Hocking Technical College
Athens County
Single Audit
For the Fiscal Year Ended June 30, 2017

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.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, 2016 through June 30, 2017. 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

Dave Yost
Auditor of State

January 3, 2018

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Hocking Technical College
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HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2017

NAME	***TITLE***	***TERM EXPIRES***
Mr. Thomas Johnson	Chairperson	August 2018
Mr. Ben Mitchell	Vice Chairperson	August 2018
Ms. Jeanie R. Addington, CPA	Trustee	August 2018
Mr. Mike Brooks	Trustee	August 2017
Mr. Stuart Brooks	Trustee	August 2019
Mr. Mike Budzik	Trustee	August 2017
Mr. Leon Forte	Trustee	August 2019
Mr. Andrew Stone	Trustee	August 2019
Ms. Paula Tucker	Trustee	August 2017

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2017

NAME	***TITLE***
Dr. Betty Young, Ph.D, J.D., LL.M.	President
Ms. Jacqueline Hagerott, J.D., LL.M, CCM	Vice-President of Administrative Services / Treasurer
Ms. Sheree Cunningham	Executive Assistant to the President and Chief of Staff Secretary of the Board of Trustees

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, 2017, 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.

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, 2017, 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, the schedule of the College's proportionate share of the net pension liability, and the schedule of College contributions on pages 4 through 11 and 42 through 43 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 18, 2017 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 the effectiveness of the College's 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, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

December 18, 2017

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, 2017. 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

- Through a series of cost-savings/efficiency measures and right-sizing College staffing in response to the current level of enrollment, the College produced a Change in Net Position of $6.0 million which is more than the previous year's $5.5 million.

- The College introduced Athletics to its residential campus as a strategy for increasing visibility, enrollment and student activities. Two new residence halls were added to its inventory in 2008. The College's residence halls are at 100% occupancy as all athletes were required to live in its residence halls.

- The College added an additional $1 million to its strategic reserve to continue to increase its expendable net position to improve its Primary Reserve Ratio.

- The College's Fiscal Year 2017 performance in Unrestricted Educational & General and Auxiliary operations improved its cash position by 24% of its beginning cash balance as evidenced by the Cash Flow Statement.

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 deferred outflows of resources and liabilities and deferred inflows of resources 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, liabilities, and deferred inflows/outflows of resources 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)

	2017	2016	Increase (Decrease)	Percent Change
Current Assets	$22.3	$20.1	$2.2	10.9%
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	60.8	60.5	0.3	0.5%
Other	4.8	4.8	0.0	0.0%
Total Assets	$87.9	$85.4	$2.5	2.9%
Deferred Outflows of Resources				
Pension	$8.9	$4.6	$4.3	93.5%
Liabilities				
Current Liabilities	$9.8	$10.1	($0.3)	(3.0%)
Long-Term Liabilities:				
Due Within One Year	1.0	1.0	0.0	0.0%
Due in More Than One Year:				
Net Pension Liability	46.2	47.2	(1.0)	(2.1%)
Other Amounts	19.6	20.3	(0.7)	(3.4%)
Total Liabilities	$76.6	$78.6	($2.0)	(2.5%)
Deferred Inflows of Resources				
Pension	$12.5	$9.7	$2.8	29.0%
Net Position:				
Net Investment in Capital Assets	$40.7	$39.9	$0.8	2.0%
Restricted - Nonexpendable	1.2	1.2	0.0	0.0%
Restricted - Expendable	1.7	2.0	(0.3)	(15.0%)
Unrestricted	(35.9)	(41.4)	5.5	13.3%
Total Net Position	$7.7	$1.7	$6.0	352.9%

Current Assets

Current Assets increased by $2.2 million primarily due to an increase in Cash and Cash Equivalents of $2.2 million as a result of a positive net change in Unrestricted Educational & General and Auxiliaries of similar magnitude.

Deferred Outflows/Inflows of Resources

These categories, related to the College's pro-rata share of the State's unfunded pension liability and required to be reported through GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", increased 93.5% and 29%, respectively. The College has no control over these amounts. More information about GASB Statement No. 68 and its impact on the statements of the College can be seen in Footnote 9 and in the required supplementary information at the end of the report.

Net Position

The College's overall net position increased by 352.9% over the previous fiscal year. This was primarily the result of a positive net change of $5.5 million in Unrestricted. Through a series of financial controls over spending and a number of cost-effective measures (including a change to the employee health insurance benefit resulting in lower costs), this net change was the result. The Net Investment in Capital Assets increased by $0.8 million, primarily because of the renovation of The Lodge at Hocking College (which will serve as the College's Workforce Training and Development Center) through Capital Appropriations and the purchase of land and building on Syvania Avenue.

