Hocking Technical College
Athens County
Single Audit
For the Fiscal Year Ended June 30, 2011

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
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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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 31, 2012

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Hocking Technical College

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For the Fiscal Year Ended June 30, 2011

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HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2011

NAME	***TITLE***	***TERM EXPIRES***
Mr. Joe Murtha	Chairperson	August 2011
Mr. Van Cardaras	Vice Chairperson	August 2013
Ms. Tonya Sherburne	Secretary	August 2012
Mr. Mike Brooks	Trustee	August 2011
Mr. Larry Willard	Trustee	August 2011
Mr. Gary Starner	Trustee	August 2012
Mr. Frank Newlon	Trustee	August 2012
Dr. Alan Geiger	Trustee	August 2013
Mrs. Patricia Light	Trustee	August 2013

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2011

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

Independent Auditor's Report

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

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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Hocking Technical College, Athens County, as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 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 on opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards revenues and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements take, as a whole.

Natalie Millhuff-Stang

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

December 30, 2011

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, 2011. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College’s management.

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

Using this Report

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

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

Financial Highlights

The College’s financial position increased during the fiscal year ended June 30, 2011. The current assets decreased $1.2 million or 6.7% from the previous fiscal year due primarily to a decrease in intergovernmental receivables. The capital assets decreased $0.3 million or 0.7% from the previous fiscal year due primarily to depreciation expense exceeding acquisitions and the disposal of equipment for the year. The current liabilities remained consistent between years. The long-term liabilities decreased $2.0 million or 39.2% from the previous fiscal year due to principal payments made on notes payable and capital lease obligations.

During the fiscal year ended June 30, 2011, the College’s revenue and other support exceeded expenses creating an increase in net assets of $0.2 million (the College experienced a $1.3 million increase in the previous fiscal year).

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

One of the most important questions asked about the College’s finances is, “Is the College as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College’s operating results.

These two statements report the College's net assets and changes in them. You can think of the difference between assets and liabilities as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating.

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

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Net Assets as of June 30 (in millions)

	2011	2010	Increase (Decrease)	Percent Change
Current Assets	$16.6	$17.8	($1.2)	(6.7%)
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	43.2	43.5	(0.3)	(0.7%)
Other	1.1	1.4	(0.3)	(21.4%)
Total Assets	$60.9	$62.7	($1.8)	(2.9%)
Current Liabilities	$9.8	$9.8	$0.0	0%
Long-Term Liabilities	3.1	5.1	(2.0)	(39.2%)
Total Liabilities	12.9	14.9	(2.0)	(13.4%)
Net Assets:				
Invested in Capital Assets, Net of Related Debt	40.0	38.0	2.0	5.3%
Restricted – Nonexpendable	1.1	1.4	(0.3)	(21.4%)
Restricted - Expendable	0.6	2.8	(2.2)	(78.6%)
Unrestricted	6.3	5.6	0.7	12.5%
Total Net Assets	$48.0	$47.8	$0.2	0.4%

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

Operating Results for the Year (in millions)				
	2011	2010*	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$24.0	$21.4	$2.6	12.1%
Grants and Contracts	2.0	2.5	(0.5)	(20.0%)
Sales and Services of Departments	0.4	0.5	(0.1)	20.0%
Auxiliary Services	8.2	7.9	0.3	3.8%
Other Operating Revenue	0.2	0.3	(0.1)	(33.3%)
Total Operating Revenues	34.8	32.6	2.2	6.7%
Operating Expenses:				
Instructional and Departmental Research	26.7	26.3	0.4	1.5%
Public Service	0.4	1.0	(0.6)	(60.0%)
Academic Support	4.4	3.0	1.4	46.7%
Student Services	4.4	5.5	(1.1)	(20.0%)
Institutional Support	6.0	4.7	1.3	27.6%
Operation and Maintenance of Plant	2.3	2.7	(0.4)	(14.8%)
Scholarships and Fellowships	12.7	9.5	3.2	33.7%
Depreciation	1.5	1.4	0.1	7.1%
Auxiliary Services	9.1	8.9	0.2	2.2%
Total Operating Expenses	67.5	63.0	4.5	7.1%
Operating Income (Loss)	(32.7)	(30.4)	(2.3)	(7.6%)
Nonoperating Revenues (Expenses):				
Grants and Contracts	18.9	16.9	2.0	11.8%
State Appropriations	13.6	14.3	(0.7)	(4.9%)
Interest on Capital Asset-Related Debt	(0.2)	(0.1)	(0.1)	100.0%
Net Investment Income and Other	0.1	0.1	0.0	0.0%
Total Nonoperating Revenues (Expenses)	32.4	31.2	1.2	3.8%
Other Revenues:				
Capital Appropriations	0.3	0.5	(0.2)	(40.0%)
Net Capital Grants, Gifts and Other	0.2	0.0	0.2	100.0%
Total Other Revenues	0.5	0.5	0.0	0.0%
Increase (Decrease) in Net Assets	0.2	1.3	(1.1)	(84.6%)
Net Assets - Beginning of Year	47.8	46.5	1.3	(2.8%)
Net Assets - End of Year	$48.0	$47.8	$0.2	0.4%

*Certain reclassifications have been made for consistency in reporting between years.

