HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

Auditor of State
Betty Montgomery

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

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HOCKING TECHNICAL COLLEGE
Appointed Officials
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HOCKING TECHNICAL COLLEGE
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NAME	***TITLE***
Dr. John J. Light	President
Dr. J. William Hill	Vice-President of Fiscal Operations
Cindy Baden	Secretary

COLLEGE FUNDS
General Fund
Direct Student Loan Fund
Short-Term Loan Program Fund
Unexpended Plant Fund
Investment in Plant Fund
Bookstore Fund
Hocking Heights Fund
Uniglobe Travel Fund
College Work Study (CWS) Program Fund
Technical Preparation Grant Fund
Campus Compact Grant Fund
Support Services Grant Fund
Athens County Department of Job and Family Services (ACDJFS) Grant Fund
Child Care Grant Fund
Millfield Mine Museum Fund
Pennsylvania Higher Education Fund
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ARC Fish Farming Grant Fund
Southeastern Probation Treatment Alternative (SEPTA) Center/OCJS Grant Fund
Institutional Aid: Quasi-Endowment Challenge Grant Program Fund
Southeastern Probation Treatment Alternative (SEPTA) Center Adult Education Program Fund
Day Reporting Grant Fund
Technical Education Equipment Grant Fund
Judicial Corrections Board Grant Fund
Ramada Inn Fund
President's Development Fund

COMPONENT UNIT
Hocking College Foundation, Inc.

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of Hocking Technical College, Athens County, Ohio (the College), and the discretely presented component unit, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hocking Technical College, Athens County, and of its discretely presented component unit as of June 30, 2002, and the changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 2 and 3, during the year ended June 30, 2002, the College adopted Governmental Accounting Standards Board Statement No. 35.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2002, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Expenses by Function and Object is not a required part of the College's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Expenses by Function and Object and the Schedule of Federal Awards Receipts and Disbursements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, they are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jim Petro
Auditor of State

December 19, 2002

Management's Discussion and Analysis

The discussion and analysis of Hocking Technical College's financial statements provide an overview of the College's financial activities for the fiscal year ended June 30, 2002. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

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

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

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

Financial Highlights

The College's financial position increased slightly during the fiscal year ended June 30, 2002. The current assets increased $1.4 million or 15.1% from the previous fiscal year. At the same time, current liabilities increased $.5 million or 17.9% which was related to current liabilities on the student center construction project and is discussed later in this discussion and analysis. In total, the College's net assets increased $4.5 million or 12.8% from the previous fiscal year. The increase in net assets resulted primarily from an increase in capital appropriations for the student center construction project.

During the fiscal year ended June 30, 2002, the College's revenues and other support exceeded expenses, creating an increase in net assets of $4.5 million (compared to $2.6 million increase from 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)

	2002	2001	Increase (Decrease)	Percent Change
Current Assets	$10.7	$9.3	$1.4	15.1%
Non-Current Assets:				
Capital Assets, Net of Depreciation	36.3	31.3	5.0	16.0%
Other	0.3	1.6	(1.3)	(81.3)%
Total Assets	$47.3	$42.2	$5.1	12.1%
Current Liabilities	$3.3	$2.8	0.5	17.9%
Long-Term Liabilities	4.4	4.3	0.1	2.3%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	31.9	27.0	4.9	18.1%
Restricted - Expendable	6.7	7.0	(0.3)	(4.3)%
Unrestricted	1.0	1.1	(0.1)	(9.1)%
Total Net Assets	39.6	35.1	4.5	12.8%
Total Liabilities and Net Assets	$47.3	$42.2	$5.1	12.1%

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

- Current asset increases and other noncurrent asset decreases which indicate a shift of classification in investments from noncurrent to current as investments are becoming more liquid and nearing their maturity dates.
- Capital assets increases which resulted from the student center construction project.
- Current liabilities increases resulting from short-term obligations to contractors on the student center construction project.
- Net asset increases which resulted primarily from the student center construction project.

