

# **RIO GRANDE COMMUNITY COLLEGE**

Financial Statements

June 30, 2020

with Independent Auditors' Report



OHIO AUDITOR OF STATE  
KEITH FABER



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Rio Grande Community College  
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We have reviewed the *Independent Auditors' Report* of the Rio Grande Community College, Gallia County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

February 03, 2021

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Rio Grande Community College  
Rio Grande, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Rio Grande Community College (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of the Board of Trustees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of the Board of Trustees has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 27, 2021



The discussion and analysis of Rio Grande Community College's financial statements provide an overview of the College's financial activities for the fiscal year ended June 30, 2020. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

### **Using this report**

The following activities are included in the financial statements:

Primary Institution (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.

Management's discussion and analysis is focused on the College. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Position is designed to present the College's financial position as of a point in time. The Statement of Revenues, Expenses, and Changes in Net Position focus on the change in net position over the year to indicate whether there has been improvement or erosion of the College's financial health.

### **Financial highlights**

The College's financial position declined during fiscal year ended June 30, 2020. During the fiscal year ended June 30, 2020, the College's total expenses exceeded total revenue creating a decrease in net position of \$652,611 (compared to a \$78,660 increase reported in the previous fiscal year). This decrease in net position was due primarily to decreased revenues from student tuition and auxiliary enterprises.

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

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

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

You will need to consider many other nonfinancial factors, such as the trend in College recruiting, student retention, condition of the buildings and campus, new buildings in off-campus locations opened during the year and the strength of the instructional services to accurately assess the overall health of the College.

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

A comparative summary of the major components of the College's Net Position follows:

<b>Net Position</b>		
As of June 30		
	2020	2019
Current assets	\$ 8,681,632	8,184,958
Noncurrent assets:		
Capital assets (net of depreciation)	13,722,879	14,525,107
	22,404,511	22,710,065
Deferred outflows of resources	178,750	388,005
Current liabilities	611,794	659,987
Noncurrent liabilities	1,520,138	1,740,217
	2,131,932	2,400,204
Deferred inflows of resources	1,178,051	771,977
Net position:		
Investment in capital assets	13,722,879	14,525,107
Restricted to capital projects	536,066	488,880
Unrestricted	5,014,333	4,911,902
	\$ 19,273,278	19,925,889

Current assets increased by 6.1% from the previous fiscal year primarily due to an increase in overall cash and cash equivalents resulting largely from the timing of collections of current year receivables from students and the University and the timing of current year payables to the University at the end of the fiscal year.

The decrease in capital assets is due primarily to current year depreciation charges of \$949,223 exceeding current year total capital asset additions of \$146,995.

Total liabilities decreased by \$268,272 during the fiscal year primarily due to the liability reported for the College's proportionate share of the net pension liability decreasing by \$301,853.

The changes in deferred outflows and inflows of resources are due to the overall changes net pension and OPEB liabilities reported by the State-wide pension systems during fiscal year 2020.

### **Net OPEB Liability**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, the College is required to recognize its OPEB liability and to more comprehensively measure the annual costs of its post employment benefits other than pensions. The net OPEB liability is the College's proportionate share of the of the net OPEB liability related to its participation in the Public Employee Retirement System (OPERS). At June 30, 2020, the College recognized a net OPEB liability of \$517,795. In addition, the College recognized deferred inflows of resources of \$110,559 and deferred outflows of resources of \$84,378 at June 30, 2020. See Note 10 to the financial statements for more detailed information on OPEB plans.

### **Net Pension Liability**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize its proportionate share of the net pension liability and to more comprehensively measure the annual costs of pension benefits. The net pension liability is the College's proportionate share of the of the net pension liability related to its participation in the OPERS. At June 30, 2020, the College recognized a net pension liability of \$795,621. In addition, the College recognized deferred inflows of resources of \$168,768 and deferred outflows of resources of \$94,372 at June 30, 2020. See Note 9 to the financial statements for more detailed information on pensions.

### **Net Position**

The decrease in net position was primarily due to a decrease in student tuition and auxiliary enterprise revenue as enrollment was lower than that of the prior year. Additionally, the College reported \$536,589 less in state appropriations, property taxes and investment income during fiscal year 2020 than fiscal year 2019.

