Hocking Technical College
Athens County
Single Audit
For the Fiscal Year Ended June 30, 2014

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.millhuffstangcpa.com ■ Email: natalie@millhuffstangcpa.com

Dave Yost · Auditor of State

Board of Trustees
Hocking Technical College
3301 Hocking Parkway
Nelsonville, Ohio 45764

We have reviewed the *Independent Auditor's Report* of the Hocking Technical College, Athens County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

February 3, 2015

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www. auditor.state.oh.us

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Hocking Technical College
Table of Contents
For the Fiscal Year Ended June 30, 2014

HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2014

NAME	***TITLE***	***TERM EXPIRES***
Dr. Keith Taulbee	Chairperson	August 2016
Mr. Andrew Stone	Vice Chairperson	August 2016
Mr. Mike Brooks	Trustee	August 2014
Mr. Mike Budzik	Trustee	August 2014
Mr. Gary Edwards	Trustee	August 2015
Mr. Thomas Johnson	Trustee	August 2015
Mr. Joseph Ogden	Trustee	August 2015
Mr. Robert Troxel	Trustee	August 2016
Ms. Paula Tucker	Trustee	August 2014

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2014

NAME	***TITLE***
Dr. Ron Erickson	President
Ms. Gina Fetty, CPA	Vice-President of Financial Services

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Trustees
Hocking Technical College
3301 Hocking Parkway
Nelsonville, Ohio 45764

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hocking Technical College, Athens County, (the College), and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Hocking Technical College, Athens County, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of federal awards revenues and expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards revenues and expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards revenues and expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 30, 2014

Management's Discussion and Analysis

The discussion and analysis of Hocking Technical College's (the College) financial statements provides an overview of the College's financial activities for the Fiscal Year ended June 30, 2014. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Management's Discussion and Analysis (MD&A) is an element of the reporting models adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 35 "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities." Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Report

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

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

Financial Highlights

The College's financial position decreased $1.2 million or 2.4% during the Fiscal Year ended June 30, 2014. The current assets decreased $0.6 million or 4.1% from the previous Fiscal Year due primarily to a decrease in cash and cash equivalents. The capital assets increased $18.7 million or 44.6% from the previous Fiscal Year due primarily to the acquisition of student residence buildings during the year. The current liabilities increased $1.0 million or 9.7% from the previous Fiscal Year due primarily to increases in accounts payables and the current portion of long-term obligations. The long-term liabilities increased $20.7 million or 4140.0% from the previous Fiscal Year due to new debt issued during the year.

During the Fiscal Year ended June 30, 2014, the College's expenses exceeded revenue and other support creating a decrease in net position of $1.2 million (the College experienced a $2.2 million increase in the previous Fiscal Year).

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

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 Position and the Statement of Revenues, Expenses and Changes in Net Position 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 position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net position and changes in net position. 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 position 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 position of the College:

Net Position as of June 30 (in millions)

	2014	2013	Increase (Decrease)	Percent Change
Current Assets	$14.1	$14.7	($0.6)	(4.1%)
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	60.6	41.9	18.7	44.6%
Other	6.8	4.4	2.4	54.5%
Total Assets	$81.5	$61.0	$20.5	33.6%
Current Liabilities	$11.3	$10.3	$1.0	9.7%
Long-Term Liabilities	21.2	0.5	20.7	4140.0%
Total Liabilities	32.5	10.8	21.7	200.9%
Net Position:				
Net Investment in Capital Assets	40.0	41.4	(1.4)	(3.4%)
Restricted - Nonexpendable	1.2	1.1	0.1	9.1%
Restricted - Expendable	1.7	0.5	1.2	240.0%
Unrestricted	6.1	7.2	(1.1)	(15.3%)
Total Net Position	$49.0	$50.2	($1.2)	(2.4%)

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

Operating Results for the Year (in millions)

