RIO GRANDE COMMUNITY COLLEGE

Financial Statements

June 30, 2014 and 2013

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

Dave Yost • Auditor of State

Board of Trustees
Rio Grande Community College
218 North College Street
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 Clark, Schaefer, Hackett & Co., for the audit period July 1, 2013 through June 30, 2014. 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
Auditor of State

February 3, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Rio Grande Community College
Rio Grande, Ohio

Report on the Financial Statements
We have audited the accompanying basic financial statements Rio Grande Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements
The financial statements of the College as of June 30, 2013, were audited by other auditors whose report dated January 17, 2014, expressed an unmodified opinion on those statements. As discussed in Note 15, the College has restated its 2013 financial statement during the current year to adjust property tax and intergovernmental revenue and related receivable balances, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2013 financial statements before this restatement.

As part of our audit of the 2014 financial statements, we also audited adjustments described in Note 15 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the College other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our 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 purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 26, 2015

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, 2014 and 2013. 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. The Statement of Revenues, Expenses, and Changes in Net Position focus on the change in Net Position over the year to indicate whether there has been improvement or erosion of the College's financial health.

Financial highlights
The College's financial position remained steady during the fiscal year ended June 30, 2014. Current assets increased by over 56% from the previous fiscal year primarily due to an increase in overall cash and cash equivalents and intergovernmental receivables as a result of the increased capital appropriations related to the College's various building improvement projects to be received from the State of Ohio.

During the fiscal year ended June 30, 2014, the College's total revenue exceeded total expenses creating an increase in net position of $4,413,436 (compared to a $41,324 decrease from the previous fiscal year). This change was primarily due to increases in tuition revenue, state appropriations, property taxes and capital appropriations combined with a 2% decrease in total operating expenses. The most significant increase in revenues was related to capital appropriations, as the College received $3.5 million in 2014 for the renovation of Wood Hall.

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

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

You will need to consider many other nonfinancial factors, such as the trend in College recruiting, student retention, condition of the buildings and campus, new buildings in off-campus locations opened during the year, and the strength of the instructional services, to accurately assess the overall health of the College. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Net Position
As of June 30

		2014	(Restated) 2013	(Restated) 2012
Current assets	$	6,523,465	4,194,995	3,582,083
Noncurrent assets:				
Capital assets (net of depreciation)		11,883,621	9,089,292	9,612,173
		18,407,086	13,284,287	13,194,256
Current liabilities		994,585	359,598	131,225
Deferred Inflows of Resources		746,598	672,222	769,240
Net position:				
Net investment in capital assets		11,883,621	9,089,292	9,612,173
Restricted to capital projects		1,419,392	1,195,241	1,195,241
Unrestricted		3,362,890	1,967,934	1,486,377
	$	16,665,903	12,252,467	12,293,791

The increase in current assets is primarily due to an increase of cash in the amount of $719,983 and an increase in intergovernmental receivables of $850,842. The cash increase was largely a result of income before capital appropriations of $895,412. The increase in intergovernmental receivables is a result primarily of the capital appropriations for the Wood Hall renovation not yet collected.

The increase in capital assets is due to an increase in building improvements and equipment of $3,293,874, primarily related to the Wood Hall renovation, and is offset by current year depreciation charges of $499,545.

The increase in current liabilities of $634,987 is due primarily to contracts payable to vendors related to the Wood Hall renovation project. The college had no long term liabilities at June 30, 2014.

The increase in net positon invested in capital assets is a direct result of building improvements and equipment additions of $3,293,874 from the Wood Hall renovation project and is offset by current year depreciation charges of $499,545. The increase in net position restricted to Capital Projects reflects $292,914 in capital component monies received from the state during the fiscal year, and is offset by $68,763 in payments for the Wood Hall renovation from the college's funds. The increase in unrestricted net position is largely a result of current year operations.

