

Hocking Technical College
Athens County
Single Audit
For the Fiscal Year Ended June 30, 2018



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Hocking Technical College
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HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2018

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
Mr. Thomas Johnson	Chairperson	August 2018
Mr. Ben Mitchell	Vice Chairperson	August 2018
Ms. Jeanie R. Addington, CPA	Trustee	August 2018
Mr. Mike Brooks	Trustee	August 2020
Mr. Stuart Brooks	Trustee	August 2019
Mr. Mike Budzick	Trustee	August 2020
Mr. Leon Forte	Trustee	August 2019
Mr. Andrew Stone	Trustee	August 2019
Mr. Daniel Fischer	Trustee	August 2020

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2018

NAME

TITLE

Dr. Betty Young, Ph.D, J.D., LL.M.	President
Mrs. Denise O'Donnell, M.S.A., CNAP.....	Vice-President of Financial Services C.F.O. / Treasurer
Ms. Sheree Cunningham.....	Executive Assistant to the President and Chief of Staff Secretary of the Board of Trustees

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hocking Technical College, Athens County, (the College), and its discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Hocking Technical College, Athens County, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 3 to the financial statements, during fiscal year 2018, the College adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The 2018 financial statements have been restated due to this implementation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the College's proportionate share of the net pension and OPEB liabilities, and the schedules of College contributions on pages 4 through 12 and 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of federal awards revenues and expenditures, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



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

December 20, 2018

Management's Discussion and Analysis

The discussion and analysis of Hocking Technical College's (the College) financial statements provides an overview of the College's financial activities for the Fiscal Year ended June 30, 2018. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

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

Using this Report

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

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

Financial Highlights

As referenced in Footnote 3 (CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION), and further discussed in Footnote 9 (DEFINED BENEFIT OPEB PLANS) the College was required in Fiscal Year 2018 to implement GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". New line items and amounts are now reflected in the College's statements as a result of the required implementation of this accounting pronouncement. The net OPEB liability represents the College's proportionate share of each plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. As a result of this implementation, the College's net position at June 30, 2017, previously reported as \$7.7 million in its June 30, 2017 audited financial statements was restated to be (\$2.2) million. In addition, the net change in that liability in Fiscal Year 2018, a reduction of \$1.4 million which adds to the positive change in net position for the year, runs through the College's Statement of Revenues, Expenses and Changes in Net Position.

- The College's capital assets increased \$4.1 million or 6.7% from the previous Fiscal Year due primarily to the \$3.3 million donation of a dormitory from the Hocking College Foundation.
- The College added an additional \$1 million to its strategic reserve to continue to increase its expendable net position to improve its Primary Reserve Ratio to the recommended level of .40.
- The College's financial position increased \$20.9 million or 950.0% during the fiscal year. The increase was due primarily to the decreases in net pension liability and net OPEB liability, which also led to large decreases in expenses.

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

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

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

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

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

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

Net Position as of June 30 (in millions)

	2018	2017*	Increase (Decrease)	Percent Change
Current Assets	\$23.3	\$22.3	\$1.0	4.5%
<i>Noncurrent Assets:</i>				
Capital Assets, Net of Accumulated Depreciation	64.9	60.8	4.1	6.7%
Other	4.4	4.8	(0.4)	(8.3%)
Total Assets	\$92.6	\$87.9	\$4.7	5.35%
Deferred Outflows of Resources				
Pension	\$7.9	\$8.9	(\$1.0)	(11.2%)
OPEB	0.3	0.1	0.2	200.0%
Total Deferred Outflows of Resources	\$8.2	\$9.0	(\$0.8)	(8.9%)
Liabilities				
Current Liabilities	\$8.8	\$9.8	(\$1.0)	(10.2%)
Long-Term Liabilities:				
Due Within One Year	1.1	1.0	0.1	10.00%
Due in More Than One Year:				
Net Pension Liability	30.6	46.2	(15.6)	(33.8%)
Net OPEB Liability	8.6	10.0	(1.4)	(14.0%)
Other Amounts	18.9	19.6	(0.7)	(3.6%)
Total Liabilities	\$68.0	\$86.6	(\$18.6)	(21.5%)
Deferred Inflows of Resources				
Pension	\$13.2	\$12.5	\$0.7	5.60%
OPEB	0.9	0.0	0.9	900.0%
Total Deferred Inflows of Resources	\$14.1	\$12.5	\$1.6	12.8%
Net Position:				
Net Investment in Capital Assets	\$45.5	\$40.7	\$4.8	11.8%
Restricted - Nonexpendable	1.1	1.2	(0.1)	(8.3%)
Restricted - Expendable	1.9	1.7	0.2	11.8%
Unrestricted	(29.8)	(45.8)	16.0	34.9%
Total Net Position	\$18.7	(\$2.2)	\$20.9	950.0%

* - Restated

Current Assets

Current Assets increased by \$1.0 million, primarily due to increases in accounts receivable and intergovernmental receivable, which was offset by a decrease in cash and cash equivalents.

Noncurrent Assets

Noncurrent Assets increased by \$3.7 million which was almost entirely in capital assets. Capital Assets increased primarily due to the \$3.3 million donation of a building during Fiscal Year 2018.

Deferred Outflows/Inflows of Resources

These categories, related to the College's pro-rata share of the State's unfunded pension and OPEB liabilities and required to be reported through GASB Statements No. 68 and 75, decreased \$0.8 million and increased \$1.6 million, respectively. The College has no control over these amounts. More information about GASB Statements No. 68 and 75 and their impact on the statements of the College can be seen in Notes 8 and 9 and in the required supplementary information at the end of the report.

Current Liabilities

Current Liabilities decreased by \$1.0 million or 10.2%, primarily due to decreases in accounts payable and unearned revenue.

Long-Term Liabilities

Long-Term Liabilities decreased by \$17.6 million primarily due to the \$15.6 million and \$1.4 million decreases in net pension liability and net OPEB liability, respectively. These liability amounts are calculated by the pension systems and the College has no control over these liabilities.

Net Position

The College's overall net position increased by 950.0% from the previous fiscal year. This was primarily the result of the large decrease in liabilities, which also led to a large decrease in expenses. The Net Investment in Capital Assets increased by \$4.8 million, as mentioned previously this increase was mostly the result of the donation of a building.