	2014	2013	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$19.4	$19.7	($0.3)	(1.5%)
Grants and Contracts	1.0	1.3	(0.3)	(23.1%)
Sales and Services of Departments	0.0	0.1	(0.1)	(100.0%)
Auxiliary Services	4.7	6.5	(1.8)	(27.7%)
Other Operating Revenue	0.7	0.3	0.4	133.3%
Total Operating Revenues	25.8	27.9	(2.1)	(7.5%)
Operating Expenses:				
Instructional and Departmental Research	22.5	23.2	(0.7)	(3.0%)
Academic Support	5.2	5.0	0.2	4.0%
Student Services	3.5	3.8	(0.3)	(7.9%)
Institutional Support	4.7	4.2	0.5	11.9%
Operation and Maintenance of Plant	2.0	2.8	(0.8)	(28.6%)
Scholarships and Fellowships	6.9	8.8	(1.9)	(21.6%)
Depreciation	1.9	1.6	0.3	18.8%
Auxiliary Services	3.3	6.5	(3.2)	(49.2%)
Total Operating Expenses	50.0	55.9	(5.9)	(10.6%)
Operating Income (Loss)	(24.2)	(28.0)	3.8	13.6%
Nonoperating Revenues (Expenses):				
Grants and Contracts	10.1	13.8	(3.7)	(26.8%)
State Appropriations	14.0	14.1	(0.1)	(0.7%)
Interest on Capital Asset-Related Debt	(0.9)	(0.1)	(0.8)	(800.0%)
Net Investment Income and Other	(0.1)	0.0	(0.1)	(100.0%)
Total Nonoperating Revenues (Expenses)	23.1	27.8	(4.7)	(16.9%)
Other Revenues (Expenses):				
Capital Appropriations	0.0	2.7	(2.7)	(100.0%)
Net Capital Grants, Gifts and Other	(0.1)	(0.3)	0.2	66.7%
Total Other Revenues	(0.1)	2.4	(2.5)	(104.2%)
Change in Net Position	(1.2)	2.2	(3.4)	(154.5%)
Net Position - Beginning of Year	50.2	48.0	2.2	4.6%
Net Position - End of Year	$49.0	$50.2	($1.2)	(2.4%)

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 residence halls, and operations of the College Bookstore and parking. 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 decreased $0.3 million or 1.5% and the decrease is primarily the result of decreased enrollment.

- Auxiliary Services decreased by $1.8 million or 27.7%, primarily due to a decrease in activity for the Inn at Hocking College and because of decreased enrollment.

Operating Expenses

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

- Scholarship and fellowship costs decreased $1.9 million or 21.6%, primarily due to a decrease in Pell Grant funding, which coincides with the decrease in enrollment.

- Auxiliary Services costs decreased $3.2 million or 49.2% due to a decrease in operation at the Inn at Hocking College and because of decreased enrollment.

- Instructional and departmental research costs decreased $0.7 million or 3.0% due to decreased spending for salaries and benefits.

Nonoperating Revenues

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

Nonoperating revenue decreased as a result of decreased federal student financial aid awards due to the decrease in enrollment.

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 decrease in other revenues was primarily the result of a decrease in Capital Appropriations from the State of Ohio to be used for capital purchases or improvements.

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.

Cash Flows for the Year (in millions)

	2014	2013	Increase (Decrease)	Percent Change
Net Cash From:				
Operating Activities	($22.6)	($26.4)	$3.8	14.4%
Noncapital Financing Activities	24.1	27.9	(3.8)	(13.6%)
Capital and Related Financing Activities	(0.6)	(0.8)	0.2	25.0%
Investing Activities	0.2	(0.2)	0.4	200.0%
Net Increase (Decrease) in Cash	1.1	0.5	0.6	120.0%
Cash - Beginning of Year	5.1	4.6	0.5	10.9%
Cash - End of Year	$6.2	$5.1	$1.1	21.6%

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 decreases in expenses exceeding decreases in revenues.

State appropriations and certain federal grants are the primary sources of cash from noncapital financing activities. The reporting standards require that the College reflect these sources of revenue as nonoperating even though the budget of the College depends heavily on these sources to continue the current level of operations. Federal grants decreased due to a decrease in authorized awards to students in addition to decreased enrollment.

The major sources of cash from capital and related financing activities this year is from proceeds from debt issued, while cash outlays include payments for construction projects and other capital assets, and principal paid on the notes that were incurred to acquire and construct these capital assets. Net cash from capital and related financing activities increased due primarily to a decrease in principal paid on notes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the College had $60.7 million invested in capital assets, net of accumulated depreciation of $26.0 million. Depreciation charges totaled $1.9 million for the current Fiscal Year. Details of these assets for the past two years are shown below.

Capital Assets - Net of Accumulated Depreciation as of June 30 (in millions)

	2014	2013	Increase (Decrease)
Land	$4.9	$4.9	$0.0
Land Improvements	1.1	1.2	(0.1)
Buildings and Improvements	51.6	33.2	18.4
Furniture, Fixtures and Equipment	2.7	2.2	0.5
Vehicles/Fleet	0.4	0.4	0.0
Total	$60.7	$41.9	$18.8

The major capital additions this year were $19.7 million for student residence buildings and $1.2 million for new equipment during the year.

