Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013

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, 2012 through June 30, 2013. 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

February 4, 2014

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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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Rio Grande Community College, Gallia County Ohio (the College), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, of Rio Grande Community College, Gallia County, Ohio, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2013, the College adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of the Board of Trustees and Administrative Personnel is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of the Board of Trustee and Administrative Personnel has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 17, 2014

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, 2013 and 2012. 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 basic statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Position is designed to present the College's financial position as of a point in time. 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 Position focus on the change in net position over the year to indicate whether there has been improvement or erosion of the College's financial health.

Financial highlights

During the fiscal year ended June 30, 2013, the College's revenues and capital appropriations exceeded expenses which resulted in an increase in net position of $459,717. This is due to timing differences in payables and receivables at June 30.

The College's financial position remained steady during the fiscal year ended June 30, 2013.

The Statement of Activities

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

These two statements report the College's net position and the changes that occur in them during the year. You can think of the difference between assets 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 position are one indicator of whether its financial health is improving or deteriorating.

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

These statements include all assets 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 position follows:

Net Position
As of June 30

	2013	**2012**	**2011**
Current Assets	$ 4,940,214	$ 3,826,261	$ 3,986,407
Noncurrent Assets:			
Capital Assets (net of depreciation)	9,089,292	9,612,173	12,039,391
Total Assets	$ 14,029,506	$ 13,438,434	$ 16,025,798
Current Liabilities	$ 1,031,820	$ 900,465	$ 1,644,572
Noncurrent Liabilities	-	-	1,829,596
Total Liabilities	1,031,820	900,465	3,474,168
Net Position:			
Net Investment in Capital Assets	9,089,292	9,612,173	10,071,054
Restricted to Capital Projects	1,195,241	1,195,241	1,195,241
Unrestricted	2,713,153	1,730,555	1,285,335
Total Net Position	$ 12,997,686	$ 12,537,969	$ 12,551,630

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

- The increases in current assets are partially due to a positive cash flow related to the timing of receivables and payables and the expenses in connection with the instructional contract with the University of Rio Grande. The increase is also due to an increase in tuition receivable which was due to a delay in payment from the University of Rio Grande.

- The decrease in Capital Assets is due to depreciation expenses.

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

Operating Results
As of June 30

	2013	2012	2011
Operating Revenues:			
Student Tuition	$ 5,974,539	$ 5,465,906	$ 5,193,942
Federal Grants and Contracts	-	106,422	237,236
State Grants	95,000	22,015	4,493
Other	13,345	18,138	1,029
Total Operating Revenues	6,082,884	5,612,481	5,436,700
Operating Expenses:			
Educational and General			
Instructional Support	9,658,547	9,843,641	10,783,989
Institutional Support	1,131,098	1,104,638	958,563
Depreciation	573,559	617,709	1,298,104
Total Operating Expenses	11,363,204	11,565,988	13,040,656
Operating Loss	(5,280,320)	(5,953,507)	(7,603,956)
Non-operating Revenues			
State Appropriations	4,577,634	5,024,364	5,231,179
Property Taxes	850,663	871,363	951,228
Investment Income	18,826	19,469	23,003
Loss on Disposal of Assets	-	(279,207)	-
Total Non-operating Income	5,447,123	5,635,989	6,205,410
Loss Before Other Revenues, Expenses, Gains or Losses	166,803	(317,518)	(1,398,546)
Capital Appropriations	292,914	303,857	302,124
Change in Net Position	459,717	(13,661)	(1,096,422)
Net Position - Beginning of Year	12,537,969	12,551,630	13,598,052
Net Position - End of Year	$ 12,997,686	$ 12,537,969	$ 12,501,630

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 9.3%, which is in direct correlation with an increase in enrollment and a modest tuition increase.
- Federal grants and contracts decreased, because certain grant programs, in which the college participated, were eliminated.

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 has remained steady over the last few years
- Salary expenses, which are a component of Institutional expense, decreased due to a significant staffing change during the fiscal year.

Non-operating Revenues

Non-operating 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 2013 decreased 8.9% when compared to 2012. This decrease was in accordance with the state funding formula calculations.

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 a State capital appropriation in the amount of $292,914 designated for future capital projects.

