



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Rio Grande Community College  
Gallia County  
218 North College Street  
P.O. Box 326  
Rio Grande, Ohio 45674

To the Board of Trustees:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rio Grande Community College, Gallia County, as of June 30, 2002, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 3, 2002

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**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002**

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, 2002. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

**Using this Report**

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

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

- New reporting standards which require three basic financial statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows
- Recording of depreciation expense and accumulated depreciation on the Statement of Net Assets
- Capitalizing all capital expenditures on the Statement of Net Assets
- Establishing an operating and nonoperating basis of reporting whereby revenues that are charges for services are recorded as operating revenues. Essentially all other types of revenue are nonoperating or other revenue

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above referred format and notes to the financial statements. Since Statement No. 35 is being adopted for the year ended June 30, 2002, comparative analysis will not be provided this year, but will be presented in future years.

**Financial Highlights**

The College's financial position increased during the fiscal year ended June 30, 2002. The current assets increase by 33% from the previous fiscal year, primarily due to the full recognition of property taxes receivable.

**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002  
(Continued)**

**Financial Highlights (Continued)**

A summary of the College's net assets follows:

Net Assets at June 30, 2002 (in Millions)	
Current Assets	\$ 2.52
Noncurrent Assets:	
Capital Assets (net of depreciation)	18.95
Total Assets	<u>\$ 21.47</u>
Current Liabilities	\$ 0.06
Noncurrent Liabilities	0.95
Total Liabilities	<u>\$ 1.01</u>
Net Assets:	
Invested in Capital Assets	\$ 18.95
Restricted to Capital Projects	0.19
Unrestricted	1.32
Total Net Assets	<u>\$ 20.46</u>

During the fiscal year ended June 30, 2002, the College's expenses exceeded revenues and other support creating a decrease in net assets of \$772,000 (compared to \$146,000 increase from the previous fiscal year). This decrease is partially due to depreciation expense being recorded in fiscal year 2002.

**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002  
(Continued)**

**Financial Highlights (Continued)**

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

Operating Results for the Year Ended June 30, 2002 (in Millions)	
Operating Revenues:	
Student Tuition	\$ 2.75
Grants - Federal and State	<u>0.32</u>
Total Operating Revenue	3.07
Operating Expenses:	
Educational and General:	
Instructional Support	8.07
Institutional Support	0.23
Depreciation	<u>1.23</u>
Total Operating Expenses	<u>9.53</u>
Operating Loss	(6.46)
Nonoperating Revenues:	
State Appropriations	4.27
Property Taxes	0.87
Investment Income	<u>0.05</u>
Total Nonoperating Revenue	<u>5.19</u>
Income Before Other Revenue, Expenses, Gains or Losses	(1.27)
Capital Appropriations	<u>0.50</u>
Decrease in Net Assets	(0.77)
Net Assets - Beginning of Year	<u>21.23</u>
Net Assets - End of Year	<u>\$ 20.46</u>

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

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

Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating.

**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002  
(Continued)**

**The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets (Continued)**

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

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

**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.

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

- Student tuition and fee revenue decreased \$119,000 or 4%, despite the Board-approved tuition increases of approximately 9.5% at the beginning of the fiscal year

**Operating Expenses**

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

- Instructional contract expense increased only slightly for 2002, based primarily on the funding formula provided in the contract between the University of Rio Grande and Rio Grande Community College.
- Administrative expenses increased approximately 15% due to additional staff being hired to enhance student recruitment efforts.

**Nonoperating Revenues**

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

State appropriation for fiscal year 2002 decreased slightly when compared to 2001. This was in accordance with the state funding formula.

**Other Revenues**

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College, primarily State of Ohio capital appropriations. Other revenues changes were primarily the result of State capital appropriation increase of \$495,524 designated for the "New Entrance Road" construction project.

**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002  
(Continued)**

**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 and its ability to meet its obligations as they come due. A summary of the College's cash flows are as follows:

Cash Flows for the Year (in Millions)	
	2002
Net Cash from:	
Operating Activities	\$ (5.25)
Noncapital Financing Activities	5.11
Capital and Related Financing Activities	0.09
Investing Activities	<u>0.05</u>
Net Increase (Decrease) in Cash	0.00
Cash - Beginning of Year	<u>1.30</u>
Cash - End of Year	<u>\$ 1.30</u>

Comparative year cash flow information of the College for the fiscal year ended June 30, 2001 is not readily available. For the fiscal year ended June 30, 2002, the net cash from operating activities of (\$5.25 million) 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. However, this amount is offset by the net cash from noncapital financing activities of \$5.11 million 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 remained the same from fiscal year 2001 to 2002.