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

Operating Results for the Year (in millions)

	2018	2017 *	Increase (Decrease)	Percent Change
<i>Operating Revenues:</i>				
Tuition and Fees	\$13.0	\$14.1	(\$1.1)	(7.8%)
Grants and Contracts	1.9	1.1	0.8	72.7%
Sales and Services of Departments	0.8	0.3	0.5	166.7%
Auxiliary Services	5.4	4.8	0.6	12.5%
Other Operating Revenue	0.2	0.5	(0.3)	(60.0%)
Total Operating Revenues	<u>21.3</u>	<u>20.8</u>	<u>0.5</u>	<u>2.4%</u>
<i>Operating Expenses:</i>				
Instructional and Departmental Research	5.7	11.2	(5.5)	(49.1%)
Public Service	0.1	0.2	(0.1)	(50.0%)
Academic Support	3.3	6.1	(2.8)	(45.9%)
Student Services	1.4	2.7	(1.3)	(48.1%)
Institutional Support	3.0	4.3	(1.3)	(30.2%)
Operation and Maintenance of Plant	0.9	2.7	(1.8)	(66.7%)
Scholarships and Fellowships	2.8	2.7	0.1	3.7%
Depreciation	2.2	2.0	0.2	10.0%
Auxiliary Services	2.8	3.0	(0.2)	(6.7%)
Total Operating Expenses	<u>22.2</u>	<u>34.9</u>	<u>(12.7)</u>	<u>(36.4%)</u>
Operating Income (Loss)	(0.9)	(14.1)	13.2	93.6%
<i>Nonoperating Revenues (Expenses):</i>				
Grants and Contracts	6.0	6.7	(0.7)	(10.4%)
State Appropriations	12.5	13.4	(0.9)	(6.7%)
Net Investment Income and Other	0.1	0.1	0.0	0.0%
Interest on Capital Asset-Related Debt	(0.9)	(0.9)	0.0	0.0%
Total Nonoperating Revenues (Expenses)	<u>17.7</u>	<u>19.3</u>	<u>(1.6)</u>	<u>(8.3%)</u>
<i>Other Revenues (Expenses):</i>				
Capital Appropriations	0.6	0.8	(0.2)	(25.0%)
Capital Grants and Gifts	3.4	0.1	3.3	3300.0%
Gain (Loss) on Disposal of Capital Assets	0.1	(0.1)	0.2	200.0%
Total Other Revenues	<u>4.1</u>	<u>0.8</u>	<u>3.3</u>	<u>412.5%</u>
Change in Net Position	20.9	6.0	14.9	248.3%
Net Position - Beginning of Year	<u>(2.2)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net Position - End of Year	<u>\$18.7</u>	<u>(\$2.2)</u>	<u>\$20.9</u>	<u>950.0%</u>

* - Restated

Operating Revenues

Operating revenues include all transactions that result from the sales of goods and services such as tuition and fees, educational department transactions and auxiliary service fees from residence halls, and operations of the College bookstore, Lake Snowden and parking. In addition, certain federal, state, and local grants are considered operating if they are not for capital purposes and are considered a contract for services.

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

- Student Tuition and Fees revenue decreased \$1.1 million or 7.8% and the decrease is primarily the result of decreased enrollment.
- Auxiliary Services Revenues increased by \$0.6 million due to increased revenue from more students living in the dormitories.

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:

- Operation and Maintenance of Plant costs decreased \$1.8 million or 66.7%, primarily due to the College's efforts to control spending and decrease related to the retirement systems' liability calculations.
- Academic Support costs decreased \$2.8 million or 45.9% due to the the College's efforts to control spending and decrease related to the retirement systems' liability calculations.
- Institutional and Departmental Research costs decreased \$5.5 million or 49.1% due to the College's efforts to control spending and decrease related to the retirement systems' liability calculations.

Nonoperating Revenues

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

Nonoperating revenue decreased as a result of decreased federal student financial aid awards and state appropriation allocations from the State.

Other Revenues

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

The increase in other revenues was primarily the result of an increase in Capital Gifts, which was primarily the donation of a \$3.3 million dormitory given to the College by the Hocking College Foundation.

Statement of Cash Flows

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

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

Cash Flows for the Year (in millions)				
	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Cash From:				
Operating Activities	(\$14.7)	(\$15.0)	\$0.3	2.0%
Noncapital Financing Activities	17.2	20.1	(2.9)	(14.4%)
Capital and Related Financing Activities	(3.8)	(3.0)	(0.8)	(26.7%)
Investing Activities	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0%</u>
Net Increase (Decrease) in Cash	(1.2)	2.2	(3.4)	(154.5%)
Cash - Beginning of Year	<u>11.6</u>	<u>9.4</u>	<u>2.2</u>	<u>23.4%</u>
Cash - End of Year	<u><u>\$10.4</u></u>	<u><u>\$11.6</u></u>	<u><u>(\$1.2)</u></u>	<u><u>(10.3%)</u></u>

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

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

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the College had \$64.9 million invested in capital assets, net of accumulated depreciation of \$32.9 million. Depreciation charges totaled \$2.2 million for the current Fiscal Year. Details of these assets for the past two years are shown below.

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$5.4	\$5.0	\$0.4
Land Improvements	1.2	1.3	(0.1)
Buildings and Improvements	52.9	50.2	2.7
Furniture, Fixtures and Equipment	4.5	3.7	0.8
Vehicles/Fleet	0.6	0.6	0.0
Software	<u>0.3</u>	<u>0.0</u>	<u>0.3</u>
Total	<u>\$64.9</u>	<u>\$60.8</u>	<u>\$4.1</u>

The major capital additions this year was the addition of a dormitory for \$3.3 million during the year.

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

Debt

At June 30, 2018, the College had \$19.5 million in debt outstanding versus \$20.1 million the previous year. The table below summarizes these amounts by type of debt instrument.

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General Receipt Improvement Bonds	\$19.2	\$19.8	(\$0.6)
Revenue Bonds	<u>0.3</u>	<u>0.3</u>	<u>0.0</u>
Total	<u>\$19.5</u>	<u>\$20.1</u>	<u>(\$0.6)</u>

The College has no current plans to issue additional debt.

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

Economic Factors That Will Affect the Future

Leadership

In May 2015, the College hired Dr. Betty Young as its 4th President in its 47-year history after serving several months as its interim President. In August 2016, Dr. Young was offered a 5-year contract.

In Fiscal Year 2018, Dr. Young formed a redesign of her Cabinet, structuring new positions and titles around key responsibilities of the organization. These positions are as follows; Vice President for Academic Affairs & Workforce Development, Vice President for Campus & Community Relations/Ombudsman, Vice President of Student Experience & Human Resources, Vice President for Enrollment & Student Development, Vice President of Financial Services, CFO & Treasurer, Chief Information Officer, and Chief of Staff.

