Hocking Technical College
Athens County
Single Audit
For the Fiscal Year Ended June 30, 2012

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hocking Technical College, Athens County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 7, 2013

This page intentionally left blank.

Hocking Technical College
Table of Contents
For the Fiscal Year Ended June 30, 2012

HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2012

NAME	***TITLE***	***TERM EXPIRES***
Mr. Mike Brooks	Chairperson	August 2012
Ms. Paula Tucker	Vice Chairperson	August 2014
Mr. Mike Budzick	Trustee	August 2014
Mr. Frank Newlon	Trustee	August 2012
Mr. Gary Starner	Trustee	August 2012
Mr. Andrew Stone	Trustee	August 2013
Dr. Keith TaXlbee	Trustee	August 2013
Mr. Robert Troxel	Trustee	August 2013
Ms. Darlene Wells	Trustee	August 2012

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2012

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

This page intentionally left blank.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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, 2012, 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 previously 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, 2012, 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 27, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

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

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Natalie Millhuff-Stang

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

December 27, 2012

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, 2012. 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 current assets increased $2.3 million or 18.9% from the previous fiscal year due primarily to an increase in accounts receivables related to the conversion from quarters to semesters. The capital assets decreased $0.5 million or 1.2% from the previous fiscal year due primarily to depreciation expense exceeding acquisitions for the year. The current liabilities increased $2.1 million or 21.4% from the previous fiscal year due primarily to an increase in deferred revenue also related to the conversion from quarters to semesters and the earlier registration for autumn semester. The long-term liabilities decreased $0.2 million or 6.5% from the previous fiscal year due primarily to principal payments made on notes payable and capital lease obligations.

During the fiscal year ended June 30, 2012, the College's revenue and other support exceeded expenses creating a very slight increase in net assets of only $0.02 million (the College experienced a $0.2 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)

	2012	2011	Increase (Decrease)	Percent Change
Current Assets	$18.9	$16.6	$2.3	13.9%
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	42.7	43.2	(0.5)	(1.2%)
Other	1.2	1.1	0.1	9.1%
Total Assets	$62.8	$60.9	$1.9	3.1%
Current Liabilities	$11.9	$9.8	$2.1	21.4%
Long-Term Liabilities	2.9	3.1	(0.2)	(6.5%)
Total Liabilities	$14.8	$12.9	$1.9	14.7%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	39.9	40.0	(0.1)	0.3%
Restricted - Nonexpendable	1.1	1.1	0.0	0.0%
Restricted - Expendable	0.6	0.6	0.0	0.0%
Unrestricted	6.4	6.3	0.1	1.6%
Total Net Assets	$48.0	$48.0	($0.0)	0.0%

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

Operating Results for the Year (in millions)

	2012	2011	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$22.1	$24.0	(1.9)	(7.9%)
Grants and Contracts	1.4	2.0	(0.6)	(30.0%)
Sales and Services of Departments	0.4	0.4	0.0	0.00%
Auxiliary Services	7.3	8.2	(0.9)	(11.0%)
Other Operating Revenue	0.4	0.2	0.2	100.0%
Total Operating Revenues	31.6	34.8	(3.2)	(9.2%)
Operating Expenses:				
Instructional and Departmental Research	26.1	26.7	(0.6)	(2.2%)
Public Service	0.1	0.4	(0.3)	(75.0%)
Academic Support	4.6	4.4	0.2	4.5%
Student Services	4.4	4.4	0.0	0.0%
Institutional Support	3.9	6.0	(2.1)	(35.0%)
Operational and Maintenance of Plant	2.7	2.3	0.4	17.4%
Scholarships and Fellowships	9.5	12.7	(3.2)	(25.2%)
Depreciation	1.5	1.5	0.0	0.0%
Auxiliary Services	7.7	9.1	(1.4)	(15.4%)
Total Operating Expenses	60.5	67.5	(7.0)	(10.4%)
Operating Income (Loss)	(28.9)	(32.7)	3.8	11.6%
Nonoperating Revenues (Expenses):				
Grants and Contracts	14.7	18.9	(4.2)	(22.2%)
State Appropriations	14.0	13.6	0.4	2.9%
Interest on Capital Asset-Related Debt	(0.1)	(0.2)	0.1	50.0%
Net Investment Income and Other	0.1	0.1	0.0	0.0%
Total Nonoperating Revenues (Expenses)	28.7	32.4	(3.7)	11.4%
Other Revenues:				
Capital Appropriations	0.1	0.3	(0.2)	66.7%
Net Capital Grants, Gifts and Other	0.1	0.2	(0.1)	50.0%
Total Other Revenues	0.2	0.5	(0.3)	60.0%
Increase (Decrease) in Net Assets	0.0	0.2	(0.2)	100.0%
Net Assets - Beginning of Year	48.0	47.8	0.2	0.4%
Net Assets - End of Year	$48.0	$48.0	$0.0	0.0%