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

Operating Results for the Year (in millions)				
	2017	2016	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$14.1	$16.5	($2.4)	(14.5%)
Grants and Contracts	1.1	0.8	0.3	37.5%
Sales and Services of Departments	0.3	0.2	0.1	50.0%
Auxiliary Services	4.8	5.0	(0.2)	(4.0%)
Other Operating Revenue	0.5	0.2	0.3	150.0%
Total Operating Revenues	20.8	22.7	(1.9)	(8.4%)
Operating Expenses:				
Instructional and Departmental Research	11.2	12.9	(1.7)	(13.8%)
Public Service	0.2	0.0	0.2	200.0%
Academic Support	6.1	6.3	(0.2)	(3.2%)
Student Services	2.7	2.8	(0.1)	(3.6%)
Institutional Support	4.3	4.1	0.2	4.9%
Operation and Maintenance of Plant	2.7	3.3	(0.6)	(18.2%)
Scholarships and Fellowships	2.7	4.0	(1.3)	(32.5%)
Depreciation	2.0	2.0	0.0	0.0%
Auxiliary Services	3.0	3.3	(0.3)	(9.1%)
Total Operating Expenses	34.9	38.7	(3.8)	(9.8%)
Operating Loss	(14.1)	(16.0)	1.9	11.9%
Nonoperating Revenues (Expenses):				
Grants and Contracts	6.7	7.5	(0.8)	(10.7%)
State Appropriations	13.4	13.3	0.1	0.8%
Net Investment Income and Other	0.1	0.1	0.0	0.0%
Interest on Capital Asset-Related Debt	(0.9)	(1.0)	0.1	10.0%
Total Nonoperating Revenues (Expenses)	19.3	19.9	(0.6)	(3.0%)
Other Revenues (Expenses):				
Capital Appropriations	0.8	1.6	(0.8)	(50.0%)
Capital Grants and Gifts	0.1	0.0	0.1	100.0%
Loss on Disposal of Capital Assets	(0.1)	0.0	(0.1)	(100.0%)
Total Other Revenues	0.8	1.6	(0.8)	(50.0%)
Change in Net Position	6.0	5.5	0.5	9.1%
Net Position - Beginning of Year	1.7	(3.8)	5.5	144.7%
Net Position - End of Year	$7.7	$1.7	$6.0	352.9%

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, Lake Snowden 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 Fees revenue decreased $2.4 million or 14.5% and the decrease is primarily the result of decreased enrollment.

- Auxiliary Services Revenues decreased by $0.2 million due to 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 $1.3 million or 32.5%, primarily due to a decrease in Pell Grant funding, which coincides with the decrease in enrollment.

- Academic Support costs decreased $0.2 million or 3.2% due to the amortization of deferred inflows related to pensions, which was partially offset by the reclassification of some expenses to this function by the college.

- Institutional Support costs increased $0.2 million or 4.9% due to the classification of self insurance claims expenses to this function by the college, which was partially offset by the amortization of deferred inflows related to pensions. Fiscal year 2017 was the first full year that the College has been self insured and therefore had such expenses.

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. Most of that decrease was attributable to the renovation of The Lodge at Hocking College (formally The Inn) which will serve as the College's Workforce Training and Development Center which opened in the fall of 2016, having been completed during fiscal year 2016.

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)

	2017	2016	Increase (Decrease)	Percent Change
Net Cash From:				
Operating Activities	($15.0)	($15.6)	$0.6	3.8%
Noncapital Financing Activities	20.1	20.8	(0.7)	(3.4%)
Capital and Related Financing Activities	(3.0)	(1.9)	(1.1)	(57.9%)
Investing Activities	0.1	0.1	0.0	0.0%
Net Increase (Decrease) in Cash	2.2	3.4	(1.2)	(35.3%)
Cash - Beginning of Year	9.4	6.0	3.4	56.7%
Cash - End of Year	$11.6	$9.4	$2.2	23.4%

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 far 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 as a result of decreased enrollment.

The major sources of cash from capital and related financing activities this year is from the receipt of capital appropriations, while cash outlays include payments for construction projects and other capital assets, and principal paid on the debt that was incurred to acquire and construct these capital assets.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the College had $60.8 million invested in capital assets, net of accumulated depreciation of $31.2 million. Depreciation charges totaled $2.0 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)

	2017	2016	Increase (Decrease)
Land	$5.0	$4.9	$0.1
Land Improvements	1.3	1.1	0.2
Buildings and Improvements	50.2	50.8	(0.6)
Furniture, Fixtures and Equipment	3.7	3.3	0.4
Vehicles/Fleet	0.6	0.4	0.2
Total	$60.8	$60.5	$0.3

The major capital additions this year were the purchase of land and building on Syvania Avenue and $0.9 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, 2017, the College had $20.1 million in debt outstanding versus $20.7 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)

	2017	2016	Increase (Decrease)
General Receipt Improvement Bonds	$19.8	$20.3	($0.5)
Revenue Bonds	0.3	0.4	(0.1)
Total	$20.1	$20.7	($0.6)

The College is seeking approval to issue $10 million in new debt in Fiscal Year 2018 for various renovations and energy projects on campus.

