RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012

Dave Yost • Auditor of State

Board of Trustees
Rio Grande Community College
218 North College Avenue
P.O. Box 326
Rio Grande, Ohio 45674

We have reviewed the *Independent Auditors' Report* of the Rio Grande Community College, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

Dave Yost

Dave Yost
Auditor of State

December 24, 2012

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us

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Rio Grande Community College
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Independent Auditor's Report

Board of Trustees
Rio Grande Community College
218 North College St.
PO Box 326
Rio Grande, Ohio 45674

We have audited the accompanying basic financial statements of the business-type activities of Rio Grande Community College, Gallia County Ohio (the College), as of and for the year ended June 30, 2012, 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 did not audit the basic financial statements of the business-type activities of Rio Grande Community College as of and for the year ended June 30, 2011. Those financial statements were audited by other auditors whose report dated December 12, 2011, expressed an unqualified opinion on those statements. Our opinion, insofar as it relates to the amounts included of the College for the year ended June 30, 2011, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rio Grande Community College, Gallia County Ohio, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 15, 2012

The discussion and analysis of Rio Grande Community College's financial statements provide an overview of the College's financial activities for the fiscal years ended June 30, 2012 and 2011. 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 Primary Institution. The College's 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 Assets is designed to present the College's financial position as of a point in time. This statement combines current financial resources (short-term spendable resources) with capital assets and other long-term resources. The Statement of Revenues, Expenses, and Changes in Net Assets focus on the change in net assets 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 remained steady during the fiscal year ended June 30, 2012. Total assets decreased by 15% from the previous fiscal year primarily due to the conversion of the capital lease for the Meigs Center to an operational lease.

During the fiscal year ended June 30, 2012, the College's expenses exceeded revenues and other support creating a decrease in net assets of $13,661.

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.

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

You will need to consider many other nonfinancial factors, such as the trend in College 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 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.

A comparative summary of the major components of the College's net assets follows:

Net Assets
As of June 30

	2012	2011	2010
Current Assets	$ 3,826,261	$ 3,986,407	$ 3,992,264
Noncurrent Assets:			
Capital Assets (net of depreciation)	9,612,173	12,039,391	13,037,774
Total Assets	13,438,434	16,025,798	17,030,038
Current Liabilities	900,465	1,644,572	1,451,248
Noncurrent Liabilities	-	1,829,596	1,980,738
Total Liabilities	900,465	3,474,168	3,431,986
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,612,173	10,071,054	10,922,916
Restricted to Capital Projects	1,195,241	1,195,241	1,192,838
Unrestricted	1,730,555	1,285,335	1,482,298
Total Net Assets	$ 12,537,969	$ 12,551,630	$ 13,598,052

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

- Significant decrease in accounts payable is related to the timing of payables at year end.
- Capital asset decreases were caused by current year depreciation expense and removal of capital lease obligation at the Meigs Center.
- Significant decrease in noncurrent liabilities is related to the change of the capital lease obligation at the Meigs Center to an operating lease.

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

Operating Results
For the Year Ended June 30

	2012	2011	2010
Operating Revenues:			
Student Tuition	$ 5,465,906	$ 5,193,942	$ 4,684,802
Federal Grants and Contracts	106,422	237,236	225,112
State Grants	22,015	54,493	121,748
Other	18,138	1,029	663
Total Operating Revenues	5,612,481	5,486,700	5,032,325
Operating Expenses:			
Educational and General:			
Instructional Support	9,843,641	10,783,989	10,446,337
Institutional Support	1,104,638	958,563	832,720
Depreciation	617,709	1,298,104	1,116,578
Total Operating Expenses	11,565,988	13,040,656	12,395,635
Operating loss	(5,953,507)	(7,553,956)	(7,363,310)
Nonoperating Revenues			
State Appropriations	5,024,364	5,231,179	5,489,496
Property Taxes	871,363	951,228	936,578
Investment Income	19,469	23,003	16,755
Loss on Disposal of Assets	(279,207)	-	-
Total Nonoperating Income	5,635,989	6,205,410	6,442,829
Loss Before Other Revenues, Expenses, Gains or Losses	(317,518)	(1,348,546)	(920,481)
Capital Appropriations	303,857	302,124	302,124
Change in Net Assets	(13,661)	(1,046,422)	(618,357)
Net Assets - Beginning of Year	12,551,630	13,598,052	14,216,409
Net Assets - End of Year	$ 12,537,969	$ 12,551,630	$ 13,598,052

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 revenue increased 5.2%, which is in direct correlation with an increase in enrollment and a modest tuition increase.
- State grants and contracts decreased, because certain grant programs, in which the college participated, were eliminated in the previous biennial State budget.