**Capital Assets**

At June 30, 2002, the College had \$18.95 million invested in capital assets, net of accumulated depreciation of \$15.58 million. Depreciation charges totaled \$1.23 million for the current fiscal year. This is the first year for reporting depreciation.

The major capital addition for the year is a \$520,000 New Entrance Road construction project which is being funded with capital appropriations from the State. This project is expected to be completed during the fiscal year ended June 30, 2003.

Beginning in the fiscal year 2003, it is anticipated that the College will begin renovations on Florence Evans Hall to create a comprehensive one-stop student welcome and financial services center. This project will also be funded with capital appropriations from the state.

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

**Rio Grande Community College  
Gallia County**

**Management's Discussion and Analysis  
For the Year Ended June 30, 2002  
(Continued)**

**Economic Factors That Will Affect the Future**

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects that there will be no increase or a small decrease in the funding amount to the College for the fiscal year ended June 30, 2003. In addition the Board of Trustees approved an increase of 7% in the tuition rates beginning with the Fall term 2002.

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

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2002**

**ASSETS:**

Current Assets:

Cash and Cash Equivalents	\$ 1,299,788
Tuition Receivable	241,370
Property Taxes Receivable	<u>984,385</u>

Total Current Assets 2,525,543

Noncurrent Assets:

Capital Assets (Net - See Note 12)	<u>18,946,290</u>
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Total Noncurrent Assets 18,946,290

**Total Assets** **21,471,833**

**LIABILITIES:**

Current Liabilities:

Accounts Payable and Accrued Liabilities	<u>57,589</u>
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Total Current Liabilities 57,589

Noncurrent Liabilities:

Deferred Property Tax Revenue	<u>959,083</u>
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Total Noncurrent Liabilities 959,083

**Total Liabilities** 1,016,672

**NET ASSETS:**

Invested in Capital Assets 18,946,290

Restricted to:

Capital Projects	186,781
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Unrestricted 1,322,090

**TOTAL NET ASSETS** **\$ 20,455,161**

*The notes to the basic financial statements are an integral part of this statement.*

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Operating Revenues:</b>	
Student Tuition	\$ 2,754,926
Federal Grants and Contracts	252,004
State Grants	<u>66,845</u>
Total Operating Revenues	<u>3,073,775</u>
<b>Operating Expenses:</b>	
Instructional Contract Expense	7,739,699
Bad Debt/Collection Expense	1,119
Contractual Costs - Title III	7,963
Credit Card Costs	1,652
Grant Transfers	334,321
Salaries	130,939
Fringe Benefits	21,486
Advertising/Promotions	14,140
Professional Fees	12,044
Office Expenses	4,093
Travel and Conferences	5,329
Dues and Subscriptions	16,164
Insurance	13,712
Other Expenses	195
Depreciation	<u>1,227,497</u>
Total Operating Expenses	<u>9,530,353</u>
Operating Income (Loss)	<u>(6,456,578)</u>
<b>Nonoperating Revenues/(Expenses):</b>	
State Appropriations	4,273,575
Property Taxes	865,434
Investment Income	<u>49,918</u>
Total Nonoperating Revenues/(Expenses)	<u>5,188,927</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,267,651)
Capital Appropriations	<u>495,524</u>
Increase (Decrease) in Net Assets	(772,127)
Net Assets - Beginning of Year (as restated - see Note 3)	<u>21,227,288</u>
<b>Net Assets - End of Year</b>	<b><u><u>\$20,455,161</u></u></b>

*The notes to the basic financial statements are an integral part of this statement.*