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

Debt

At June 30, 2014, the College had $21.8 million in debt outstanding versus $0.5 million the previous year. The table below summarizes these amounts by type of debt instrument.

Long - Term Debt Outstanding as of June 30 (in millions)

	2014	2013	Increase (Decrease)
General Receipt Improvement Bonds	$21.3	$0.0	$21.3
Revenue Bonds	0.5	0.5	0.0
Total	$21.8	$0.5	$21.3

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

Leadership

In the 2014 Autumn semester, the President of the College resigned followed shortly thereafter by the Vice President of Academic and Student Affairs/Provost. In consultation with the Association of Community College Trustees (ACCT), an Interim President, Dr. Betty Young, was appointed. Dr. Young will serve until the selection of a permanent President. A search committee made up of a number of College employees as well as stakeholders within the community has been appointed and is being chaired by the Vice Chairman of the Board. It is anticipated that a permanent President will be appointed by the end of Spring semester.

Enrollment

Enrollment continues to be a significant issue for the College to address. Although enrollment declines exist for many other two year colleges across the State of Ohio and the nation, the College is working diligently to address its decline which appears to be among some of the highest. The College has engaged the services of an independent consultant in development of a strategic enrollment plan to assist the College in its future growth strategy. The fact that the College is the only two year institution in the State of Ohio with residence halls gives it a competitive edge in its recruiting efforts that must be capitalized on. A committee made up of leadership positions across the campus is working in-house with the consultant to create plans which are expected to impact enrollment as early as the 2015 Autumn semester.

Budgeting

In response to continued enrollment declines, the College maintains its practice of being swift and decisive in making budget adjustments downward in expenditure areas to compensate for this reduction in revenue. In November, 2014 the College put forth a reorganization plan under the direction of Interim President, Dr. Betty Young as her first order of business, in order to balance its Fiscal Year 2015 budget which resulted in 36 position eliminations, 3 reductions in full time equivalency, 4 reductions in pay and 4 position eliminations. In addition, virtually all other areas of the budget were impacted downward to some extent in order to right-size the organization in response to the latest enrollment decline.

In Summary

Although the challenges facing the College are significant, the College believes it is positioning itself though a number of strategic initiatives, in place and being discussed, to ensure its continued success as it approaches its 50th anniversary in 2018. From the ability to be swift and decisive in response to changes in revenues and expenditures, to its understanding of its financial position and the strategies needed to improve it, its ability to recognize the importance of new ideas seasoned with institutional memory/knowledge from its workforce and its understanding of the importance of its service to the district in which it exists, the College remains diligent in its efforts to meet the initiatives of the State of Ohio in educating Ohio's workforce.

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HOCKING TECHNICAL COLLEGE
Statement of Net Position
June 30, 2014

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$3,661,277	$378,017
Other Short-Term Investments	500,000	177,678
Accounts Receivable, Net	8,728,322	4,135
Intergovernmental Receivables	254,402	0
Due From Component Unit	21,319	0
Other Receivables	0	170,500
Inventories	351,593	0
Prepaid Expenses	552,854	300
Total Current Assets	14,069,767	730,630
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,504,587	0
Endowment Investments	1,161,442	465,134
Other Long-Term Investments	3,143,607	0
Nondepreciable Capital Assets	4,907,291	78,880
Depreciable Capital Assets	55,753,344	1,341,226
Total Noncurrent Assets	67,470,271	1,885,240
TOTAL ASSETS	81,540,038	2,615,870
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	2,131,229	513
Due to Primary Institution	0	21,319
Unearned Revenue	7,394,599	0
Deposits Held in Custody for Others	491,010	0
Long-Term Liabilities - Current Portion	1,273,266	0
Total Current Liabilities	11,290,104	21,832
Long-Term Liabilities:		
Long-Term Liabilities	21,264,654	0
Total Long-Term Liabilities	21,264,654	0
TOTAL LIABILITIES	32,554,758	21,832
NET POSITION:		
Net Investment in Capital Assets	39,965,192	1,420,106
Restricted for:		
Nonexpendable:		
Endowments	1,161,442	465,134
Expendable:		
Loans	34,070	0
Debt Service	1,205,910	0
Scholarships	496,442	353,784
Unrestricted	6,122,224	355,014
TOTAL NET POSITION	$48,985,280	$2,594,038

See accompanying notes to the basic financial statements and accountant's report.