Operating Revenues

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

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

- Student tuition and fee revenue increased $2.6 million or 12.1% and the increase is primarily the result of increased course fees due to expanding courses offered and increased 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 increased $3.2 million or 33.7% primarily due to an increase in Pell Grant funding.

- Academic Support increased by $ 1.4 million and Student Services decreased by $1.1 million primarily due to a reorganization of units creating additional cost centers allowing for greater alignment with functional classifications.

- Institutional Support costs increased $ 1.3 million or 27.6% due to increased spending for legal fees related to labor negotiations, increased bad debt expense, an increase in compensated absences, increased staff tuition assistance and a change in accounting for telephone costs.

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 increase is the result of increased student financial aid awards and State fiscal stabilization funds.

Other Revenues

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

The change in other revenues was primarily the result of a decrease in Capital Appropriations from the State of Ohio due to the College's improvements and construction during the fiscal year which was lower than the previous year.

Statement of Cash Flows

Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

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

Cash Flows for the Year (in millions)

	2011	2010*	Increase (Decrease)	Percent Change
Net Cash from:				
Operating Activities	($28.7)	($28.9)	$0.2	0.7%
Noncapital Financing Activities	32.5	31.2	1.3	4.2%
Capital and Related Financing Activities	(3.1)	(2.9)	(0.2)	(6.9%)
Investing Activities	0.7	(0.9)	1.6	177.8%
Net Increase (Decrease) in Cash	1.4	(1.5)	2.9	193.3%
Cash - Beginning of Year	2.8	4.3	(1.5)	(34.9%)
Cash - End of Year	$4.2	$2.8	$1.4	50.0%

*Certain reclassifications have been made for consistency in reporting between years.

The major sources of cash from operating activities are tuition and fees, grants and contracts and auxiliary service charges. Cash outlays include payments for wages, benefits, supplies, utilities, contractual services, and scholarships and fellowships. Overall, net cash from operating activities increased due to increases in revenues exceeding increases in expenses.

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 increased due to an increase in authorized awards to students in addition to increased enrollment.

The major sources of cash from capital and related financing activities this year is from capital appropriations from the State of Ohio, while cash outlays include payments for construction projects and other capital assets, and principal paid on the leases and notes that were incurred to acquire and construct these capital assets. Net cash from capital and related financing activities decreased due primarily to the principal payments made for the leases and notes.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the College had $43.2 million invested in capital assets, net of accumulated depreciation of $21.6 million. Depr eciation charges totaled $1.5 million for the current fiscal year compared to $1.4 million last 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)

	2011	2010	Increase (Decrease)
Land	$5.0	$5.0	$0.0
Construction in Progress	0.4	0.0	0.4
Land Improvements	1.3	1.3	0
Buildings and Improvements	34.0	34.8	(0.8)
Furniture, Fixtures, and Equipment	2.2	2.0	0.2
Vehicles/Fleet	0.3	0.4	(0.1)
Total	$43.2	$43.5	($0.3)

The major capital additions this year were $0.2 million for new paving projects, $0.6 million for new equipment and $0.4 million for construction in progress 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, 2011, the College had $3.2 million in debt outstanding versus $5.5 million the previous year. The table below summarizes these amounts by type of debt instrument.

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

	2011	2010	Increase (Decrease)
Bond Anticipation Notes	$2.8	$4.5	($1.7)
Lease Obligations	0.4	1.0	(0.6)
Total	$3.2	$5.5	($2.3)

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

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects that its funding to the College will decrease for the fiscal year ended June 30, 2012. Appropriations for the upcoming fiscal year are projected at $14.04 million, which is $1.9 million or 11.95% less than the State support in the previous year. Tuition rates have increased 3.5% per year for fiscal year 2011 and 5.3% in fiscal year 2012, the limit set by the Ohio Legislature.

The College experienced 0.4% growth in fiscal year 2011 and is anticipating approximately 0% growth in fiscal year 2011.