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 May 2015, the College hired Dr. Betty Young as its 4th President in its 47 year history after serving several months as its interim President. In August, 2016, Dr. Young was offered a 5 year contract. Added to the management team in Fiscal Year 2017 was an individual to serve as Vice President for Enrollment, Marketing and Student Development. In April of 2017 the CFO of the College retired. The College is in the Process of selecting a new Vice President of Financial Services and CFO.

During Fiscal Year 2017 the College received a 10 year renewed accreditation from the Higher Learning Commission.

Enrollment
Declining demographics continues to be one of the College's biggest challenges. With the addition of a vice presidential position that deals with enrollment as well as marketing and student development and a revamping of the strategy the College has used in recent years to attract students, a positive outcome is expected in the future. The College experienced a 2% increase in full time equivalent students (FTE) in the 2017 Autumn Semester. This is largely the result of the success of the College Credit Plus program (CCP).

The College has a number of new programs at various stages of development and approval. The offering of these programs is expected to assist in the enrollment efforts. The College will continue the process of program reviews to ensure programs continue to be relevant to employers' needs.

The College is employing a number of retention efforts that are proving to be successful. Continued effort and strategies will continue in the future.

The College just completed its second year of athletics on campus. This initiative has attracted students from the region as well as from other states who desire to participate in athletics on a collegiate level and has raised the awareness of the College to wider audiences. All athletes are required to live in the College's residence halls, which has increased occupancy levels to 100%. This program is expected to bring continued visibility to the College and assist with the enrollment efforts.

Budgeting
The College ended Fiscal Year 2017 with a positive net change in Unrestricted Educational and General of $1.6 million and in addition added $1 million to its strategic reserve.

The College will continue to be swift and decisive in response to changes in revenues, while improving its reserves and liquidity.

In Summary
The College is approaching its 50th anniversary in 2018 and is working diligently to revitalize its reputation as an innovative educational institution. It understands its importance to the district in which it exists and its responsibility to meet the initiatives of the State of Ohio in educating Ohio's workforce. The College believes that it is well-positioned to do so.

HOCKING TECHNICAL COLLEGE
Statement of Net Position
June 30, 2017

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$9,860,585	$410,120
Accounts Receivable, Net	11,097,567	0
Intergovernmental Receivables	227,239	0
Due From Primary Government	0	5,192
Other Receivables	0	53,387
Inventories	218,569	0
Prepaid Expenses	898,169	2,400
Total Current Assets	22,302,129	471,099
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,734,897	0
Endowment Investments	1,166,215	735,551
Other Long-Term Investments	1,982,819	491,598
Nondepreciable Capital Assets	5,009,555	78,880
Depreciable Capital Assets	55,783,143	1,123,461
Total Noncurrent Assets	65,676,629	2,429,490
TOTAL ASSETS	87,978,758	2,900,589
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	8,932,672	0
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	2,219,036	0
Due to Component Unit	5,192	0
Unearned Revenue	6,960,507	0
Deposits Held in Custody for Others	72,037	0
Claims Payable	571,637	0
Long-Term Liabilities - Current Portion	999,549	0
Total Current Liabilities	10,827,958	0
Long-Term Liabilities:		
Net Pension Liability	46,216,826	0
Other Long-Term Liabilities	19,618,878	0
Total Long-Term Liabilities	65,835,704	0
TOTAL LIABILITIES	76,663,662	0
DEFERRED INFLOWS OF RESOURCES:		
Pension	12,490,535	0
NET POSITION:		
Net Investment in Capital Assets	40,710,080	1,202,341
Restricted for:		
Nonexpendable:		
Endowments	1,166,215	735,551
Expendable:		
Loans	34,070	0
Debt Service	1,234,897	0
Scholarships	515,207	267,894
Other	0	32,615
Unrestricted (Deficit)	(35,903,236)	662,188
TOTAL NET POSITION	$7,757,233	$2,900,589

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $3,857,956)	$14,061,476	$0
Federal Grants and Contracts	939,278	0
Private Grants and Contracts	196,943	0
Sales and Services of Educational Departments	274,232	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $640,984)	4,837,190	0
Other Operating Revenue	519,977	198,729
Total Operating Revenues	20,829,096	198,729
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	11,169,391	0
Public Service	154,388	0
Academic Support	6,052,519	0
Student Services	2,682,503	0
Institutional Support	4,312,575	0
Operation and Maintenance of Plant	2,746,212	0
Scholarships and Fellowships (Net of Scholarship Allowances of $4,498,940)	2,708,494	0
Depreciation	2,006,736	36,525
Auxiliary Services	3,026,830	0
Other Operating Expenses	0	263,805
Total Operating Expenses	34,859,648	300,330
OPERATING LOSS	(14,030,552)	(101,601)
NONOPERATING REVENUES (EXPENSES):		
Federal Grants and Contracts	6,710,770	0
State Appropriations	13,411,672	0
Gifts	0	112,875
Investment Income	92,152	65,812
Interest on Capital Asset-Related Debt	(935,016)	0
Total Nonoperating Revenues (Expenses)	19,279,578	178,687
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	5,249,026	77,086
Capital Appropriations	842,641	0
Capital Grants and Gifts	54,943	0
Loss on Disposal of Capital Assets	(108,476)	(108,189)
CHANGE IN NET POSITION	6,038,134	(31,103)
NET POSITION - Beginning of Year	1,719,099	2,931,692
NET POSITION - End of Year	$7,757,233	$2,900,589