Enrollment

Declining demographics continues to be one of the College's biggest challenges. With a focus on retention of current students while using inbound marketing techniques for new student enrollment the College expects to continue a steady, increased enrollment by providing a pathway for students to complete an Associate Degree, an Associate Degree with a 1+3 or a 2+2 track or complete a Certificate Program.

The College Credit Plus program continues to grow and it is a strong component of the enrollment goals set by the College.

Athletics continues to grow and strengthen the campus not only with added enrollment but by adding a depth to the diversity. In Fiscal Year 2018 plans were solidified to add an equestrian team to the Fiscal Year 2019 athletics calendar. All athletes are required to live in on-campus residential halls and purchase a college meal plan to add to occupancy levels within the auxiliary services provided.

Budgeting

The College ended Fiscal Year 2018 with a positive change in Current Funds of approximately \$1.075 million and in addition added \$1 million to its strategic reserve.

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

In Fiscal Year 2019, the College plans to use its own reserve balance to fund some large campus projects coming online such as the Medical Testing Lab, Animal Grooming and Boarding Learning Lab, Dormitory Renovations, and The Lodge.

In Summary

The College reached its 50th anniversary in 2018, where it decided that the 50 Year would become a 2-Year celebration from the inaugural opening of the college to the anniversary of its first Graduating Class.

With this, the College is working diligently to revitalize its reputation as an innovative and entrepreneurial educational institution. It understands its importance to the district in which it exists and its responsibility to meet the initiatives of the State of Ohio in providing a quality education at an affordable price when educating Ohio's workforce. The College believes that it is well-positioned to do so.

HOCKING TECHNICAL COLLEGE
Statement of Net Position
June 30, 2018

	Primary Institution	Component Unit Foundation
ASSETS:		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$8,682,361	\$569,791
Cash with Fiscal Agent	461,998	0
Accounts Receivable, Net	11,607,606	1,400
Intergovernmental Receivables	1,466,298	0
Due From Primary Government	0	8,360
Other Receivables	0	20,124
Inventories	228,428	0
Prepaid Expenses	836,171	425
<i>Total Current Assets</i>	<u>23,282,862</u>	<u>600,100</u>
<i>Noncurrent Assets:</i>		
Restricted Cash and Cash Equivalents	1,244,663	0
Endowment Investments	1,166,595	735,551
Other Long-Term Investments	1,982,439	565,866
Nondepreciable Capital Assets	5,356,371	78,880
Depreciable Capital Assets	59,582,206	31,303
<i>Total Noncurrent Assets</i>	<u>69,332,274</u>	<u>1,411,600</u>
TOTAL ASSETS	<u>92,615,136</u>	<u>2,011,700</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension	7,882,795	0
OPEB	311,109	0
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,193,904</u>	<u>0</u>
LIABILITIES:		
<i>Current Liabilities:</i>		
Accounts Payable and Other Accrued Liabilities	1,546,269	0
Due to Component Unit	8,360	0
Unearned Revenue	6,632,590	10,000
Deposits Held in Custody for Others	74,110	0
Claims Payable	512,738	0
Long-Term Liabilities - Current Portion	1,082,478	0
<i>Total Current Liabilities</i>	<u>9,856,545</u>	<u>10,000</u>
<i>Long-Term Liabilities:</i>		
Net Pension Liability	30,582,869	0
Net OPEB Liability	8,605,800	0
Other Long-Term Liabilities	18,956,466	0
<i>Total Long-Term Liabilities</i>	<u>58,145,135</u>	<u>0</u>
TOTAL LIABILITIES	<u>68,001,680</u>	<u>10,000</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension	13,215,185	0
OPEB	915,725	0
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,130,910</u>	<u>0</u>
NET POSITION:		
Net Investment in Capital Assets	45,453,123	110,183
<i>Restricted for:</i>		
<i>Nonexpendable:</i>		
Endowments	1,166,595	735,551
<i>Expendable:</i>		
Loans	34,070	0
Debt Service	1,244,663	0
Scholarships	615,735	267,894
Other	0	32,615
Unrestricted (Deficit)	(29,837,736)	855,457
TOTAL NET POSITION	<u>\$18,676,450</u>	<u>\$2,001,700</u>

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation
REVENUES:		
<i>Operating Revenues:</i>		
Student Tuition and Fees (Net of Scholarship Allowances of \$3,142,229)	\$13,034,633	\$0
Federal Grants and Contracts	1,818,273	0
Private Grants and Contracts	12,527	0
Sales and Services of Educational Departments	810,123	0
Auxiliary Services Revenues (Net of Scholarship Allowances of \$458,699)	5,436,474	0
Other Operating Revenue	234,469	184,223
<i>Total Operating Revenues</i>	<u>21,346,499</u>	<u>184,223</u>
EXPENSES:		
<i>Operating Expenses:</i>		
<i>Educational and General:</i>		
Instructional and Departmental Research	5,706,069	0
Public Service	124,077	0
Academic Support	3,334,078	0
Student Services	1,382,942	0
Institutional Support	2,983,572	0
Operation and Maintenance of Plant	927,558	0
Scholarships and Fellowships (Net of Scholarship Allowances of \$3,600,928)	2,801,361	0
Depreciation	2,168,362	18,658
Auxiliary Services	2,738,468	0
Other Operating Expenses	0	202,375
<i>Total Operating Expenses</i>	<u>22,166,487</u>	<u>221,033</u>
OPERATING LOSS	(819,988)	(36,810)
NONOPERATING REVENUES (EXPENSES):		
Federal Grants and Contracts	5,951,385	0
State Appropriations	12,499,975	0
Gifts	0	174,255
Investment Income	104,970	68,469
Interest on Capital Asset-Related Debt	(915,050)	0
<i>Total Nonoperating Revenues (Expenses)</i>	<u>17,641,280</u>	<u>242,724</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	16,821,292	205,914
Capital Appropriations	608,507	0
Capital Grants and Gifts	3,393,089	0
Gain (Loss) on Disposal of Capital Assets	49,141	(1,104,803)
CHANGE IN NET POSITION	20,872,029	(898,889)
NET POSITION - Beginning of Year, As Restated (See Note 3)	<u>(2,195,579)</u>	<u>2,900,589</u>
NET POSITION - End of Year	<u>\$18,676,450</u>	<u>\$2,001,700</u>