Operating Results for the Year (in millions)

	2002	2001	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$11.2	$10.0	$1.2	12.0%
Grants and Contacts	5.8	6.1	(0.3)	(4.9)%
Sales and Services of Departments	0.9	0.7	0.2	28.6%
Auxiliary Services	5.6	5.7	(0.1)	(1.8)%
Other Operating Revenue	0.2	0.2	0.0	0.0%
Total Operating Revenues	23.7	22.7	1.0	4.4%
Operating Expenses:				
Instructional and Departmental Research	20.1	19.8	0.3	1.5%
Public Service	0.8	0.4	0.4	100.0%
Academic Support	1.8	1.7	0.1	5.9%
Student Services	4.4	4.7	(0.3)	(6.4)%
Institutional Support	3.5	3.5	0.0	0.0%
Operation and Maintenance of Plant	1.5	1.2	0.3	25.0%
Scholarships and Fellowships	3.1	2.7	0.4	14.8%
Depreciation	1.6	1.2	0.4	33.3%
Auxiliary Services	5.7	6.1	(0.4)	(6.6)%
Total Operating Expenses	42.5	41.3	1.2	2.9%
Operating Income (Loss)	(18.8)	(18.6)	(0.2)	(1.1)%
Nonoperating Revenues (Expenses):				
State Appropriations	17.4	18.8	(1.4)	(7.4)%
Net Investment Income and Other	0.3	0.2	0.1	50.0%
Total Nonoperating Revenues (Expenses)	17.7	19.0	(1.3)	(6.8)%
Other Revenues:				
Capital Appropriations	5.4	1.6	3.8	237.5%
Net Capital Grants, Gifts and Other	0.2	0.6	(0.4)	(66.7)%
Total Other Revenues	5.6	2.2	3.4	154.5%
Increase in Net Assets	4.5	2.6	1.9	73.1%
Net Assets - Beginning of Year	35.1	32.5	2.6	8.0%
Net Assets - End of Year	$39.6	$35.1	$4.5	12.8%

Operating Revenues

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

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

- Student tuition and fee revenue increased $1.2 million or 12.0% from the Board-approved tuition increases of 6.4% at the beginning of the year and 10.7% in mid year.

- Grants and contracts revenues decreased in total primarily from a $1.1 million increase in PELL grant revenue and a $1.2 million decrease in grant revenue from Athens County Job and Family Services. A decrease in other programs funded by federal and state sources also resulted in $.2 million less revenue.

- Auxiliary services revenue decreased when ticket sales at the Uniglobe Travel Agency dropped immediately following the terrorist attacks on the World Trade Centers on September 11, 2001.

Operating Expenses

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

- Instructional costs increased slightly following the implementation of budget tightening measures by the College which limited faculty salary increases to 1.0% and provided for the nonreplacement of some retiring faculty positions.

- Public service costs increased $.4 million or 100.0% due to a community service project with Athens County Job and Family Services which was designed to provide computers and related training to students from low to moderate income families.

- Operation and maintenance cost increases were due to higher energy costs.

- Scholarships and fellowships increases were due to increased student participation in the PELL grant program.

- Auxiliary services cost decreases were due to a drop in activity with the Uniglobe Travel Agency.

Nonoperating Revenues

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

Nonoperating revenue changes were primarily the result of the State appropriations decrease of $1.4 million or 7.4%, which was in accordance with the state funding formula.

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.

Other revenues changes were primarily the result of the State capital appropriation increase of $3.8 million for the student center construction project. Since the student center construction project is nearing completion, this revenue is expected to decrease for the fiscal year ended June 30, 2003.

Statement of Cash Flows

Another way to assess the financial health of a College is to look a 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
- Its need for external financing

Cash Flows for the Year (in millions)

	2002
Net Cash from:	
Operating Activities	($16.5)
Noncapital Financing Activities	17.4
Capital and Related Financing Activities	(2.1)
Investing Activities	0.1
Net Increase (Decrease) in Cash	(1.1)
Cash - Beginning of Year	5.4
Cash - End of Year	$4.3

Comparative year cash flow information of the College for the fiscal year ended June 30, 2001 is not readily available. For the fiscal year ended June 30, 2002, the net cash from operating activities of ($16.5 million) indicates that the College used more cash for such things as salaries and benefits, supplies, utilities, contract services, and scholarships and fellowships than it received from sources such as student tuition and fees, grants and contracts, auxiliary service charges, and other sales and services provided by the College. However, this amount is offset by the net cash from noncapital financing activities of $17.4 million and is indicative of the tremendous need that the College has for the appropriations from the State. Net cash from capital and related financing activities of ($2.1 million) indicates that the College used more cash toward the payment of obligations for capital related debt and capital improvements than it received from capital debt proceeds, capital appropriations and capital grants and gifts. However, this also reflects the progressive approach taken by the College to continue investing in new facilities and technology that will enhance the educational experience of the students. The net cash from investing activities of $.1 million indicates that the College received more cash from investment income and the sale and maturity of investments than it used for investment expenses. Finally, while a net decrease in cash occurred for the year of ($1.1 million), this decrease is deemed primarily to be the result of the capital and related financing activities mentioned earlier, as well as operating activities which include a one-time community services grant program through Athens County Job and Family Services where cash was received during the previous fiscal year and disbursed in the current fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2002, the College had $36.3 million invested in capital assets, net of accumulated depreciation of $15.4 million. Depreciation charges totaled $1.6 million for the current fiscal year compared to $1.2 million last year. Details of these assets for the past two years are shown below.