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 Flow
For the Year Ended June 30

	2013	2012	2011
Net Cash From:			
Operating Activities	$ (4,928,405)	$ (5,952,983)	$ (6,146,113)
Noncapital Financing Activities	5,507,165	5,735,501	6,197,305
Capital and Related Financing Activities	242,236	(222,438)	17,138
Investing Activities	18,826	19,469	23,003
Change in Cash and Cash Equivalents	839,822	(420,451)	91,333
Cash and Cash Equivalents - Beginning of Year	1,857,334	2,277,785	2,186,452
Cash and Cash Equivalents - End of Year	$ 2,697,156	$ 1,857,334	$ 2,277,785

For the year ended June 30, 2013 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 increased $839,822 from 2012 to 2013.

Capital assets

At June 30, 2013, the College had $9 million invested in capital assets, net of accumulated depreciation of $27 million. Depreciation charges totaled $573,559 for the current fiscal year.

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 2012 semester, the Board of Trustees voted to increase tuition by $100/FTE.

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 Position

June 30, 2013

		2013		2012
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	2,697,156	$	1,857,334
Receivables:				
Tuition		1,038,946		592,313
Intergovernmental		278,797		372,431
Property Taxes		924,565		1,003,433
Prepaid Expenses		750		750
Total Current Assets		4,940,214		3,826,261
Noncurrent Assets:				
Capital Assets, Gross		36,540,195		36,489,517
Accumulated Depreciation		(27,450,903)		(26,877,344)
Total Noncurrent Assets		9,089,292		9,612,173
Total Assets	$	14,029,506	$	13,438,434
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$	359,598	$	131,225
Unearned Revenue		672,222		769,240
Total Liabilities		1,031,820		900,465
NET POSITION				
Net Investment in Capital Assets		9,089,292		9,612,173
Restricted:				
Capital Projects		1,195,241		1,195,241
Unrestricted		2,713,153		1,730,555
Total Net Position	$	12,997,686	$	12,537,969

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

Rio Grande Community College

Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2013

	2013	2012
Revenues		
Operating Revenues:		
Student Tuition	$ 5,974,539	$ 5,465,906
Federal Grants and Contracts	-	106,422
State Grants	95,000	22,015
Other	13,345	18,138
Total Operating Revenues	6,082,884	5,612,481
Expenses		
Operating Expenses:		
Instructional Contract Expense	9,658,547	9,843,641
Lease Payment Expense	216,000	-
Bad Debt/Collection Expenses	41,738	153,451
Contractual Costs - Title III	-	16,389
Credit Card Cost	1,501	1,765
Grant Expenses	91,778	114,869
Salaries	310,903	354,257
Fringe Benefits	100,765	164,309
Advertising/Promotions	30,380	34,863
Professional Fees	45,384	58,995
Office Expenses	72,156	67,901
Travel and Conferences	20,759	22,440
Dues and Subscriptions	22,063	26,770
Insurance	22,968	15,462
Other Expenses	154,703	18,762
Interest Expense	-	54,405
Depreciation	573,559	617,709
Total Operating Expenses	11,363,204	11,565,988
Operating Income/(Loss)	(5,280,320)	(5,953,507)
Nonoperating Revenues (Expenses)		
State Appropriations	4,577,634	5,024,364
Property Taxes	850,663	871,363
Investment Income	18,826	19,469
Loss on Disposal of Assets	-	(279,207)
Net Nonoperating Revenues	5,447,123	5,635,989
Income (loss) Before Capital Appropriations	166,803	(317,518)
Capital Appropriations	292,914	303,857
Change in Net Position	459,717	(13,661)
Net Position		
Net Position at Beginning of Year	12,537,969	12,551,630
Net Position at End of Year	$ 12,997,686	$ 12,537,969

