HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

TABLE OF CONTENTS

HOCKING TECHNICAL COLLEGE
Appointed Officials
June 30, 2007

NAME	***TITLE***	***TERM EXPIRES***
Mr. Steve Holtel	Chairperson	August 2007
Mr. J. Thomas Hill, CPA	Vice Chairperson	August 2009
Ms. Carol Mackey	Trustee	August 2007
Ms. Patricia Light	Trustee	August 2007
Mr. Richard Brandt	Trustee	August 2008
Mr. Larry Willard	Trustee	August 2008
Mr. Steve Swart	Trustee	August 2008
Dr. Jack H. Cline	Trustee	August 2009
Mr. Frank Newlon	Trustee	August 2009

HOCKING TECHNICAL COLLEGE
Administrative Personnel
June 30, 2007

NAME	***TITLE***
Dr. John J. Light	President
Dr. J. William Hill	Vice-President of Fiscal Operations
Ms. Cindy Baden	Secretary

COLLEGE FUNDS

General Fund
Direct Student Loan Fund
Short-Term Loan Program Fund
Unexpended Plant Fund
Investment in Plant Fund
Bookstore Fund
International Field Studies Program Fund
Hocking Heights Fund
Hocking Hills Travel Fund
Appalachian Regional Commission (ARC) Ceramic Center Grant Fund
College Work Study (CWS) Program Fund
Technical Preparation Grant Fund
Support Services Grant Fund
Civilian Conservation Corps Grant Fund
Athens County Department of Job and Family Services (ACDJFS) Grant Fund
Talent Search Grant Fund
Culinary Club Fund
Student Club Accounts Fund
Pennsylvania Higher Education Fund
Ohio Instructional Grant (OIG) Fund
Supplemental Educational Opportunity Grant (SEOG) Fund
Scholarship Fund
Perkins Grant Fund
Pell Grant Fund
Athens County Department of Job and Family Services (ACDJFS) Post Secondary Grant Fund
Appalachian Regional Commission (ARC) Ceramic Guild Grant Fund
Perry County Department of Job and Family Services (PCDJFS) WIA Youth Grant Fund
United States Department of Agriculture Grant Fund
Southeastern Probation Treatment Alternative (SEPTA) Center Fund
Institutional Aid: Quasi-Endowment Challenge Grant Program Fund
Southeastern Probation Treatment Alternative (SEPTA) Center Adult Education Program Fund
Southeastern Probation Treatment Alternative (SEPTA) Center Title I Grant Fund
Judicial Corrections Board Fund
Technical Education Equipment Grant Fund
Southeastern Probation Treatment Alternative (SEPTA) Judicial Fund
United States Department of Education Smart Grant Fund
The Inn at Hocking College Fund
President's Development Fund

COMPONENT UNIT

Hocking College Foundation, Inc.

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the business-type activities of Hocking Technical College, Athens County, Ohio (the College), and its discretely presented component unit as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hocking Technical College, Athens County, Ohio, and of the business-type activities and the discretely presented component unit as of June 30, 2007 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2008

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, 2007. 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" issued in June and November 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

<u>Using this Report</u>

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 compromised of two components: the government- wide financial statements and notes to the basic financial statements.

<u>Financial Highlights</u>

The College's financial position increased during the fiscal year ended June 30, 2007. The current assets increased $1.4 million or 15.1% from the previous fiscal year due primarily to a shift from long-term investments to short-term investments. The other noncurrent assets decreased $4.0 million or 97.6% from the previous year due to a shift from long-term investments to short-term investments. At the same time, long-term liabilities increased $0.1 million or 2.1% from the previous fiscal year due primarily to the addition of capital leases.

During the fiscal year ended June 30, 2007, the College's revenue and other support exceeded expenses creating an increase in net assets of $1.0 million (the College experienced a $2.1 million increase in the previous fiscal year).

<u>The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets</u>

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

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

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

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

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

Net Assets as of June 30 (in millions)

	2007	2006	Increase (Decrease)	Percent Change
Current Assets	$10.7	$9.3	$1.4	15.1%
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	44.7	41.2	3.5	8.5%
Other	0.1	4.1	(4.0)	(97.6)%
Total Assets	$55.5	$54.6	$0.9	1.6%
Current Liabilities	$3.6	$3.8	(0.2)	(5.3)%
Long-Term Liabilities	4.8	4.7	0.1	2.1%
Total Liabilities	8.4	8.5	(0.1)	(1.2)%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	39.6	38.7	0.9	2.3%
Restricted - Nonexpendable	0.6	2.1	(1.5)	(71.4)%
Restricted - Expendable	4.3	2.4	1.9	79.2%
Unrestricted	2.6	2.9	(0.3)	(10.3)%
Total Net Assets	$47.1	$46.1	$1.0	2.2%

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

- Current asset increases are primarily due to an increase in short-term investments.
- Other noncurrent asset decreases are due to the shift from long-term investments to short-term investments.
- Long-term liability increases resulting from the addition of capital leases.

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

Operating Results for the Year (in millions)				
	2007	2006	Increase (Decrease)	Percent Change
Operating Revenues:				
Tuition and Fees	$16.8	$15.6	$1.2	7.7%
Grants and Contracts	8.8	8.6	0.2	2.3%
Sales and Services of Departments	1.1	1.0	0.1	10.0%
Auxiliary Services	5.2	5.8	(0.6)	(10.3)%
Other Operating Revenue	0.2	0.4	(0.2)	(50.0)%
Total Operating Revenues	32.1	31.4	0.7	2.2%
Operating Expenses:				
Instructional and Departmental Research	24.1	23.4	0.7	3.0%
Public Service	1.0	1.4	(0.4)	(28.6)%
Academic Support	3.2	1.8	1.4	77.8%
Student Services	4.8	5.4	(0.6)	(11.1)%
Institutional Support	3.4	3.2	0.2	6.3%
Operation and Maintenance of Plant	1.9	2.1	(0.2)	(9.5)%
Scholarships and Fellowships	3.6	3.4	0.2	5.9%
Depreciation	1.5	1.6	(0.1)	(6.3)%
Auxiliary Services	5.8	6.4	(0.6)	(9.4)%
Total Operating Expenses	49.3	48.7	0.6	1.2%
Operating Income (Loss)	(17.2)	(17.3)	0.1	(0.6)%
Nonoperating Revenues (Expenses):				
State Appropriations	16.3	15.6	0.7	4.5%
Proceeds from Sale of Notes	0.0	3.0	(3.0)	100.0%
Net Investment Income and Other	0.3	0.3	0.0	0.0%
Total Nonoperating Revenues (Expenses)	16.6	18.9	(2.3)	(12.2)%
Other Revenues:				
Capital Appropriations	1.5	0.0	1.5	3650.0%
Net Capital Grants, Gifts and Other	0.1	0.5	(0.4)	(80.0)%
Total Other Revenues	1.6	0.5	1.1	196.3%
Increase (Decrease) in Net Assets	1.0	2.1	(1.1)	(52.3)%
Net Assets - Beginning of Year	46.1	44.0	2.1	4.8%
Net Assets - End of Year	$47.1	$46.1	$1.0	2.1%

Operating Revenues

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

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

- Student tuition and fee revenue increased $1.2 million or 7.7% from the offsetting effects of a Board-approved tuition increase of 6.00% and an increase in scholarship allowances of 8.46%.

Operating Expenses

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

- Instructional and department research costs increased $0.7 million or 3.0% due primarily to wage and fringe benefit increases.

- Academic support costs increased $1.4 million or 77.8% due to the addition of two expense accounts, College Relations and Administrative Services and Campus Safety, which increased this function $1.2 million.

- Scholarship and fellowship costs increased 5.9% due to an increase in scholarship allowances, which reduce both tuition and fee revenues, and scholarship and fellowship expenses.

Nonoperating Revenues

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

Nonoperating revenue decrease is the result of the issuance of $3.0 million bond anticipation notes during the prior fiscal year and no debt being issued in the current year.

Other Revenues

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

The change in other revenues was primarily the result of an increase in Capital Appropriations from the State of Ohio for the College to improve or construct facilities.

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)

	2007	2006	Increase (Decrease)	Percent Change
Net Cash from:				
Operating Activities	($15.7)	($16.5)	$0.8	4.8%
Noncapital Financing Activities	16.4	15.7	0.7	4.5%
Capital and Related Financing Activities	(3.4)	(0.4)	(3.0)	(750.0)%
Investing Activities	0.1	3.1	(3.0)	(96.8)%
Net Increase (Decrease) in Cash	(2.6)	1.9	(4.5)	236.8%
Cash - Beginning of Year	5.4	3.5	1.9	54.3%
Cash - End of Year	$2.8	$5.4	($2.6)	(48.1)%

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 decreased due to increases in expenses exceeding increases in revenues.

State appropriations are the primary source of cash from noncapital financing activities. The new reporting standards require that the College reflect this source of revenue as nonoperating even though the budget of the College depends heavily on this source to continue the current level of operations. State appropriations increased due to funding decisions made by the State of Ohio.

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the College had $44.7 million invested in capital assets, net of accumulated depreciation of $20.2 million. Depreciation charges totaled $1.5 million for the current fiscal year compared to $1.6 million last year. Details of these assets for the past two years are shown below.

Capital Assets - Net of Accumulated Depreciation as of June 30 (in millions)			
	2007	Restated 2006	Increase (Decrease)
Land	$5.0	$4.5	$0.5
Construction in Progress	4.1	0.3	3.8
Land Improvements	0.6	0.5	0.1
Buildings and Improvements	29.8	30.4	(0.6)
Furniture, Fixtures, and Equipment	4.7	5.0	(0.3)
Vehicles/Fleet	0.4	0.3	0.1
Library Holdings	0.1	0.2	(0.1)
Total	$44.7	$41.2	$3.5

The major capital addition this year was $3.8 million for construction in progress of new student housing.

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

Debt

At June 30, 2007, the College had $5.2 million in debt outstanding versus $5.0 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)			
	2007	2006	Increase (Decrease)
Bond Anticipation Notes	$2.9	$3.0	($0.1)
Lease Obligations	2.3	2.0	0.3
Total	$5.2	$5.0	$0.2

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

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects that it's funding to the College will remain stable for the fiscal year ended June 30, 2007. Appropriations for the upcoming fiscal year are projected at $16.9 million, approximately 4.2% greater than the previous year. In addition, tuition rates for the upcoming fiscal year were frozen at the fiscal year 2007 level per the Ohio Legislature.

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

HOCKING TECHNICAL COLLEGE
Statement of Net Assets
June 30, 2007

	Primary Institution	Component Unit Foundation
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$2,835,653	$75,875
Endowment Investments	3,105,033	0
Other Short-Term Investments	1,159,315	208,697
Accounts Receivable	1,497,157	0
Intergovernmental Receivables	1,300,390	0
Inventories	726,714	0
Prepaid Expenses	51,715	0
Accrued Interest Receivable	8,074	1,137
Total Current Assets	10,684,051	285,709
Noncurrent Assets:		
Other Long-Term Investments	123,885	69,788
Nondepreciable Capital Assets	9,094,566	3,458,909
Depreciable Capital Assets, Net of Accumulated Depreciation	35,634,129	1,658,471
Total Noncurrent Assets	44,852,580	5,187,168
TOTAL ASSETS	55,536,631	5,472,877
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	1,831,135	13,591
Deposits Held in Custody for Others	169,257	0
Deferred Revenue	386,552	0
Long-Term Liabilities - Current Portion	1,259,833	118,327
Total Current Liabilities	3,646,777	131,918
Long-Term Liabilities:		
Long-Term Liabilities	4,814,075	4,061,709
Total Long-Term Liabilities	4,814,075	4,061,709
TOTAL LIABILITIES	8,460,852	4,193,627
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	39,559,789	867,230
Restricted for:		
Term Endowment:		
Nonexpendable	562,624	0
Expendable	2,371,333	0
Instructional Departmental Uses	1,829,279	0
Capital Projects	152,726	0
Loans	35,894	0
Unrestricted	2,564,134	412,020
TOTAL NET ASSETS	$47,075,779	$1,279,250

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

	Primary Institution	Component Unit Foundation
REVENUES:		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $4,936,656)	$16,777,402	$0
Federal Grants and Contracts	8,221,963	0
State and Local Grants and Contracts	556,566	0
Sales and Services of Educational Departments	1,131,290	0
Auxiliary Services Revenues (Net of Scholarship Allowances of $336,858)	5,260,315	0
Other Operating Revenue	221,359	206,548
Total Operating Revenues	32,168,895	206,548
EXPENSES:		
Operating Expenses:		
Educational and General:		
Instructional and Departmental Research	24,063,958	0
Public Service	948,171	0
Academic Support	3,225,990	0
Student Services	4,824,436	0
Institutional Support	3,440,197	0
Operation and Maintenance of Plant	1,945,468	0
Scholarships and Fellowships	3,568,789	0
Depreciation	1,520,209	37,947
Auxiliary Services	5,792,627	0
Other Operating Expenses	20,282	39,497
Total Operating Expenses	49,350,127	77,444
OPERATING INCOME (LOSS)	(17,181,232)	129,104
NONOPERATING REVENUES (EXPENSES):		
State Appropriations	16,316,815	0
Gifts	106,595	69,982
Investment Income	373,814	16,820
Interest on Capital Asset-Related Debt	(194,546)	(60,233)
Captial Assets Gifted to College	0	(7,340)
Total Nonoperating Revenues (Expenses)	16,602,678	19,229
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(578,554)	148,333
Capital Appropriations	1,475,705	0
Capital Grants and Gifts	90,770	0
Loss on Disposal of Capital Assets	(729)	0
INCREASE (DECREASE) IN NET ASSETS	987,192	148,333
NET ASSETS - Beginning of Year, As Restated	46,088,587	1,130,917
NET ASSETS - End of Year	$47,075,779	$1,279,250

The accompanying notes are an integral part of this statement.

HOCKING TECHNICAL COLLEGE
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

	Primary Institution	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and Fees	$16,411,087	$0
Grants and Contracts	8,578,732	0
Payments to Employees	(33,275,629)	0
Payments to Suppliers	(5,180,688)	0
Payments for Utilities	(1,234,373)	0
Payments for Contractual Services	(2,271,634)	0
Payments for Scholarships and Fellowships	(3,568,789)	0
Auxiliary Services Charges	5,588,642	0
Sales and Services of Educational Departments	1,131,290	0
Other Receipts	217,196	206,548
Other Payments	(2,117,442)	(39,497)
Net Cash from Operating Activities	(15,721,608)	167,051
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State Appropriations	16,316,815	0
Gifts Received for Other Than Capital Purposes	106,595	69,982
Net Cash from Noncapital Financing Activities	16,423,410	69,982
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Capital Debt	807,471	3,388,795
Capital Appropriations	1,475,705	0
Capital Grants and Gifts Received	90,770	0
Purchases of Capital Assets	(5,059,923)	(3,388,795)
Principal Paid on Capital Debt and Leases	(597,861)	(122,757)
Interest Paid on Capital Debt and Leases	(139,899)	(46,693)
Net Cash from Capital and Related Financing Activities	(3,423,737)	(169,450)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	381,461	9,361
Purchase of Investments	(271,962)	(45,579)
Net Cash from Investing Activities	109,499	(36,218)
Net Increase in Cash and Cash Equivalents	(2,612,436)	31,365
CASH AND CASH EQUIVALENTS, Beginning of year, As Restated	5,448,089	44,510
CASH AND CASH EQUIVALENTS, End of year	$2,835,653	$75,875

	Primary Institution	Component Unit Foundation
Reconciliation of Net Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	($17,181,232)	$129,104
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	1,520,209	37,947
Change in Assets and Liabilities:		
Receivables, Net	242,155	0
Inventories	157,017	0
Prepaid Expenses	(5,833)	0
Other Assets	(199,797)	0
Accounts Payable and Other Accrued Liabilities	84,658	0
Deferred Revenue	(284,306)	0
Deposits Held in Custody for Others	(54,479)	0
Net Cash from Operating Activities	($15,721,608)	$167,051

The accompanying notes are an integral part of this statement.

NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING ENTITY

A. Description of the College

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

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

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

B. Reporting Entity

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

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

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

The Hocking College Foundation, Inc. (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 18.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

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

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

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

The College maintains separate accounting records for approximately 38 funds, to help assure proper accountability over financial resources restricted to the respective funds. Management has consolidated these funds in these financial statements.

B. Budgetary Process

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

C. Appropriations

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

D. Encumbrances

The College utilizes an encumbrance system of accounting to record purchase orders, contracts and other commitments for materials or services as a measure of budgetary control over appropriations. Encumbrances outstanding at June 30, 2007 do not constitute expenses or liabilities and are not reflected in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Cash and Investments

To improve cash management, all cash received by the College is pooled in a central bank account, except for the cash received for The Inn at Hocking College, President's Development, and Hocking College Foundation, Inc., which are held separately from the cash management pool of the College. For internal control and accountability purposes, individual fund integrity is maintained through the College records. During fiscal year 2007, investments were limited to certificates of deposit with local institutions and stocks.

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

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

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

F. Accounts Receivables

Receivables at June 30, 2007 consist primarily of student tuition and fees, and auxiliary sales and services. Receivables are reported at net using the direct write-off method.

G. Inventory

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

H. Capital Assets

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

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

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

I. <u>Compensated Absences</u>

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. <u>Pensions</u>

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

K. <u>Operating Revenues</u>

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

L. <u>Scholarship Allowances and Student Aid</u>

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

M. <u>Federal Financial Assistance Programs</u>

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

During the fiscal year ended June 30, 2007, the College processed $13,316,454 for direct lending through the U.S. Department of Education, which is not included as revenues and expenses on the accompanying financial statements.

N. <u>Net Assets</u>

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

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

The unrestricted net asset balance of $2,564,134 at June 30, 2007 includes $1,153,560 held for auxiliary services, with $1,410,574 remaining for other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Estimates

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

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

It was found that the College's June 30, 2006 capital asset valuation had an error in the calculation of accumulated depreciation. Therefore, the capital assets at June 30, 2006 were understated. The College determined that the Millfield Mine Museum Fund needed to be reclassified from a restricted fund to an agency fund. This adjustment resulted in the net assets being overstated. It was also found that at June 30, 2006, the College had omitted the President's Development Fund, which is an account maintained outside the College's financial office.

Net Assets at June 30, 2006	$45,549,602
Understatement of Capital Assets	553,538
Fund Reclassification	(5,426)
Fund Addition	(9,127)
Adjusted Net Assets at June 30, 2006	$46,088,587

NOTE 4 - CASH AND INVESTMENTS

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

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

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

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

NOTE 4 - CASH AND INVESTMENTS - Continued

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities equal to at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the College's name. During fiscal year 2007, the College complied with the provisions fo these statutes.

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

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

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

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

d. Bonds and other obligations of the State;

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

f. The State Treasurer's investment pool (STAROhio).

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

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

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

NOTE 4 - CASH AND INVESTMENTS - Continued

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted bye 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 th public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the College.

At June 30, 2007, the carrying amount of all College deposits was $7,110,853. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, $6,699,630 of the College's bank balance of $7,607,463 was exposed to custodial risk as discussed above while $907,833 was covered by Federal Deposit Insurance. The $6,699,630 exposed to custodial risk was collateralized with securities held by the College or its agency in the College's name.