The College's current financial plans indicate that the loss of State resources will be offset by the increase in tuition rates and the additional savings through efficiency measures including reduced personnel, expected through attrition, retirements and position eliminations. These additional financial resources generated from the foregoing performance will enable it to maintain its present level of educational services.

HOCKING TECHNICAL COLLEGE
Statement of Net Assets
June 30, 2011

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$4,183,259	$192,299
Other Short-Term Investments	2,990,534	51,278
Accounts Receivable	7,468,540	2,515
Intergovernmental Receivables	1,358,558	0
Inventories	486,567	0
Prepaid Expenses	132,980	0
Accrued Interest Receivable	3,295	0
Total Current Assets	16,623,733	246,092
Noncurrent Assets:		
Endowment Investments	1,122,499	471,994
Nondepreciable Capital Assets	5,364,362	70,114
Depreciable Capital Assets	37,813,377	21,422,686
Total Noncurrent Assets	44,300,238	21,964,794
TOTAL ASSETS	60,923,971	22,210,886
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	2,893,237	78,136
Deposits Held in Custody for Others	297,038	0
Deferred Revenue	5,505,513	1,124
Long-Term Liabilities - Current Portion	1,156,088	522,790
Total Current Liabilities	9,851,876	602,050
Long-Term Liabilities:		
Long-Term Liabilities	3,066,729	19,623,154
Total Long-Term Liabilities	3,066,729	19,623,154
TOTAL LIABILITIES	12,918,605	20,225,204
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	39,985,763	1,346,856
Restricted for:		
Nonexpendable:		
Endowments	1,122,499	471,994
Expendable:		
Loans	34,070	0
Scholarships	520,595	218,307
Unrestricted (Deficit)	6,342,439	(51,475)
TOTAL NET ASSETS	$48,005,366	$1,985,682

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $5,879,841)	$24,024,104	$0
Federal Grants and Contracts	1,498,551	0
State Grants and Contracts	123,048	0
Local Grants and Contracts	341,629	0
Sales and Services of Educational Departments	348,106	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $712,309)	8,195,984	0
Other Operating Revenue	243,456	1,190,240
Total Operating Revenues	34,774,878	1,190,240
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	26,713,392	0
Public Service	394,529	0
Academic Support	4,435,262	0
Student Services	4,383,366	0
Institutional Support	5,998,051	0
Operation and Maintenance of Plant	2,317,089	0
Scholarships and Fellowships	12,714,864	0
Depreciation	1,444,715	391,546
Auxiliary Services	9,067,754	0
Other Operating Expenses	0	20,260
Total Operating Expenses	67,469,022	411,806
OPERATING INCOME (LOSS)	(32,694,144)	778,434
NONOPERATING REVENUES (EXPENSES):		
Federal Grants and Contracts	18,882,492	0
State Appropriations	13,626,365	0
Gifts	0	89,334
Investment Income	76,054	39,258
Interest on Capital Asset-Related Debt	(198,231)	(674,985)
Total Nonoperating Revenues (Expenses)	32,386,680	(546,393)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(307,464)	232,041
Capital Appropriations	356,715	0
Capital Grants and Gifts	408,338	0
Loss on Disposal of Capital Assets	(215,158)	0
INCREASE IN NET ASSETS	242,431	232,041
NET ASSETS - Beginning of Year	47,762,935	1,753,641
NET ASSETS - End of Year	$48,005,366	$1,985,682

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$24,788,597	$0
Grants and Contracts	3,180,742	0
Payments to Employees	(40,076,527)	0
Payments to Suppliers	(6,516,486)	0
Payments for Utilities	(1,703,515)	0
Payments for Contractual Services	(3,194,428)	0
Payments for Scholarships and Fellowships	(11,939,878)	0
Auxiliary Services Charges	8,378,574	0
Sales and Services of Educational Departments	348,106	0
Other Receipts	0	1,190,240
Other Payments	(1,939,514)	(20,260)
Net Cash from Operating Activities	(28,674,329)	1,169,980
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal Grants and Contracts	18,882,492	0
State Appropriations	13,626,365	0
Gifts Received for Other Than Capital Purposes	0	89,334
Net Cash from Noncapital Financing Activities	32,508,857	89,334
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Appropriations	356,715	0
Capital Grants and Gifts Received	408,338	0
Purchases of Capital Assets	(1,380,578)	0
Principal Paid on Capital Debt and Leases	(2,306,658)	(493,407)
Interest Paid on Capital Debt and Leases	(198,232)	(671,599)
Net Cash from Capital and Related Financing Activities	(3,120,415)	(1,165,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	601,737	0
Interest on Investments	65,682	2,923
Purchase of Investments	0	(43,049)
Net Cash from Investing Activities	667,419	(40,126)
Net Increase in Cash and Cash Equivalents	1,381,532	54,182
CASH AND CASH EQUIVALENTS, Beginning of year	2,801,727	138,117
CASH AND CASH EQUIVALENTS, End of year	$4,183,259	$192,299