A comparative summary of the College's revenues, expenses and changes in net position follows:

**Operating Results**  
For the Year Ended June 30

	2020	2019
Operating revenues:		
Student tuition	\$ 5,504,885	6,343,890
State grants	357,501	109,603
Auxiliary enterprises	1,894,896	2,293,845
Other	92,440	63,713
Total operating revenues	7,849,722	8,811,051
Operating expenses:		
Educational and general:		
Instructional support	12,612,190	13,824,082
Institutional support	1,859,928	1,829,751
Depreciation	949,223	943,124
Total operating expenses	15,421,341	16,596,957
Operating loss	(7,571,619)	(7,785,906)
Nonoperating revenues:		
State appropriations	5,650,176	5,957,792
Property taxes	1,020,388	1,224,508
Investment income	54,264	79,117
Total nonoperating revenues	6,724,828	7,261,417
Loss before other revenues, expenses, gains or losses	(846,791)	(524,489)
Capital appropriations	194,180	603,149
Change in net position	(652,611)	78,660
Net position - beginning of year	19,925,889	19,847,229
Net position - end of year	\$ 19,273,278	19,925,889

**Operating revenues**

Operating revenues include all operating transactions of the College, including tuition. In addition, certain federal and state grants are considered operating if they are not for capital purposes and are considered a contract for services.

The decrease in operating revenue of \$961,329 is primarily the result of the decrease in student tuition of \$839,005 and auxiliary enterprise revenue of \$398,949 as enrollment was lower than that of the prior year. Additionally, grant revenue increased \$247,898 as the College reported additional Appalachian Regional Commission grant funds of \$239,250 in the current fiscal year than the prior.

**Operating expenses**

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College and decreased by \$1,175,616 from the prior year. The most significant expense for the college is instructional support in the amount of \$12,612,190, which consists entirely of instructional services contract payments to the University of Rio Grande (the "University") for instructional and administrative services. The instructional services payment includes 96% of all charges to community college students, including tuition, fees and auxiliary, as well as the State Share of Instruction appropriations and property tax receipts. The instructional services contract decrease of \$1,211,892 from the prior year is due a decrease in main campus tuition and auxiliary revenues. The instructional services contract represents 81.8% of the College's operating expenses.

**Nonoperating revenues**

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of State appropriations, local tax revenues and investment income.

State Share of Instruction appropriations decreased by \$307,616 (-5.2%) when compared to 2019. This decrease was in accordance with the State funding formula calculations and resulted from the College's decrease in student course and degree completions over the prior three fiscal years combined with an additional decrease the State imposed due to the unforeseen implications of the pandemic on state revenues.

Total capital appropriations decreased by \$408,969 (-67.8%) when compared with fiscal year 2019, during which the College funded the renovation of a new nursing and allied health simulation center. For fiscal year 2020, capital appropriations of \$194,180 included the purchase of various equipment and the procurement of a new ERP System.

**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.

A comparative summary of the College's cash flows are as follows:

**Cash Flows**  
For the Year Ended June 30

	2020	2019
Net cash from:		
Operating activities	\$ (5,018,815)	(7,910,517)
Noncapital financing activities	6,628,915	6,909,668
Capital and related financing activities	47,185	(1,069,380)
Investing activities	54,264	79,117
Change in cash and cash equivalents	1,711,549	(1,991,112)
Cash and cash equivalents - beginning of year	4,386,396	6,377,508
Cash and cash equivalents - end of year	\$ 6,097,945	4,386,396

For the year ended June 30, 2020, the net cash used by operating activities indicates that the College used more cash for instructional and administrative costs than it received from sources such as student tuition and certain federal and State grants. These costs included the instructional contract with the University. However, this amount is offset by the net cash from noncapital financing activities and is indicative of the tremendous need that the College has for the appropriations from the State and local tax levies. The cash position of the College increased \$1,711,549 from 2019 to 2020, primarily due to a decrease in the instructional contract expense in operating expenses.

**Capital assets**

At June 30, 2020, the College had \$13.7 million invested in capital assets, net of accumulated depreciation of \$32.7 million. Depreciation charges totaled \$949,223 for the current fiscal year. A comparative summary of these assets is as follows:

**Capital Assets, Net of Accumulated Depreciation**  
As of June 30

	2020	2019
Land and land improvements	\$ 1,032,684	1,041,236
Buildings	7,469,564	7,894,150
Building improvements	4,435,686	4,741,707
Equipment	784,945	848,014
	\$ 13,722,879	14,525,107

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

**Economic factors that will affect the future**

The economic position of the College is closely tied to that of the State. Beginning with the fiscal year ending June 30, 2015, 100% of the funding from State Share of Instruction is based upon student course and degree completions and other student success benchmarks. State appropriations are based on the results of the College's student course and degree completions. For fiscal year 2020, the College's share of state appropriations decreased by \$307,616 (-5%) when compared to 2019. This decrease was in accordance with the State funding formula calculations, and resulted from the College's decrease in student course and degree completions over the prior three fiscal years as well as an additional budget decrease by the State due to the pandemic and the economic ramifications it presents. Due to the enrollment trends over the last three fiscal years and the ongoing pandemic, similar decreases in the College's share of state appropriations are expected to continue for at least the next three fiscal years.