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	\$12,985,261	\$0
Grants and Contracts	1,753,186	0
Payments to Employees	(19,034,369)	0
Payments to Suppliers	(5,419,140)	0
Payments for Utilities	(1,430,700)	0
Payments for Contractual Services	(2,422,696)	0
Payments for Scholarships and Fellowships	(4,265,717)	0
Auxiliary Services Charges	4,725,504	0
Sales and Services of Educational Departments	810,123	0
Other Receipts	234,469	224,893
Other Payments	(2,683,133)	(202,375)
<i>Net Cash from Operating Activities</i>	<u>(14,747,212)</u>	<u>22,518</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal Grants and Contracts	4,712,326	0
State Appropriations	12,499,975	0
Gifts Received for Other Than Capital Purposes	0	142,952
<i>Net Cash from Noncapital Financing Activities</i>	<u>17,212,301</u>	<u>142,952</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	608,507	0
Capital Grants and Gifts Received	93,089	0
Sale of Assets Received	126,451	0
Purchases of Capital Assets	(3,091,355)	0
Principal Paid on Capital Debt	(585,939)	0
Interest Paid on Capital Debt	(927,272)	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(3,776,519)</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	104,970	68,469
Purchase of Investments	0	(74,268)
<i>Net Cash from Investing Activities</i>	<u>104,970</u>	<u>(5,799)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,206,460)	159,671
CASH AND CASH EQUIVALENTS, Beginning of year	<u>11,595,482</u>	<u>410,120</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$10,389,022</u></u>	<u><u>\$569,791</u></u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contribution of Capital Assets	<u>\$3,300,000</u>	<u>\$31,303</u>

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Loss to Net Cash from Operating Activities:		
Operating Loss	(\$819,988)	(\$36,810)
<i>Adjustments to Reconcile Net Operating Loss to Net Cash from Operating Activities:</i>		
Depreciation	2,168,362	18,658
<i>Change in Assets, Liabilities, and Deferred Inflows/Outflows of Resources:</i>		
Receivables, Net	(510,039)	(1,400)
Other Receivables	0	30,095
Inventories	(9,859)	0
Prepaid Expenses	61,998	1,975
Deferred Outflows of Resources	840,868	0
Accounts Payable and Other Accrued Liabilities	(669,599)	0
Compensated Absences	18,482	0
Unearned Revenue	(327,917)	10,000
Deposit Held for Others	2,073	0
Claims Payable	(58,899)	0
Net Pension and OPEB Liabilities	(17,083,069)	0
Deferred Inflows of Resources	1,640,375	0
<i>Net Cash from Operating Activities</i>	(\$14,747,212)	\$22,518

See accompanying notes to the basic financial statements.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

A. Description of the College

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

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

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

B. Reporting Entity

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

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

The Hocking College Foundation, Inc. (the Foundation), is not a part of the primary government of the College, but due to its relationship with the College, it is discretely presented as a component unit within the College's financial statements. The Foundation is a nonprofit corporation fund-raising organization, dedicated solely to raising scholarships and other funds for the benefit of the College. Specific disclosures relating to the component unit can be found in Note 17.

The College is associated with the South Central Ohio Insurance Consortium, which is a jointly governed organization. Information concerning this organization is presented in Note 14 to the basic financial statements.

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999. The College follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the financial activities of the College.

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

B. Budgetary Process

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

C. Appropriations

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

D. Encumbrances

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2018 do not constitute expenses or liabilities and are not reflected in the financial statements.

E. Cash and Investments

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for the Hocking College Foundation, Inc., escrow accounts related to bond activity, and cash held with fiscal agent, 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 2018, investments were limited to nonnegotiable certificates of deposit with local institutions and money market funds.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

Cash is being held by the South Central Ohio Insurance Consortium on behalf of the College to pay obligations related to the College's medical, dental, and pharmacy benefits. This balance is reported as "Cash with Fiscal Agent" on the accompany financial statements.

F. Accounts Receivables

Receivables at June 30, 2018 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

Inventories consist primarily of books and supplies of the bookstore and food inventory for the culinary program and dining services which are stated at the lower of cost or market determined on the first-in-first-out (FIFO) basis.

H. Capital Assets

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

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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/OPEB

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

K. Operating and Nonoperating Revenues

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

L. Scholarship Allowances and Student Aid

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

M. Federal Financial Assistance Programs

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

During the fiscal year ended June 30, 2018, the College processed \$10,496,396 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

N. Net Position

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The unrestricted net position deficit balance of \$29,837,736 at June 30, 2018 includes a balance of \$2,507,595 held for auxiliary services.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2018, the College reported \$1,244,663 of restricted assets, which is payments made to the escrow agent which are to be used for debt service payments related to the series 2013 bond issuance.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources include pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 8 and 9.

In addition to the liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Note 8 and 9.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the College implemented GASB Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the College's fiscal year 2018 financial statements; however, there was no effect on beginning net position.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION– Continued

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$7,757,233
<i>Adjustments:</i>	
Net OPEB Liability	(10,054,912)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>102,100</u>
Restated Net Position June 30, 2017	<u>(\$2,195,579)</u>

Other than employer contributions subsequent to the measurement date, the College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - CASH AND INVESTMENTS

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

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

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

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution, or provide securities through the Ohio Pooled Collateral System as discussed below. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2018, the College complied with the provisions of these statutes.

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

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 4 - CASH AND INVESTMENTS – Continued

- c. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (a) or (b) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

At June 30, 2018, the carrying amount of all College deposits was \$12,293,393. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2018, the College's bank balance of \$12,940,945 was either insured by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described above.

Custodial Credit Risk –

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 % of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 4 - CASH AND INVESTMENTS – Continued

Six of the College's seven financial institutions are enrolled in the OPCS; however, at June 30, 2018, the seventh financial institution still maintained its own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

Investments: As of June 30, 2018, the College investments were limited to money market funds which totaled \$1,244,663 and had maturities of less than one year.

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

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

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018
<i>Nondepreciable Capital Assets:</i>				
Land	\$5,009,555	\$346,816	\$0	\$5,356,371
Total Nondepreciable Capital Assets	5,009,555	346,816	0	5,356,371
<i>Depreciable Capital Assets:</i>				
Land Improvements	5,527,429	0	0	5,527,429
Buildings and Improvements	70,888,543	4,152,849	0	75,041,392
Furniture, Fixtures and Equipment	8,617,742	1,351,318	(272,546)	9,696,514
Vehicles/Fleet	1,911,977	140,372	(212,387)	1,839,962
Software	0	400,000	0	400,000
Total Depreciable Capital Assets	86,945,691	6,044,539	(484,933)	92,505,297
Total Cost of Capital Assets	91,955,246	6,391,355	(484,933)	97,861,668
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(4,218,120)	(90,327)	0	(4,308,447)
Buildings and Improvements	(20,733,207)	(1,370,511)	0	(22,103,718)
Furniture, Fixtures and Equipment	(4,914,269)	(534,011)	227,287	(5,220,993)
Vehicles/Fleet	(1,296,952)	(106,846)	180,532	(1,223,266)
Software	0	(66,667)	0	(66,667)
Total Accumulated Depreciation	(31,162,548)	(2,168,362)	407,819	(32,923,091)
Capital Assets, Net	\$60,792,698	\$4,222,993	(\$77,114)	\$64,938,577