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$13,458,112	$0
Grants and Contracts	1,136,221	0
Payments to Employees	(22,505,026)	0
Payments to Suppliers	(2,795,684)	0
Payments for Utilities	(1,428,986)	0
Payments for Contractual Services	(925,459)	0
Payments for Scholarships and Fellowships	(3,084,068)	0
Auxiliary Services Charges	4,568,393	0
Sales and Services of Educational Departments	274,232	0
Other Receipts	519,977	224,624
Other Payments	(4,216,834)	(316,455)
Net Cash from Operating Activities	(14,999,122)	(91,831)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal Grants and Contracts	6,710,770	0
State Appropriations	13,411,672	0
Gifts Received for Other Than Capital Purposes	0	112,875
Net Cash from Noncapital Financing Activities	20,122,442	112,875
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	842,641	0
Capital Grants and Gifts Received	54,943	0
Purchases of Capital Assets	(2,373,454)	0
Principal Paid on Capital Debt	(564,421)	0
Interest Paid on Capital Debt	(947,039)	0
Net Cash from Capital and Related Financing Activities	(2,987,330)	0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	92,152	65,812
Purchase of Investments	0	(733,346)
Net Cash from Investing Activities	92,152	(667,534)
Net Increase (Decrease) in Cash and Cash Equivalents	2,228,142	(646,490)
CASH AND CASH EQUIVALENTS, Beginning of year	9,367,340	1,056,610
CASH AND CASH EQUIVALENTS, End of year	$11,595,482	$410,120

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Loss to		
Net Cash from Operating Activities:		
Operating Loss	($14,030,552)	($101,601)
Adjustments to Reconcile Net Operating Loss to		
Net Cash from Operating Activities:		
Depreciation	2,006,736	36,525
Change in Assets, Liabilities, and Deferred Inflows/Outflows of Resources:		
Receivables, Net	(157,405)	0
Other Receivables	0	25,895
Inventories	(21,754)	0
Prepaid Expenses	271,630	0
Intergovernmental Receivable	(185,056)	0
Deferred Outflows of Resources	(4,374,451)	0
Accounts Payable and Other Accrued Liabilities	322,261	(52,650)
Compensated Absences	(101,603)	0
Unearned Revenue	(529,700)	0
Deposit Held for Others	(146,909)	0
Claims Payable	136,741	0
Net Pension Liability	(1,018,602)	0
Deferred Inflows of Resources	2,829,542	0
Net Cash from Operating Activities	($14,999,122)	($91,831)

See accompanying notes to the basic financial statements.

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 16.

The Southeast Ohio Probation Treatment Alternative Center (SEPTA) is a legally separate organization, but only the assets being held and a corresponding liability had been previously reported in the financial statements, since the College acted only as fiscal agent for them. The College's role as fiscal agent ended June 30, 2016 and the College transferred all remaining assets to the new fiscal agent, the Athens County Auditor, during fiscal year 2017.

The College is associated with the South Central Ohio Insurance Consortium, which is a jointly governed organization. Information concerning this organization is presented in Note 15 to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

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

The budget is an annual plan for the financial operations of the College that establishes a basis of control and evaluation of activities financed through the unrestricted 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 approved budget into its accounts to provide control and evaluation of financial activities.

C. Appropriations

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. Encumbrances

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2017 do not constitute expenses or liabilities and are not reflected in the financial statements.

E. Cash and Investments

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for the Hocking College Foundation, Inc. and escrow accounts related to bond activity, 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 2017, 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, 2017 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 food inventory for the culinary program and dining services 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 $5,000 or greater 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. Operating and Nonoperating Revenues

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. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduces revenues. The amount reported as operating expense represents resources provided in excess of amounts owed by the student to the institution and refunded to the students. Scholarship allowances represent the portion of aid 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. Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and various other federal programs. Federal programs are audited in accordance with Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

During the fiscal year ended June 30, 2017, the College processed $12,012,773 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

N. Net Position

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 represents funds that have been gifted for specific purposes, funds held in federal and state programs, unexpended bond proceeds restricted for capital use, 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 deficit balance of ($35,903,236) at June 30, 2017 includes a balance of $1,566,121 held for auxiliary services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

O. Estimates

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

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, 2017, the College reported $1,734,897 of restricted assets, which is payments made to the escrow agent which are to be used for debt service payments related to the series 2013 bond issuance and unexpended bond proceeds to be used for capital purposes.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources includes pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to the liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources includes pension. The deferred inflows of resources related to pension are explained in Note 9.