HOCKING TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $4,854,112)	$19,411,497	$0
Federal Grants and Contracts	774,238	0
Local Grants and Contracts	207,764	0
Sales and Services of Educational Departments	18,304	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $550,080)	4,664,455	0
Other Operating Revenue	686,879	414,063
Total Operating Revenues	25,763,137	414,063
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	22,436,418	0
Academic Support	5,198,186	0
Student Services	3,531,136	0
Institutional Support	4,712,818	0
Operation and Maintenance of Plant	2,017,642	0
Scholarships and Fellowships	6,907,451	0
Depreciation	1,927,258	80,725
Auxiliary Services	3,323,132	0
Other Operating Expenses	0	434,356
Total Operating Expenses	50,054,041	515,081
OPERATING LOSS	(24,290,904)	(101,018)
NONOPERATING REVENUES (EXPENSES):		
Federal Grants and Contracts	10,121,545	0
State Appropriations	14,015,965	0
Gifts	0	371,314
Investment Income	93,564	42,697
Interest on Capital Asset-Related Debt	(896,228)	(84,473)
Bond Issuance Costs	(183,020)	0
Total Nonoperating Revenues (Expenses)	23,151,826	329,538
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(1,139,078)	228,520
Capital Appropriations	10,000	0
Capital Grants and Gifts	195,993	0
Loss on Disposal of Capital Assets	(318,947)	(59,227)
CHANGE IN NET POSITION	(1,252,032)	169,293
NET POSITION - Beginning of Year	50,237,312	2,424,745
NET POSITION - End of Year	$48,985,280	$2,594,038

See accompanying notes to the basic financial statements and accountant's report.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$17,535,891	$0
Grants and Contracts	1,147,554	0
Payments to Employees	(31,738,775)	0
Payments to Suppliers	(3,009,288)	0
Payments for Utilities	(1,587,831)	0
Payments for Contractual Services	(780,605)	0
Payments for Scholarships and Fellowships	(6,648,288)	0
Auxiliary Services Charges	5,708,453	0
Sales and Services of Educational Departments	18,304	0
Other Receipts	686,879	414,063
Other Payments	(3,978,421)	(418,337)
Net Cash from Operating Activities	(22,646,127)	(4,274)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal Grants and Contracts	10,121,545	0
State Appropriations	14,015,965	0
Gifts Received for Other Than Capital Purposes	0	200,814
Net Cash from Noncapital Financing Activities	24,137,510	200,814
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES.		
Issuance of Capital Debt Received	20,995,000	0
Premium on Capital Debt Received	300,657	
Capital Appropriations	10,000	0
Capital Grants and Gifts Received	195,993	0
Sale of Assets Received	93,664	0
Purchases of Capital Assets	(21,021,020)	0
Principal Paid on Capital Debt and Leases	(45,136)	0
Interest Paid on Capital Debt and Leases	(896,228)	(84,473)
Issuance Costs on Capital Debt	(183,020)	0
Net Cash from Capital and Related Financing Activities	(550,090)	(84,473)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	93,564	42,697
Proceeds of Investments	59,040	0
Purchase of Investments	0	(41,702)
Net Cash from Investing Activities	152,604	995
Net Increase in Cash and Cash Equivalents	1,093,897	113,062
CASH AND CASH EQUIVALENTS, Beginning of year	5,071,967	264,955
CASH AND CASH EQUIVALENTS, End of year	$6,165,864	$378,017

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Loss to Net Cash from Operating Activities:		
Operating Loss	($24,290,904)	($101,018)
Adjustments to Reconcile Net Operating Loss to Net Cash from Operating Activities:		
Depreciation	1,927,258	80,725
Change in Assets and Liabilities:		
Receivables, Net	(797,469)	0
Inventories	98,784	0
Prepaid Expenses	(262,844)	(300)
Intergovernmental Receivable	216,967	0
Accounts Payable and Other Accrued Liabilities	396,126	16,319
Compensated Absences	151,509	0
Unearned Revenue	(85,554)	0
Deposits Held in Custody for Others	0	0
Net Cash from Operating Activities	($22,646,127)	($4,274)

See accompanying notes to the basic financial statements and accountant's report.

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 Financial Services 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 ensure 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 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 15.

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.

NOTE 2 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

A. <u>Basis of Accounting and Presentation</u>

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

B. <u>Budgetary Process</u>

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, but, the College does integrate the board approval budget into its accounts to provide control and evaluation of financial activities.