In addition to state appropriations and the local property tax levy, the College is heavily dependent on student tuition and fees. The state permitted the increase of tuition for the 2018-2019 academic year and accordingly the College board approved an increase in tuition in the amount of \$10 per credit hour for the 2018-2019 year, however they temporarily suspended half the increase until the 2019-2020 year. In addition to tuition rates, the College's revenues are heavily dependent upon the number of students enrolled. Since the 2014-2015 academic year, the College's enrollment has decreased by over 20%. The reversal of this trend would be beneficial to the College's future financial health.

As described in the Note 12, the College operates through a contract with the University. As part of this contract, the College receives accreditation jointly with the University from the Higher Learning Commission. Also, the University administers the U.S. Department of Education's federal student financial aid program for the students of the College. Thus, the College's future academic offerings, operations, financial aid administration, and tuition revenues are heavily dependent on the operations of the University.

**Contacting the College's financial management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of Rio Grande Community College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cherokee Ruby, Treasurer, at Rio Grande Community College, 218 North College Street, P.O. Box 326, Rio Grande, Ohio 45674 or call (740) 245-7236.

Rio Grande Community College  
Statement of Net Position  
June 30, 2020

Current assets	
Cash and cash equivalents	\$ 6,097,945
Receivables:	
Tuition (less allowance for uncollectible amount of \$1,015,821)	598,450
Intergovernmental	84,079
Property taxes	1,295,781
Related party	225,966
Other	14,569
Prepaid expenses	<u>364,842</u>
Total current assets	<u>8,681,632</u>
Noncurrent assets	
Capital assets, not being depreciated	895,849
Capital assets, net of depreciation	<u>12,827,030</u>
Total noncurrent assets	<u>13,722,879</u>
Total assets	<u>22,404,511</u>
Deferred outflows of resources	
OPEB	84,378
Pension	<u>94,372</u>
Total deferred outflows of resources	<u>178,750</u>
Current liabilities	
Accounts payable and accrued liabilities	145,896
Unearned revenue	<u>465,898</u>
Total current liabilities	<u>611,794</u>
Noncurrent liabilities	
Compensated absences	206,722
Net OPEB liability	517,795
Net pension liability	<u>795,621</u>
Total noncurrent liabilities	<u>1,520,138</u>
Total liabilities	<u>2,131,932</u>
Deferred inflows of resources	
Property tax	898,724
OPEB	110,559
Pension	<u>168,768</u>
Total deferred inflows of resources	<u>1,178,051</u>
Net position	
Investment in capital assets	13,722,879
Restricted:	
Capital projects	536,066
Unrestricted	<u>5,014,333</u>
Total net position	<u>\$ 19,273,278</u>

See accompanying notes to the basic financial statements.



Rio Grande Community College  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

Operating revenues:	
Student tuition and fees (less scholarship discounts and allowances of \$78,523)	\$ 5,504,885
State grants	357,501
Auxiliary enterprises	1,894,896
Other	<u>92,440</u>
Total operating revenues	<u>7,849,722</u>
Operating expenses:	
Instructional contract expense	12,612,190
Bad debt/collection expenses	178,655
Grant expenses	282,109
Salaries	596,274
Fringe benefits	533,714
Advertising/promotions	20,124
Professional fees	53,250
Office expenses	52,871
Travel and conferences	9,844
Dues and subscriptions	27,848
Insurance	14,447
Other expenses	90,792
Depreciation	<u>949,223</u>
Total operating expenses	<u>15,421,341</u>
Operating loss	<u>(7,571,619)</u>
Nonoperating revenues:	
State appropriations	5,650,176
Property taxes	1,020,388
Investment income	<u>54,264</u>
Total nonoperating revenues	<u>6,724,828</u>
Loss before other revenues, expenses, gains or losses	(846,791)
Capital appropriations	<u>194,180</u>
Change in net position	(652,611)
Net position - beginning of year	<u>19,925,889</u>
Net position - end of year	<u>\$ 19,273,278</u>

See accompanying notes to the basic financial statements.