Capital Assets - Net of Accumulated Depreciation as of June 30 (in millions)			
	2002	2001	Increase (Decrease)
Land, Land Improvements	$5.1	$5.3	($0.2)
Buildings and Improvements	20.7	20.8	(0.1)
Furniture, Fixtures, and Equipment	3.0	2.9	0.1
Vehicles/Fleet	0.5	0.5	0.0
Library Holdings	0.7	0.8	(0.1)
Construction in Progress	6.3	1.0	5.3
Total	$36.3	$31.3	$5.0

The major capital addition this year was $5.3 million on the student center construction project which is being funded with capital appropriations from the State and bond anticipation notes. The total cost of this project is estimated to be $8.8 million with $6.3 million completed as of the end of the current fiscal year. This project is expected to be completed during the fiscal year ended June 30, 2003.

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

Debt

At June 30, 2002, the College had $4.4 million in debt outstanding versus $4.3 million the previous year. The table below summarized these amounts by type of debt instrument.

Long-Term Debt Outstanding as of June 30 (in millions)			
	2002	2001	Increase (Decrease)
Bond Anticipation Notes	$3.9	$4.0	($0.1)
Lease Obligations	0.5	0.3	0.2
Total	$4.4	$4.3	$0.1

The College anticipates retiring the $3.9 million debt outstanding on the bond anticipation notes with capital appropriations from the State. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects a decrease in funding to the College for the fiscal year ended June 30, 2003. Appropriations for the upcoming fiscal year are projected at $16.4 million, a decrease of $1.1 million or 6.3% from the current fiscal year. In addition, the Board of Trustees approved an increase of 7.1% in tuition rates for the upcoming fiscal year.

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

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HOCKING TECHNICAL COLLEGE
Statement of Net Assets
June 30, 2002

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$4,279,335	$21,805
Endowment Investments	2,420,372	0
Other Short-Term Investments	781,318	157,488
Accounts Receivable	1,116,256	0
Intergovernmental Receivables	1,327,085	0
Inventories	687,409	0
Prepaid Expenses	52,305	0
Accrued Interest Receivable	25,453	407
Total Current Assets	10,689,533	179,700
Noncurrent Assets:		
Endowment Investments	160,266	0
Other Long-Term Investments	148,248	7,764
Capital Assets	36,355,445	3,764,082
Total Noncurrent Assets	36,663,959	3,771,846
TOTAL ASSETS	47,353,492	3,951,546
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	2,417,949	228
Deposits Held in Custody for Others	117,962	0
Long-Term Liabilities - Current Portion	854,948	227,948
Total Current Liabilities	3,390,859	228,176
Long-Term Liabilities:		
Long-Term Liabilities	4,358,990	1,475,856
Total Long-Term Liabilities	4,358,990	1,475,856
TOTAL LIABILITIES	7,749,849	1,704,032
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	31,907,143	2,060,278
Restricted for:		
Quasi-Endowment:		
Nonexpendable	1,938,377	0
Expendable	658,752	0
Instructional Departmental Uses	874,693	0
Capital Projects	3,229,071	0
Loans	18,960	0
Unrestricted	976,647	187,236
TOTAL NET ASSETS	$39,603,643	$2,247,514

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, 2002

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $3,007,343)	$11,160,387	$0
Federal Grants and Contracts	5,393,369	0
State and Local Grants and Contracts	400,679	0
Sales and Services of Educational Departments	939,242	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $294,322)	5,591,128	0
Other Operating Revenue	162,064	360,684
Total Operating Revenues	23,646,869	360,684
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	20,109,857	0
Public Service	839,000	0
Academic Support	1,788,780	0
Student Services	4,371,328	0
Institutional Support	3,469,714	0
Operation and Maintenance of Plant	1,466,914	0
Scholarships and Fellowships	3,120,633	0
Depreciation	1,569,399	71,946
Auxiliary Services	5,716,092	0
Other Operating Expenses	0	50,085
Total Operating Expenses	42,451,717	122,031
OPERATING INCOME (LOSS)	(18,804,848)	238,653
NONOPERATING REVENUES (EXPENSES):		
State Appropriations	17,462,581	0
Gifts	7,276	11,950
Investment Income	343,117	18,756
Interest on Capital Asset-Related Debt	(20,351)	(90,838)
Total Nonoperating Revenues (Expenses)	17,792,623	(60,132)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(1,012,225)	178,521
Capital Appropriations	5,398,040	0
Capital Grants and Gifts	224,852	0
Loss on Disposal of Capital Assets	(68,755)	0
INCREASE IN NET ASSETS	4,541,912	178,521
NET ASSETS - Beginning of Year, As Restated	35,061,731	2,068,993
NET ASSETS - End of Year	$39,603,643	$2,247,514