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	($32,694,144)	$778,434
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	1,444,715	391,546
Change in Assets and Liabilities:		
Receivables, Net	1,042,751	0
Inventories	128,456	0
Prepaid Expenses	(97,882)	0
Intergovernmental Receivable	1,217,514	0
Accounts Payable and Other Accrued Liabilities	602,687	0
Compensated Absences	35,094	0
Deferred Revenue	(95,668)	0
Deposits Held in Custody for Others	(257,852)	0
Net Cash from Operating Activities	($28,674,329)	$1,169,980

The accompanying notes are an integral part of this statement.

NOTE 1 - <u>DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY</u>

A. **<u>Description of the College</u>**

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. **<u>Reporting Entity</u>**

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 Inn at Hocking College is considered a part of the reporting entity of the College and is included in the College's financial statements as an Auxiliary Service.

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.

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

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

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

NOTE 2 - 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements. Additionally, the College has the option of applying FASB statements and interpretations issued after November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The College maintains separate accounting records for approximately 32 funds, to help assure proper accountability over financial resources restricted to the respective funds. Management has consolidated these funds in these financial statements.

B. **Budgetary Process**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. **Appropriations**

To provide control over expenditures, a budget is prepared by the Vice-President of Finanical 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 in January of the same fiscal year.

D. Encumbrances

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2011 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 Inn at Hocking College and Hocking College Foundation, Inc., which are held separately from the cash management pool of the College. For internal control and accountability purposes, individual fund integrity is maintained through the College records. During fiscal year 2011, investments were limited to certificates of deposit with local institutions, money market funds, and stocks.

The College makes investments in accordance with the Board of Trustees' policy, which conforms to the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Vice-President of 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 Assets, investments of the cash management pool or investments with a maturity of three months or less at the time they are purchased by the College are considered to be cash equivalents.

F. Accounts Receivables

Receivables at June 30, 2011 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Capital Assets

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

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

I. Compensated Absences

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

J. Pensions

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

K. Operating Revenues

All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are 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 the portion of aid that was provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a cash basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Federal Financial Assistance Programs

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

During the fiscal year ended June 30, 2011, the College processed $30,368,924 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

N. Net Assets

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

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

The unrestricted net asset balance of $6,342,439 at June 30, 2011 includes $788,275 held for auxiliary services, with $5,554,164 remaining for use at the College's discretion.

O. Estimates

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

NOTE 3 - CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the College has identified as not required for use within the current 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 3 - <u>CASH AND INVESTMENTS</u> – 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 2011, 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"*.

NOTE 3 - CASH AND INVESTMENTS – Continued

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

At June 30, 2011, the carrying amount of all College deposits was $8,183,259. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2011, the College's bank balance of $9,006,065 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, 2011, the College had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	$113,033	$113,033
Totals	$113,033	$113,033

The classification of cash and cash equivalents, and investments in the financial statements is based on criteria set forth in GASB Statement No. 9, *"Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting"*. For purposes of the Statement of Cash Flows, cash and cash equivalents include investments of the cash management pool and investments with maturities of three months or less at the time of their purchase by the College.

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

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 credit ratings of the College's investments at June 30, 2011 are as follows:

Credit Rating (S&P)	Common Stock
A	$101,161
BBB	4,419
BB	7,143
B	230
Rating not available	80
Total	$113,033