Rio Grande Community College  
Statement of Cash Flows  
Year Ended June 30, 2020

Cash flows from operating activities:	
Tuition and fees	\$ 6,879,243
Grants	285,813
Other revenue	92,323
Auxiliary enterprises	1,894,896
Contract payments to University of Rio Grande	(12,682,043)
Grant transfers to University of Rio Grande	(282,109)
Payments to employees for wages & benefits	(885,838)
Payments to vendors	<u>(321,100)</u>
Net cash used by operating activities	<u>(5,018,815)</u>
Cash flows from noncapital financing activities:	
State appropriations	5,650,176
Property taxes	<u>978,739</u>
Net cash provided by noncapital financing activities	<u>6,628,915</u>
Cash flows from capital and related financing activities:	
Capital appropriations	194,180
Capital asset purchases	<u>(146,995)</u>
Net cash provided by capital and related financing activities	<u>47,185</u>
Cash flows from investing activities:	
Interest on investments	<u>54,264</u>
Change in cash and cash equivalents	1,711,549
Cash and cash equivalents - beginning of year	<u>4,386,396</u>
Cash and cash equivalents - end of year	\$ <u>6,097,945</u>
	(continued)

See accompanying notes to the basic financial statements.

Rio Grande Community College  
Statement of Cash Flows (Continued)  
Year Ended June 30, 2020

Reconciliation of operating loss to net cash	
used by operating activities:	
Operating loss	\$ (7,571,619)
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Depreciation expense	949,223
Provision for bad debts	178,655
Changes in assets and liabilities:	
Receivables:	
Tuition	2,678
Intergovernmental	(71,688)
Related party	1,367,949
Accounts	(117)
Prepaid expenses	(69,853)
Deferred outflows - pension and OPEB	209,255
Accounts payable and accrued liabilities	(51,924)
Unearned revenue	3,731
Compensated absences	108,785
Net OPEB liability	(27,011)
Net pension liability	(301,853)
Deferred inflows - pension and OPEB	<u>254,974</u>
Net cash used by operating activities	<u>\$ (5,018,815)</u>

See accompanying notes to the basic financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the College are set forth to facilitate the understanding of data presented in the financial statements:

### Entity

Rio Grande Community 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 College was formed after the creation of a community college district, as defined in Ohio Revised Code Chapter 3354. The College is an institution of higher learning dedicated to providing the residents of the community college district with low-cost higher education in various academic and technical areas, for the purpose of gaining credit for further academic achievement. 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 of Ohio. The remaining six members are appointed by the Boards of County Commissioners within the community college district, with one from each of the four counties in the district (Meigs, Gallia, Jackson and Vinton), and two by joint action of the four counties. A president is contracted by the Board of Trustees through an agreement with the University of Rio Grande (see Note 12). An appointed Treasurer is the custodian of funds and investment officer and is also responsible for the fiscal controls of the resources of the College.

### Financial Statement Presentation

The accompanying financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board ("GASB").

GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* and subsequent statements issued by GASB, established standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into the following net position categories:

- **Investment in capital assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The College has no outstanding capital related debt as of June 30, 2020.
- **Restricted** – Net position whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. This represents amounts for capital construction projects.
- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The College first applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net position is available.

### **Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

### **Cash and Investments**

During fiscal year 2020, investments were limited to certificates of deposit with local institutions and interest-bearing checking accounts. 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 Treasurer within these policy guidelines. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost, which approximates fair value.

### **Receivables**

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. All receivables are expected to be collected in full within one year except certain tuition and fees receivables. An allowance for doubtful accounts has been established based upon prior collection experience.

### **Capital Assets**

Capital assets are recorded at cost or, if acquired by gift, at the acquisition value at the date of the gift. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation.

Capital asset additions and improvements with a cost in excess of \$1,000 are capitalized and depreciated, except land, on a straight-line basis over the estimated useful life of the property as follows:

<u>Classification</u>	<u>Life</u>
Buildings	40 years
Building Improvements	20 years
Land Improvements	20 years
Equipment	5 - 10 years

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension and other postemployment benefits as explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the College, deferred inflows of resources include property taxes, pension, and other postemployment benefits. Property taxes at June 30, 2020 represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on the statement of net position. Any grants and entitlements received before time requirements are met but after all other eligibility requirements are met are also recorded as a deferred inflow of resources. Deferred inflows of resources related to pension and other postemployment benefits are reported on the statement of net position as explained in Notes 9 and 10.

### **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Ohio Public Employees Retirement System (“OPERS”) pension plan and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. OPERS reports investments at fair value.

### **Compensated Absences**

College employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the statement of net position, and as a component of operating expense in the statement of revenue, expenses, and change in net position.

### **Unearned Revenue**

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Operating and Nonoperating Revenues**

The College's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net position is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statements No. 34 and 35, including property tax revenue, state appropriations and investment income.

### **Scholarship Discounts and Allowances**

Student tuition is reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf.

### **Estimates**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Subsequent Events**

The College evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 27, 2021.

### **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is established at the individual fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The key features of the budgetary process are as follows:

**Tax Budget:** During the Board of Trustees meeting in January, the Treasurer presents the annual tax budget for the following year to the Board for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 15, of each year, for the period July 1 to June 30 of the following year.