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. In addition, certain federal, state, and local grants are considered operating if they are not for capital purposes and are considered a contract for services.

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

- Student tuition and fee revenue decreased $1.9 million or 7.9% and the decrease was primarily the result of decreased enrollment.

- Auxiliary Services decreased by $0.9 million primarily due to a decrease in activity for the Inn at Hocking College.

Operating Expenses

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

- Scholarship and fellowship costs decreased $3.2 million or 25.2% primarily due to a decrease in Pell Grant funding.

- Auxiliary Services costs decreased $1.4 million due to a decrease in operations at the Inn at Hocking College.

- Institutional Support costs decreased $2.1 million or 35.0% due to decreased spending for legal fees related to labor negotiations, decreased bad debt expense, a decrease in compensated absences, and decreased staff tuition assistance.

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 decrease is the result of decreased student financial aid awards and the loss of the 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 due to no capital appropriation bill in the last biennial period.

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)

	2012	2011	Increase (Decrease)	Percent Change
Net Cash From:				
Operating Activities	($27.1)	($28.7)	$1.6	5.60%
Noncapital Financing Activities	28.7	32.5	(3.8)	(11.7%)
Capital and Related Financing Activities	(1.3)	(3.1)	1.8	58.1%
Investing Activities	0.1	0.7	(0.6)	(85.7%)
Net Increase in Cash	0.4	1.4	(1.0)	(71.4%)
Cash - Beginning of Year	4.2	2.8	1.4	50.00%
Cash - End of Year	$4.6	$4.2	$0.4	9.5%

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

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

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 increased due primarily to the fact that the principal payments required for the leases and notes were significantly lower than the prior year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2012, the College had $42.7 million invested in capital assets, net of accumulated depreciation of $22.8 million. Depreciation charges totaled $1.5 million for the current fiscal year. Details of these assets for the past two years are shown below.

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

	2012	2011	Increase (Decrease)
Land	$5.0	$5.0	$0.0
Construction in Progress	0.0	0.4	(0.4)
Land Improvements	1.3	1.3	0.0
Buildings and Improvements	33.8	34.0	(0.2)
Furniture, Fixtures and Equipment	2.2	2.2	0.0
Vehicles/Fleet	0.4	0.3	0.1
Total	$42.7	$43.2	($0.5)

The major capital additions this year were $0.2 million for new paving projects, $0.4 million for new equipment and $0.7 million for building projects 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, 2012, the College had $2.8 million in debt outstanding versus $3.2 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)

	2012	2011	Increase (Decrease)
Bond Anticipation Notes	$2.7	$2.8	($0.1)
Lease Obligations	0.1	0.4	(0.3)
Total	$2.8	$3.2	($0.4)

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 be flat for the fiscal year ended June 30, 2013. Appropriations for the upcoming fiscal year are projected at $14.1 million, which is 0.003% more than the State support in the previous year. Tuition rates have increased 5.2% for fiscal year 2012 and 4.95% in fiscal year 2013 within the $200 per academic year, the limit set by the Ohio Legislature.

The College experienced 10.47% decrease in enrollment in fiscal year 2012 and is anticipating 21% decrease in fiscal year 2013.

The College has experienced a Fall Semester decrease in 15th day enrollment of 1,244 compared to Fall Quarter 2011. This is the first Semester offering by the College. The enrollment decrease to date and projected for the remainder of the year has resulted in a $4.3 million fiscal year 2013 budget adjustment.

The actions taken by the College include:

The Board of Trustees, by resolution, adopted a revised fiscal year 2013 Budget reducing estimated revenue by $4.3 million on September 25, 2012.