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$11,299,816	$0
Grants and Contracts	5,556,818	0
Payments to Employees	(26,975,834)	0
Payments to Suppliers	(5,653,882)	0
Payments for Utilities	(850,885)	0
Payments for Contractual Services	(1,609,323)	0
Payments for Scholarships and Fellowships	(3,657,221)	0
Auxiliary Services Charges	5,545,983	0
Sales and Services of Educational Departments	939,242	0
Other Receipts (Payments)	(1,142,532)	310,599
Net Cash from Operating Activities	(16,547,818)	310,599
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Appropriations	17,462,581	0
Gifts Received for Other Than Capital Purposes	7,276	11,950
Net Cash from Noncapital Financing Activities	17,469,857	11,950
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Capital Debt	486,510	0
Capital Appropriations	5,398,040	0
Capital Grants and Gifts Received	224,852	0
Purchases of Capital Assets	(7,833,020)	0
Principal Paid on Capital Debt and Leases	(349,328)	(496,241)
Interest Paid on Capital Debt and Leases	(20,351)	(90,838)
Net Cash from Capital and Related Financing Activities	(2,093,297)	(587,079)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	1,950,586	239,749
Interest on Investments	347,718	20,061
Purchase of Investments	(2,221,975)	0
Net Cash from Investing Activities	76,329	259,810
Net Increase (Decrease) in Cash and Cash Equivalents	(1,094,929)	(4,720)
CASH AND CASH EQUIVALENTS, Beginning of year	5,374,264	26,525
CASH AND CASH EQUIVALENTS, End of year	$4,279,335	$21,805

(Continued)

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	($18,804,848)	$238,653
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	1,569,399	71,946
Change in Assets and Liabilities:		
Receivables, Net	17,889	0
Inventories	146,723	0
Prepaid Expenses	30,628	0
Other Assets	(160,835)	0
Accounts Payable and Other Accrued Liabilities	569,594	0
Compensated Absences	83,632	0
Net Cash from Operating Activities	($16,547,818)	$310,599

The accompanying notes are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

A. Description of the College

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

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

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

B. Reporting Entity

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

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

The Ramada Inn - Hocking Valley and Uniglobe Travel are considered a part of the reporting entity of the College and are included in the College's financial statements as Auxiliary Services.

The Hocking College Foundation, Inc. is not a part of the primary government of the College, but due to it's 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 18.

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. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, the College has adopted these Statements in accordance with the State's requirement for adoption by all Ohio colleges and universities for the year ended June 30, 2002. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the financial activities of the College.

The College also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business-type activities provided they do not conflict with or contradict GASB pronouncements.

The College maintains separate accounting records for approximately 30 funds, to help assure proper accountability over financial resources restricted to the respective funds. Management has consolidated these funds in these financial statements.

B. Budgetary Process

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

C. Appropriations

To provide control over expenditures, a budget is prepared by the Vice-President of Fiscal Operations with input from other administrative deans and presented to the Board of Trustees for their approval near the beginning of the fiscal year. To account for major developments that occur during the first six months, a revised budget may be prepared and presented to the Board for their approval in January of the same fiscal year.

D. Encumbrances

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2002 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 Ramada Inn - Hocking Valley, President's Development, and Hocking College Foundation, Inc., which are held separately from the cash management pool of the College. For internal control and accountability purposes, individual fund integrity is maintained through the College records. During fiscal year 2002, investments were limited to certificates of deposit with local institutions and stocks.

The College makes investments in accordance with the Board of Trustees' policy, which conforms to the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Vice-President of Fiscal Operations within these policy guidelines.