NOTE 3 - CASH AND INVESTMENTS – Continued

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. A ll of the College's securitites 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. The College holds 100% of investments in common stock.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
Nondepreciable Capital Assets:				
Land	$4,953,031	$0	$0	$4,953,031
Construction in Progress	0	411,331	0	411,331
Total Nondepreciable Capital Assets	4,953,031	411,331	0	5,364,362
Depreciable Capital Assets:				
Land Improvements	4,041,990	244,690	0	4,286,680
Buildings and Improvements	47,853,924	41,930	(20,000)	47,875,854
Furniture, Fixtures and Equipment	6,409,869	638,944	(1,472,145)	5,576,668
Vehicles/Fleet	1,631,061	43,683	(18,670)	1,656,074
Total Depreciable Captial Assets	59,936,844	969,247	(1,510,815)	59,395,276
Total Cost of Capital Assets	64,889,875	1,380,578	(1,510,815)	64,759,638
Less Accumulated Depreciation:				
Land Improvements	(2,763,154)	(195,189)	0	(2,958,343)
Buildings and Improvements	(13,003,326)	(919,994)	20,000	(13,903,320)
Furniture, Fixtures and Equipment	(4,414,403)	(264,099)	1,254,965	(3,423,537)
Vehicles/Fleet	(1,249,936)	(65,433)	18,670	(1,296,699)
Total Accumulated Depreciation	(21,430,819)	(1,444,715)	1,293,635	(21,581,899)
Capital Assets, Net	$43,459,056	($64,137)	($217,180)	$43,177,739

NOTE 4 - CAPITAL ASSETS – Continued

The College's construction in progress is the initial costs of the $3,225,964 project to construct an Energy Institute facility. This facility will be used for educational and developmental purposes and will support 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. 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 projects 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, 2011.

NOTE 5 - TERM-ENDOWMENTS

In 1987, the College was awarded $446,499 from the U.S. Department of Education to create a term endowment (Corpus I). The stipulation to receiving this award was that the College had to match this grant dollar for dollar and the corpus as well as interest earned on the corpus must be preserved for 20 years. In 1989, the College was awarded an additional $193,313 from the U.S. Department of Education (Corpus II) with the same stipulation.

As of June 30, 2011, the 20 year term has ended for both of the endowments, and therefore the total principal and interest earnings of $3,329,033 is released from restriction and reflected as unrestricted net assets on the Statement of Net Assets.

NOTE 6 - STATE SUPPORT

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

In addition to the student subsidies, the State provides the funding and constructs major plant facilities on the College's campus. The funding is obtained from the issuance of special obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Board of Regents turns over control to the College, which capitalizes the cost thereof. Neither the obligation for the special obligation bonds issued by the Ohio Public Facilities Commission nor the annual debt service charges for principal and interest on the bonds are reflected in the financial statements of the College. These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly.

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state. As a result of the above described financial assistance provided by the State to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the Statement of Net Assets of the College. In addition, appropriations by the Ohio General Assembly to the Ohio Board of Regents for payment of debt service charges are not reflected in the appropriations received by the College, and the related debt service payments are not recorded in the accounts of the College.

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Leases and Notes Payable:					
Lease Obligations; 5.75 - 6.25%	$999,735	$0	$592,816	$406,919	$330,767
Bond Anticipation Notes; 3.81%	1,498,899	0	1,413,616	85,283	85,283
Bond Anticipation Notes; 4.24%	3,000,000	0	300,226	2,699,774	0
Total Leases and Notes Payable	5,498,634	0	2,306,658	3,191,976	416,050
Other Liabilities:					
Compensated Absences Payable	995,748	906,861	871,768	1,030,841	740,038
Total Other Liabilities	995,748	906,861	871,768	1,030,841	740,038
Total Long-Term Liabilities	$6,494,382	$906,861	$3,178,426	$4,222,817	$1,156,088

The College issued a bond anticipation note in the amount of $3,000,000 at 3.81% interest dated October 27, 2005 for the purpose of providing funds to pay a portion of the cost of enlarging and renovating the College's hospitality training centers. The note matures and principal is due and payable on October 27, 2011.

The College issued a bond anticipation note in the amount of $3,000,000 at 4.24% interest dated September 7, 2007 for the purpose of designing, constructing and equipping a building to house the Hocking Energy Institute's energy technology center. The note matures and principal is due and payable on September 7, 2013.

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURES

The College is obligated under certain leases that are accounted for as capital leases. As of June 30, 2011, $406,919 in capital lease obligations (excluding interest payments) were payable for computer equipment for the administrative office, maintenance equipment for the main campus, equipment for the culinary kitchen and lab and POS system for the bookstore. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets in the amount of $3,214,253. A corresponding long-term liability was recorded on the Statement of Net Assets. Principal payments in fiscal year 2011 totaled $592,816.