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Cash Flows from Operating Activities:</b>	
Tuition and Fees	\$ 2,676,971
Grants	318,849
Contract Payments to University of Rio Grande	(7,699,846)
Grant Transfers to University of Rio Grande	(321,251)
Payments to Employees for Wages & Benefits	(153,734)
Payments to Vendors	<u>(74,563)</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,253,574)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
State Appropriations	4,273,575
Property Taxes	<u>840,132</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,113,707</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital Appropriations	162,168
Capital Asset Purchases	<u>(72,043)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>90,125</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	<u>49,918</u>
Net Cash Provided (Used) by Investing Activities	<u>49,918</u>
Net Increase/(Decrease) in Cash	176
Cash - Beginning of Year	<u>1,299,612</u>
<b>Cash - End of Year</b>	<b><u><u>\$ 1,299,788</u></u></b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (6,456,578)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,227,497
Changes in Assets and Liabilities:	
Receivables - Net	(50,178)
Receivables - Adjustment to Capital Assets for Prior Year	(27,778)
Accounts Payable	54,771
Payroll Liabilities	<u>(1,308)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u><u>\$ (5,253,574)</u></u></b>
 <b>Other Noncash Financing Activities:</b>	
Bad Debt Writeoff to Tuition	\$ 25,210
Capital Assets Contribution from State	\$ 333,356

*The notes to the basic financial statements are an integral part of this statement.*

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**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY**

The Rio Grande Community College, Gallia County (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 Chapter 3354 of the Ohio Revised Code. 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 appointed by the Board of Trustees to oversee day-to-day operations of the Community College (see Note 12). An appointed Secretary/Treasurer is the custodian of funds and investment officer and is also responsible for the fiscal controls of the resources of the College.

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements of the College are not misleading. Component units are legally separate organizations for which the College is financially accountable. The College is financially accountable for an organization if the College appoints a voting majority of the organization's governing board and (1) the College is able to significantly influence the programs or services performed or provided by the organization; or (2) the College is legally entitled to or can otherwise access the organization's resources; the College is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the College is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the College in that the College approves the budget, the issuance of debt, or the levying of taxes for the organization. No separate government units meet the criteria for inclusion as a component unit.

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

Management believes the financial statements included in this report represent all of the funds of the College over which management has direct operating control.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the College have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to public colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial principles. The College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Basis of Accounting and Presentation: The financial statements of the College are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the years for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion - and Analysis for Public Colleges and Universities*, issued in June and November 1999. While these Statements are scheduled for a phased implementation according to the size of the government unit, the College has adopted these Statements in accordance with the State's requirement for adoption by all Ohio colleges and universities for the year ended June 30, 2002. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the financial activities of the College. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies.

Cash and Investments: To improve cash management, all cash received by the College is pooled in central bank accounts. For internal control and accountability purposes, individual fund integrity is maintained through the College's records.

During fiscal year 2002, 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 with the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Secretary-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.

Capital Assets: Capital assets with a unit cost of \$1,000 or greater, including property, plant equipment and infrastructure such as roads and sidewalks, are carried at cost at the date of acquisition, or fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenses for construction in progress are capitalized as incurred.

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	15
Land Improvements	10
Equipment	3
Computer Technology	5

Accounts Receivable: Receivables at June 30, 2002 consist primarily of student tuition and property taxes. Receivables are reported at net using the direct write-off method.

Pensions: The provision for pension cost is recorded when the related payroll is accrued and the obligation is incurred.

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

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Operating Revenues: All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, local property taxes and investment income.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of related debt, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The College applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue during the reporting period. Actual results may differ from those estimates.

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. All funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function 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 Vice President for Financial and Administrative Affairs 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 from any fund 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 31. 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 function level.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Fund appropriations may be modified during the year only by an resolution of the Board of Trustees. During the year, there were no amendments to the original appropriation resolution.

*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.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF BEGINNING NET ASSETS**

During fiscal year 2002, the College implemented Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement creates new basic financial statements for reporting the College’s financial activities. The financial statements are now college-wide financial statements prepared on an accrual basis of accounting. The beginning net assets amount reflects the change in fund balances at June 30, 2001, caused by the conversion to the accrual basis of accounting (due to accumulated depreciation), the reduction of the taxes receivable balance due to an error in calculation and to reflect the addition of joint fixed assets previously not reported by the College.