Investments: As of June 30, 2007, the College had the following investments and maturities:

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

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

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Restated Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007
Nondepreciable Capital Assets:				
Land	$4,510,656	$446,919	$0	$4,957,575
Construction in Progress	292,140	3,844,851	0	4,136,991
Total Nondepreciable Capital Assets	4,802,796	4,291,770	0	9,094,566
Depreciable Capital Assets:				
Land Improvements	2,965,363	114,894	0	3,080,257
Buildings and Improvements	38,201,939	77,375	0	38,279,314
Furniture, Fixtures and Equipment	11,521,350	366,030	(77,025)	11,810,355
Vehicles/Fleet	1,437,367	185,110	(2,500)	1,619,977
Library Holdings	1,037,965	24,712	(7,435)	1,055,242
Total Depreciable Captial Assets	55,163,984	768,121	(86,960)	55,845,145
Total Cost of Capital Assets	59,966,780	5,059,891	(86,960)	64,939,711
Less Accumulated Depreciation:				
Land Improvements	(2,482,457)	(27,773)	0	(2,510,230)
Buildings and Improvements	(7,859,038)	(650,092)	0	(8,509,130)
Furniture, Fixtures and Equipment	(6,548,064)	(611,800)	77,025	(7,082,839)
Vehicles/Fleet	(1,101,416)	(78,733)	1,771	(1,178,378)
Library Holdings	(786,063)	(151,811)	7,435	(930,439)
Total Accumulated Depreciation	(18,777,038)	(1,520,209)	86,231	(20,211,016)
Capital Assets, Net	$41,189,742	$3,539,682	($729)	$44,728,695

NOTE 6 - QUASI-ENDOWMENT

In 1987, the College was awarded $446,499 from the U.S. Department of Education to create an endowment (Corpus I). The stipulation to receiving this award was that the College had to match this grant dollar for dollar and the corpus as well as interest earned on the corpus must be preserved for 20 years. In 1989, the College was awarded an additional $193,313 from the U.S. Department of Education (Corpus II) with the same stipulation. As of June 30, 2007, the endowment has $1,279,624 in principal that is invested which consists of $639,812 from federal dollars and $639,812 from matching funds of the College.

According to the grant agreement, only the interest earned on the matching funds of the College is available and can be used for current operations of the College until the 20 year term has ended. The College has only used $334,154 of the interest earned to this date and has reinvested the remaining interest into the endowment. As of June 30, 2007, the 20 year term has ended for the Corpus I endowment, and therefore the total principal and interest earnings for that endowment of $2,915,109 is available to be used for current operations of the College. As of June 30, 2007, the total principal and interest earnings accumulated in the Corpus II endowment is $738,622, of which $562,624 is restricted.

NOTE 7 - STATE SUPPORT

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

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

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

NOTE 8 - LONG-TERM LIABILITIES

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

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due Within One Year
Leases and Notes Payable:					
Lease Obligations; 5.75 - 6.25%	$2,025,449	$807,470	$497,861	$2,335,058	$542,173
Bond Anticipation Notes; 3.81%	3,000,000	0	100,000	2,900,000	100,000
Total Leases and Notes Payable	5,025,449	807,470	597,861	5,235,058	642,173
Other Liabilities:					
Compensated Absences Payable	850,082	881,076	892,308	838,850	617,660
Total Other Liabilities	850,082	881,076	892,308	838,850	617,660
Total Long-Term Liabilities	$5,875,531	$1,688,546	$1,490,169	$6,073,908	$1,259,833

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURES

The College is obligated under certain leases that are accounted for as capital leases. As of June 30, 2007, $2,335,058 in capital lease obligations (excluding interest payments) were payable for computer equipment for the administrative office, maintenance equipment for the main campus, equipment for culinary kitchen and lab and POS system for the bookstore. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the Statement of Net Assets. A corresponding long-term liability was recorded on the Statement of Net Assets. Principal payments in fiscal year 2007 totaled $497,861.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURES - Continued

The following is a schedule of future minimum lease payments under these capital leases, together with the net present value of the minimum lease payments as of June 30, 2007.

Fiscal Year Ending June 30	Equipment (2007)	Equipment (2007)	Equipment (2006)	Maintenance Equipment (2006)	Bookstore POS System	Culinary Kitchen and Lab Equipment	Culinary Kitchen Equipment	Computer Equipment	Total
2008	$91,142	$49,078	$250,603	$46,807	$14,246	$32,602	$40,965	$114,983	$640,426
2009	91,142	49,078	250,603	0	14,246	32,602	40,965	114,983	593,619
2010	91,142	8,179	250,603	0	14,246	32,602	40,965	114,982	552,719
2011	91,142	0	250,604	0	0	32,602	40,965	114,982	530,295
2012	91,142	0	125,302	0	0	5,433	30,724	0	252,601
Total Payments	455,710	106,335	1,127,715	46,807	42,738	135,841	194,584	459,930	2,569,660
Less: Interest	(55,710)	(5,734)	(103,152)	(389)	(3,495)	(10,432)	(16,927)	(38,763)	(234,602)
Net Present Value of Minimum Lease Pmts.	$400,000	$100,601	$1,024,563	$46,418	$39,243	$125,409	$177,657	$421,167	$2,335,058

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS

A. **State Teachers Retirement System:** The College particiates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS - Continued

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The College was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were $2,224,451, $2,174,629, and $2,094,538 respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were $38,141 made by the College and $71,708 made by the plan members

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

B. **School Employees Retirement System:** The College contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (614) 222-5853, or by visiting the SERS website at www.ohsers.org.