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 decreased by 8.7% over the prior year due to budget adjustments made midyear to better reflect enrollment and changes in staffing within the College.
- Depreciation expenses decreased by 52.41% over the prior year due to the college changing the useful life of buildings from 30 years to 40 years.

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 appropriations for 2012 decreased 4% when compared to the prior year. This decrease was in accordance with the state funding formula calculations.

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

	2012	2011	2010
Net Cash From:			
Operating Activities	$ (5,952,983)	$ (6,146,113)	$ (5,948,383)
Noncapital Financing Activities	5,735,501	6,197,305	6,328,719
Capital and Related Financing Activities	(222,438)	17,138	96,777
Investing Activities	19,469	23,003	16,755
Change in Cash and Cash Equivalents	(420,451)	91,333	493,868
Cash and Cash Equivalents - Beginning of Year	2,277,785	2,186,452	1,692,584
Cash and Cash Equivalents - End of Year	$ 1,857,334	$ 2,277,785	$ 2,186,452

For the year ended June 30, 2012 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 of Rio Grande. 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 decreased approximately $420,000 from 2011 to 2012.

Capital assets

At June 30, 2012, the College had $9.6 million invested in capital assets, net of accumulated depreciation of $27 million. Depreciation charges totaled $617,709 for the current fiscal year. A comparative summary of these assets is as follows:

Capital Assets, Net of Accumulated Depreciation
As of June 30

	2012	2011	2010
Land and Land Improvements	$ 49,793	$ 57,941	$ 113,358
Buildings	8,764,234	11,537,461	12,438,761
Building Improvements	613,015	229,463	224,956
Equipment	185,131	214,526	260,699
	$ 9,612,173	$ 12,039,391	$ 13,037,774

In 2012, the college converted the capital lease with the Meigs County Community Improvement Corporation to an operation lease. The fixed asset amount was deleted from the books. The Loss of the disposal was recorded at $279,207.

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. The current State budget is unclear at this time for the next biennium. Effective with fall 2011 semester, the Board of Trustees voted to increase tuition by $200/FTE. It is also unknown at this time if the Board will decide to increase tuition for fall 2013.

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 the Financial Administrative Office 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
Statements of Net Assets
June 30, 2012

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,857,334	$ 2,277,785
Receivables:		
Tuition	592,313	642,415
Intergovernmental	372,431	92,482
Property taxes	1,003,433	968,126
Prepaid expenses	750	5,599
Total Current Assets	3,826,261	3,986,407
Noncurrent Assets:		
Capital Assets, gross	36,489,517	38,602,963
Accumulated depreciation	(26,877,344)	(26,563,572)
Total Noncurrent Assets	9,612,173	12,039,391
Total Assets	$ 13,438,434	$ 16,025,798
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 131,225	$ 611,672
Current installments of capital lease obligations	-	138,741
Unearned revenue	769,240	894,159
Total Current Liabilities	900,465	1,644,572
Noncurrent Liabilities:		
Capital lease obligations, less current installments	-	1,829,596
Total Liabilities	900,465	3,474,168
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	9,612,173	10,071,054
Restricted:		
Capital projects	1,195,241	1,195,241
Unrestricted	1,730,555	1,285,335
Total Net Assets	$ 12,537,969	$ 12,551,630

The accompanying notes are an integral part of the financial statements.