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, 2013

	2013	2012
Cash Flows from Operating Activities		
Tuition and Fees	$ 5,389,150	$ 5,516,008
Grants	188,634	(151,512)
Other revenue	13,345	18,138
Contract payments to University of Rio Grande	(9,658,547)	(9,843,641)
Grant transfers to University of Rio Grande	(91,778)	(114,869)
Payments to employees for wages & benefits	(411,668)	(518,566)
Payments to vendors	(357,541)	(858,541)
Net Cash Used by Operating Activities	(4,928,405)	(5,952,983)
Cash Flows from Noncapital Financing Activities		
State Appropriations	4,577,634	5,024,364
Property taxes	929,531	711,137
Net Cash Flows Provided by Noncapital Financing Activities	5,507,165	5,735,501
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	292,914	303,857
Principal payments on capital lease obligations	-	(60,403)
Capital asset purchases	(50,678)	(465,892)
Net Cash (Used)/Provided by Capital and Related Financing Activities	242,236	(222,438)
Cash Flows from Investing Activities		
Interest on investments	18,826	19,469
Net Cash Provided by Investing Activities	18,826	19,469
Change in cash and cash equivalents	839,822	(420,451)
Cash at Beginning of Year	1,857,334	2,277,785
Cash at End of Year	$ 2,697,156	$ 1,857,334
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	$ (5,280,320)	$ (5,953,507)
Adjustments:		
Depreciation Expense	573,559	617,709
Changes in Assets and Liabilities:		
Provision for bad debts	(97,018)	153,451
Changes in assets and liabilities:		
Receivables:		
Tuition	(446,633)	50,102
Intergovernmental	93,634	(279,949)
Prepaid expenses	-	4,849
Accounts payable and accrued liabilities	228,373	(545,638)
Cash Used by Operating Activities	$ (4,928,405)	$ (5,952,983)
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.

NOTE 1 - DESCRIPTION OF THE ENTITY

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 11). 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). 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 position, revenues, expenses, changes in net position and cash flows.

Basis 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. The College reports as a "business type activity' as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The full scope of the Colleges activities is considered to be a single business type activity and accordingly, is reported within a single column in the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ENTITY (continued)

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 years 2013 and 2012, 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 quotes 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.

NOTE 1 - DESCRIPTION OF THE ENTITY (continued)

Accounts Receivable

Receivables at June 30, 2013 and 2012 consist primarily of student tuition, grant billings, and property taxes. Receivables are reported at net using the direct write-off method. The college selected an 18 month time frame in 2013 instead of a 12 time frame for write-offs. This change will keep staff from reinstating payments collected from the attorney general.

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 non-operating revenues are state appropriations, property tax revenue and investment income.

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets - This is comprised of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets.

Restricted Net Position – expendable. Restricted expendable net position 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 Position – Net position whose use by the College is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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.

NOTE 1 - DESCRIPTION OF THE ENTITY (continued)

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 of 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.

NOTE 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 five-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;

F. The State Treasurer's investment pool (STAROhio);

G. Certain Bankers' acceptances for a period not to exceed one hundred eighty 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;

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2013, the College's bank balance was $2,779,645. Of this amount, $1,056,017 was covered by federal depository insurance and the remaining $1,723,628 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, 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.

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 practicing 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 AAAm by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

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

NOTE 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.

NOTE 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 11 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.

NOTE 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, OPER invests employer contribution 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 2013 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, 2013, 2012 and 2011 were $52,929, $54,337 and $56,605, 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%

NOTE 5 - PENSION PLANS (continued)

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, 2013.

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	% 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, 2013, 2012 and 2011 were $6,379, $5,609 and $8,192, respectively.

NOTE 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 proved by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

NOTE 6 – POST EMPLOYMENT BENEFITS (continued)

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-along 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 2013, state employers contributed at a rate of 14.0% of covered payroll, local government employer units contributed at 14.0% of covered payroll. 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. 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. For 2012, the employer contribution allocated to the health care plan was 4.0% for the Traditional Plan and 6.05% for the Combined Plan of covered payroll. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1% for both plans as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. 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, 2013, 2012 and 2011 were $ 52,929, $46,718 and $20,214, 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, 2012. These rates increases allowed additional funds to be allocated to the health care plan.

NOTE 7 - PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the various counties. Property tax revenue received during calendar 2013 for real and public utility property taxes represents collections of calendar 2012 taxes.

NOTE 7 - PROPERTY TAX (continued)

Property tax payments received during calendar 2013 for tangible personal property (other than public utility property) are for calendar 2012 taxes.

2013 real property taxes are levied after April 1, 2013, on the assessed value as of January 1, 2013, 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. 2013 public utility property taxes became a lien December 31, 2012, are levied after April 1, 2013 and are collected in 2013 with real property taxes.

2013 tangible personal property taxes are levied after April 1, 2012, on the value as of December 31, 2012. Collections are made in 2013. 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.