C. <u>Appropriations</u>

To provide control over expenditures, a budget is prepared by the Vice-President of Financial Services with input from other administrative staff 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 at anytime during the same fiscal year.

D. <u>Encumbrances</u>

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, 2014 do not constitute expenses or liabilities and are not reflected in the financial statements.

E. <u>Cash and Investments</u>

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for Hocking College Foundation, Inc. and escrow accounts related to bond activity which are required to be separate, 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 2014, investments were limited to certificates of deposit with local institutions and money market funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 Financial Services 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 Position, 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, 2014 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

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

H. Capital Assets

Capital assets with a unit cost of over $5,000 are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. The College has no significant infrastructure assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

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

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.

NOTE 2 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> – Continued

J. <u>Pensions</u>

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

K. <u>Operating and Nonoperating Revenues</u>

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

L. <u>Scholarship Allowances and Student Aid</u>

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 cash 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. <u>Federal Financial Assistance Programs</u>

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

During the fiscal year ended June 30, 2014, the College processed $19,609,137 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

N. <u>Net Position</u>

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

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

The unrestricted net position balance of $6,122,224 at June 30, 2014 includes $476,061 held for auxiliary services.

O. <u>Estimates</u>

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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2014, the College reported $2,504,587 of restricted assets, which is the remaining portion of the Ohio Air Quailty bond proceeds which are to be used for facility upgrades and remaining bond proceeds and payments made to escrow agent which are to be used for capital improvements and debt service payments related to the series 2013 bond issuance.

NOTE 3 – NEW GASB PRONOUNCEMENTS

For fiscal year 2014, the College implemented GASB Statement No. 66, "Technical Corrections – 2012; an amendment of GASB Statement No. 10 and No. 62" and GASB Statement No. 67, "Financial Reporting for Pension Plans". GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, statements No.54, *Fund Balance Reporting and Government Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASB Statement No. 67 improves financial reporting by state and local governmental pension plans. The implementation of GASB Statements No. 66 and 67 had no effect on the prior period net position of the College.

NOTE 4 - CASH AND INVESTMENTS

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

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

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

Interim deposits are public deposits which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2014, the College complied with the provisions of these statutes.

NOTE 4 - <u>CASH AND INVESTMENTS</u> – 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 (a) or (b) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

f. The State Treasurer's investment pool (STAR Ohio).

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"* and GASB Statement No. 40, *"Deposit and Investment Risk Disclosures"*.

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

At June 30, 2014, the carrying amount of all College deposits was $10,970,913. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2014, the College's bank balance of $11,429,110 was either insured by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described above.

Investments: As of June 30, 2014, the College had no investments.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Nondepreciable Captial Assets:				
Land	$4,919,791	$0	($12,500)	$4,907,291
Total Nondepreciable Capital Assets	4,919,791	0	(12,500)	4,907,291
Depreciable Capital Assets:				
Land Improvements	4,735,689	55,827	0	4,791,516
Buildings and Improvements	48,882,413	19,695,893	(112,500)	68,465,806
Furniture, Fixtures and Equipment	5,954,039	1,173,264	(352,211)	6,775,092
Vehicles/Fleet	1,699,464	96,036	(61,783)	1,733,717
Total Depreciable Capital Assets	61,271,605	21,021,020	(526,494)	81,766,131
Total Cost of Capital Assets	66,191,396	21,021,020	(538,994)	86,673,422
Less Accumulated Depreciation:				
Land Improvements	(3,483,813)	(254,469)	0	(3,738,282)
Buildings and Improvements	(15,682,227)	(1,235,113)	16,256	(16,901,084)
Furniture, Fixtures and Equipment	(3,777,405)	(364,957)	101,381	(4,040,981)
Vehicles/Fleet	(1,301,396)	(72,719)	41,675	(1,332,440)
Total Accumulated Depreciation	(24,244,841)	(1,927,258)	159,312	(26,012,787)
Capital Assets, Net	$41,946,555	$19,093,762	($379,682)	$60,660,635

The College's capital assets include the costs of the $3,225,964 project to construct an Energy Institute facility. This facility is being used for educational and developmental purposes and alternative energy technology programs, fuel cell technology programs, and vehicular hybrid programs. Funding for this project includes an Economic Development Administration federal grant of $1,612,982 and matching funding from the College in the same amount. The source of the College's matching amount was a $3,000,000 Bond Anticipation Note issued in September 2007. The agreement for this grant funding includes a stipulation that if the College decides to use this facility in a different manner other than for alternative energy programs or decides to sell the facility within a 20 year period, this grant will become a mortgage and the entire amount will have to be repaid to the U.S. Department of Commerce. As long as the College uses this facility for its intended purpose for at least 20 years, the College is not obligated to repay any amount of this grant. The College has not reported a liability for this agreement since no obligation to repay exists at June 30, 2014.