Rio Grande Community College
Statements of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2012

	2012	2011
Revenues		
Operating Revenues:		
Student tuition	$ 5,465,906	$ 5,193,942
Federal grants and contracts	106,422	237,236
State grants	22,015	54,493
Other	18,138	1,029
Total Operating Revenues	5,612,481	5,486,700
Expenses		
Operating Expenses:		
Instructional contract expense	9,843,641	10,509,897
Bad debt/collection expenses	153,451	35,563
Contractual costs - Title III	16,389	6,893
Credit card cost	1,765	1,913
Grant expenses	114,869	274,092
Salaries	354,257	383,930
Fringe benefits	164,309	185,293
Advertising/promotions	34,863	45,280
Professional fees	58,995	45,575
Office expenses	67,901	48,166
Travel and conferences	22,440	53,513
Dues and subscriptions	26,770	26,685
Insurance	15,462	14,575
Other expenses	18,762	41,285
Interest expense	54,405	69,892
Depreciation	617,709	1,298,104
Total Operating Expenses	11,565,988	13,040,656
Operating Income/(Loss)	(5,953,507)	(7,553,956)
Nonoperating Revenues (Expenses)		
State appropriations	5,024,364	5,231,179
Property taxes	871,363	951,228
Investment income	19,469	23,003
Loss on Disposal of Assets	(279,207)	-
Net nonoperating revenues	5,635,989	6,205,410
Income (loss) before capital appropriations	(317,518)	(1,348,546)
Capital appropriations	303,857	302,124
Change in net assets	(13,661)	(1,046,422)
Net Assets		
Net Assets at Beginning of Year	12,551,630	13,598,052
Net Assets at End of Year	$ 12,537,969	$ 12,551,630

The accompanying notes are an integral part of the financial statements.

Rio Grande Community College
Statements of Cash Flows
For The Year Ended June 30, 2012

	2012	2011
Cash Flows from Operating Activities		
Tuition and Fees	$ 5,516,008	$ 5,130,136
Grants	(151,512)	526,770
Other revenue	18,138	1,029
Contract payments to University of Rio Grande	(9,843,641)	(10,509,897)
Grant transfers to University of Rio Grande	(114,869)	(274,092)
Payments to employees for wages & benefits	(518,566)	(569,223)
Payments to vendors	(858,541)	(450,836)
Net Cash Used by Operating Activities	(5,952,983)	(6,146,113)
Cash Flows from Noncapital Financing Activities		
State Appropriations	5,024,364	5,231,179
Property taxes	711,137	966,126
Net Cash Flows Provided by Noncapital Financing Activities	5,735,501	6,197,305
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	303,857	302,124
Principal payments on capital lease obligations	(60,403)	(146,521)
Capital asset purchases	(465,892)	(138,465)
Net Cash (Used)/Provided by Capital and Related Financing Activities	(222,438)	17,138
Cash Flows from Investing Activities		
Interest on investments	19,469	23,003
Net Cash Provided by Investing Activities	19,469	23,003
Change in cash and cash equivalents	(420,451)	91,333
Cash at Beginning of Year	2,277,785	2,186,452
Cash at End of Year	$ 1,857,334	$ 2,277,785
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	$ (5,953,507)	$ (7,553,956)
Adjustments:		
Depreciation Expense	617,709	1,298,104
Changes in Assets and Liabilities:		
Provision for bad debts	153,451	35,563
Changes in assets and liabilities:		
Receivables:		
Tuition	50,102	(63,806)
Intergovernmental	(279,949)	235,041
Prepaid expenses	4,849	414
Accounts payable and accrued liabilities	(545,638)	(97,473)
Cash Used by Operating Activities	$ (5,952,983)	$ (6,146,113)
Supplemental disclosure of noncash investing and financing activities		
Retirement of Capital Lease Obligation Through Restructuring the Lease	1,907,934	-

The accompanying notes are an integral part of the 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

The 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 Vice-President for Financial and Administrative Affairs 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 have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Rio Grande Community 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. In Accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB No. 35) and subsequent standards issued by GASB, the financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basic of accounting

The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when obligations have been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by providers have been met. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting,* the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FAASB pronouncements issued after that date.

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 2012 and 2011, 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.

Capital assets

Capital assets (except for Title III assets) with a unit cost of $1,000 or greater, including property, plant and 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. Title III capital assets, which include computer equipment and software at any cost, are carried at cost at the date of acquisition, or fair 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.