Under the terms of the contract the College has with the University of Rio Grande (see Note 13), certain buildings and improvements on campus are built through a joint financial effort. These capital assets revert to the possession of the College at the termination of the contractual agreement with the University. Previously, the College had only capitalized its direct financial investment in the asset. The implementation of these Statements required the following changes in the prior period balances of the College’s financial statements:

Fund Balances - June 30, 2001	\$ 29,335,746
Adjustment to Property Taxes Receivable	(398,304)
Adjustment to Report Accumulated Depreciation on Capital Assets	(14,349,348)
Adjustment to Report Joint Capital Assets	<u>6,639,194</u>
Net Assets - July 1, 2001	<u>\$ 21,227,288</u>

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 4 – CASH AND INVESTMENTS**

State law requires the classification of monies held by the College into three categories:

Active Deposits are those monies required to be kept in a cash or near-cash status for immediate use by the College. Such monies must be maintained either as cash in the College treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

Inactive Deposits are those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested or deposited in the following securities:

- a. United States Treasury Notes, Bills, Bonds, or other obligations or securities issued by the United States Treasury, or any other obligations guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by the least two percent and be marked to fair value daily, and that the term of agreement must not exceed thirty days;
- d. Bonds and other obligations of the State;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAROhio).

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

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

Deposits: At June 30, 2002, the carrying amount of the College's deposits was \$1,299,788 and the bank balance was \$1,366,286. All of the bank balance was protected by either federal depository insurance or qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

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

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

**NOTE 5 – STATE SUPPORT**

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 devised by the Ohio Board of Regents.

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

The facilities are not pledged as collateral for the 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 for this fund, a pledge exists to assess a special student fee uniformly applicable to students enrolled in state-assisted institutions of higher education throughout the state.

As a result of the above described financial assistance provided by the State of Ohio to the College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the College's Statement of Net Assets. In addition, appropriations by the General Assembly to the Ohio Board of Regents for payment of debt service charges are not reflected in the appropriations received by the College's accounts.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 6 – 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 10 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 has its own prescription drug policy.

The College pays the Ohio Bureau of Workers' 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.

**NOTE 7 – PENSION PLANS AND POSTEMPLOYMENT BENEFITS**

Public Employees Retirement System: All full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City was 9.01 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The College's required contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were \$13,083, \$8,066, and \$11,543, respectively. The full amount has been contributed for 2001 and 2000. 98 percent has been contributed for 2002 with the remainder being reported as a current liability.

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 Public Employees Retirement System (PERS). 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 90 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%

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 7 – PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)**

The seven companies approved to offer an ARP for the University 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, 2002.

Postemployment Benefits: PERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.31 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2002. Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The College's actual contributions for 2002 which were used to fund postemployment benefits were \$6,245. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

**NOTE 8 – OTHER EMPLOYEE BENEFITS**

Compensated Absences: Vacation and sick leave accumulated by employees has been recorded by the College. Upon termination of College service, a fully vested employee is entitled to 25% of their accumulated sick leave not to exceed 13 days. 25% of the accumulated vacation leave may be carried over from one year to the next, but must be used in the succeeding year.

**NOTE 9 – PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis while the College's 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 College's community college district. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 9 – PROPERTY TAX (Continued)**

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, 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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The full tax rate applied to real property for the tax (calendar) year ended December 31, 1998, was \$1.00 per \$1,000 of assessed valuation for each of the four counties in the community college district. After adjustment of the rate for inflationary increases in property values, the effective tax rates were as follows:

	<u>Meigs County</u>	<u>Vinton County</u>	<u>Gallia County</u>	<u>Jackson County</u>
Per \$1,000 of assessed valuation for residential/agricultural real property	.328662	.334054	.334054	.338617
Per \$1,000 of assessed valuation for other real property	.532591	.533704	.533704	.532597

The valuations upon which taxes are assessed and collected were as follows:

	<u>Meigs County</u>	<u>Vinton County</u>	<u>Gallia County</u>	<u>Jackson County</u>
<u>Real Property - 2001 Valuation</u>				
Residential/Agricultural	\$ 129,018,690	\$ 76,472,460	\$ 231,544,560	\$ 206,432,750
Commercial/Industrial	40,705,530	11,168,810	86,357,810	64,442,070
Public Utilities	205,860	64,000	118,430	42,000
Minerals	2,913,730	0	369,520	361,100
<u>Tangible Personal Property</u>				
General - 2002 Valuation	33,479,220	14,933,575	37,913,359	51,460,642
Public Utilities - 2001 Valuation	47,264,510	22,958,420	270,931,830	41,662,750
Total Valuation	<u>\$ 253,587,540</u>	<u>\$ 125,597,265</u>	<u>\$ 627,235,509</u>	<u>\$ 364,401,312</u>

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 9 – PROPERTY TAX (Continued)**

The College receives property taxes from Gallia, Jackson, Vinton, Meigs and Hocking. The respective 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, 2002, are available to finance fiscal year 2002 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, tangible personal property, and public utility taxes which became measurable as of June 30, 2002, 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 revenue for that portion not levied to finance current fiscal year operations. The amount available as an advance at June 30, 2002, was \$13,119 and is recognized as revenue. The amount available as an advance at June 30, 2001, was not determinable.