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURES – Continued

The following is a schedule of future minimum lease payments under these capital leases, together with the net present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30	Equipment (2007)	Equipment (2006)	Culinary Kitchen and Lab Equipment	Culinary Kitchen Equipment	Equipment (2009)	Total
2012	$91,142	$125,302	$5,433	$30,724	$93,392	$345,993
2013	0	0	0	0	77,827	77,827
Total Payments	91,142	125,302	5,433	30,724	171,219	423,820
Less: Interest	(3,934)	(1,543)	(25)	(3,816)	(7,583)	(16,901)
Net Present Value of Minimum Lease Pmts.	$87,208	$123,759	$5,408	$26,908	$163,636	$406,919

NOTE 9- OPERATING LEASES

The College leases dormitory buildings and appurtenances from The Hocking College Foundation, Inc. The lease for the Hocking Heights Dormitory is a noncancelable lease which expires March 1, 2062. Monthly rental through and including April 2013 is $12,318. There is no base rental due after April 2013. The lease for two other dormitories is also a noncancelable lease. Annual payments are due in the amount of the debt service requirements of the Foundation. The following is a schedule of minimum lease payments under the operating lease together with interest:

Fiscal Year Ending	Hocking Heights Dormitory	Student Housing	Total
2012	$147,803	$1,173,047	$1,320,850
2013	117,122	1,180,240	1,297,362
2014	0	1,180,719	1,180,719
2015	0	1,184,182	1,184,182
2016	0	1,188,182	1,188,182
Total Payments	$264,925	$5,906,370	$6,171,295

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS

A. **State Teachers Retirement System**

Plan Description - The College particiates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 per cent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were $2,447,343, $2,532,719, and $2,238,008 respectively; 100 percent has been contributed for fiscal years 2011, 2010, and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were $126,443 made by the College and $90,316 made by the plan members.

B. School Employees Retirement System

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

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS – Continued

***Funding Policy* -** Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were $930,877, $1,045,394, and $671,348, respectively; 91.82 percent has been contributed for 2011 and 100 percent for years 2010 and 2009.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. **State Teachers Retirement System**

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

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

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (866)280-7377.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The College's contributions allocated to fund post-employment health care benefits for the years ended June 30, 2011, 2010, and 2009 were $188,257, $194,825 and $172,154 respectively; 100 percent has been contributed for years 2011, 2010, and 2009.

B. **School Employees Retirement System**

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was $96.40, SERS' reimbursement to retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. Hocking Technical College's contributions for the years ended June 30, 2011, 2010 and 2009 were, $59,904, $62,167, and $55,392, respectively, which equaled the required contributions each year.

NOTE 11 - <u>POSTEMPLOYMENT BENEFITS</u> – Continued

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide 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 2011, the minimum compensation level was established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. Hocking Technical College's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were $112,714, $37,628 and $307,239, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report.* The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (866) 280-7377. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources.*

NOTE 12 - <u>OTHER EMPLOYEE BENEFITS</u>

A. **<u>Compensated Absences:</u>** 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, 2011, the long-term liability for vested and probable benefits for vacation and sick leave totaled $290,803, and the short-term liability totaled $740,038, for a total liability of $1,030,841.

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

C. **<u>Deferred Compensation:</u>** 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.

NOTE 12 - <u>OTHER EMPLOYEE BENEFITS</u> – Continued

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

NOTE 13 - <u>THE INN AT HOCKING COLLEGE</u>

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

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

For the fiscal year ended June 30, 2011, revenues and expenses at The Inn were $1,365,258 and $1,610,919, respectively.

NOTE 14 - <u>RISK MANAGEMENT</u>

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and has contracted with Reed and Baur Insurance with coverage through Wright Risk Management (WRM) and Ohio Casualty, Inc. for liability, property, and fleet insurance. Reed and Baur Insurance also provides public officials bonds. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate and a $25,000 deductible. A separate educators legal liability policy is maintained with limits of liability of $1,000,000 for each occurrence and $1,000,000 in the aggregate and a $50,000 deductible. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability and educators legal coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There has been no significant change in coverage from the prior year.

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

The College maintains replacement cost insurance on buildings and contents, including The Inn at Hocking College, in the amount of $102,757,154 with a $10,000 deductible per occurrence. The College maintains loss of income coverage for tuition and fees, room and board and rental insurance in the amount of $24,491,025 per any one occurrence. Additionally, the College has a special liquor liability insurance policy in the amount of $1,000,000 for each occurrence regarding the operations of the restaurant and lounge in The Inn at Hocking College as well as a separate liquor liability insurance policy in the amount of $1,000,000 per occurrence for the Rhapsody Restaurant.

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

NOTE 15 - CONTINGENCIES

Grants

The College receives financial assistance from federal and state agencies in the form of grants. The receipt of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2011.

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, 2011.

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

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

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2011, investments were limited to certificates of deposit with local institutions, money market accounts, corporate fixed income securities, mutual funds, and stocks.