The following summarizes the estimated useful life:

Assets	Years
Buildings	40
Building Improvements	20
Land Improvements	15
Equipment	3
Computer Technology	3

Property and equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset.

Accounts Receivable

Receivables at June 30, 2012 and 2011 consist primarily of student tuition, grant billings, and property taxes. Receivables are reported at net using the direct write-off method.

Pensions

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

Compensated absences

The College does not record a liability for sick leave and vacation. The amounts due are considered immaterial to the basic financial statements, and are recorded as an expense in the period incurred.

Operating revenues

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

Federal financial assistance programs

The College participates in federally funded programs for Higher Educational Institutional Aid, Vocational Education and Improving Teacher Quality State Grants.

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net assets – nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

At June 30, 2012 and 2011, the College had no nonexpendable restricted assets.

Restricted net assets – expendable. Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restriction imposed by external third parties.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transaction relating to the educational and general operation of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 revenues and expenses 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 Treasurer presents the annual tax budget for the following year to the Board for reconsideration 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 action 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 expenditures from any fund during the ensuing year will not exceed and 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 estimates 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 function 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. Fund appropriations may be modified during the year only by a 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.

2. 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 for 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 no 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 any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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 issuance of federal government agencies or instrumentalities:

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

D. Bonds and other obligations of the State of Ohio;

E. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreement 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);

G. Certain bankers' acceptances for a period not to exceed one hundred days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

H. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

I. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

J. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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.

Deposits – Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. As of June 30, 2012, the College's bank balance was $1,863,267. Of this amount, $1,053,199 was covered by federal depository insurance and the remaining $810,068 was exposed to custodial 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, as of June 30, 2011, the College's bank balance was $2,971,368. Of this amount $1,368,574 was covered by federal depository insurance and the remaining 1,602,794 was exposed to custodial risk.

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 investment to those explicitly guaranteed by the U.S. government, to STAR Ohio (rate AAA 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 Support:

The Community 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 Community 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 Community 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 Community 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 Community College, outstanding debt issued by the Ohio Public Facilities Commission is not included on the Community College's balance sheet. 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 Community College's accounts.

4. Risk Management

The Community 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.

5. Pension Plans

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.

The Member–Directed Plan – a defined contribution plan in which the member invests both member and employer contribution (employer contributions vest over five years at 20% per year). Under the Member-

Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4562 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for members and employer contributions. The 2012 member contribution rates were 10.0% of their annual covered salary to fund pension obligations. The employer contribution rate was 14.0% of covered payroll. The College's required contributions to OPERS for the years ended June 30, 2012, 2011 and 2010 were $54,337, $56,605 and $64,775, respectively, equal to the required contributions for each year.

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 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 Community College occurs in accordance with the following vesting schedule:

Years of Service	Percentage Vested
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, 2012.

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.

Years of Service	Percentage Vested
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 Community College. Contributions on behalf of employees for the years ended June 30, 2012, 2011 and 2010 was $5,609 $8,192 and $11,415, respectively.

6. Post-Employment Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan, and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance director, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state employers contributed at a rate of 14.0% of covered payroll, local government employer units contributed at 14.0% of covered payroll and public safety and law enforcement employer units contributed at 17.63% The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011.
The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012 the OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The amount of the College's contributions to OPERS to fund post-employment benefits for the years ended June 30, 2012, 2011, and 2010 were $ 46,718, $20,214 and $32,387, respectively.

OPERS Retirement Board Implements its Health Care Preservation Plan: The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rates increases allowed additional funds to be allocated to the health care plan.

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 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 2012 for real and public utility property taxes represents collections of calendar 2011 taxes. Property tax payments received during calendar 2012 for tangible personal property (other than public utility property) are for calendar 2011 taxes.

2012 real property taxes are levied after April 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law and 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. 2012 public utility property taxes become a lien December 31, 2011, are levied after April 1, 2011 and are collected in 2012 with real property taxes.

2012 tangible personal property taxes are levied after April 1, 2011, on the value as of December 31, 2011. Collections are made in 2011. Tangible personal property assessments are twenty-five percent of true value.

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.