The College has announced a reduction in force affecting 23 individuals and positions beginning on November 2, 2012. The eliminated positions include 14 non-bargaining/administrative positions, four professional bargaining unit positions and five support staff bargaining unit positions. In addition to the reductions, four employees will have their contracts reduced and three open positions will not be filled.

The College is anticipating and estimating a reduction to outsourced teaching costs and mailing costs, and applying that toward the deficit. The College is also delaying computer renewal plans, centralizing all travel budgets, and delaying the final payment on the Energy Institute building to fiscal year 2014. Despite the decline in revenue and corresponding decreases in other expense lines mentioned, the College has added $250,000 to its Strategic Reserve transfer bringing the total fiscal year 2013 amount to $750,000 to continue to strengthen its financial position even in these difficult financial times.

HOCKING TECHNICAL COLLEGE
Statement of Net Assets
June 30, 2012

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$4,614,007	$366,269
Other Short-Term Investments	2,962,336	50,921
Accounts Receivable	10,061,143	2,495
Intergovernmental Receivables	769,391	0
Inventories	321,342	0
Prepaid Expenses	199,809	0
Total Current Assets	18,928,028	419,685
Noncurrent Assets:		
Endowment Investments	1,156,014	436,199
Nondepreciable Capital Assets	4,953,031	78,880
Depreciable Capital Assets	37,746,069	20,986,447
Total Noncurrent Assets	43,855,114	21,501,526
TOTAL ASSETS	62,783,142	21,921,211
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	2,757,418	175,183
Deposits Held in Custody for Others	190,650	0
Deferred Revenue	8,141,332	1,124
Long-Term Liabilities - Current Portion	773,745	521,747
Total Current Liabilities	11,863,145	698,054
Long-Term Liabilities:		
Long-Term Liabilities	2,892,859	19,110,000
Total Long-Term Liabilities	2,892,859	19,110,000
TOTAL LIABILITIES	14,756,004	19,808,054
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	39,923,174	1,433,580
Restricted for:		
Nonexpendable:		
Endowments	1,156,014	436,199
Expendable:		
Loans	34,070	0
Scholarships	528,093	217,298
Unrestricted	6,385,787	26,080
TOTAL NET ASSETS	$48,027,138	$2,113,157

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, 2012

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $5,947,382)	$22,075,461	$0
Federal Grants and Contracts	1,041,500	0
State Grants and Contracts	28,814	0
Local Grants and Contracts	375,350	0
Sales and Services of Educational Departments	314,755	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $817,238)	7,328,680	0
Other Operating Revenue	419,111	1,180,588
Total Operating Revenues	31,583,671	1,180,588
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	26,145,129	0
Public Service	106,415	0
Academic Support	4,618,962	0
Student Services	4,358,248	0
Institutional Support	3,873,021	0
Operation and Maintenance of Plant	2,645,885	0
Scholarships and Fellowships	9,509,507	0
Depreciation	1,532,574	390,672
Auxiliary Services	7,724,098	0
Other Operating Expenses	0	118,066
Total Operating Expenses	60,513,839	508,738
OPERATING INCOME (LOSS)	(28,930,168)	671,850
NONOPERATING REVENUES (EXPENSES):		
Federal Grants and Contracts	14,670,927	0
State Appropriations	14,058,423	0
Gifts	0	38,543
Investment Income	89,997	216
Interest on Capital Asset-Related Debt	(142,585)	(641,319)
Total Nonoperating Revenues (Expenses)	28,676,762	(602,560)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(253,406)	69,290
Capital Appropriations	133,939	0
Capital Grants and Gifts	197,050	0
Gain / (Loss) on Disposal of Capital Assets	(55,811)	58,185
INCREASE IN NET ASSETS	21,772	127,475
NET ASSETS - Beginning of Year	48,005,366	1,985,682
NET ASSETS - End of Year	$48,027,138	$2,113,157