The assessed values upon which the fiscal year 2013 taxes were collected for the College are:

	Gallia County	Jackson County	Meigs County	Vinton County	Hocking County
Agricultural/Residential and Other Real Estate (2012 Valuation)	$ 367,310,110	$ 348,008,460	$ 235,534,300	$ 147,186,190	$ 34,440
Other (2012 Valuation)	123,948,270	82,743,730	48,484,690	13,566,930	-
Public Utility Personal (2012 Valuation)	218,912,010	46,973,870	44,286,080	32,964,920	7,310
	$ 710,170,390	$ 477,726,060	$ 328,305,070	$ 193,718,040	$ 41,750
Tax Rate per $1,000 of Assessed Valuation	$ 1	$ 1	$ 1	$ 1	$ 1

The College receives property taxes from Meigs, Vinton, Gallia, Hocking and Jackson Countries. 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, 2013, are available to finance fiscal year 2014 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, 2013, and for which there is an enforceable legal claim.

NOTE 7 - PROPERTY TAX (continued)

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.

NOTE 8 – FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS:

The accompanying Statement of Activities reflect the natural expense classifications utilized by the College. Functional expense classification would be as follows:

	2013	2012
Educational and General:		
Instructional Support	$ 9,658,547	$ 9,958,510
Institutional Support	1,131,098	989,769
Depreciation	573,559	617,709
Total	$ 11,363,204	$ 11,565,988

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Classification	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Land	$ 2	$ -	$ -	$ 2
Land Improvements	1,027,382	-	-	1,027,382
Buildings	26,774,864	50,678	-	26,825,542
Building Improvements	5,439,262	-	-	5,439,262
Equipment	3,248,007	-	-	3,248,007
Total Capital Assets	36,489,517	50,678	-	36,540,195
Less: Accumulated Depreciation				
Land Improvements	977,591	8,149	-	985,740
Buildings	18,010,630	385,217	-	18,395,847
Building improvements	4,826,247	37,671	-	4,863,918
Equipment	3,062,876	142,522	-	3,205,398
Total Accumulated Depreciation	26,877,344	573,559	-	27,450,903
Net Capital Assets	$ 9,612,173	$ (522,881)	$ -	$ 9,089,292

NOTE 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 11). The accounts of the department of student financial aid are not reflected in the accompanying financial.

NOTE 11 – 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, 2013 amounted to $217,000. The lease is a one year lease with renewal options annually at the same rate for the next ten periods.

Future minimum lease payments as of June 30, 2013 under operating lease are as follow:

Year Ending June 30	Operating Lease
2014	$ 216,000
2015	216,000
2016	216,000
2017	216,000
2018	216,000
2019-2022	864,000
Total minimum lease payments	$ 1,944,000

NOTE 12 - 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 expired June 30, 2013. At the completion of the fiscal year, the contract was extended for two years expiring on June 30, 2015. 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.

NOTE 12 - INSTRUCTIONAL CONTRACT WITH THE UNIVERSITY OF RIO GRANDE (continued)

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, 2013 is $641,909 and the amount payable from the University as of June 30, 2013 was $349,477. These amounts are included as accounts receivable and accounts payable and accrued liabilities and are reported in the statements of net position.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2013, the College implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements",* and GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the College's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the College's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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 general required 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, and such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2013. 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, 2013

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. Mary Lynn Jones	Trustee	Gallia County [1]	10/11/12-10/11/17
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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Stan*dards, the financial statements of Rio Grande Community College , Gallia County (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 17, 2014, wherein we noted the College implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the College's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control .We consider finding 2013-01 to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

College's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
January 17, 2014

Finding Number 2013-01

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 corrections to unearned revenue, other revenues 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 institution has contracted with URG for third level review from their controller of the financial statements. Due to the timing of the hiring of this position by URG, RGCC was not able to utilize this review for the audit period. The Controller is reviewing the statements on a quarterly basis to familiarize himself with Rio to circumvent any over statements or to review any practices that should be adjusted to show best practices.

The depreciation & capital asset errors were a result of the implementation team and not a direct error from RGCC's CFO.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-01	Significant Deficiency Adjustments	No	Reissued as Finding 2013-01
2012-02	Significant Deficiency Segregation of Duties	Yes	

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
FEBRUARY 18, 2014

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