NOTE 10- DEFINED BENEFIT RETIREMENT PLANS - Continued

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute at an actuarially determined rate. The current College rate is 14 percent of annual covered payroll. A portion of the College's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The College's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $707,963, $680,632, and $631,265, respectively; 92.32 percent has been contributed for 2007 and 100 percent for years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, no members of the Board of Trustees have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the College, this amount equaled $172,650 during the 2007 fiscal year.

STRS Ohio pays health care benefits from the Health Care Stablization Fund. At June 30, 2006 (the latest information year available), the balance in the Fund was $3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000 and there were 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

NOTE 11 - POSTEMPLOYMENT BENEFITS - Continued

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For fiscal year 2007, the College paid $220,078 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the healthcare fund. The target level for the health care reserve is 150% of the projected claims less premium contrubtions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were $158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits were $295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences: Vacation and sick leave accumulated by employees has been recorded by the College. Upon termination of College service, a fully vested employee is entitled to 25% of their accumulated sick leave not to exceed 45 days for professional staff and 30 days for support staff plus all accumulated vacation. At June 30, 2007, the long-term liability for vested and probable benefits for vacation and sick leave totaled $221,190, and the short-term liability totaled $617,660, for a total liability of $838,850.

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

NOTE 13 - THE INN AT HOCKING COLLEGE

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

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

For the fiscal year ended June 30, 2007, revenues and expenses at The Inn were $1,039,258 and $1,323,003, respectively.

NOTE 14 – HOCKING HILLS TRAVEL

The name of the College's enterprise operation for the training of travel/tourism technology students, formerly the Uniglobe Travel Agency, was changed to Hocking Hills Travel Agency. The Travel Agency is a full-time travel agency and travel bureau to serve the public. Employees of the Agency are employees of the College. Ownership and management of the Agency is retained by the College.

For the fiscal year ended June 30, 2007, revenues and expenses at Hocking Hills Travel Agency were $848,391 and $855,427, respectively.

NOTE 15 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has addressed these various types of risk and have contracted with Reed and Baur Insurance and Marsh USA, Inc., for liability, property, and fleet insurance. Reed and Baur Insurance also provides public officials bonds. General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $3,000,000 in the aggregate. A separate educators legal liability policy is maintained with limits of liability of $2,000,000 for each occurrence and $2,000,000 in the aggregate. The College also carries a $10,000,000 excess liability policy that provides coverage beyond the general liability and fleet coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The College maintains fleet insurance in the amount of $1,000,000 for any one accident or loss.

The College maintains replacement cost insurance on buildings and contents, excluding The Inn at Hocking College, in the amount of $74,226,068 with a $10,000 deductible per occurrence. The College has a separate policy on The Inn at Hocking College in the amount of $5,012,450 with a $1,000 deductible per occurrence. The College maintains tuition and fees insurance, room and board insurance and rental insurance in the amounts of $19,000,000, $850,000, and $350,000 respectively. Additionally, the College has a special liquor insurance policy in the amount of $1,000,000 for the operations of the restaurant and lounge in The Inn at Hocking College. With the operations of the Hocking Hills Travel Agency, the College has a special policy for professional liability for travel agents in the amount of $1,000,000, which includes terrorism coverage.

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

NOTE 16 - RELATED PARTY TRANSACTIONS

During fiscal year 2007, the College received a donation from its component unit, Hocking College Foundation, Inc., of assets to be used by the College, at a value of $7,340.

NOTE 17 - CONTINGENCIES

Grants

The College receives financial assistance from federal and state agencies in the form of grants. The receipt of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability to the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2007.

NOTE 17 - CONTINGENCIES - Continued

Litigation

The College is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The College's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the overall financial position of the College at June 30, 2007.

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

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

The Internal Revenue Service granted a foundation status classification under Section 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 Section 501(c)(3) of the Internal Revenue Service Code.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

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

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

Cash and Investments

All cash received by the Foundation is deposited in a central bank account. During fiscal year 2007, investments were limited to certificates of deposit with local institutions and stocks.

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

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

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

Capital Assets

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

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

Cash and Investments

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

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

At June 30, 2007, the carrying amount of all Foundation deposits was $284,572. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2007, $184,572 of the Foundation's bank blance of $284,572 was exposed to custodial risk as discussed above while $100,000 was covered by Federal Deposit Insurance. The $184,572 exposed to custodial risk was collateralized with securities held by the Foundation or its agency in the Foundation's name.

Investments: As of June 30, 2007, the district had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
Common Stock	$69,788	$69,788
Totals	$69,788	$69,788

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

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

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

Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007
Nondepreciable Capital Assets:				
Land	$70,114	$0	$0	$70,114
Construction in Progress	0	3,388,795	0	3,388,795
Total Nondepreciable Capital Assets	70,114	3,388,795	0	3,458,909
Depreciable Capital Assets:				
Buildings and Improvements	2,232,128	0	0	2,232,128
Total Cost of Capital Assets	2,302,242	3,388,795	0	5,691,037
Less Accumulated Depreciation:				
Buildings and Improvements	(535,710)	(37,947)	0	(573,657)
Total Accumulated Depreciation	(535,710)	(37,947)	0	(573,657)
Capital Assets, Net	$1,766,532	$3,350,848	$0	$5,117,380

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

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

Long-Term Obligations

The following is a summary of long-term obligations of the Foundation as of June 30, 2007:

Purpose	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due Within One Year
Long-Term Notes Payable					
Hocking Heights Dormitory; 4.25%	$875,289	$0	($112,682)	$762,607	$107,672
Taxidermy Lab & Store; 5.75%	38,709	0	(10,075)	28,634	10,655
Student Housing	0	3,388,795	0	3,388,795	0
Totals	$913,998	$3,388,795	($122,757)	$4,180,036	$118,327

The annual requirements to amortize long-term obligations outstanding as of June 30, 2007 are as follows:

Year Ended June 30	Hocking Heights Dormitory	Taxidermy Lab & Store	Totals
2008	$135,486	$12,000	$147,486
2009	147,804	12,000	159,804
2010	147,803	6,774	154,577
2011	147,804	0	147,804
2012	147,803	0	147,803
2013	135,486	0	135,486
Total Payments	862,186	30,774	892,960
Less: Interest	(99,579)	(2,140)	(101,719)
Principal Due	$762,607	$28,634	$791,241

The Student Housing Notes have been authorized by the college and proceeds of $3,388,795 have been received. As of June 30, 2007, the final amount financed and the amortization schedule have not been established.

NOTE 19 - SUBSEQUENT EVENTS

The Auditor of State has declared a special audit of certain financial transactions of the College. The results of the special audit are unknown and the impact of any of the results on the financial statements is unknown.

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HOCKING TECHNICAL COLLEGE
Schedule of Federal Awards Revenues and Expenditures
For the Fiscal Year Ended June 30, 2007

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass-Through Entity Number	Revenues	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE				
Direct from Federal Government:				
Secondary Agriculture Education Program	10.226	N/A	$3,978	$3,278
Pass-Through Athens County Department of Job and Family Services:				
State Administrative Matching Grants for Food Stamp Program	10.561	N/A	350,000	212,599
Pass-Through State Department of Education:				
Child and Adult Care Food Program	10.558	142075	9,108	9,108
Total United States Department of Agriculture			363,086	224,985
UNITED STATES DEPARTMENT OF LABOR				
Pass-Through Perry County Department of Job and Family Services:				
WIA Youth Activities	17.259	N/A	336,760	310,461
Total United States Department of Labor			336,760	310,461
APPALACHIAN REGIONAL COMMISSION				
Pass-Through State Department of Development:				
Appalachian Area Development - Ceramic Guild	23.002	N/A	47,251	46,832
Total Appalachian Regional Commission			47,251	46,832
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Athens County Department of Job and Family Services:				
Temporary Assistance for Needy Families (TANF)	93.558	N/A	104,270	95,905
Total United States Department of Health and Human Services			104,270	95,905
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from Federal Government:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grants	84.007	N/A	175,799	175,799
Federal Work-Study Program	84.033	N/A	219,890	219,890
Federal Pell Grant Program	84.063	N/A	6,038,433	6,037,755
Federal Direct Loan Program (See Note 3)	84.268	N/A	13,316,454	13,316,454
Academic Competitiveness Grant	84.375	N/A	16,465	16,465
Total Student Financial Assistance Cluster			19,767,041	19,766,363
Endowment Challenge Grant Program (See Note 2)	84.031G	N/A	73,941	0
TRIO - Student Support Services	84.042	N/A	250,512	250,388
Talent Search	84.044A	N/A	212,275	211,404
Grants to States for Incarcerated Youth Offenders	84.331	N/A	227,933	227,933
Pass-Through State Department of Education:				
Vocational Education - Basic Grants to States	84.048	063339	179,607	179,607
Technical Preparation Education	84.243	063339	115,598	109,507
Total United States Department of Education			20,826,907	20,745,202
Total Federal Financial Assistance			$21,678,274	$21,423,385

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

Note 1 - Basis of Accounting

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

Note 2 - Endowment Challenge Grant

Revenues identified in the Schedule are from the investment of the grant and matching funds. Total grant and matching funds held as quasi-endowment funds at June 30, 2007, were $386,626. Grant and matching funds are equally split.

Cumulative investment income of the grant and matching funds totaled $738,622 through the fiscal year ended June 30, 2007.

Grant funds received in 1989 are restricted for 20 years.

Note 3 - Federal Direct Loan Program

During the fiscal year ended June 30, 2007, the College processed $13,316,454 of new loans under the Federal Direct Loan Program, CFDA #84.268. The College is responsible only for certain administrative duties with respect to federal guaranteed student loan programs.

HOCKING TECHNICAL COLLEGE
Schedule of Expenses by Function and Object
For the Fiscal Year Ended June 30, 2007

	Salaries	Benefits	Services	Supplies	Utilities	Other	Totals
Educational and General:							
Instructional and Departmental Research	$16,839,615	$5,018,288	$57,372	$1,620,500	$93,423	$434,760	$24,063,958
Public Service	307,033	38,507	518	75,351	0	526,762	948,171
Academic Support	2,087,893	686,195	138,924	237,502	2,452	73,024	3,225,990
Student Services	2,663,276	872,188	79,521	539,846	135,438	534,167	4,824,436
Institutional Support	1,494,425	951,697	132,641	340,831	515	520,088	3,440,197
Operation and Maintenance of Plant	676,969	244,836	0	258,466	762,911	2,286	1,945,468
Scholarships and Fellowships	0	0	0	0	0	3,568,789	3,568,789
Depreciation	0	0	0	0	0	1,520,209	1,520,209
Auxiliary Services	1,417,941	413,387	53,069	233,594	242,909	3,431,727	5,792,627
Totals	$25,487,152	$8,225,098	$462,045	$3,306,090	$1,237,648	$10,632,094	$49,350,127

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the business-type activities and discretely presented component unit of Hocking Technical College, Athens County, Ohio (the College), as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 24, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the College's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the College's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the College's management in a separate letter dated March 24, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the College's management in a separate letter dated March 24, 2008.

The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the College's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2008

Mary Taylor, CPA
Auditor of State

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

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

To the Board of Trustees:

Compliance

We have audited the compliance of Hocking Technical College, Athens County, Ohio (the College), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the College's major federal program. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that the College's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the College's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 24, 2008

HOCKING TECHNICAL COLLEGE
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under §.510?**	No
(d)(1)(vii)	**Major Programs (list):**	Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grants – CFDA # 84.007 Federal Work-Study Program – CFDA # 84.033 Federal Pell Grant Program – CFDA # 84.063 Federal Direct Loan Program – CFDA # 84.268 Academic Competitiveness Grants – CFDA # 84.375
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 642,702 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2007-001

Significant Deficiency

Board of Trustees Resolution 79-28 states "the President's Development fund account balance be maintained at a $1,000 minimum level. This account will be funded through private sources paid directly into the account. The fund is to be controlled by the President." In addition it states "The President's Development fund has been established to defer costs for promotion, entertainment, and miscellaneous items, as deemed necessary by the President for the development and advancement of the College."

A credit card account was established to be used for travel and conference costs associated with the President's Development Fund. It was noted during testing that the credit card was not paid in full each month, which resulted in charges to the account of $2,522.58 in finance charges and $239.00 in late fees. In addition, charges included $119.25 in sales tax. These items would not necessarily be deemed the best use of funds for the development of the College.

It was further noted that unpaid balances carried forward on the credit card averaged $13,000 per month throughout the audit period and were at one point as high as $16,000. Were the President's Development Fund unable to pay the balance of the account, the General Fund of Hocking College could become liable for expenditures which the Board of Trustees did not approve and which were not included in the budget of the College.

It was also noted during testing of the credit card statements that 27% of the items charged did not include any supporting documentation for the expenditure. Twelve percent of the items charged included a credit card receipt without item by item detail of the purchase.

We recommend the President or his Administrative Assistant secure adequate supporting documentation for all expenditures, including credit card expenditures. We also recommend that an itemized receipt be included with all credit card receipts and that a purpose for the expenditure be included with the documentation (i.e., name of conference, purpose of meeting, etc.).

Official's Response:

Major expenses to the President's Development Fund were incurred for travel in 2006 by the McClenaghan Center for Hospitality Training Board of Directors. The directors of the board secured room night donations to help defray costs for travel expenses for board meetings. These donated room nights were donated to the Taste in the Valley Wine Auction and Dinner, the JOMc Regional Art Auction, and the HC Foundation Golf Open whose proceeds go to student scholarships, as well as donations to local hospital charity events. Income from the sale/raffling of these room nights went to the respective events. All donations secured were used for college business.

Currently, the President's Development Fund has accounts receivable of approximately $5,400 from Sanborn Vending. The college was trying to help out this businessman who had a serious health problem in 2006-07. A letter has been sent requesting they become current with their payments due.

The credit card balance will be paid off and will be paid on time each month to alleviate additional finance and late fee charges.

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

FINDING NUMBER 2007-001 (Continued)

Significant Deficiency (Continued)

The President and Administrative Assistant will ensure that adequate supporting documentation for all expenditures to the President's Development Fund, to include an itemized receipt and purpose for the expenditure, is included.

The President's Development Fund has been inactivated. All expenses for the President of the College are now run through the College fiscal office.

3. FINDINGS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

HOCKING TECHNICAL COLLEGE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2008

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