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Capital Assets

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

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

Cash and Investments

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

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as 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, 2011, the carrying amount of all Foundation deposits was $521,116. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of June 30, 2011, the Foundation's bank balance of $522,182 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, 2011, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity
Common Stock	$65,748	<1 year
Corporate Fixed Income	5,146	>5 years
Mutual Funds	123,561	<1 year
Total	$194,455	

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

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.

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, 2011 are as follows:

Credit Rating (S&P)	Common Stock
A	$57,810
Unrated	7,938
Total	$65,748

Credit Rating (Moody's)	Fixed Income Securities
A2	$5,146

Credit Rating	Mutual Funds
Unrated	$123,561

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 securitites 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 33.8% of investments in common stock, 2.7% in fixed income securities, and 63.5% in mutual 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

Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
Nondepreciable Capital Assets:				
Land	$70,114	$0	$0	$70,114
Depreciable Capital Assets:				
Buildings and Improvements	23,032,128	0	0	23,032,128
Total Cost of Capital Assets	23,102,242	0	0	23,102,242
Less Accumulated Depreciation:				
Buildings and Improvements	(1,217,896)	(391,546)	0	(1,609,442)
Total Accumulated Depreciation	(1,217,896)	(391,546)	0	(1,609,442)
Capital Assets, Net	$21,884,346	($391,546)	$0	$21,492,800

The most significant capital assets reported by the Foundation are the Hocking Residence Hall buildings. T he Foundation reports these buildings since they hold the title, but the operating revenue and expenses of this activity is reported in the College's primary government column on the financial statements. The Foundation leases these buildings to the College for an amount equal to the debt payments associated with the buildings.

Long-Term Obligations

The following is a summary of long-term obligations of the Foundation as of June 30, 2011:

Purpose	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Long-Term Notes Payable					
Hocking Heights Dormitory; 4.25%	$394,351	$0	$133,407	$260,944	$147,790
Student Housing; 4.00%	20,245,000	0	360,000	19,885,000	375,000
Totals	$20,639,351	$0	$493,407	$20,145,944	$522,790

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

The annual requirements to amortize long-term obligations outstanding as of June 30, 2011 are as follows:

Year Ended June 30	Hocking Heights Dormitory		Student Housing		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$147,790	$9,924	$375,000	$798,047	$522,790	$807,971
2013	113,154	2,451	400,000	780,240	513,154	782,691
2014	0	0	415,000	765,719	415,000	765,719
2015	0	0	435,000	749,182	435,000	749,182
2016	0	0	455,000	733,182	455,000	733,182
2017-2021	0	0	2,625,000	3,367,472	2,625,000	3,367,472
2022-2026	0	0	3,305,000	2,794,546	3,305,000	2,794,546
2027-2031	0	0	4,165,000	2,070,088	4,165,000	2,070,088
2032-2036	0	0	5,245,000	1,158,786	5,245,000	1,158,786
2037-2039	0	0	2,465,000	156,651	2,465,000	156,651
Total Payments	$260,944	$12,375	$19,885,000	$13,373,913	$20,145,944	$13,386,288

The Foundation's Bonds are secured by a Trust Agreement dated as of October 24, 2006 ("Master Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2001 between the Foundation and JPMorgan Chase Bank National Assocaition, with its designated corporate trust office in New York, New York.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2011
2008	4.0%	2038	$20,800,000	$19,885,000

The Foundation currently holds an interest rate swap which was entered into in an effort to hedge the interest rate risk associated with the issuance of the Foundation's Series 2008 variable rate debt. Ultimately, the Foundation expects that the creation of this synthetic fixed rate debt provides an interest rate that is lower than if fixed rate debt were issued directly. The swap agreement is considered an effective hedge having met the consistent critical terms method of analysis. The fair value of the hedging derivative instrument represents the maximum loss that would be recognized at the report date if all counterparties failed to perform as contracted. The Foundation has not recorded the fair value of the derivative instrument on the Statement of Net Assets in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as of June 30, 2011. The total amounts paid relative to the swap agreement for the year ended June 30, 2011 is $441,696. These amounts are included as an adjustment to interest on capital asset-related debt in the statement of revenues, expenses, and changes in net assets.

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

Effective date	Type	Objective	Notional Amount	Pay Terms	Receive Terms	Maturity date	Counter-party credit rating
July 1, 2008	Pay - fixed, Receive - variable	Cash flow hedge for Series 2008 bonds	$13,461,000 (amortizing)	3.525% fixed	USD-LIBOR-BBA	July 1, 2013	Aa1

The interest rate swap is subject to the following risks:

Credit risk The Foundation is exposed to credit risk which is the risk associated with the inability of the counterparty to meet the terms of the agreement. The Foundation has decided that this is a reasonable level of risk given the potential exposure and the relatively small notional amount as compared to its total outstanding debt.