The assessed values upon which the fiscal year 2012 taxes were collected for the College are:

	Gallia County	Jackson County	Meigs County	Vinton County	Hocking County
Agricultural/Residential and Other Real Estate (2011 Valuation)	$ 366,207,220	$ 344,797,640	$ 233,933,730	$ 140,988,430	$ 34,440
Other (2011 Valuation)	124,626,580	83,167,420	48,380,530	13,883,590	-
Public utility Personal (2011 Valuation)	229,799,340	33,041,310	43,106,160	33,041,310	7,600
	$ 720,633,140	$ 461,006,370	$ 325,420,420	$ 187,913,330	$ 42,040
Tax Rate per $1,000 of Assessed Valuation	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00

The College receives property taxes from Meigs, Vinton, Gallia, Hocking and Jackson 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, 2012, are available to finance fiscal year 2012 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, 2012, 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.

8. Functional and Natural Expenses Classifications:

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

	2012	2011
Educational and General:		
Instructional Support	$ 9,958,510	$ 10,783,989
Institutional Support	989,769	958,563
Depreciation	617,709	1,298,104
Total	$ 11,565,988	$ 13,040,656

9. Capital Assets:

Capital asset activity for the year ended June 30, 2012 was as follows:

Classification	Balance June 30, 2011	Additions	Disposals	Balance June 30, 2012
Land	$ 2	$ -	$ -	$ 2
Land improvements	1,027,382	-	-	1,027,382
Buildings	29,405,283	-	2,630,419	26,774,864
Building Improvements	5,017,415	421,847	-	5,439,262
Equipment	3,152,881	109,236	14,110	3,248,007
Total capital assets	38,602,963	531,083	2,644,529	36,489,517
Less: accumulated depreciation				
Land improvements	969,443	8,148	-	977,591
Buildings	17,867,822	432,635	289,827	18,010,630
Building improvements	4,787,952	38,295	-	4,826,247
Equipment	2,938,355	138,631	14,110	3,062,876
Total accumulated depreciation	26,563,572	617,709	303,937	26,877,344
Net capital assets	$ 12,039,391	$ (86,626)	$ 2,340,592	$ 9,612,173

Depreciation expense for the fiscal years ended June 30, 2012 and 2011 was $617,709 and $1,298,104 respectively.

10. Student Financial Aid:

The student financial aid program of the Rio Grande Community 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.

11. Capital Lease Obligation:

During 2008, the College entered into a capital lease with Meigs County Community Improvement Corporation for the use of the Meigs Campus. Because the terms and the purchase option ($1 at the conclusion of the lease term) contained in the lease effectively have created financing arrangements, the College is required to record this transactions as a capital lease. The aggregate lease payments were discounted at the inception of the lease and the net present value was recorded as a liability.

	Capitalized Cost	Payment Frequency	Payment Amount	Interest Rate	Maturity
Meigs Campus	$ 2,411,421	Monthly	$ 18,000	3.392%	June 2022

	Balance Outstanding 6/30/2011	Additions	Reductions	Balance Outstanding 6/30/2012	Amount Due in One Year
Capital lease obligation	$ 1,968,337	$ -	$ 1,968,337	$ -	$ -

In May of 2012, the College renegotiated the terms of the capital lease with the Meigs County Community Improvement Corporation. The board of Directors felt it was in the best interest of the College to renegotiate the lease and change the lease from a capital lease to an operating lease. The lease obligation was capitalized for the first ten months of the year and expensed out for the remainder of the year. The depreciation of the building was also removed as this is no longer a long term obligation with the purchase option at the end of the lease.

12. Operating Lease Obligation:

The College has entered into a lease agreement that is considered an operating lease for a building. Total rental expense under the operating lease during the year ended June 30, 2012 amounted to $36,000. The lease is a one year lease with a renewal options annually at the same rate for the next ten periods.

Future minimum lease payments as of June 30, 2012 under operating lease are as follow:

Year Ending June 30	Operating Lease
2013	$ 432,000
2014	432,000
2015	432,000
2016	432,000
2017	432,000
2018-2022	432,000
Total minimum lease payments	$ 2,592,000

13. Instructional Contract with the University of Rio Grande:

The Community College has a contract with the University of Rio Grande whereby the University agrees to perform instructional services for the Community College in return of an amount determined by the State of Ohio per full-time equivalent student enrolled at the Community College. The current contract expires June 30, 2013. The University of Rio Grande provides to the Community 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 Community College's administrative offices.