The College's capital assets include the costs of the \$4,023,873 project to construct an Energy Institute facility. This facility is being used for educational and developmental purposes and alternative energy technology programs, fuel cell technology programs, and vehicular hybrid programs. Funding for this project includes an Economic Development Administration federal grant of \$1,612,982 and matching funding from the College. The source of the College's matching amount was a \$3,000,000 Bond Anticipation Note issued in September 2007. The agreement for this grant funding includes a stipulation that if the College decides to use this facility in a different manner other than for alternative energy programs or decides to sell the facility within a 20 year period, this grant will become a mortgage and the entire amount will have to be repaid to the U.S. Department of Commerce. As long as the College uses this facility for its intended purpose for at least 20 years, the College is not obligated to repay any amount of this grant. The College has not reported a liability for this agreement since no obligation to repay exists at June 30, 2018.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - STATE SUPPORT

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

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

The facilities are not pledged as collateral for the special obligation bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

NOTE 7 - LONG-TERM LIABILITIES

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

	*Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
<i>Bonds Payable:</i>					
General Receipts Improvement Bonds 3.0% - 5.0%	\$19,500,000	\$0	\$535,000	\$18,965,000	\$555,000
Premium on Bonds	252,554	0	12,025	240,529	12,025
Tax Exempt Revenue Bond; 3.07%	330,065	0	50,938	279,127	52,501
Total Bonds Payable	20,082,619	0	597,963	19,484,656	619,526
<i>Net Pension Liability:</i>					
STRS	30,127,035	0	12,080,346	18,046,689	0
SERS	16,089,791	0	3,553,611	12,536,180	0
Total Net Pension Liability	46,216,826	0	15,633,957	30,582,869	0
<i>Net OPEB Liability:</i>					
STRS	4,062,862	0	1,098,817	2,964,045	0
SERS	5,992,050	0	350,295	5,641,755	0
Total Net OPEB Liability	10,054,912	0	1,449,112	8,605,800	0
<i>Other Liabilities:</i>					
Compensated Absences Payable	535,808	591,520	573,040	554,288	462,952
Total Other Liabilities	535,808	591,520	573,040	554,288	462,952
Total Long-Term Liabilities	\$76,890,165	\$591,520	\$18,254,072	\$59,227,613	\$1,082,478

*Restated

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES – Continued

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

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

The annual requirements to amortize long-term obligations outstanding as of June 30, 2018 are as follows:

Year Ended June 30	Tax Exempt Revenue Bonds		General Receipts Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$52,501	\$7,763	\$555,000	\$895,000	\$607,501	\$902,763
2020	54,113	6,127	580,000	872,800	634,113	878,927
2021	55,775	4,440	600,000	849,600	655,775	854,040
2022	57,487	2,701	625,000	825,600	682,487	828,301
2023	59,251	909	650,000	800,600	709,251	801,509
2024-2028	0	0	3,735,000	3,548,700	3,735,000	3,548,700
2029-2033	0	0	4,755,000	2,554,150	4,755,000	2,554,150
2034-2038	0	0	6,060,000	1,287,513	6,060,000	1,287,513
2039	0	0	1,405,000	70,250	1,405,000	70,250
Total						
Payments	<u>\$279,127</u>	<u>\$21,940</u>	<u>\$18,965,000</u>	<u>\$11,704,213</u>	<u>\$19,244,127</u>	<u>\$11,726,153</u>

NOTE 8 - DEFINED BENEFIT RETIREMENT PLANS

Net Pension Liability

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

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

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – College non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The College's contractually required contribution to SERS was \$897,543 for fiscal year 2018. Of this amount \$889 is reported as an other accrued liability.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefit will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

The College's contractually required contribution to STRS was \$992,207 for fiscal year 2018. Of this amount \$22,307 is reported as an other accrued liability.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability			
Current Measurement Date	0.20981830%	0.07596938%	
Prior Measurement Date	0.21983360%	0.09000395%	
Change in Proportionate Share	<u>-0.01001530%</u>	<u>-0.01403457%</u>	
Proportionate Share of the Net Pension Liability	\$12,536,180	\$18,046,689	\$30,582,869
Pension Expense	(\$1,148,936)	(\$10,820,744)	(\$11,969,680)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$539,510	\$696,875	\$1,236,385
Changes of Assumptions	648,255	3,947,009	4,595,264
Changes in Proportion and Differences between College			
Contributions and Proportionate Share of Contributions	161,396	0	161,396
College Contributions Subsequent to the Measurement Date	897,543	992,207	1,889,750
Total Deferred Outflows of Resources	<u>\$2,246,704</u>	<u>\$5,636,091</u>	<u>\$7,882,795</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$0	\$145,450	\$145,450
Net Difference between Projected and Actual Investment Earnings	59,505	595,560	655,065
Changes in Proportion and Differences between College			
Contributions and Proportionate Share of Contributions	1,596,249	10,818,421	12,414,670
Total Deferred Inflows of Resources	<u>\$1,655,754</u>	<u>\$11,559,431</u>	<u>\$13,215,185</u>

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

\$1,889,750 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$198,272)	(\$3,031,126)	(\$3,229,398)
2020	122,719	(2,220,961)	(2,098,242)
2021	20,999	(1,185,858)	(1,164,859)
2022	(252,039)	(477,602)	(729,641)
Total	(\$306,593)	(\$6,915,547)	(\$7,222,140)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement

The most recent experience study was for the five year period ended June 30, 2015.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	\$17,396,960	\$12,536,180	\$8,464,285

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuations, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses	7.75%, net of investment expenses
Payroll Increases	3%	3.50%
Cost-of-Living Adjustments (COLA)	0.00% effective July 1, 2017	2 % simple applied as follows: for members retiring before August 1, 2013, or later, 2 % COLA commences on 5th anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLANS – Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's Proportionate Share of the Net Pension Liability	\$25,869,315	\$18,046,689	\$11,457,300

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the College's surcharge obligation was \$106,764.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was \$140,006 for fiscal year 2018. Of this amount \$106,797 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.21983360%	0.09000395%	
Current Measurement Date	<u>0.21022010%</u>	<u>0.07596938%</u>	
Change in Proportionate Share	<u>-0.00961350%</u>	<u>-0.01403457%</u>	
Proportionate Share of the Net			
OPEB Liability	\$5,641,755	\$2,964,045	\$8,605,800
OPEB Expense	\$302,076	(\$904,466)	(\$602,390)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$171,103	\$171,103
College contributions subsequent to the measurement date	140,006	0	140,006
Total Deferred Outflows of Resources	<u>\$140,006</u>	<u>\$171,103</u>	<u>\$311,109</u>
Deferred Inflows of Resources			
Net difference between projected and Actual Investment	\$14,898	\$126,690	\$141,588
Changes of assumptions	535,373	238,764	774,137
Total Deferred Inflows of Resources	<u>\$550,271</u>	<u>\$365,454</u>	<u>\$915,725</u>

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

\$140,006 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$197,701)	(\$42,950)	(\$240,651)
2020	(197,701)	(42,950)	(240,651)
2021	(151,146)	(42,950)	(194,096)
2022	(3,723)	(42,948)	(46,671)
2023	0	(11,277)	(11,277)
Thereafter	0	(11,276)	(11,276)
Total	(\$550,271)	(\$194,351)	(\$744,622)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
College's proportionate share of the net OPEB liability	\$6,813,138	\$5,641,755	\$4,713,721

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
College's proportionate share of the net OPEB liability	\$4,577,862	\$5,641,755	\$7,049,837

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - DEFINED BENEFIT OPEB PLANS – Continued

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	\$3,979,183	\$2,964,045	\$2,161,754
	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$2,059,291	\$2,964,045	\$4,154,806

NOTE 10 - 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, 2018, the long-term liability for vested and probable benefits for vacation and sick leave totaled \$91,336, and the short-term liability totaled \$462,952, for a total liability of \$554,288.

- B. **Insurance Benefits:** Medical, prescription, and dental insurance is offered to employees through the South Central Ohio Insurance Consortium (SCOIC). The College was self-funded with SCOIC effective January 1, 2017 and this arrangement is further described in Note 12 – "Risk Management". The College provides life insurance and accidental death and dismemberment insurance to employees through Metlife Insurance Company.

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

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 - THE LODGE AT HOCKING COLLEGE

The Lodge at Hocking College ("The Lodge") was previously operated as the Inn at Hocking College as a motel, restaurant and lounge that served the public as well as a learning lab for the hospitality program. Effective August of 2011, the College ceased operation of the motel due to renovations needed. Effective December 2011, the College closed the food venues at The Inn except for catering functions until the operations could be reassessed relative to the current curriculum and direction of the hospitality program.

In the fall of 2016 The Workforce Development Center at The Lodge reopened and is serving as a training space and a learning lab for those in the culinary and hospitality programs. During Fiscal Year 2018, Board of Trustee meetings, women's entrepreneur education program, and The Hocking College Foundation Spring Gala are some of the functions that were held at this facility.

NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and has contracted with Reed and Baur Insurance with Insurance Protection provide through Wright Specialty Insurance Company for Commercial General Liability (including Sexual Misconduct, Employee Benefits Liability, Employers Stop Gap, Law Enforcement, Adverse Event Response Coverage) Educators Legal Liability, Property, Inland Marine, Crime and Fleet Insurance Coverage.

The Crime coverage provides coverage for Public Officials/Public Employee Dishonesty of \$250,000, Money and Securities of \$50,000 and Forgery & Alteration of \$250,000.

The General Liability Insurance is maintained for each coverages limits listed below retaining a \$25,000 deductible:

- General Liability Insurance \$1,000,000 per occurrence/\$3,000,000
- Sexual Misconduct Liability \$1,000,000 per occurrence/\$1,000,000 aggregate
- Counseling Professional Liability Coverage \$1,000,000 per occurrence/ \$1,000,000 aggregate
- Employers Stop Gap Liability \$1,000,000 per occurrence /\$1,000,000 aggregate

The General Liability Insurance additional limits of coverage for:

- Employee Benefits Liability \$1,000,000 per occurrence/\$3,000,000 aggregate \$1000 Deductible
- Law Enforcement Liability \$1,000,000 per occurrence/\$1,000,000 aggregate \$2,500 Deductible

Educators Legal Liability Insurance is maintained with limits of liability of \$1,000,000 for each occurrence and \$1,000,000 in the aggregate and a \$25,000 deductible.

The College also carries a \$10,000,000 Excess Liability Policy that provides coverage beyond the General Liability (including Sexual Misconduct, Employee Benefits Liability, Employers Stop Gap, Law Enforcement, Adverse Event Response Coverage) and the Educators Legal coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There has been no significant reductions in coverage from the prior year. The College also carries cyber coverage with an aggregate limit of \$1,000,000.

The College maintains Fleet Insurance in the amount of \$1,000,000 for any one accident or loss. Uninsured-Underinsured Motorists Liability \$1,000,000 per occurrence. Hired and Non-Owned Auto Liability included as well as physical damage for Comprehensive and Collision for each unit with a \$5,000 deductible per occurrence.

The Excess Liability Policy also extends the \$10,000,000 protection over the fleet liability coverage.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 12 - RISK MANAGEMENT – Continued

The College maintains replacement cost insurance on buildings and contents in the amount of \$111,172,825 with a \$10,000 deductible per occurrence. The College maintains coverage for Business Income Loss and extra expense coverage in all college operations with a limit of \$27,750,000. Additionally, the College has a special liquor liability insurance policy in the amount of \$1,000,000 for each occurrence regarding the operations of the lounge, and catering in The Lodge at Hocking College as well as a separate liquor liability insurance policy in the amount of \$1,000,000 per occurrence for the Rhapsody Restaurant.

The College maintains a Commercial Inland Marine Coverage on building and grounds equipment in the amount of \$200,000 with a \$1,000 deductible per occurrence and miscellaneous articles (as scheduled) in the amount of \$5,057,089 with a \$5,000 deductible per occurrence.

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

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

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

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

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self Insurance Fund of the College. The College had a cash balance of \$461,998 with the fiscal agent at June 30, 2018. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the fiscal agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the members. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2018, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will also be reported.

The claims liability of \$512,738 reported at June 30, 2018 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2017	\$434,896	\$3,038,393	\$2,901,652	\$571,637
2018	571,637	1,578,023	1,636,922	512,738

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 13 – 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, 2018.

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, 2018.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Insurance Consortium (SCOIC)

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

NOTE 15 – RELATED PARTY TRANSACTION

During fiscal year 2018, the Hocking College Foundation donated a dormitory to the College. The College has reported the \$3,300,000 building in the capital assets and as a Capital Gift for 2018.

NOTE 16 - DONOR RESTRICTED ENDOWMENTS

Under the standard established by Section 1715.56 of the Ohio Revised Code ("ORC"), an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowed fund is established. The College's investments are held in CD accounts where the interest gained is credited to temporarily restricted funds and spent in compliance with donor restrictions placed on earnings. Investment earnings of non-endowment investments are recorded as unrestricted earnings and expended at the discretion of the Board of Trustees who are required to consider the College's long- and short-term needs when deciding how the funds should be allocated. Any net appreciation that is spent is required to be spent for the purposes for which the fund was established. As of June 30, 2018, there was no net appreciation on donor-restricted assets available to be spent. The nonspendable principal balance of the endowments is reported as net position restricted for nonexpendable endowments on the accompanying statement of net position.

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC.

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

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

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

The financial statements have been prepared in accordance with generally accepted accounting principles. Although the Foundation is supposed to report under the Financial Accounting Standards Board (FASB) standards, the financial statements have been presented in accordance with the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, to conform to the College's financial statement presentation. There are terminology differences between the GASB's pronouncements and the FASB pronouncements, however, no modifications have been made to the Foundations financial information reported in the College's financial report.

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2018, investments were limited to money market accounts and mutual funds.

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

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

Capital Assets

Capital assets with a unit cost of \$5,000 or greater are recorded at cost at the date of acquisition, or if donated, at acquisition 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.

<u>Asset Description</u>	<u>Estimated Useful Life (Years)</u>
Buildings and Improvements	20-50

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Cash and Investments

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

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 102% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Foundation.

At June 30, 2018, the carrying amount of all Foundation deposits was \$545,341. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2018, the Foundation's bank balance of \$545,341 was either insured by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described above.

Custodial Credit Risk: The Foundation has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Foundation and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 % of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

The Foundation's financial institution is enrolled in the OPCS at June 30, 2018

Investments: As of June 30, 2018, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity
Mutual Funds	\$1,301,417	< 1 Year
Money Market Funds	24,450	< 1 Year
Total	\$1,325,867	

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

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The credit ratings of the Foundation's investments at June 30, 2018 are as follows:

Credit Rating	Mutual Funds
Unrated	\$1,301,417
	Money Market Funds
Credit Rating (S&P)	Funds
A2	\$24,450

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation places no limit on the amount that may be invested in any one issuer. The Foundation holds 98.2% in mutual funds and 1.8% in money market funds.

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

Other Receivables

At June 30, 2018, the Foundation had pledges of future donations in the amount of \$20,124. These pledges have been reported as Other Receivables as of June 30, 2018 and will be received in future fiscal years. These pledges have been made by donors of the Foundation and the Foundation expects to receive the full amount of the pledges. Pledges receivable are unconditional promises to give and are recognized at the present value of future cash flows. No allowance for uncollectible promises to give is considered necessary. All pledges are unconditional promises to give with the following due dates:

	Amount
Within One Year	\$12,000
One to Five Years	8,124
Total	\$20,124

HOCKING TECHNICAL COLLEGE
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 - COMPONENT UNIT DISCLOSURES - HOCKING COLLEGE FOUNDATION, INC. – Continued

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2018</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$78,880	\$0	\$0	\$78,880
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	1,983,166	0	(1,983,166)	0
Equipment	<u>0</u>	<u>31,303</u>	<u>0</u>	<u>31,303</u>
Total Cost of Capital Assets	2,062,046	31,303	(1,983,166)	110,183
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	<u>(859,705)</u>	<u>(18,658)</u>	<u>878,363</u>	<u>0</u>
Total Accumulated Depreciation	<u>(859,705)</u>	<u>(18,658)</u>	<u>878,363</u>	<u>0</u>
Capital Assets, Net	<u>\$1,202,341</u>	<u>\$12,645</u>	<u>(\$1,104,803)</u>	<u>\$110,183</u>

Donor Restricted Endowments

Under the standard established by Section 1715.56 of the Ohio Revised Code (“ORC”), an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowed fund is established. The Foundation’s investments are stated at market value, with changes in the market value being recognized as gains and losses during the period in which they occur. Market value is determined by market quotations. Investment earnings from endowment investments are credited to temporarily restricted funds and spent in compliance with donor restrictions placed on earnings. Investment earnings of non-endowment investments are recorded as unrestricted earnings and expended at the discretion of the Foundation’s Investment Committee who makes a recommendation to its Board of Directors and expends as decided. As of June 30, 2018, there was no net appreciation on donor-restricted assets available to be spent. The nonspendable principal balance of the endowments is reported as net position restricted for nonexpendable endowments on the accompanying statement of net position.

HOCKING TECHNICAL COLLEGE
Schedule of the College's Proportionate Share of Net Pension Liability
Last Five Fiscal Years(1)(2)

	2018	2017	2016	2015	2014
<u>School Employees Retirement System of Ohio</u>					
College's Proportion of the Net Pension Liability	0.20981830%	0.21983360%	0.2620630%	0.2519610%	0.2519610%
College's Proportionate Share of the Net Pension Liability	\$12,536,180	\$16,089,791	\$14,953,569	\$12,751,603	\$14,983,312
College's Covered-Employee Payroll	\$6,919,279	\$6,841,043	\$7,895,514	\$7,960,643	\$6,928,577
College's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	181.18%	235.19%	189.39%	160.18%	216.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio</u>					
College's Proportion of the Net Pension Liability	0.07596938%	0.09000395%	0.11680635%	0.14311894%	0.14311894%
College's Proportionate Share of the Net Pension Liability	\$18,046,689	\$30,127,035	\$32,281,859	\$34,811,479	\$41,467,206
College's Covered-Employee Payroll	\$9,448,929	\$9,985,964	\$12,092,450	\$14,952,992	\$17,223,800
College's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	190.99%	301.69%	266.96%	232.81%	240.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.71%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

HOCKING TECHNICAL COLLEGE
Schedule of the District's Proportionate Share of Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
<u>School Employees Retirement System of Ohio</u>		
College's Proportion of the Net OPEB Liability	0.21022010%	0.21983360%
College's Proportionate Share of the Net OPEB Liability	\$5,641,755	\$5,992,050
College's Covered-Employee Payroll	\$6,919,279	\$6,841,043
College's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	81.54%	87.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
<u>State Teachers Retirement System of Ohio</u>		
College's Proportion of the Net OPEB Liability	0.07596938%	0.09000395%
College's Proportionate Share of the Net OPEB Liability	\$2,964,045	\$4,062,862
College's Covered-Employee Payroll	\$9,448,929	\$9,985,964
College's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	31.37%	40.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