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

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

F. Accounts Receivables

Receivables at June 30, 2002 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

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

H. Capital Assets

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

Asset Description	Estimated Useful Life (Years)
Land Improvements	5
Buildings and Improvements	20-50
Furniture, Fixtures, and Equipment	7-15
Vehicles/Fleet	3-5
Library Holdings	3-15

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Compensated Absences

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

J. Pensions

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

K. Operating Revenues

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

L. Scholarship Allowances and Student Aid

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

M. Federal Financial Assistance Programs

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

During the fiscal year ended June 30, 2002, the College distributed $6,494,063 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 $976,647 at June 30, 2002 includes $541,129 held for auxiliary services, with $435,518 remaining for other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET ASSETS

For fiscal year 2002, the College has implemented GASB Statement No. 35, "*Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*". This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*. This statement creates new basic financial statements for reporting the College's financial activities. The financial statements are now college-wide financial statements prepared on an accrual basis of accounting. The beginning net assets amount reflects the change in fund balances at June 30, 2001, caused by the conversion to the accrual basis of accounting. The implementation of these statements required the following changes in the prior period balances of the College's financial statements:

Fund Balances, June 30, 2001	$48,405,585
Adjustment to Report Accumulated Depreciation on Capital Assets	(14,178,791)
Adjustment to Include Allocated Fund Balances	834,937
Net Assets, July 1, 2001	$35,061,731

NOTE 4 - CASH AND INVESTMENTS

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

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

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

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

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

NOTE 4 - CASH AND INVESTMENTS - Continued

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

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

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

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

d. Bonds and other obligations of the State;

e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

f. The State Treasurer's investment pool (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".*

Deposits: At June 30, 2002, the carrying amount of the College's deposits was $7,717,070 and the bank balance was $8,256,180. All of the bank balance was protected by either federal depository insurance or qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

NOTE 4 - CASH AND INVESTMENTS - Continued

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

	Category 2	Carrying Value	Fair Value
Stocks	$72,469	$72,469	$72,469

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	$4,279,335	$3,510,204
Investments:		
Certificates of Deposit	3,437,735	(3,437,735)
GASB Statement No. 3	$7,717,070	$72,469

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Land	$4,600,563	$13,353	$175,000	$4,438,916
Land Improvements	2,803,037	91,737	0	2,894,774
Buildings and Improvements	25,878,925	374,697	21,066	26,232,556
Furniture, Fixtures and Equipment	8,946,391	984,404	339,292	9,591,503
Vehicles/Fleet	1,350,659	110,444	108,377	1,352,726
Library Holdings	926,081	32,823	14,860	944,044
Construction in Progress	1,005,015	5,250,327	0	6,255,342
Total Cost of Capital Assets	45,510,671	6,857,785	658,595	51,709,861
Less Accumulated Depreciation:				
Land Improvements	2,097,179	104,194	0	2,201,373
Buildings and Improvements	5,050,141	442,466	0	5,492,607
Furniture, Fixtures and Equipment	6,050,922	768,804	288,398	6,531,328
Vehicles/Fleet	848,252	116,949	90,516	874,685
Library Holdings	132,297	136,986	14,860	254,423
Total Accumulated Depreciation	14,178,791	1,569,399	393,774	15,354,416
Capital Assets, Net	$31,331,880	$5,288,386	$264,821	$36,355,445

NOTE 6 - QUASI-ENDOWMENT

In 1985, the College was awarded $446,499 from the U.S. Department of Education to create an endowment (Corpus I). The stipulation to receiving this award was that the College had to match this grant dollar for dollar and the corpus as well as interest earned on the corpus must be preserved for 20 years. In 1987, the College was awarded an additional $193,313 from the U.S. Department of Education (Corpus II) with the same stipulation. As of June 30, 2002, the endowment has $1,279,624 in principal that is invested which consists of $639,812 from federal dollars and $639,812 from matching funds of the College.

According to the grant agreement, only the interest earned on the matching funds of the College is available and can be used for current operations of the College until the 20 year term has ended. The College has only used $79,218 of the interest earned to this date and has reinvested the remaining interest into the endowment. As of June 30, 2002, the total principal and interest earnings accumulated in the endowment is $2,597,129.

NOTE 7 - 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 8 - 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, 2001	Additions	Reductions	Balance at June 30, 2002	Due Within One Year
Leases and Notes Payable:					
Lease Obligations	$281,120	$486,510	$249,328	$518,302	$257,996
Bond Anticipation Notes	4,030,000	0	100,000	3,930,000	100,000
Total Leases and Notes Payable	4,311,120	486,510	349,328	4,448,302	357,996
Other Liabilities:					
Compensated Absences Payable	682,004	1,023,598	939,966	765,636	496,952
Total Other Liabilities	682,004	1,023,598	939,966	765,636	496,952
Total Long-Term Liabilities	$4,993,124	$1,510,108	$1,289,294	$5,213,938	$854,948