**Estimated Resources:** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the College by April 1. As part of this certification, the College receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the College must revise its budget so that the total contemplated expenditures during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about July 1, the certificate of estimated resources is amended to include unencumbered fund balances at June 30 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated.

**Appropriations:** A temporary appropriation ordinance to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation ordinance must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

**Encumbrances:** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

**Lapsing of Appropriations:** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

#### **Adoption of New Standards**

For the fiscal year ended June 30, 2020, the College implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position.

#### **Upcoming Accounting Pronouncements**

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.



GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2022. The College is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No. 14 and No. 61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2021. The College is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

## **2. CASH AND INVESTMENTS:**

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities for amounts on deposits not insured by the Federal Depository Insurance Corporation (FDIC). Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

### **Deposits**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the College will not be able to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

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

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

As of June 30, 2020, the College's bank balance was \$6,095,525. Of this amount, \$1,082,410 was covered by federal depository insurance and the remaining \$5,013,115 was exposed to custodial credit risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

The College's investment policies are governed by state statutes that authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bonds and other State of Ohio obligations, certificates of deposit, and U.S. Government money market funds and repurchase agreements. Such repurchase agreements must be acquired from qualifying Ohio financial institutions, or from registered brokers/dealers.

Interest rate risk – The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the College manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to approximately two years.

Credit risk – It is the College's practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAAM by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

Concentration of credit risk – The College places no limit on the amount the College may invest in any one issuer.

### **3. STATE APPROPRIATIONS:**

The College is a State-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula determined by the State of Ohio. The College received \$5,650,176 of student-based subsidy in fiscal year 2020.

In addition to the student subsidies, the State of Ohio provides funding for the construction of major academic plant facilities on the College's campuses. State funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC).

College facilities are not pledged as collateral for the revenue 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 of Ohio. If sufficient monies are not available from this fund, the Ohio Department of Higher Education (ODHE) may assess a special fee uniformly applicable to students in State-assisted institutions of higher education throughout the State.

As a result of the above-described financial assistance, outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to ODHE for payment of debt service and the related debt service payments are not recorded in the College's accounts.

**4. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2020 was as follows:

Classification	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Nondepreciable capital assets:				
Land	\$ 895,849	-	-	895,849
Total nondepreciable capital assets	<u>895,849</u>	<u>-</u>	<u>-</u>	<u>895,849</u>
Depreciable capital assets:				
Land improvements	1,198,426	-	-	1,198,426
Buildings	28,606,443	-	-	28,606,443
Building improvements	10,817,160	-	-	10,817,160
Equipment	4,733,215	146,995	-	4,880,210
Total depreciable capital assets	<u>45,355,244</u>	<u>146,995</u>	<u>-</u>	<u>45,502,239</u>
Less: accumulated depreciation				
Land improvements	1,053,039	8,552	-	1,061,591
Buildings	20,712,293	424,586	-	21,136,879
Building improvements	6,075,453	306,021	-	6,381,474
Equipment	3,885,201	210,064	-	4,095,265
Total accumulated depreciation	<u>31,725,986</u>	<u>949,223</u>	<u>-</u>	<u>32,675,209</u>
Total depreciable capital assets - net	<u>13,629,258</u>	<u>(802,228)</u>	<u>-</u>	<u>12,827,030</u>
Net capital assets	<u>\$ 14,525,107</u>	<u>(802,228)</u>	<u>-</u>	<u>13,722,879</u>

Depreciation expense for the fiscal year ended June 30, 2020 was \$949,223.

**5. FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS:**

The accompanying Statement of Revenues, Expenses and Changes in Net Position reflect the natural expense classifications utilized by the College. Functional expense classification would be as follows for the fiscal year ended June 30, 2020:

Educational and General:	
Instructional support	\$ 12,612,190
Institutional support	1,859,928
Depreciation	<u>949,223</u>
Total	<u>\$ 15,421,341</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:**

Accounts payable and accrued liabilities consists of the following at June 30, 2020:

Accounts payable	\$	134,628
Payroll, fringe and other liabilities		<u>11,268</u>
 Total	 \$	 <u><u>145,896</u></u>

**7. PROPERTY TAX:**

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. First half tax collections are received by the College in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the various counties. Property tax revenue received during calendar year 2020 for real and public utility property taxes represents collections of calendar year 2019 taxes.

2020 real property taxes are levied after April 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by state law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after April 1, 2020 and are collected in 2020 with real property taxes.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

The assessed values upon which the fiscal year 2020 taxes were collected for the College are:

	Gallia County	Jackson County	Meigs County	Vinton County
Agriculture/Residential and Other Real Estate (2019 Valuation)	\$ 542,058,160	502,876,260	343,118,810	186,632,940
Public Utility Personal (2019 Valuation)	<u>243,742,880</u>	<u>127,355,110</u>	<u>80,499,580</u>	<u>202,006,380</u>
	<u>\$ 785,801,040</u>	<u>630,231,370</u>	<u>423,618,390</u>	<u>388,639,320</u>
 Tax rate per \$1,000 of Assessed Valuation	 <u>\$1.00</u>	 <u>\$1.00</u>	 <u>\$1.00</u>	 <u>\$1.00</u>

The College receives property taxes from Gallia, Jackson, Meigs, Vinton and Hocking Counties. The County Auditors can periodically advance to the College its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2020, are available to finance fiscal year 2020 operations.

The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources – property tax for that portion not levied to finance current fiscal year operations.

## **8. 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. By contract with the University of Rio Grande (see Note 12 for further details), comprehensive insurance coverage with private carriers for real property and building contents is maintained. Real property and contents are 100% coinsured.

Health care insurance coverage is offered to employees through commercial insurance companies.

The College pays the Ohio Bureau of Worker's Compensation a premium based on a rate per \$100 of salaries. The rate is calculated based upon accident history and administrative costs.

The College pays all administrative and appointed officials' bonds by statute.

Settled claims have not exceeded commercial coverage in any of the past three years. There have been no significant changes in coverage from prior years.

## **9. PENSION PLANS:**

### **Net Pension Liability**

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

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

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

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

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

**Plan Description - Ohio Public Employees' Retirement System (OPERS):**

**Plan Description** – College employees participate in OPERS, which administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., College employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Formula:</b> 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

**Funding Policy** – The ORC provides statutory authority for member and employer contributions. For fiscal year 2020, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The College's contractually required contribution was \$82,510 for fiscal year 2020. Of this amount \$6,806 is reported in accounts payable and accrued liabilities for fiscal year 2020.

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

At June 30, 2020, the College reported a liability for its proportionate share of the net pension liability of OPERS. The net pension liability presented as of June 30, 2020 was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the projected contributions of all participating entities.

The following is information related to the College's proportionate share, pension expense and deferred inflows and outflows for fiscal year 2020:

<b>Proportionate Share of the Net</b>	
<b>Pension Liability</b>	\$ 795,621
<b>Proportion of the Net Pension</b>	
<b>Liability</b>	0.00402527%
<b>Change in Proportion</b>	0.00001813%
<b>Pension Expense</b>	\$ 116,707
 <b>Deferred Outflows of Resources</b>	
Change in assumptions	\$ 42,496
Change in College's proportionate share and difference in employer contributions	9,963
Contributions subsequent to the measurement date	41,913
	\$ 94,372
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ (10,059)
Net difference between projected and actual earnings on pension plan investments	(158,709)
	\$ (168,768)

\$41,913 reported as deferred outflows of resources related to pension at June 30, 2020 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	\$ (9,460)
2022	(50,403)
2023	6,572
2024	(63,018)
	\$ (116,309)

**Actuarial Assumptions – OPERS:**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.



Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75%
Current measurement period investment rate of return	7.20%
Prior measurement period investment rate of return	7.20%
Cost-of-living adjustments	
Pre-January 7, 2013 retirees	3.00% simple
Post-January 7, 2013 retirees	1.40% simple through 2020, then 2.15% simple
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.23% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	<u>13.00%</u>	<u>4.98%</u>
Total	<u>100.00%</u>	<u>5.61%</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2% for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the College's proportionate share of the net pension liability for fiscal year 2020 calculated using the current period discount rate assumption of 7.2%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.2%) and one-percentage point higher (8.2%) than the current rate, all respectively:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
College's proportionate share of the net pension liability	\$ 1,312,282	795,621	331,210

**Alternative Retirement Plan (ARP)**

All newly hired full-time administrative employees and faculty are eligible to choose an Alternative Retirement Plan (ARP) rather than the Ohio Public Employees Retirement System (OPERS). Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College. Employees have 120 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired.

Vesting of contributions made by the College occurs in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 2	0%
2	25%
3	50%
4	75%
5	100%

The seven companies approved to offer an ARP for the College employees are Aetna, Equitable, Great American Life, Lincoln National Life, Nationwide Life, TIAA-CREF and VALIC. No employees have elected to participate in the alternative retirement plan for the year ended June 30, 2020.

**403(b) Plan**

Effective April 1, 2004, the Rio Grande Community College Board of Trustees approved a 403(b) plan for its employees. The plan calls for the College to match voluntary withholdings of the employee up to 5% of the employee’s annual salary.

Vesting of matching contributions made by the College occurs in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Employees are eligible to participate in the plan after six months of employment with the College. Contributions on behalf of employees for the year ended June 30, 2020 was \$11,169.

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB):**

**Net OPEB Liability:**

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of OPERS' plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in *accounts payable and accrued liabilities*.

**Plan Description - Ohio Public Employees' Retirement System (OPERS):**

**Health Care Plan Description** – The OPERS administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero for calendar years 2020 and 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0%.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The College's proportion of the net OPEB liability was based on the College's share of contributions to OPERS relative to the contributions of all participating entities.

The following is information related to the proportionate share and OPEB expense for fiscal year 2020:

<b>Proportionate Share of the Net</b>	
<b>OPEB Liability</b>	\$ 517,795
<b>Proportion of the Net OPEB</b>	
<b>Liability</b>	0.00374872%
<b>Change in Proportion</b>	-0.00043000%
<b>OPEB Expense</b>	\$ 60,571
 <b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 14
Change in assumptions	81,962
Difference between employer contributions and proportionate share of contributions	2,402
	\$ 84,378
 <b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ (47,355)
Net difference between projected and actual earnings on OPEB plan investments	(26,365)
Difference between employer contributions and proportionate share of contributions	(36,839)
	\$ (110,559)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Year Ended June 30	
2021	\$ (7,760)
2022	(7,176)
2023	21
2024	(11,266)
	\$ (26,181)

**Actuarial Assumptions – OPERS:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability for fiscal year 2020 was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Key Methods and Assumptions Used in Valuation of the Total OPEB Liability:

Actuarial valuation date	December 31, 2018
Rolled-forward measurement date	December 31, 2019
Actuarial cost method	Individual entry age normal
Actuarial Assumptions:	
Single discount rate	3.16%
Investment rate of return	6.00%
Municipal bond rate	2.75%
Wage inflation	3.25%
Projected salary increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health care cost trend rate	10.5% initial, 3.50% ultimate in 2030

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

**Discount Rate** –A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the prior measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The single discount rate on the prior measurement date was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.



**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rates** – The following table presents the College's proportionate share of the net OPEB liability for fiscal year 2020 calculated using the single discount rate of 3.16%, as well as what the College's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	<u>1% Decrease (2.16%)</u>	<u>Current Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
College's proportionate share of the net OPEB liability	\$ 677,598	517,795	389,818

**Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates** – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	<u>1% Decrease In Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase In Trend Rates</u>
College's proportionate share of the net OPEB liability	\$ 502,501	517,795	532,864

**Changes Subsequent to the Measurement Date.** On January 15, 2020, the OPERS' Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current measurement period, but are expected to decrease the associated OPEB liability.

**11. STUDENT FINANCIAL AID:**

The student financial aid program of the College is accounted for by the department of student financial aid of the University of Rio Grande, a private institution of higher education (see Note 12). The accounts of the department of student financial aid are not reflected in the accompanying financial statements.

## **12. INSTRUCTIONAL CONTRACT WITH THE UNIVERSITY OF RIO GRANDE:**

The College has a contract with the University of Rio Grande (the "University") whereby the University agrees to perform instructional services for the College in return for a fee equal to 96% of tuition revenue and state share of instruction. This contract expired June 30, 2017 and in June 2017 was renewed through June 30, 2019 (subsequently extended through December 31, 2021). The University provides to the College and its students:

- Instruction in arts and sciences, technical (occupational) studies, adult education and development courses;
- Access to all nonresidential physical facilities of the University on the same basis that such facilities are available to students of the University;
- Activities available to students of the University, such as athletics, clubs, dramatics and other approved activities;
- Student services; including financial aid, career advising, campus policies, etc., and;
- Appropriate office space for the College's administrative offices.

Under the terms of the contract, the University agrees to lease to the College the land necessary for the College to construct buildings. The lease is for \$1 for at least 15 years. The buildings are constructed, in whole or in part, with funds provided by the State of Ohio. Upon completion of construction, the University subleases these structures from the College for \$1 and provides the operating and maintenance costs necessary to serve the student bodies of both the College and the University.

The amount receivable from the University at June 30, 2020 was \$225,966.