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 position 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 general receipts improvement bonds, a revenue bond, and compensated absences payable. The change in long-term liabilities are as shown below:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Bonds Payable:					
General Receipts Improvement Bonds; 3.0% - 5.0%	$0	$20,995,000	$0	$20,995,000	$485,000
Premium on Bonds	0	300,657	12,025	288,632	12,026
Tax Exempt Revenue Bond; 3.07%	519,043	0	45,136	473,907	45,622
Total Bonds Payable	519,043	21,295,657	57,161	21,757,539	542,648
Other Liabilities:					
Compensated Absences Payable	628,321	806,881	654,821	780,381	730,618
Total Other Liabilities	628,321	806,881	654,821	780,381	730,618
Total Long-Term Liabilities	$1,147,364	$22,102,538	$711,982	$22,537,920	$1,273,266

The College issued general receipt improvement bonds, series 2013, in the amount of $20,995,000 at 3.0% - 5.0% interest dated August 1, 2013 for the purchase of two of the student residence buildings from the Foundation and to also provide funds for various capital improvements throughout the College. Principal is due and payable annually on July 1st. Interest is due and payable semi-annually on July 1st and January 1st. The debt matures on July 1, 2038.

NOTE 7 - LONG-TERM LIABILITIES – Continued

The College issued an Ohio Air Quality tax exempt revenue bond in the amount of $535,043 at 3.07% interest dated August 31, 2012 for the acquisition, construction and installation of energy related projects at the main campus in Nelsonville. Principal is due and payable annually on December 1st. Interest is due and payable semi-annually on December 1st and June 1st. The debt matures on December 1, 2022.

The annual requirements to amortize long-term obligations outstanding as of June 30, 2014 are as follows:

Year Ended June 30	Tax Exempt Revenue Bonds		General Receipts Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$45,622	$13,836	$485,000	$969,085	$530,622	$982,921
2016	47,948	12,386	495,000	946,700	542,948	959,086
2017	49,420	10,892	515,000	931,850	564,420	942,742
2018	50,938	9,351	535,000	916,400	585,938	925,751
2019	52,501	7,763	555,000	895,000	607,501	902,763
2020-2024	227,478	14,178	3,135,000	4,123,200	3,362,478	4,137,378
2025-2029	0	0	3,915,000	3,372,625	3,915,000	3,372,625
2030-2034	0	0	4,990,000	2,326,138	4,990,000	2,326,138
2035-2038	0	0	6,370,000	987,250	6,370,000	987,250
Total Payments	$473,907	$68,406	$20,995,000	$15,468,248	$21,468,907	$15,536,654

NOTE 8 - OPERATING LEASES

The College leases classroom and laboratory space near the Logan Camps for instructional purposes from Rokeith Enterprises Inc. The lease for the space is a noncancelable lease which expires July 31, 2022. Monthly rental through and including July 2022 is $17,452. The following is a schedule of minimum lease payments under the operating lease together with interest:

Fiscal Year Ending	Lease Payments
2015	$209,424
2016	209,424
2017	209,424
2018	209,424
2019	209,424
2020-2023	645,724
Total Payments	$1,692,844

NOTE 9- DEFINED BENEFIT RETIREMENT PLANS

School Employees Retirement System

Plan Description - The College contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System.

For the fiscal years ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were $1,103,345, $958,915, and $883,954, respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

NOTE 9- DEFINED BENEFIT RETIREMENT PLANS – Continued

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A re-employed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to healthcare coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were $1,805,040, $2,239,094 and $2,344,042, respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 Comprehensive Annual Financial Report are available.

NOTE 9- DEFINED BENEFIT RETIREMENT PLANS – Continued

Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at www.strsoh.org.

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2014, this actuarially required allocation is 0.76%. The College's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were $60,501, $54,626 and $52,202, respectively; which equaled the required contribution each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $11,145, $65,880 and $38,281, respectively; which equaled the required contribution each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 10 - POSTEMPLOYMENT BENEFITS – Continued

State Teachers Retirement System

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The College's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $138,849, $172,238 and $180,311 respectively; 100 percent for the fiscal years 2014, 2013 and 2012.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

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, 2014, the long-term liability for vested and probable benefits for vacation and sick leave totaled $49,763, and the short-term liability totaled $730,618, for a total liability of $780,381.