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$21,056,450	$0
Grants and Contracts	2,034,831	0
Payments to Employees	(37,722,401)	0
Payments to Suppliers	(5,989,619)	0
Payments for Utilities	(1,510,725)	0
Payments for Contractual Services	(2,651,348)	0
Payments for Scholarships and Fellowships	(9,252,817)	0
Auxiliary Services Charges	8,390,907	0
Sales and Services of Educational Departments	314,755	0
Other Receipts	312,723	1,180,588
Other Payments	(2,031,942)	(21,506)
Net Cash from Operating Activities	(27,049,186)	1,159,082
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal Grants and Contracts	14,670,927	0
State Appropriations	14,058,423	0
Gifts Received for Other Than Capital Purposes	0	38,543
Net Cash from Noncapital Financing Activities	28,729,350	38,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Appropriations	133,939	0
Capital Grants and Gifts Received	197,050	0
Sale of Assets Received	0	112,463
Purchases of Capital Assets	(1,109,746)	(8,766)
Principal Paid on Capital Debt and Leases	(416,050)	(514,197)
Interest Paid on Capital Debt and Leases	(142,584)	(640,832)
Net Cash from Capital and Related Financing Activities	(1,337,391)	(1,051,332)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	87,975	216
Purchase of Investments	0	(6,993)
Net Cash from Investing Activities	87,975	(6,777)
Net Increase in Cash and Cash Equivalents	430,748	139,516
CASH AND CASH EQUIVALENTS, Beginning of year	4,183,259	192,299
CASH AND CASH EQUIVALENTS, End of year	$4,614,007	$331,815

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	($28,930,168)	$671,850
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	1,532,574	390,672
Change in Assets and Liabilities:		
Receivables, Net	(2,592,603)	0
Inventories	165,225	0
Prepaid Expenses	(66,829)	0
Intergovernmental Receivable	589,167	0
Accounts Payable and Other Accrued Liabilities	(135,819)	96,560
Compensated Absences	(140,164)	0
Deferred Revenue	2,635,819	0
Deposits Held in Custody for Others	(106,388)	0
Net Cash from Operating Activities	($27,049,186)	$1,159,082

The accompanying notes are an integral part of this statement.

ht **NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY**

A. Description of the College

Hocking Technical College (the College) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio (the State).

The College was formed after the creation of a technical college district, as defined in Chapter 3357 of the Ohio Revised Code. The College operates under the direction of an appointed nine-member Board of Trustees. Three members of this board are appointed by the Governor of the State. The remaining six members are appointed by a caucus of the county, city and exempted village school districts' boards of education that operate in the technical college district. A President is appointed by the Board of Trustees to oversee day-to-day operations of the College. An appointed Vice-President of Financial Services is the custodian of funds and investment officer, and is also responsible for the fiscal controls of the resources of the College which are maintained in the funds described below.

The College is an institution of higher learning dedicated to providing the residents of the technical college district with a low-cost higher education in various academic and vocational technologies, leading to a two-year associate degree.

B. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the College are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the College.

Component units are legally separate organizations for which the College is financially accountable. The College is financially accountable for an organization if the College appoints a voting majority of the organization's governing board and (1) the College is able to significantly influence the programs or services performed or provided by the organization; or (2) the College is legally entitled to or can otherwise access the organization's resources; the College is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the College is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the College in that the College approves the budget, the issuance of debt, or the levying of taxes.

The Hocking College Foundation, Inc. (the Foundation), is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a nonprofit corporation fund-raising organization, dedicated solely to raising scholarships and other funds for the benefit of the College. Specific disclosures relating to the component unit can be found in Note 16.

The Southeast Ohio Probation Treatment Alternative Center (SEPTA) is a legally separate organization, but only the assets being held and a corresponding liability 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 several funds, to help assure proper accountability over financial resources restricted to the respective funds. Management has consolidated these funds in these financial statements.

B. Budgetary Process

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

C. Appropriations

To provide control over expenditures, a budget is prepared by the Vice-President of 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 at other times in 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, 2012 do not constitute expenses or liabilities and are not reflected in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Cash and Investments

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for The Inn at Hocking College 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 2012, 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, 2012 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

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

H. Capital Assets

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Compensated Absences

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

J. Pensions

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

K. Operating and Nonoperating Revenues

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

L. Scholarship Allowances and Student Aid

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

M. 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, 2012, the College processed $29,173,091 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 $6,385,787 at June 30, 2012 includes $710,095 held for auxiliary services.

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

O. <u>Estimates</u>

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

NOTE 3 - <u>CASH AND INVESTMENTS</u>

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

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

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

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2012, 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;

NOTE 3 - CASH AND INVESTMENTS – Continued

e. No-load money market mutual funds consisting exclusively of obligations described in division (a) or (b) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

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

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

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

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

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

At June 30, 2012, the carrying amount of all College deposits was $8,614,007. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2012, the College's bank balance of $10,199,029 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, 2012, the College had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	$118,350	$118,350
Totals	$118,350	$118,350

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.