NOTE 3 - NEW GASB PRONOUNCEMENTS

For fiscal year 2017, the College implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 77, “Tax Abatement Disclosures”, GASB Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, GASB Statement No. 80, “Blending Requirements for Certain Component Units”, and GASB Statement No. 82, “Pension Issues.” The implementation of GASB Statements Nos. 74, 77, 78, 80 and 82 had no effect on disclosures or 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 be 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.

NOTE 4 - CASH AND INVESTMENTS – Continued

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2017, the College complied with the provisions of these statutes.

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

a. United States Treasury Notes, Bills, Bonds, or other obligations or securities issued by the United States Treasury, or any other obligations guaranteed as to principal and interest by the United States;

b. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

c. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;

d. Bonds and other obligations of the State;

e. No-load money market mutual funds consisting exclusively of obligations described in division (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.

NOTE 4 - CASH AND INVESTMENTS – Continued

At June 30, 2017, the carrying amount of all College deposits was $13,009,619. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2017, the College's bank balance of $14,389,691 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, 2017, the College investments were limited to money market funds which totaled $1,734,897 and had maturies of less than one year.

The College has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the College's investments are valued using pricing sources as provided by the investments managers (Level 1 inputs)

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The money market funds are unrated.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the College 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 College's securities are either insured and registered in the name of the College or at least registered in the name of the College. The College 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 College places no limit on the amount that may be invested in any one issuer.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017
Nondepreciable Capital Assets:				
Land	$4,907,291	$102,264	$0	$5,009,555
Total Nondepreciable Capital Assets	4,907,291	102,264	0	5,009,555
Depreciable Capital Assets:				
Land Improvements	5,123,784	403,645	0	5,527,429
Buildings and Improvements	70,221,348	667,195	0	70,888,543
Furniture, Fixtures and Equipment	8,177,198	919,259	(478,715)	8,617,742
Vehicles/Fleet	1,825,187	281,091	(194,301)	1,911,977
Total Depreciable Capital Assets	85,347,517	2,271,190	(673,016)	86,945,691
Total Cost of Capital Assets	90,254,808	2,373,454	(673,016)	91,955,246
Less Accumulated Depreciation:				
Land Improvements	(4,097,982)	(120,138)	0	(4,218,120)
Buildings and Improvements	(19,371,945)	(1,361,262)	0	(20,733,207)
Furniture, Fixtures and Equipment	(4,859,058)	(454,904)	399,693	(4,914,269)
Vehicles/Fleet	(1,391,367)	(70,432)	164,847	(1,296,952)
Total Accumulated Depreciation	(29,720,352)	(2,006,736)	564,540	(31,162,548)
Capital Assets, Net	$60,534,456	$366,718	($108,476)	$60,792,698

The College's capital assets include the costs of the $4,023,873 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. 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, 2017.

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 some capital funding for construction and deferred maintenance. 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.

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities of the College consist of general receipts improvement bonds, a revenue bond, net pension liability, and compensated absences payable. The change in long-term liabilities are as shown below:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
Bonds Payable:					
General Receipts Improvement Bonds; 3.0% - 5.0%	$20,015,000	$0	$515,000	$19,500,000	$535,000
Premium on Bonds	264,579	0	12,025	252,554	12,026
Tax Exempt Revenue Bond; 3.07%	379,485	0	49,420	330,065	50,938
Total Bonds Payable	20,659,064	0	576,445	20,082,619	597,964
Net Pension Liability:					
STRS	32,281,859	0	2,154,824	30,127,035	0
SERS	14,953,569	1,136,222	0	16,089,791	0
Total Net Pension Liability	47,235,428	1,136,222	2,154,824	46,216,826	0
Other Liabilities:					
Compensated Absences Payable	637,410	589,640	691,242	535,808	401,585
Total Other Liabilities	637,410	589,640	691,242	535,808	401,585
Total Long-Term Liabilities	$68,531,902	$1,725,862	$3,422,511	$66,835,253	$999,549

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.

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.