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

NOTE 8 - LONG-TERM LIABILITIES - Continued

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

The annual requirements to amortize the bond anticipation notes outstanding as of June 30, 2002, are as follows:

Fiscal Year Ending June 30	Bond Anticipation Notes
2003	$296,500
2004	291,500
2005	3,916,500
Total Payments	4,504,500
Less: Interest	(574,500)
Principal Due	$3,930,000

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURES

The College is obligated under certain leases that are accounted for as capital leases. As of June 30, 2002, $518,302 in capital lease obligations (excluding interest payments) were payable for equipment for the Perry County facility, computer equipment for administrative office, maintenance equipment for the main campus and equipment for the dormitory. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets. A corresponding long-term liability was recorded on the Statement of Net Assets. Principal payments in fiscal year 2002 totaled $249,328.

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, 2002.

Fiscal Year Ending June 30	Perry County Campus Equipment	Computer Equipment	Maintenance Equipment (2000)	Maintenance Equipment (2002)	Dormitory Equipment	Total
2003	$45,643	$36,313	$18,743	$118,924	$45,973	$265,596
2004	0	36,313	18,743	118,924	45,973	219,953
2005	0	0	18,743	19,821	7,662	46,226
Total Payments	45,643	72,626	56,229	257,669	99,608	531,775
Less: Interest	1,281	4,472	5,995	0	1,725	13,473
Present Value of Minimum Lease Payments	$44,362	$68,154	$50,234	$257,669	$97,883	$518,302

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS

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

Plan members are required to contribute 9.3 percent of their annual covered salary. The College is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year ended June 30, 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $1,379,609, $1,392,999, and $888,288, respectively; all of the required contributions have been made for 2002, 2001, and 2000. As of June 30, 2002, no liability is recorded by the College for STRS obligations.

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

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

Plan members are required to contribute 9 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year ended June 30, 2002, 5.46 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended up to a statutory maximum amount, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $216,152, $200,621, and $249,563, respectively; 92.17 percent has been contributed for 2002 and 100 percent for years 2001 and 2000. Of the 2002 amount, $16,933 was unpaid at June 30, 2002 and is recorded as a current liability.

C. Social Security: Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, the College did not have any employees covered by the Social Security system. The College's liability would be 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the College, this amount equaled $653,499 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information year available), the balance in the Health Care Reserve Fund was $3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and there were 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2001 (the latest information year available), the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 portion employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the College, the amount to fund health care benefits, including the surcharge, equaled $504,356 during the 2002 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. For the fiscal year ended June 30, 2001, net health care costs paid by SERS were $161,439,934 and the target level was $242.2 million. At June 30, 2001, the retirement system's net assets available for payment of health care benefits were $315.7 million. The number of participants currently receiving health care benefits is approximately 50,000.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences: Vacation and sick leave accumulated by employees has been recorded by the College. Upon termination of College service, a fully vested employee is entitled to 25% of their accumulated sick leave not to exceed 45 days for professional staff and 30 days for support staff plus all accumulated vacation. At June 30, 2002, the long-term liability for vested and probable benefits for vacation and sick leave totaled $268,684, and the short-term liability totaled $496,952, for a total liability of $765,636.

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

NOTE 12 - OTHER EMPLOYEE BENEFITS - Continued

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

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

NOTE 13 - RAMADA INN-HOCKING VALLEY

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

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

NOTE 14 - UNIGLOBE TRAVEL

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

NOTE 15 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and have contracted with Reed and Baur Insurance for liability, property, and fleet insurance. Reed and Baur Insurance also provides public officials bonds. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $2,000,000 in the aggregate. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The College maintains fleet insurance in the amount of $2,000,000 for any one accident or loss.

NOTE 15 - RISK MANAGEMENT - Continued

The College maintains replacement cost insurance on buildings and contents, excluding the Ramada Inn-Hocking Valley, in the amount of $49,240,527 with a $10,000 deductible per occurrence. The College has a separate policy on the Ramada Inn - Hocking Valley in the amount of $4,453,500 with a $1,000 deductible per occurrence. The College maintains tuition and fees insurance, and room and board rental insurance in the amounts of $13,930,105 and $1,200,000, respectively. Additionally, the College has a special liquor insurance policy in the amount of $1,000,000 for the operations of the restaurant and lounge in the Ramada Inn - Hocking Valley. With the operations of the Uniglobe Travel Agency, the College has a special policy for professional liability for travel agents in the amount of $1,000,000.

With renovations to the Student Center and construction of a new student center, the College has a special policy for builder's risk liability in the amount of $5,500,000.

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

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the College had $7,204,945 in contractual purchase commitments for the construction of a new student center. Of this amount, $5,269,479 had been expended leaving a balance owed by the College on these contractual purchase commitments of $1,935,466.

Contractor	Purpose	Contract Amount	Amount Expended	Balance
Cody Zeigler	General Trades	$4,583,363	$3,281,306	$1,302,057
Geiger Brothers	Plumbing	375,882	257,228	118,654
Howard Sheet Metal	HVAC	1,279,336	811,071	468,265
Precision Electric	Electrical	484,660	437,227	47,433
Indiana Insurance	Insurance	7,012	7,012	0
BancOne Capital	Underwriter	18,545	18,845	(300)
Moody/Nolan, Ltd.	Architect	456,147	456,790	(643)
Total		$7,204,945	$5,269,479	$1,935,466

NOTE 17 - 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, 2002.

NOTE 17 - CONTINGENCIES - Continued

Litigation

The College is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The College's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the overall financial position of the College at June 30, 2002.

NOTE 18 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC.

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

The Internal Revenue Service granted a foundation status classification under 501(a) of the IRS Regulations as an organization described in Section 501(c)(3), granting the Foundation tax-exempt status. The initial five year ruling period ending June 30, 1997, was updated on November 6, 1997 with the IRS reaffirming the Foundation's exempt status under Section 501(a) as described in 501(c)(3) of the Internal Revenue Service Code.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, the College has adopted these Statements in accordance with the State's requirement for adoption by all Ohio colleges and universities for the year ended June 30, 2002. Since the Foundation is a component unit of the College, it is required to adopt these Statements in the same year as the College.

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2002, investments were limited to certificates of deposit with local institutions and stocks.

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

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.

NOTE 18 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued

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

Change in Accounting Principle and Restatement of Beginning Net Assets

For fiscal year 2002, the College has implemented GASB Statement No. 35, "*Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*". This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*. This statement creates new basic financial statements for reporting the Foundation's financial activities. The financial statements are now entity-wide financial statements prepared on an accrual basis of accounting. The beginning net assets amount reflects the change in fund balance at June 30, 2001, caused by the conversion to the accrual basis of accounting. The implementation of these statements required the following changes in the prior period balances of the Foundation's financial statements:

Fund Balance, June 30, 2001	$2,533,972
Adjustment to Report Accumulated Depreciation on Capital Assets	(464,979)
Net Assets, July 1, 2001	$2,068,993

Cash and Investments

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

Deposits: At June 30, 2002, the carrying amount of the Foundation's deposits was $179,293, and the bank balance was $185,043. The Foundation has invested these funds in certificates of deposits and savings accounts. All of the bank balance was protected by either federal depository insurance or a qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

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

NOTE 18 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. - Continued

	Category 2	Carrying Value	Fair Value
Stocks	$7,764	$7,764	$7,764

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.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	$21,805	$165,252
Investments:		
Certificates of Deposit	157,488	(157,488)
GASB Statement No. 3	$179,293	$7,764

Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002
Land	$68,879	$0	$0	$68,879
Buildings and Improvements	4,232,128	0	0	4,232,128
Total Cost of Capital Assets	4,301,007	0	0	4,301,007
Less Accumulated Depreciation:				
Buildings and Improvements	464,979	71,946	0	536,925
Total Accumulated Depreciation	464,979	71,946	0	536,925
Capital Assets, Net	$3,836,028	($71,946)	$0	$3,764,082

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

NOTE 18 - 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, 2002:

Purpose	Balance at July 1, 2001	Additions	Reductions	Balance at June 30, 2002	Due Within One Year
Long-Term Notes Payable					
Hocking Heights Dormitory	$1,547,144	$0	$265,799	$1,281,345	$94,693
Wolfe-Bennett Land Note	98,252	0	98,252	0	0
Taxidermy Lab & Store	79,599	0	6,186	73,413	6,671
Total Long-Term Notes Payable	1,724,995	0	370,237	1,354,758	101,364
Long-Term Loan Payable					
Motel Renovation Loan	475,050	0	126,004	349,046	126,584
Totals	$2,200,045	$0	$496,241	$1,703,804	$227,948

The annual requirements to amortize long-term obligations outstanding as of June 30, 2002 are as follows:

Year Ended June 30	Hocking Heights Dormitory	Taxidermy Lab & Shop	Motel Renovation	Totals
2003	$157,715	$12,000	$150,205	$319,920
2004	157,714	12,000	150,206	319,920
2005	157,714	12,000	87,620	257,334
2006	157,714	12,000	0	169,714
2007	157,715	12,000	0	169,715
2008-2012	788,571	60,000	0	848,571
2013-2014	78,857	21,000	0	99,857
Total Payments	1,656,000	141,000	388,031	2,185,031
Less: Interest	(374,655)	(67,587)	(38,985)	(481,227)
Principal Due	$1,281,345	$73,413	$349,046	$1,703,804

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Pass-Through State Department of Education:				
Child and Adult Care Food Program	10.558	142075-21-CU	$ 7,137	$ 7,137
Total United States Department of Agriculture			7,137	7,137
APPALACHIAN REGIONAL COMMISSION				
Direct from Federal Government:				
Appalachian State Research, Technical Assistance and Demonstration Projects	23.011	N/A	4,236	4,236
Total Appalachian Regional Commission			4,236	4,236
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from Federal Government				
TRIO - Student Support Services	84.042	N/A	264,825	266,381
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grants	84.007	N/A	125,565	125,565
Federal Work-Study Program	84.033	N/A	219,890	219,890
Federal Pell Grant Program	84.063	N/A	4,327,656	4,327,656
Federal Direct Loans (See Note 3)	84.268	N/A	6,494,412	6,494,412
Total Student Financial Assistance Cluster			11,167,523	11,167,523
Endowment Challenge Grant Program (See Note 2)	84.031G	N/A	173,062	0
Child Care Access Means Parents in School	84.335	N/A	25,626	0
Pass-Through State Department of Education:				
Vocational Education - Basic Grants to States	84.048	06339-20-C2-00	211,762	208,819
Tech-Prep Education	84.243	06339-3E-00	123,010	63,542
Total United States Department of Education			11,965,808	11,706,265
CORPORATION FOR NATIONAL SERVICE				
Direct from Federal Government:				
Learn and Serve America - Higher Education	94.005	N/A	1,500	1,500
Total Corporation for National Service			1,500	1,500
Total Federal Awards Receipts and Expenditures			**$ 11,978,681**	**$ 11,719,138**

The accompanying Notes to this Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

Note 1 - Basis of Accounting

The College prepares its Schedule of Federal Awards Receipts and Expenditures (the Schedule) on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparatior of the basic financial statements.

Note 2 - Endowment Challenge Grant

Receipts identified in the Schedule are from the investment of the grant and matching funds. Total grant and matching funds held as quasi-endowment funds at June 30, 2002, were $1,279,624. Grant and matching funds are equally split.

Cumulative investment income, less allowable expenditures, of the grant and matching funds totaled $1,317,505 through the fiscal year ended June 30, 2002.

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

Note 3 - Federal Direct Loan Program

During the fiscal year ended June 30, 2002, the College processed $6,494,063 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.

HOCKING TECHNICAL COLLEGE
Schedule of Expenses by Function and Object
For the Fiscal Year Ended June 30, 2002

	Salaries	Benefits	Services	Supplies	Utilities	Other	Totals
Educational and General:							
Instructional and Departmental Research	$13,898,811	$3,917,971	$160,457	$1,501,538	$110,743	$520,337	$20,109,857
Public Service	210,112	18,072	238,819	28,916	17,241	325,840	839,000
Academic Support	1,212,870	397,367	26,369	123,760	17,771	10,643	1,788,780
Student Services	3,046,634	776,446	168,227	262,191	46,997	70,833	4,371,328
Institutional Support	1,461,888	305,411	377,844	86,501	5,964	1,232,106	3,469,714
Operation and Maintenance of Plant	458,695	176,255	0	74,478	450,962	306,524	1,466,914
Scholarships and Fellowships	138,848	40,471	4,614	31,129	0	2,905,571	3,120,633
Depreciation	0	0	0	0	0	1,569,399	1,569,399
Auxiliary Services	1,124,875	305,326	7,696	3,212,075	231,517	834,603	5,716,092
Totals	$21,552,733	$5,937,319	$984,026	$5,320,588	$881,195	$7,775,856	$42,451,717

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of Hocking Technical College, Athens County, Ohio (the College), and its discretely presented component unit as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002, wherein we noted the College adopted Governmental Accounting Standards Board Statement No. 35. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated December 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the College in a separate letter dated December 19, 2002.

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

Jim Petro
Auditor of State

December 19, 2002

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

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

To the Board of Trustees:

Compliance

We have audited the compliance of Hocking Technical College, Athens County, Ohio (the College), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The College's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control over Compliance

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

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

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

Jim Petro
Auditor of State

December 19, 2002

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

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

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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HOCKING TECHNICAL COLLEGE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 4, 2003