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

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

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

NOTE 12 - <u>THE INN AT HOCKING COLLEGE</u>

The Inn at Hocking College (The Inn) was previously operated by the College as a full-time motel, restaurant and lounge that served the public. Effective August of 2011, the College ceased operation of the motel due to renovations needed to enhance its quality as a learning lab for its students and a place to stay for its customers. Effective December of 2011, the College closed down the food venues at The Inn except for catering functions until the operations could be reassessed relative to the current curriculum and direction of the Hospitality program. Currently The Inn's rooms are still closed to the public and the restaurant has been reopened with limited days and hours and a limited menu to allow students in the Hospitality program which includes culinary and baking to learn through this "living lab". Architects are working with the College to repurpose The Inn to best serve the College and its programs.

NOTE 13 - <u>RISK MANAGEMENT</u>

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 has contracted with Reed and Baur Insurance with coverage through Government Underwriters of America and Trident Insurance Company for liability, property, and fleet insurance. This coverage also provides public officials coverage for Public Employee Dishonesty of $250,000, Money and Securities of $50,000 and Forgery & Alteration of $250,000. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate and a $50,000 deductible. The coverage includes a separate Educators Legal Liability, Employment Practices, and Law Enforcement policy and is maintained with limits of liability of $1,000,000 for each occurrence and $1,000,000 in the aggregate and a $50,000 deductible. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability and educators legal coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There has been no significant change in coverage from the prior year.

The College maintains fleet insurance in the amount of $1,000,000 for any one accident or loss. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the fleet coverage.

The College maintains replacement cost insurance on buildings and contents in the amount of $103,093,431 with a $10,000 deductible per occurrence. The College maintains loss of income coverage for tuition and fees, room and board and rental insurance in the amount of $27,040,808 per any one occurrence. Additionally, the College has a special liquor liability insurance policy in the amount of $1,000,000 for each occurrence regarding the operations of the restaurant, lounge, and catering in The Inn at Hocking College as well as a separate liquor liability insurance policy in the amount of $1,000,000 per occurrence for the Rhapsody Restaurant.

The College pays the State Workers' Compensation System a premium based on a rate per each $100 of total salaries from the prior calender year. This rate is calculated based on accident history and administrative costs.

NOTE 14 – <u>CONTINGENCIES</u>

<u>Grants</u>

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, 2014.

NOTE 14 – 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, 2014.

NOTE 15 - 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 Code.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Hocking College Foundation, Inc. (hereinafter referred to as "the Foundation"), have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

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

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2014, investments were limited to certificates of deposit with local institutions, money market accounts, corporate fixed income securities, mutual funds, 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.

For purposes of the presentation on the Statement of Net Position, 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.

NOTE 15 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Capital Assets

Capital assets with a unit cost of over $5,000 are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. The Foundation has no significant infrastructure assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

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

Cash and Investments

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"* and GASB Statement No. 40, *"Deposit and Investment Risk Disclosures"*.

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

At June 30, 2014, the carrying amount of all Foundation deposits was $653,018. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of June 30, 2014, the Foundation's bank balance of $677,014 was either insured by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described above.

Investments: As of June 30, 2014, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity
Common Stock	$102,291	< 1 Year
Corporate Fixed Income	7,512	> 5 Years
Mutual Funds	144,636	< 1 Year
Money Market Funds	113,372	< 1 Year
Total	$367,811	

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

NOTE 15 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The credit ratings of the Foundation's investments at June 30, 2014 are as follows:

Credit Rating (S&P)	Common Stock
A1	$15,431
A2	86,860
Total	$102,291

Credit Rating	Fixed Income Securities
Unrated	$7,512

Credit Rating	Mutual Funds
Unrated	$144,636

Credit Rating (S&P)	Money Market Funds
A	$67,458
A2	45,914
Total	$113,372

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Foundation's securities are either insured and registered in the name of the Foundation or at least registered in the name of the Foundation. The Foundation has no investment policy dealing with investment custodial credit risk beyond the requirements in the state statute that prohibit the payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation places no limit on the amount that may be invested in any one issuer. The Foundation holds 27.8% of investments in common stock, 2.1% in fixed income securities, 39.3% in mutual funds and 30.8% in money market funds.