Under the terms of the contract, the University of Rio Grande agrees to lease to the Community College the land necessary for the Community 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 of Rio Grande subleases these structures from the Community 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 of Rio Grande for the fiscal year ended June 30, 2012 is $86,846 and the amount payable from the University for the fiscal year 2011 was $300,000. These amounts are included as accounts receivable and accounts payable and accrued liabilities and are reported in the statements of net assets.

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 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, 2012. 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.

Rio Grande Community College
Board of Trustees and Administrative Personnel
Fiscal Year Ended June 30, 2012

College Location	Mailing Address
218 North College Street	P.O. Box 326
Rio Grande, Ohio 45674	Rio Grande, Ohio 45674

Board of Trustees	**Title**	**Appointed By**	**Term of Office**
Mr. Thomas W. Karr	Trustee	Meigs County [1]	09/28/01-10/10/15
Ms. Sue Wiseman Ruff	Trustee	Gallia County [1]	09/27/07-09/26/12
Mr. Andrew R. Adelmann, Jr.	Trustee	Vinton County [1]	09/11/81-09/10/16
Mr. Paul M. Reed	Trustee	Joint Commissioners [2]	05/03/04-09/10/15
Mr. Jody W. Walker	Trustee	Joint Commissioners [2]	10/03/06-11/1/16
Ms. Debora Weber	Trustee	Governor	05/17/12-05/17/17
Mr. Lawrence Kidd	Trustee	Governor	02/15/11-10/10/15
Mr. Shawn E. Saunders	Trustee	Governor	01/09/08-10/10/16
Mr. Aaron Michael	Trustee	Jackson County [1]	12/30/11-12/30/16

Administrative Personnel	
Dr. Barbara Gellman-Danley	President

[1] - Appointed by the Board of County Commissioners

[2] - Appointed by action of the joint Boards of County Commissioners of Gallia, Jackson, Meigs, and Vinton Counties.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Trustees
Rio Grande Community College
PO Box 326
218 North College Street
Rio Grande, Ohio 45674

We have audited the financial statements of the business-type activities of the Rio Grande Community College, Gallia County, OH (the College), as of and for the year ended June 30, 2012 and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.* Other auditors audited the financial statements of the business-type activities of the Rio Grande Community College as of and for the year ended June 30, 2011, as described in our report on the College's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the College's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider finding 2012-01 and 2012-02 to be significant deficiencies. 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.

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the College's responses and, accordingly, we express no opinion on them.

We did note certain matters not requiring inclusion in this report that we reported to the College's management in a separate letter dated November 15, 2012.

We intend this report solely for the information and use of the management, the audit committee, members of the Board, and others within the College. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 15, 2012

Finding Number 2012-01

Significant Deficiency – *Controls over Financial Reporting*

Management is responsible for ensuring the financial statements are complete and prepared accurately in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these decisions.

The accompanying financial statements were adjusted to reflect correction to depreciation expense, bad debt expense and capital assets. The College should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

The College has implemented procedures to ensure all required adjustments and/or applicable note disclosures are completed in accordance with GAAP.

Finding Number 2012-02

Significant Deficiency – Segregation of Duties

The segregation of financial duties is important to adequately protect the College's assets and ensure accurate financial reporting. Presently, there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. Efficient segregation of duties in a small environment is often difficult; however, the College's board should be aware of the risk associated with the lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

Client Response:

The College is aware of the segregation of duties issues related to limited and reduced staff and is currently making every attempt to mitigate these risks. Theses attempts include a shared services agreement with Southern State Community College for additional financial oversight, as well as exploration of a partnership with the University of Rio Grande Accounting Department. Management feels confident these steps should address the concerns. If not, additional procedures will be considered.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-1	Significant Deficiency Adjustments	No	Reissued as Finding 2012-01
2012-2	Significant Deficiency Segregation of Duties	No	Reissued as Finding 2012-02

Dave Yost • Auditor of State

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 29, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov