/A	91,812	94,233
Child Care Access Means Parents in School	84.335	N/A	25,625	25,625
<i>Pass-Through State Department of Education:</i>				
Vocational Education - Basic Grants to States	84.048	063339	240,464	241,638
Technical Preparation Education	84.243	063339	110,487	107,931
Paraprofessional Planning	84.367	063339	10,000	10,000
<i>Pass-Through State Department of Rehabilitation and Correction:</i>				
Workforce and Community Transition Training for Incarcerated Youth Offenders	84.331	031640	81,000	81,000
<b>Total United States Department of Education</b>			<u>13,887,137</u>	<u>13,819,638</u>
<b><u>CORPORATION FOR NATIONAL SERVICE</u></b>				
<i>Direct from Federal Government:</i>				
Learn and Serve America - Higher Education	94.005	N/A	2,558	3,437
<b>Total Corporation for National Service</b>			<u>2,558</u>	<u>3,437</u>
<b>Total Federal Financial Assistance</b>			<u>\$14,035,106</u>	<u>\$13,968,486</u>

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

**HOCKING TECHNICAL COLLEGE**  
**Notes to the Schedule of Federal Awards Revenues and Expenditures**  
**For the Fiscal Year Ended June 30, 2003**

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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, 2003, were \$1,279,624. Grant and matching funds are equally split.

Cumulative investment income, less allowable expenditures, of the grant and matching funds totaled \$1,442,866 through the fiscal year ended June 30, 2003.

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

**Note 3 - Federal Direct Loan Program**

During the fiscal year ended June 30, 2003, the College processed \$7,816,073 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.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

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

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the College in a separate letter dated November 24, 2003.

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

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

**Betty Montgomery**  
Auditor of State

November 24, 2003



## Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

#### Compliance

We have audited the compliance of Hocking Technical College, Athens County, Ohio (the College), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2003. The College's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

#### Internal Control over Compliance

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

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

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

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

**Betty Montgomery**  
Auditor of State

November 24, 2003

**HOCKING TECHNICAL COLLEGE  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
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800-282-0370

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**HOCKING TECHNICAL COLLEGE**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2004**