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.

NOTE 15 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Other Receivables

During Fiscal Year 2014, the Foundation received pledges of future donations in the amount of $170,500. These pledges have been reported as Other Receivables as of June 30, 2014 and will be received in future fiscal years. These pledges have been made by donors of the Foundation and the Foundation expects to receive the full amount of the pledges. Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary. All pledges are unrestricted unconditional promises to give with the following due dates:

	Amount
Within One Year	$56,000
One to Five Years	114,500
Total	$170,500

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Nondepreciable Captial Assets:				
Land	$78,880	$0	$0	$78,880
Depreciable Capital Assets:				
Buildings and Improvements	22,963,528	0	(20,815,000)	2,148,528
Total Cost of Capital Assets	23,042,408	0	(20,815,000)	2,227,408
Less Accumulated Depreciation:				
Buildings and Improvements	(2,367,460)	(80,725)	1,640,883	(807,302)
Total Accumulated Depreciation	(2,367,460)	(80,725)	1,640,883	(807,302)
Capital Assets, Net	$20,674,948	($80,725)	($19,174,117)	$1,420,106

The most significant capital asset reported by the Foundation is the Hocking Heights Residence Hall. The Foundation reports this building since they hold the title, but the operating revenue and expenses of this activity is reported in the College's primary government column on the financial statements. The Foundation leases this building to the College.

During Fiscal Year 2014, two Hocking Residence Hall buildings were sold to the College for the debt payoff amount of $19,110,000. As of June 30, 2014, these buildings are reported as capital assets of the College.

NOTE 15 - 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, 2014:

Purpose	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Long-Term Notes Payable					
Student Housing; 4.00%	$19,110,000	$0	$19,110,000	$0	$0
Totals	$19,110,000	$0	$19,110,000	$0	$0

During Fiscal Year 2014, the College purchased two student residence buildings from the Foundation for $19,110,000. The proceeds were used to pay off the note liability of the Foundation.

HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2014

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Grant Year	Federal CFDA Number	Revenues	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE				
Pass-Through State Department of Education:				
Child and Adult Care Food Program	2014	10.558	$5,514	$5,514
Team Nutrition Grant	2014	10.574	1,362	1,362
Total United States Department of Agriculture			6,876	6,876
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from Federal Government:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	2014	84.007	183,157	183,157
Federal Work-Study Program	2014	84.033	222,625	222,625
Federal Pell Grant Program	2013-2014	84.063	9,715,763	9,715,763
Federal Direct Student Loans	2014	84.268	19,609,137	19,609,137
Total Student Financial Assistance Cluster			29,730,682	29,730,682
TRIO Cluster:				
TRIO - Student Support Services	2013-2014	84.042A	270,878	270,878
TRIO - Talent Search	2013-2014	84.044A	225,643	225,643
Total TRIO Cluster			496,521	496,521
Pass-Through State Department of Education:				
Career and Technical Education - Basic Grants to States	2013-2014	84.048	235,958	223,792
Career and Technical Education - Basic Grants to States	2014	84.048	23,396	23,396
Total Career and Technical Education - Basic Grants to States			259,354	247,188
Total United States Department of Education			30,486,557	30,474,391
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through State Department of Health and Human Services:				
Step Up to Quality (Early Learning Center)	2014	93.575	3,000	5,698
Total United States Department of Health and Human Services			3,000	5,698
Total Federal Financial Assistance			$30,496,433	$30,486,965

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

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 – Federal Direct Loan Program

During the fiscal year ended June 30, 2014, the College processed $19,609,137 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.

NOTE 3 – Child and Adult Food Care Program

Nonmonetary assistance is reported in the Schedule of Federal Awards Revenues and Expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2014, the College had no significant food commodities in inventory.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Hocking Technical College
3301 Hocking Parkway
Nelsonville, Ohio 45764

We have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Hocking Technical College, Athens County, (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.millhuffstangcpa.com ■ Email: natalie@millhuffstangcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 30, 2014

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

Board of Trustees
Hocking Technical College
3301 Hocking Parkway
Nelsonville, Ohio 45764

Report on Compliance for Each Major Federal Program

We have audited Hocking Technical College's, Athens County, (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2014. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Natalie Millhuff-Stang

Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 30, 2014

Section I – Summary of Auditor's Results

Financial Statements	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	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 Student Loans (CFDA 84.268)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >$914,608 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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
FEBRUARY 17, 2015