The counterparty is rated Aa1.

Interest rate risk The Foundation is exposed to interest rate risk on its interest rate swap as the Securities Industry and Financial Markets Association (LIBOR) index decreases, the Foundation's net payment on the swap increases.

Basis risk The Foundation is exposed to basis risk due to variable-rate payments received by the College on these instruments based on a rate or index other than interest rates the Foundation pays on its variable-rate debt, which is remarketed every 30 days. As of June 30, 2011, the weighted-average interest rate on the Foundation's hedged variable-rate debt is 0.47 percent, while the LIBOR swap index rate is 0.25 percent.

Terminiation risk The Foundation or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2011

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Grant Year	Federal CFDA Number	Revenues	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE				
Pass-Through State Department of Education:				
Child and Adult Care Food Program	2011	10.558	$9,643	$9,643
Total United States Department of Agriculture			9,643	9,643
UNITED STATES DEPARTMENT OF LABOR				
Pass-Through Perry County Department of Jobs and Family Services:				
WIA Youth Activities	2011	17.259	268,439	385,759
Total United States Department of Labor			268,439	385,759
APPALACHIAN REGIONAL COMMISSION				
Pass-Through State Department of Development:				
Appalachian Area Development	2011	23.002	41,769	108,146
Total Appalachian Regional Commission			41,769	108,146
NATIONAL SCIENCE FOUNDATION				
Direct from National Science Foundation				
Education and Human Resources	2011	47.076	860	860
Total National Science Foundation			860	860
UNITED STATES DEPARTMENT OF ENERGY				
Pass-Through State Department of Development				
State Energy Program - ARRA	2011	81.041	232,282	232,282
Total United States Department of Energy			232,282	232,282
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from Federal Government:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	2011	84.007	222,813	222,813
Federal Work-Study Program	2011	84.033	240,939	240,939
Federal Pell Grant Program	2010/2011	84.063	16,088,828	16,088,572
Federal Direct Student Loans	2011	84.268	30,368,924	30,368,924
Academic Competitiveness Grants	2011	84.375	4,000	2,992
Total Student Financial Assistance Cluster			46,925,504	46,924,240
TRIO - Student Support Services	2011	84.042	261,843	260,991
TRIO - Talent Search	2011	84.044	228,772	228,230
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	2011	84.331	119,983	119,983
Pass-Through State Department of Education:				
Career and Technical Education - Basic Grants to States	2011	84.048	200,546	274,398
Tech-Prep Education	2011	84.243	113,292	113,292
Pass-Through State Board of Regents:				
State Fiscal Stabilization Fund (SFSF) Cluster:				
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	2011	84.394	2,026,892	2,026,892
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	2011	84.397	299,020	299,020
Total State Fiscal Stabilization Fund (SFSF) Cluster			2,325,912	2,325,912
Total United States Department of Education			50,175,852	50,247,046
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct from National and Community Service				
Learn and Serve America - Higher Education	2011	94.005	5,045	5,045
Total Corporation for National and Community Service			5,045	5,045
Total Federal Financial Assistance			$50,733,890	$50,988,781

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

NOTE 1 – Basis of Accounting

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

NOTE 2 – Federal Direct Student Loans Program

During the fiscal year ended June 30, 2011, the College processed $30,368,924 of new loans under the Federal Direct Student Loans Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

NOTE 3 – Child and Adult Care Food Program

Nonmonetary assistance is reported in the Schedule of Federal Awards Revenues and Expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2011, the College had no significant food commodities in inventory.

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

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

We have audited 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, 2011, and have issued our report thereon dated December 30, 2011. 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.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

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We noted a certain matter that we reported to management of the College in a separate letter dated December 30, 2011.

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

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

December 30, 2011

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Hocking Technical College's, Athens County, (the College), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Natalie Millhuff-Stang

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

December 30, 2011

Section I – Summary of Auditor's Results

Financial Statements	
Type of financial statement opinion:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major program(s):	Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants (CFDA 84.007), Federal Work-Study Program (CFDA 84.033), Federal Pell Grant Program (CFDA 84.063), Federal Direct Student Loans (CFDA 84.268), Academic Competitiveness Grants (CFDA 84.375) State Fiscal Stabilization Fund (SFSF) Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA 84.394), State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA 84.397) State Energy Program – ARRA (CFDA 81.041)
Dollar threshold used to distinguish between type A and type B programs:	$1,529,663
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

HOCKING TECHNICAL COLLEGE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2012