NOTE 3 - CASH AND INVESTMENTS – Continued

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, 2012 are as follows:

Credit Rating (S&P)	Common Stock
A	$108,093
BBB	5,153
BB	4,967
B	65
Rating not available	72
Total	$118,350

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the College's 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, 2012 was as follows:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Nondepreciable Captial Assets:				
Land	$4,953,031	$0	$0	$4,953,031
Construction in Progress	411,331	0	(411,331)	0
Total Nondepreciable Capital Assets	5,364,362	0	(411,331)	4,953,031
Depreciable Capital Assets:				
Land Improvements	4,286,680	234,972	0	4,521,652
Buildings and Improvements	47,875,854	719,628	0	48,595,482
Furniture, Fixtures and Equipment	5,576,668	376,663	(269,263)	5,684,068
Vehicles/Fleet	1,656,074	189,814	(78,707)	1,767,181
Total Depreciable Capital Assets	59,395,276	1,521,077	(347,970)	60,568,383
Total Cost of Capital Assets	64,759,638	1,521,077	(759,301)	65,521,414
Less Accumulated Depreciation:				
Land Improvements	(2,958,343)	(248,916)	0	(3,207,259)
Buildings and Improvements	(13,903,320)	(912,607)	0	(14,815,927)
Furniture, Fixtures and Equipment	(3,423,537)	(283,490)	225,257	(3,481,770)
Vehicles/Fleet	(1,296,699)	(87,561)	66,902	(1,317,358)
Total Accumulated Depreciation	(21,581,899)	(1,532,574)	292,159	(22,822,314)
Capital Assets, Net	$43,177,739	($11,497)	($467,142)	$42,699,100

NOTE 4 - CAPITAL ASSETS – Continued

The College's capital assets include the 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 and matching funding from the College in the same amount. The source of the College's matching amount was a $3,000,000 Bond Anticipation Note issued in September 2007. The agreement for this grant funding includes a stipulation that if the College decides to use this facility in a different manner other than for alternative energy 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, 2012.

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, 2012, 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, 2011	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
Leases and Notes Payable:					
Lease Obligations; 5.75 - 6.25%	$406,919	$0	$330,767	$76,152	$76,152
Bond Anticipation Notes; 3.81%	85,283	0	85,283	0	0
Bond Anticipation Notes; 4.24%	2,699,774	0	0	2,699,774	0
Total Leases and Notes Payable	3,191,976	0	416,050	2,775,926	76,152
Other Liabilities:					
Compensated Absences Payable	1,030,841	817,838	958,001	890,678	697,593
Total Other Liabilities	1,030,841	817,838	958,001	890,678	697,593
Total Long-Term Liabilities	$4,222,817	$817,838	$1,374,051	$3,666,604	$773,745

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 matured and principal was fully retired 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, 2012, $76,152 in capital lease obligations (excluding interest payments) were payable for maintenance equipment for the main campus. 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 $339,480. A corresponding long-term liability was recorded on the Statement of Net Assets. Principal payments in fiscal year 2012 totaled $330,767.

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, 2012.

Fiscal Year Ending	Equipment (2009)
2013	$77,827
Less: Interest	(1,675)
Net Present Value of Minimum Lease Payments	$76,152

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
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
2017	0	1,192,419	1,192,419
Total Payments	$117,122	$5,925,742	$6,042,864

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 contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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, 2012, 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 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were $2,344,042, $2,447,343, and $2,532,719 respectively; 100 percent has been contributed for fiscal years 2012, 2011, and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were $112,944 made by the College and $80,674 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 on the SERS' Ohio website, www.ohsers.org under "Employers/Audit Resources".

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 rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The College's required contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were $883,954, $930,877, and $1,045,394, respectively. The College has contributed 91.72 percent of the required contributions for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010, respectively.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The College’s contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were $180,311, $188,257 and $194,825, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. School Employees Retirement System

Plan Description – The College participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2012 was $99.90 for most participants, but could be as high as $319.70 per month depending on their income and SERS’ reimbursement to retirees was $45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, OH 43215-3746. It is also posted on the SERS’ Ohio website, www.ohsers.org under “Employers/Audit Resources”.