## **13. CONTINGENCIES:**

### **Grants**

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of 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, 2020. Under terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

### **COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent periods of the College. The impact on the College's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RIO GRANDE COMMUNITY COLLEGE**

Required Supplementary Information

Schedule of College's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Seven Years (1) (2)

	College's Proportion of the Net Pension Liability	College's Proportionate Share of the Net Pension Liability	College's Covered Payroll	College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.003131%	\$ 369,104	\$ 356,496	103.54%	86.36%
2015	0.003131%	377,634	391,908	96.36%	86.45%
2016	0.003431%	594,292	405,958	146.39%	81.08%
2017	0.003678%	835,192	446,258	187.15%	77.25%
2018	0.003923%	615,495	530,040	116.12%	84.66%
2019	0.004007%	1,097,474	582,630	188.37%	74.70%
2020	0.004025%	795,621	581,507	136.82%	82.17%

(1) Information prior to 2014 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior calendar year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

**RIO GRANDE COMMUNITY COLLEGE**

Required Supplementary Information

Schedule of College Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Nine Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 31,264	\$ (31,264)	\$ -	\$ 312,640	10.00%
2013	40,997	(40,997)	-	356,496	11.50%
2014	47,029	(47,029)	-	391,908	12.00%
2015	48,715	(48,715)	-	405,958	12.00%
2016	53,551	(53,551)	-	446,258	12.00%
2017	66,255	(66,255)	-	530,040	12.50%
2018	78,655	(78,655)	-	582,630	13.50%
2019	81,411	(81,411)	-	581,507	14.00%
2020	82,510	(82,510)	-	589,357	14.00%

(1) Information prior to 2012 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

**RIO GRANDE COMMUNITY COLLEGE**

Required Supplementary Information

Schedule of College's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System

Last Four Years (1) (2)

	College's Proportion of the Net OPEB Liability	College's Proportionate Share of the Net OPEB Liability	College's Covered Payroll	College's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.003440%	\$ 347,489	\$ 446,258	77.87%	54.05%
2018	0.004271%	463,806	530,040	87.50%	54.14%
2019	0.004179%	544,806	582,630	93.51%	46.33%
2020	0.003749%	517,795	581,507	89.04%	47.80%

(1) Information prior to 2017 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the College's measurement date, which is the prior year-end.

**Notes to Schedule:**

*Change in assumptions.* In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

**RIO GRANDE COMMUNITY COLLEGE**  
 Required Supplementary Information  
 Schedule of College OPEB Contributions  
 Ohio Public Employees Retirement System  
 Last Five Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 8,975	\$ (8,975)	\$ -	\$ 446,258	2.00%
2017	7,676	(7,676)	-	530,040	1.50%
2018	2,910	(2,910)	-	582,630	0.50%
2019	-	-	-	581,507	0.00%
2020	-	-	-	589,357	0.00%

(1) Information prior to 2016 is not available. The College will continue to present information for years available until a full ten-year trend is compiled.

**SUPPLEMENTAL INFORMATION**



College Location  
 218 North College Street  
 Rio Grande, Ohio 45674

Mailing Address  
 P.O. Box 326  
 Rio Grande, Ohio 45674

<u>Board of Trustees</u>	<u>Title</u>	<u>Appointed By</u>	<u>Term of Office</u>
Mr. Paul M. Reed	Chair	Joint Commissioners <sup>2</sup>	09/11/20-09/10/25
Ms. Taylor Rose	Vice Chair	Jackson County <sup>1</sup>	05/29/19-12/30/21
Mr. Mick Davenport	Trustee	Meigs County <sup>1</sup>	08/18/20-08/17/25
Ms. Mary Lynne Jones	Trustee	Gallia County <sup>1</sup>	10/11/12-10/11/22
Mr. Andrew R. Adelman, Jr.	Trustee	Vinton County <sup>1</sup>	09/11/16-09/10/21
Mr. Jody W. Walker	Trustee	Joint Commissioners <sup>2</sup>	11/02/11-11/01/21
Mr. Christian Scott	Trustee	Governor	11/25/20-11/24/25
Vacancy	Trustee	Governor	
Mr. Joshua Smith	Trustee	Governor	03/28/18-10/10/21

<sup>1</sup> – Appointed by the Board of County Commissioners

<sup>2</sup> – Appointed by action of the joint Boards of County Commissioners of Gallia, Jackson, Meigs, and Vinton Counties.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Rio Grande Community College  
Rio Grande, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rio Grande Community College (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 27, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 27, 2021

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

**Section II – Financial Statement Findings**

None noted



# RIO GRANDE COMMUNITY COLLEGE

Rio Grande Community College  
Schedule of Prior Audit Findings  
June 30, 2020

**Finding Number**

2019-001

**Finding Summary**

Significant reclassification adjustments, numerous corrections, and additions to various footnotes were required to the financial statements. In addition, the College did not file unaudited financial statements timely in accordance with Ohio Revised Code §117.38.

**Status**

Corrective action taken and finding is fully corrected.

# OHIO AUDITOR OF STATE KEITH FABER



**RIO GRANDE COMMUNITY COLLEGE**

**GALLIA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/16/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)