**NOTE 10 – 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 13). The accounts of the department of student financial aid are not reflected in the accompanying financial statements.

**NOTE 11 – FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS**

The accompanying Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2002 reflect the natural expense classifications utilized by the College. Functional expense classification would be as follows:

Educational and General:	
Instructional Support	\$ 8,074,020
Instutional Support	228,836
Depreciation	<u>1,227,497</u>
 Total	 <u>\$ 9,530,353</u>

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 12 – CAPITAL ASSETS**

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

<u>Capital Assets</u>	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Land	\$ 2	\$ 0	\$ 0	\$ 2
Land Improvements	476,534	359,735	0	836,269
Buildings	26,752,493	0	0	26,752,493
Building Improvements	4,778,268	0	0	4,778,268
Equipment	<u>2,082,660</u>	<u>73,443</u>	<u>0</u>	<u>2,156,103</u>
Total Capital Assets	34,089,957	433,178	0	34,523,135
Less Accumulated Depreciation:				
Land	0	0	0	0
Land Improvements	473,210	0	0	473,210
Buildings	8,841,734	891,750	0	9,733,484
Building Improvements	3,021,407	318,551	0	3,339,958
Equipment	<u>2,012,997</u>	<u>17,196</u>	<u>0</u>	<u>2,030,193</u>
Total Accumulated Depreciation	<u>14,349,348</u>	<u>1,227,497</u>	<u>0</u>	<u>15,576,845</u>
Net Capital Assets	<u>\$ 19,740,609</u>	<u>\$ (794,319)</u>	<u>\$ 0</u>	<u>\$ 18,946,290</u>

**NOTE 13 – INSTRUCTIONAL CONTRACT WITH THE UNIVERSITY OF RIO GRANDE**

The College has a contract with the University of Rio Grande, Gallia County (the "University"), whereby the University agrees to perform services for the College in return of an amount determined by the State of Ohio per full-time equivalent student enrolled at the College. The current contract expires June 30, 2004. Under the terms of the contract, the President of the University also serves as President of the College.

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.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

**NOTE 14 – 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 generally 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 audits 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, 2002.

Litigation: The College is currently not party to any litigation.

**RIO GRANDE COMMUNITY COLLEGE  
GALLIA COUNTY**

**BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2002**

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**College Location**

218 North College Avenue  
Rio Grande, Ohio 45674

<b>Board of Trustees</b>	<b>Title</b>	<b>Term of Office</b>
Ms. Polly B. Wetherholt	Chairman	12/18/97 - 09/09/07
Mr. Andrew R. Adelman, Jr.	Vice Chairman	09/11/81 - 09/10/06
Mr. Charles I. Adkins	Trustee	09/11/85 - 09/10/05
Mr. Don B. Cotner	Trustee	10/03/91 - 10/02/06
Mr. Carl G. Dahlberg	Trustee	09/01/84 - 08/30/04
Ms. Bonny C. Huffman	Trustee	10/11/00 - 10/10/05
Mr. Thomas W. Karr	Trustee	09/28/01 - 10/10/06
Dr. Herman L. Koby	Trustee	10/10/01 - 10/10/06
Mr. Michael L. Swisher	Trustee	09/11/97 - 09/10/06

**College Administration**

Dr. Barry M. Dorsey	President
Ms. Luanne R. Bowman	Vice President for Financial and Administrative Affairs

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Athens Mall Suite B  
Athens, Ohio 45701  
Telephone 740-594-3300  
800-441-1389  
Facsimile 740-594-2110  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Rio Grande Community College  
Gallia County  
218 North College Street  
P.O. Box 326  
Rio Grande, Ohio 45674

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Rio Grande Community College, Gallia County, Ohio (the College), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002, wherein we noted the College adopted Governmental Accounting Standards Board Statement No. 35. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the College in a separate letter dated December 3, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 3, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**RIO GRANDE COMMUNITY COLLEGE**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 7, 2003**