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was $35,800.

Active members do not contribute to the postemployment benefit plans. The 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 College's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were $38,281, $112,714 and $37,628 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The College's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were $52,202, $59,904 and $62,167 respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 2012, the long-term liability for vested and probable benefits for vacation and sick leave totaled $193,085, and the short-term liability totaled $697,593, for a total liability of $890,678.

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 - OTHER EMPLOYEE BENEFITS – 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 - THE INN AT HOCKING COLLEGE

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

For the fiscal year ended June 30, 2012, revenues and expenses at The Inn were $719,729 and $1,027,643, respectively.

NOTE 14 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and has contracted with Reed and Baur Insurance with coverage through Government Underwriters of America and Trident Insurance Company for liability, property, and fleet insurance. This coverage also provides public officials coverage for Public Employee Dishonesty of $250,000, Money and Securities of $50,000 and Forgery & Alteration of $250,000. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate and a $25,000 deductible. The coverage includes a separate Educators Legal Liability, Employment Practices, and Law Enforcement policy and is maintained with limits of liability of $1,000,000 for each occurrence and $1,000,000 in the aggregate and a $50,000 deductible. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability and educators legal coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There has been no significant change in coverage from the prior year.

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

The College maintains replacement cost insurance on buildings and contents, including The Inn at Hocking College, in the amount of $103,876,539 with a $10,000 deductible per occurrence. The College maintains loss of income coverage for tuition and fees, room and board and rental insurance in the amount of $27,040,808 per any one occurrence. Additionally, the College has a special liquor liability insurance policy in the amount of $1,000,000 for each occurrence regarding the operations of the restaurant 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 payroll 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, 2012.

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, 2012.

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 conflict with or contradict GASB pronouncements.

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

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2012, investments were limited to certificates of deposit with local institutions, money market accounts, corporate fixed income securities, mutual funds, and stocks.

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

For purposes of the presentation on the Statement of Net 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, 2012, the carrying amount of all Foundation deposits was $664,588. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of June 30, 2012, the Foundation's bank balance of $662,765 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.

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

Investments: As of June 30, 2012, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity
Common Stock	$68,679	< 1 Year
Corporate Fixed Income	883	> 5 Years
Mutual Funds	119,239	< 1 Year
Total	$188,801	

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, 2012 are as follows:

Credit Rating (S&P)	Common Stock
A	$59,469
Unrated	9,210
Total	$68,679

Credit Rating (Moody's)	Fixed Income Securities
Baa2	$883

Credit Rating	Mutual Funds
Unrated	$119,239

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

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

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 36.4% of investments in common stock, 0.4% in fixed income securities, and 63.2% 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.

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Nondepreciable Capital Assets:				
Land	$70,114	$8,766	$0	$78,880
Depreciable Capital Assets:				
Buildings and Improvements	23,032,128	0	(68,600)	22,963,528
Total Cost of Capital Assets	23,102,242	8,766	(68,600)	23,042,408
Less Accumulated Depreciation:				
Buildings and Improvements	(1,609,442)	(390,672)	23,033	(1,977,081)
Total Accumulated Depreciation	(1,609,442)	(390,672)	23,033	(1,977,081)
Capital Assets, Net	$21,492,800	($381,906)	($45,567)	$21,065,327

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

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

Long-Term Obligations

The following is a summary of long-term obligations of the Foundation as of June 30, 2012:

Purpose	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
Long-Term Notes Payable					
Hocking Heights Dormitory; 4.25%	$260,944	$0	$139,197	$121,747	$121,747
Student Housing; 4.00%	19,885,000	0	375,000	19,510,000	400,000
Totals	$20,145,944	$0	$514,197	$19,631,747	$521,747

The annual requirements to amortize long-term obligations outstanding as of June 30, 2012 are as follows:

Year Ended June 30	Hocking Heights Dormitory		Student Housing		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$121,747	$2,451	$400,000	$780,240	$521,747	$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	0	0	480,000	712,419	480,000	712,419
2018-2022	0	0	2,745,000	3,264,159	2,745,000	3,264,159
2023-2027	0	0	3,465,000	2,662,855	3,465,000	2,662,855
2028-2032	0	0	4,360,000	1,904,665	4,360,000	1,904,665
2033-2037	0	0	5,495,000	949,042	5,495,000	949,042
2038-2039	0	0	1,260,000	54,404	1,260,000	54,404
Total Payments	$121,747	$2,451	$19,510,000	$12,575,867	$19,631,747	$12,578,318

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

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, 2012
2008	4.0%	2038	$20,800,000	$19,510,000

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, 2012. The total amounts paid relative to the swap agreement for the year ended June 30, 2012 is $438,625. 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.