HOCKING TECHNICAL COLLEGE
Schedule of the College Contributions
School Employees Retirement Systems of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Pension</u>										
Contractually Required Contributions	\$897,543	\$968,699	\$957,746	\$1,040,629	\$1,103,345	\$958,915	\$883,954	\$930,877	\$1,045,394	\$671,348
Contributions in Relation to the Contractually Required Contributions	<u>(897,543)</u>	<u>(968,699)</u>	<u>(957,746)</u>	<u>(1,040,629)</u>	<u>(1,103,345)</u>	<u>(958,915)</u>	<u>(883,954)</u>	<u>(930,877)</u>	<u>(1,045,394)</u>	<u>(671,348)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$6,648,464	\$6,919,279	\$6,841,043	\$7,895,516	\$7,960,542	\$6,928,577	\$6,572,149	\$7,405,545	\$7,720,783	\$6,822,642
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
<u>OPEB</u>										
Contractually Required Contributions	\$33,242	\$0	\$70,203	\$64,743	\$11,145	\$65,880	\$38,281	\$112,714	\$37,628	\$307,239
Contributions in Relation to the Contractually Required Contributions (1)	<u>(33,242)</u>	<u>0</u>	<u>(70,203)</u>	<u>(64,743)</u>	<u>(11,145)</u>	<u>(65,880)</u>	<u>(38,281)</u>	<u>(112,714)</u>	<u>(37,628)</u>	<u>(307,239)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$6,648,464	\$6,919,279	\$6,841,043	\$7,895,516	\$7,960,542	\$6,928,577	\$6,572,149	\$7,405,545	\$7,720,783	\$6,822,642
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.00%	0.00%	0.82%	0.14%	0.16%	0.55%	1.53%	0.46%	4.16%

See accompanying notes to the required supplementary information.

(1) Excludes Surcharge.

HOCKING TECHNICAL COLLEGE
Schedule of the College Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Pension</u>										
Contractually Required Contributions	\$992,207	\$1,322,850	\$1,398,035	\$1,692,943	\$1,943,889	\$2,239,094	\$2,344,042	\$2,447,343	\$2,532,719	\$2,238,008
Contributions in Relation to the Contractually Required Contributions	<u>(992,207)</u>	<u>(1,322,850)</u>	<u>(1,398,035)</u>	<u>(1,692,943)</u>	<u>(1,943,889)</u>	<u>(2,239,094)</u>	<u>(2,344,042)</u>	<u>(2,447,343)</u>	<u>(2,532,719)</u>	<u>(2,238,008)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$7,087,193	\$9,448,929	\$9,985,964	\$12,092,450	\$14,952,992	\$17,223,800	\$18,031,092	\$18,825,715	\$19,482,454	\$17,215,446
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
<u>OPEB</u>										
Contractually Required Contributions	\$0	\$0	\$0	\$0	\$138,849	\$172,238	\$180,311	\$188,257	\$194,825	\$172,154
Contributions in Relation to the Contractually Required Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(138,849)</u>	<u>(172,238)</u>	<u>(180,311)</u>	<u>(188,257)</u>	<u>(194,825)</u>	<u>(172,154)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
College Covered-Employee Payroll	\$7,087,193	\$9,448,929	\$9,985,964	\$12,092,450	\$14,952,992	\$17,223,800	\$18,031,092	\$18,825,715	\$19,482,454	\$17,215,446
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms - For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

Other Postemployment Benefits

Assumption Changes Since the Prior Measurement Date - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Assumption Changes Since Prior Measurement Date – The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Other Postemployment Benefits

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from 3.26% to 4.13% based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements is extended to January 2020.

HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2018

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity Number	Grant Year	Federal CFDA Number	Revenues	Expenditures
<u>UNITED STATES APPALACHIAN REGIONAL COMMISSION</u>					
<i>Pass-Through Appalachian Regional Commission</i>					
Appalachian Regional Development	PW-18726-IM	2018	23.002	<u>\$1,197,195</u>	<u>\$1,124,532</u>
Total United States Appalachian Regional Commission				1,197,195	1,124,532
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>					
<i>Direct from Federal Government:</i>					
Student Financial Assistance Cluster:					
Federal Supplemental Educational Opportunity Grants	N/A	2018	84.007	118,253	118,253
Federal Work-Study Program	N/A	2018	84.033	180,890	180,890
Federal Pell Grant Program	N/A	2018	84.063	5,373,628	5,373,628
Federal Pell Grant Program	N/A	2019	84.063	278,614	278,614
Federal Direct Student Loans	N/A	2018	84.268	10,270,705	10,270,705
Federal Direct Student Loans	N/A	2019	84.268	225,691	225,691
Total Student Financial Assistance Cluster				<u>16,447,781</u>	<u>16,447,781</u>
TRIO Cluster:					
TRIO - Student Support Services	N/A	2017	84.042A	37,717	37,121
TRIO - Student Support Services	N/A	2018	84.042A	188,025	186,430
TRIO - Talent Search	N/A	2017	84.044A	51,802	52,663
TRIO - Talent Search	N/A	2018	84.044A	188,208	187,288
Total TRIO Cluster				<u>465,752</u>	<u>463,502</u>
<i>Pass-Through State Department of Education:</i>					
Career and Technical Education - Basic Grants to States	3L90	2018	84.048	<u>166,303</u>	<u>166,303</u>
Total Career and Technical Education - Basic Grants to States				<u>166,303</u>	<u>166,303</u>
Total United States Department of Education				<u>17,079,836</u>	<u>17,077,586</u>
Total Federal Financial Assistance				<u>\$18,277,031</u>	<u>\$18,202,118</u>

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

HOCKING TECHNICAL COLLEGE
Notes to the Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2018

NOTE 1 – Basis of Accounting

The accompanying Schedule of Federal Awards Revenues and Expenditures (the Schedule) includes the federal award activity of Hocking Technical College (the College) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 – Summary of Significant Accounting Principles

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

NOTE 3 – Federal Direct Loan Program

During the fiscal year ended June 30, 2018, the College processed \$10,496,396 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.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Hocking Technical College, Athens County, (the College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 20, 2018 wherein we noted the College adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and restated beginning net position as a result of this implementation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

December 20, 2018

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Hocking Technical College's, Athens County (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



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

December 20, 2018

Hocking Technical College
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program(s):	Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants (CFDA 84.007), Federal Work-Study Program (CFDA 84.033), Federal Pell Grant Program (CFDA 84.063), Federal Direct Student Loans (CFDA 84.268); Appalachian Regional Development (CFDA 23.002)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$750,000 Type B: all others
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Hocking Technical College
Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Finding Number	Planned Corrective Action	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Material Weakness – Financial Reporting	No	Partially Corrected. Reissued in Management Letter