NOTE 7 - LONG-TERM LIABILITIES – Continued

The annual requirements to amortize long-term obligations outstanding as of June 30, 2017 are as follows:

	Tax Exempt Revenue Bonds		General Receipts Improvement Bonds		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
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	54,113	6,127	580,000	872,800	634,113	878,927
2021	55,775	4,440	600,000	849,600	655,775	854,040
2022	57,487	2,701	625,000	825,600	682,487	828,301
2023-2027	59,251	909	3,565,000	3,709,775	3,624,251	3,710,684
2028-2032	0	0	4,530,000	2,773,525	4,530,000	2,773,525
2033-2037	0	0	5,770,000	1,570,663	5,770,000	1,570,663
2038-2039	0	0	2,740,000	207,250	2,740,000	207,250
Total Payments	$330,065	$31,291	$19,500,000	$12,620,613	$19,830,065	$12,651,904

NOTE 8 - OPERATING LEASES

The College leases classroom and laboratory space near the Logan Campus for instructional purposes from Rokeith Enterprises Inc. Monthly rental through and including September 2018 is $17,452. Both parties agreed to cancel the lease with last payment made on September 1, 2018. The following is a schedule of minimum lease payments under the operating lease:

Fiscal Year Ending	Lease Payments
2018	$52,356
Total Payments	$52,356

NOTE 9- DEFINED BENEFIT RETIREMENT PLANS

Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability on the Statement of Net Position represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included as an other accrued liability.

Plan Description - School Employees Retirement System (SERS)

Plan Description – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was $968,699 for fiscal year 2017. Of this amount $776 is reported as an other accrued liability.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 65 with five years of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 65 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2016, when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The College's contractually required contribution to STRS was $1,322,850 for fiscal year 2017. Of this amount $28,744 is reported as an other accrued liability.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$16,089,791	$30,127,035	$46,216,826
Proportion of the Net Pension Liability	0.21983360%	0.09000395%	
Pension Expense	$1,212,941	($1,487,903)	($274,962)

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$217,014	$1,217,275	$1,434,289
Net Difference between Projected and Actual Investment Earnings	1,327,174	2,501,353	3,828,527
Changes of Assumptions	1,074,082	0	1,074,082
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	304,225	0	304,225
College Contributions Subsequent to the Measurement Date	968,699	1,322,850	2,291,549
Total Deferred Outflows of Resources	$3,891,194	$5,041,478	$8,932,672
Deferred Inflows of Resources			
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	$1,793,112	$10,697,423	$12,490,535
Total Deferred Inflows of Resources	$1,793,112	$10,697,423	$12,490,535

NOTE 9 - <u>DEFINED BENEFIT PENSION PLANS</u> - (Continued)

$2,291,549 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$139,598	($2,468,731)	($2,329,133)
2019	138,640	(2,468,734)	(2,330,094)
2020	286,790	(1,508,890)	(1,222,100)
2021	564,355	(532,440)	31,915
Total	$1,129,383	($6,978,795)	($5,849,412)

<u>Actuarial Assumptions - SERS</u>

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both men and women. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U. S. Stocks	22.50	4.75
Non-U. S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

NOTE 9 - <u>DEFINED BENEFIT PENSION PLANS</u> - (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$21,301,881	$16,089,791	$11,727,055

<u>Actuarial Assumptions - STRS</u>

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

NOTE 9 - *DEFINED BENEFIT PENSION PLANS* - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability	$40,036,382	$30,127,035	$21,767,917

Changes between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's Net Pension Liability is expected to be significant.

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 a postemployment benefit plan.

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.

NOTE 10 - POSTEMPLOYMENT BENEFITS – Continued

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 pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was 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 2017, the minimum compensation level was established at $23,500. 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, 2017, 2016, and 2015 were $0, $70,203 and $64,743, respectively; which equaled the required contribution and surcharge 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 plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The College participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The College's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $0, $0, and $0 respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

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, 2017, the long-term liability for vested and probable benefits for vacation and sick leave totaled $134,223, and the short-term liability totaled $401,585, for a total liability of $535,808.

B. **Insurance Benefits:** Medical, prescription, and dental insurance is offered to employees through the South Central Ohio Insurance Consortium (SCOIC). The College was self-funded with SCOIC effective January 1, 2017 and this arrangement is further described in Note 13 – "Risk Management". The College provides life insurance and accidental death and dismemberment insurance to employees through Metlife Insurance Company.

NOTE 11 - OTHER EMPLOYEE BENEFITS – Continued

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

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

NOTE 12 - THE LODGE AT HOCKING COLLEGE

The Lodge at Hocking College (The Lodge) was previously operated as the Inn 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 Lodge was renovated as The Lodge at Hocking College and will serve as a Workforce Training and Development Center and reopened in the fall of 2016.

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and has contracted with Reed and Baur Insurance with coverage through Wright Specialty Insurance 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 reductions in coverage from the prior year. The College did add cyber coverage in 2017 with an aggregate limit of $1,000,000.

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 $109,413,397 with a $10,000 deductible per occurrence. The College maintains coverage for Business Income Loss and extra expense coverage in all college operations with a limit of $27,750,000. 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 lounge, and catering in The Lodge 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 13 - RISK MANAGEMENT – Continued

The College provides medical, prescription and dental insurance for its employees. Premiums are paid directly to the South Central Ohio Insurance Consortium (SCOIC). SCOIC contracted with Employee Benefits Management Corporation to service the claims of SCOIC members.

The College was self funded with the South Central Ohio Insurance Consortium effective January 1, 2016.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the College. The College had no cash balance with the fiscal agent at June 30, 2017. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the fiscal agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the members. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2017, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will also be reported.

The claims liability of $571,637 supported at June 30, 2017 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2016	$0	$1,138,361	$703,465	$434,896
2017	434,896	3,038,393	2,901,652	571,637

NOTE 14 – CONTINGENCIES

Grants

The College receives financial assistance from federal and state agencies in the form of grants. The receipt of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2017.

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, 2017.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Insurance Consortium (SCOIC)

South Central Ohio Insurance Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The College does not have an ongoing financial interest in or financial responsibility for the SCOIC other than claims paid on behalf of the College for College employees. To obtain financial information on the SCOIC, write to the Bloom-Carroll Local School District, Travis Bigam, who serves as Treasurer, at 5240 Plum Road, Carroll, Ohio 43112.

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

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

The Internal Revenue Service granted a foundation status classification under 501(a) of the IRS Regulations as an organization described in Section 501(c)(3), granting the Foundation tax-exempt status. The initial five year ruling period ending June 30, 1997, was updated on November 6, 1997 with the IRS reaffirming the Foundation's exempt status under Section 501(a) as described in 501(c)(3) of the Internal Revenue 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. Although the Foundation is supposed to report under the Financial Accounting Standards Board (FASB) standards, the financial statements have been presented in accordance with 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, to conform to the College's financial statement presentation. There are terminology differences between the GASB's pronouncements and the FASB pronouncements, however, no modifications have been made to the Foundations financial information reported in the College's financial report.

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2017, investments were limited to certificates of deposit with local institutions, money market accounts, 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 16 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Capital Assets

Capital assets with a unit cost of $5,000 or greater 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, 2017, the carrying amount of all Foundation deposits was $379,790. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of June 30, 2017, the Foundation's bank balance of $379,742 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, 2017, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity
Common Stock	$2,750	< 1 Year
Mutual Funds	1,224,399	< 1 Year
Money Market Funds	30,330	< 1 Year
Total	$1,257,479	

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 16 - 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, 2017 are as follows:

Credit Rating (S&P)	Common Stock
A1	$2,750

Credit Rating	Mutual Funds
Unrated	$1,224,399

Credit Rating (S&P)	Money Market Funds
A2	$30,330

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 0.2% of investments in common stock, 97.4% in mutual funds and 2.4% 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 16 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Other Receivables

At June 30, 2017, the Foundation had pledges of future donations in the amount of $53,387. These pledges have been reported as Other Receivables as of June 30, 2017 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 unconditional promises to give with the following due dates:

	Amount
Within One Year	$37,000
One to Five Years	6,444
Six to Ten Years	9,943
Total	$53,387

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017
Nondepreciable Captial Assets:				
Land	$78,880	$0	$0	$78,880
Depreciable Capital Assets:				
Buildings and Improvements	2,148,528	0	(165,362)	1,983,166
Total Cost of Capital Assets	2,227,408	0	(165,362)	2,062,046
Less Accumulated Depreciation:				
Buildings and Improvements	(880,352)	(36,525)	57,172	(859,705)
Total Accumulated Depreciation	(880,352)	(36,525)	57,172	(859,705)
Capital Assets, Net	$1,347,056	($36,525)	($108,190)	$1,202,341

HOCKING TECHNICAL COLLEGE

Schedule of the College's Proportionate Share of Net Pension Liablity

Last Four Fiscal Years(1)(2)

	2017	2016	2015	2014
School Employees Retirement System of Ohio				
College's Proportion of the Net Pension Liability	0.21983360%	0.2620630%	0.2519610%	0.2519610%
College's Proportionate Share of the Net Pension Liability	$16,089,791	$14,953,569	$12,751,603	$14,983,312
College's Covered-Employee Payroll	$6,841,043	$7,895,514	$7,960,643	$6,928,577
College's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	235.19%	189.39%	160.18%	216.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio				
College's Proportion of the Net Pension Liability	0.09000395%	0.11680635%	0.14311894%	0.14311894%
College's Proportionate Share of the Net Pension Liability	$30,127,035	$32,281,859	$34,811,479	$41,467,206
College's Covered-Employee Payroll	$9,985,964	$12,092,450	$14,952,992	$17,223,800
College's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	301.69%	266.96%	232.81%	240.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.71%	69.30%

(1) Information prior to 2014 is not available.

(2) Amounts presented as of the College's measurement date which is the prior fiscal year end.

Changes in Assumptions : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

HOCKING TECHNICAL COLLEGE
Schedule of the College Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
School Employees Retirement System of Ohio										
Contractually Required Contributions	$968,699	$957,746	$1,040,629	$1,103,345	$958,915	$883,954	$930,877	$1,045,394	$671,348	$712,255
Contributions in Relation to the Contractually Required Contributions	(968,699)	(957,746)	(1,040,629)	(1,103,345)	(958,915)	(883,954)	(930,877)	(1,045,394)	(671,348)	(712,255)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College Covered-Employee Payroll	$6,919,279	$6,841,043	$7,895,516	$7,960,642	$6,928,577	$6,572,149	$7,405,545	$7,720,783	$6,822,642	$7,253,106
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%
State Teachers Retirement System of Ohio										
Contractually Required Contributions	$1,322,850	$1,398,035	$1,692,943	$1,943,889	$2,239,094	$2,344,042	$2,447,343	$2,532,719	$2,238,008	$2,267,611
Contributions in Relation to the Contractually Required Contributions	(1,322,850)	(1,398,035)	(1,692,943)	(1,943,889)	(2,239,094)	(2,344,042)	(2,447,343)	(2,532,719)	(2,238,008)	(2,267,611)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
College Covered-Employee Payroll	$9,448,929	$9,985,964	$12,092,450	$14,952,992	$17,223,800	$18,031,092	$18,825,715	$19,482,454	$17,215,446	$17,443,162
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Changes in Assumptions : For fiscal year 2017, SERS reported changes of assumptions which included a reduction in the discount rate from 7.75 percent to 7.50 percent, a decrease of wage inflation from 3.25 percent to 3.00 percent, a reduction in investment rate of return from 7.75 percent to 7.50 percent, a reduction of future salary increases, and an adjustment to assumed life expectancies as result of adopting the RP-2014 Blue Collar Mortality Table for the purpose of developing mortality rates.

HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2017

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Pass-Through Entity Number	Grant Year	Federal CFDA Number	Revenues	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE					
Pass-Through Appalachian Regional Commission					
Appalachian Area Development	PW-18726-IM	2017	23.002	$263,259	$263,259
Total United States Department of Agriculture				263,259	263,259
UNITED STATES DEPARTMENT OF EDUCATION					
Direct from Federal Government:					
Student Financial Assistance Cluster:					
Federal Supplemental Educational Opportunity Grants	N/A	2017	84.007	113,808	113,808
Federal Work-Study Program	N/A	2017	84.033	219,890	219,890
Federal Pell Grant Program	N/A	2018	84.063	423,432	423,432
Federal Pell Grant Program	N/A	2017	84.063	5,947,554	5,947,554
Federal Pell Grant Program	N/A	2016	84.063	6,086	6,086
Federal Direct Student Loans	N/A	2014	84.268	4	4
Federal Direct Student Loans	N/A	2017	84.268	12,012,769	12,012,769
Total Student Financial Assistance Cluster				18,723,543	18,723,543
TRIO Cluster:					
TRIO - Student Support Services	N/A	2016	84.042A	31,630	31,530
TRIO - Student Support Services	N/A	2017	84.042A	230,270	230,250
TRIO - Talent Search	N/A	2016	84.044A	44,796	44,796
TRIO - Talent Search	N/A	2017	84.044A	202,267	202,182
Total TRIO Cluster				508,963	508,758
Pass-Through State Department of Education:					
Career and Technical Education - Basic Grants to States	3L90	2017	84.048	167,056	167,056
Total Career and Technical Education - Basic Grants to States				167,056	167,056
Total United States Department of Education				19,399,562	19,399,357
Total Federal Financial Assistance				$19,662,821	$19,662,616

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 accompanying Schedule of Federal Awards Revenues and Expenditures (the Schedule) includes the federal award activity of Hocking Technical College (the College) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 – Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – Federal Direct Loan Program

During the fiscal year ended June 30, 2017, the College processed $12,012,773 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.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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, 2017, 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 18, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2017-001 that we consider to be a material weakness.

Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.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*.

College's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.
Portsmouth, Ohio

December 18, 2017

Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 the Hocking Technical College's, Athens County (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the College's major federal program for the year ended June 30, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Natalie Millhuff-Stang

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

December 18, 2017

Section I – Summary of Auditor's Results

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	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?	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 2 CFR 200.516(a)?	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: >$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

FINDING NUMBER 2017-001

Material Weakness – Financial Reporting

A monitoring system by the College should be in place to prevent or detect misstatements for the accurate presentation of the financial statements. During testing, we identified errors in deferred inflows and pension expense related to net pension liability reporting. The College should implement procedures to ensure financial statements and disclosures are accurately reported.

Client Response:
See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The College will have a new CFO before fiscal year 2018 reporting and has hired a new Director of Accounting. They will work closely with Uhrig and Associates for accuracy in GAAP reporting/conversion.	June 30, 2018	CFO

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HOCKING TECHNICAL COLLEGE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 16, 2018