Effective date	Type	Objective	National 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	Aa3

The interest rate swap is subject to the following risks:

<u>Credit risk</u> 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 Aa3.

<u>Interest rate risk</u> 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.

<u>Basis risk</u> 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, 2012, the weighted-average interest rate on the Foundation's hedged variable-rate debt is 0.47 percent, while the LIBOR swap index rate is 0.2432 percent.

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

NOTE 17 – SUBSEQUENT EVENTS

The College expects to receive a capital appropriation from the State budget of $2.5 million to pay down the debt obligations of the College. This funding is expected to be received by the College in fiscal year 2013 and would be used to pay down the bond anticipation note used to construct the Hocking Energy Institute's energy technology center.

The College issued an Air Quality Tax Exempt Revenue Bond in August 2012 in the amount of $535,089. The College is participating in an air quality performance program to do energy related projects at the main campus in Nelsonville. This debt will be repaid over a 10 year period and the performance project includes a guarantee that the energy savings over this time period will be sufficient to cover the amounts of the debt payments.

HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2012

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	2012	10.558	$8,608	$8,608
Team Nutrition Grant	2012	10.574	1,350	1,350
Total United States Department of Agriculture			9,958	9,958
NATIONAL SCIENCE FOUNDATION				
Pass-Through Stark State Community College				
Education and Human Resources	2012	47.076	4,975	4,975
Pass Through University of Toledo				
Education and Human Resources	2012	47.076	27,432	27,432
Total National Science Foundation			32,407	32,407
UNITED STATES DEPARTMENT OF ENERGY				
Pass-Through State Department of Development:				
State Energy Program - ARRA	2012	81.041	209,720	209,720
Total United States Department of Energy			209,720	209,720
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from Federal Government:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	2012	84.007	208,959	208,959
Federal Work-Study Program	2012	84.033	237,485	237,485
Federal Pell Grant Program	2011-2012	84.063	14,233,091	14,233,091
Federal Direct Student Loans	2012	84.268	29,173,091	29,173,091
Total Student Financial Assistance Cluster			43,852,626	43,852,626
TRIO - Student Support Services	2011-2012	84.042	283,045	283,045
TRIO - Talent Search	2011-2012	84.044	232,219	232,219
Total TRIO Cluster			515,264	515,264
Pass-Through State Department of Education:				
Career and Technical Education - Basic Grants to States	2011-2012	84.048	245,650	243,119
Pass-Through Ohio Board of Regents:				
Career and Technical Education - Basic Grants to States	2012	84.048	4,000	4,000
Total Career and Technical Education - Basic Grants to States			249,650	247,119
Total United States Department of Education			44,617,540	44,615,009
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through State Department of Health and Human Services:				
Step Up to Quality (Early Learning Center)	2012	93.575	6,750	6,750
Total United States Department of Health and Human Services			6,750	6,750
Total Federal Financial Assistance			$44,876,375	$44,873,844

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

enNOTE 1 – Basis of Accounting

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

NOTE 2 – Federal Direct Loan Program

During the fiscal year ended June 30, 2012, the College processed $29,173,091 of new loans under the Federal Direct Loan Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

NOTE 3 – Child and Adult Food Care Program

Nonmonetary assistance is reported in the Schedule of Federal Awards Revenues and Expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed that federal monies are expended first. At June 30, 2012, the College had no significant food commodities in inventory.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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

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, 2012, and have issued our report thereon dated December 27, 2012. 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 previously.

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*.

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

We noted a certain matter that we reported to management of the College in a separate letter dated December 27, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, others within the College, 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 27, 2012

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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, 2012. 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, 2012.

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.

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

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, 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 27, 2012

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) State Energy Program – ARRA (CFDA 81.041)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >$1,346,215 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

HOCKING TECHNICAL COLLEGE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 17, 2013