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

Operating Results
For the Year Ended June 30

	2014	(Restated) 2013	(Restated) 2012
Operating revenues:			
Student tuition	$ 6,276,618	5,560,976	5,465,906
Federal grants and contracts	-	-	106,422
State grants	83,133	95,000	22,015
Other	61,175	13,345	18,138
Total operating revenues	6,420,926	5,669,321	5,612,481
Operating expenses:			
Educational and General:			
Instructional support	9,506,352	9,658,547	9,843,641
Institutional support	1,031,976	1,005,388	1,104,638
Depreciation	499,545	573,559	617,709
Total operating expenses	11,037,873	11,237,494	11,565,988
Operating loss	(4,616,947)	(5,568,173)	(5,953,507)
Nonoperating revenues:			
State appropriations	4,753,629	4,577,634	4,780,186
Property taxes	753,356	637,475	871,363
Investment income	5,374	18,826	19,469
Loss on disposal of assets	-	-	(279,207)
Total nonoperating income	5,512,359	5,233,935	5,391,811
Income (loss) before other revenues, expenses, gains or losses	895,412	(334,238)	(561,696)
Capital appropriations	3,518,024	292,914	303,857
Change in Net position	4,413,436	(41,324)	(257,839)
Net position - beginning of year, as restated	12,252,467	12,293,791	12,551,630
Net position - end of year, as restated	$ 16,665,903	12,252,467	12,293,791

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 student tuition revenue increasing by $715,642, which is in direct correlation with an increase in enrollment and a 3% increase in tuition.

Operating expenses
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Total operating expenses decreased by $199,621 or 2% and was primarily the result of a decrease in instructional contract expense of $152,195. The most significant expense for the college is instructional support in the amount of $9,506,352, which consists entirely of instructional services contract payments to the University of Rio Grande for instructional and administrative services. This expense represents 86% of total college expenses.

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

State Share of Instruction appropriations increased by $175,995 when compared to 2013. This increase was in accordance with the state funding formula calculations. The increase in property tax revenue is due primarily to increased property values.

Total capital appropriations increased by $3,225,110 when compared with 2013. This is due to the funds received for the renovation of Wood Hall.

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

		2014	(Restated) 2013	(Restated) 2012
Net cash from:				
Operating activities	$	(5,043,312)	(4,928,405)	(5,952,983)
Noncapital financing activities		5,465,006	5,507,165	5,735,501
Capital and related financing activities		292,915	242,236	(222,438)
Investing activities		5,374	18,826	19,469
Change in cash and cash equivalents		719,983	839,822	(420,451)
Cash and cash equivalents - beginning of year		2,697,156	1,857,334	2,277,785
Cash and cash equivalents - end of year	$	3,417,139	2,697,156	1,857,334

For the year ended June 30, 2014 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 $719,983 from 2013 to 2014, primarily due to increased tuition revenue and state appropriations combined with a decrease in total expenses.
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Capital assets

At June 30, 2014, the College had $11.9 million invested in capital assets, net of accumulated depreciation of $28.0 million. Depreciation charges totaled $500 thousand for the current fiscal year. A comparative summary of these assets is as follows:

Capital Assets, Net of Accumulated Depreciation
As of June 30

		2014	2013	2012
Land and land improvements	$	33,496	41,644	49,793
Buildings		8,084,799	8,429,695	8,764,234
Building improvements		3,647,810	575,344	613,015
Equipment		117,516	42,609	185,131
	$	11,883,621	9,089,292	9,612,173

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

Economic factors that will affect the future

The economic position of the College is closely tied to that of the State. Beginning with the fiscal year ending June 30, 2015, 100% of the funding from State Share of Instruction is based upon student course and degree completions and other student success benchmarks. Future state appropriations will be based on the results of the College's student completion and retention rates. In addition to state appropriations and the local property tax levy, the College is heavily dependent on student tuition and fees. The College has developed its own adult student recruitment program in addition to collaborating with the University of Rio Grande's enrollment management department to increase enrollment and retention. Effective with fall 2014 semester, the Board of Trustees voted to increase tuition by $100/FTE. It is unknown at this time if the Board will decide to increase tuition for fall 2015.

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 Kent Haley, CPA, Chief Financial Officer 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, 2014 and 2013

		2014	(Restated) 2013
Current assets			
Cash and cash equivalents	$	3,417,139	2,697,156
Receivables:			
Tuition (less allowance for uncollectible amounts of $306,902 and $299,163, respectively)		1,154,149	742,257
Intergovernmental		885,461	34,619
Property taxes		827,732	711,377
Accounts		234,703	8,836
Prepaid expenses		4,281	750
Total current assets		6,523,465	4,194,995
Noncurrent assets			
Capital assets, net		11,883,621	9,089,292
Total assets		18,407,086	13,284,287
Current liabilities			
Accounts payable and accrued liabilities		994,585	359,598
Deferred inflows of resources			
Property tax		746,598	672,222
Net position			
Net investment in capital assets		11,883,621	9,089,292
Restricted:			
Capital projects		1,419,392	1,195,241
Unrestricted		3,362,890	1,967,934
Total net position	$	16,665,903	12,252,467

See accompanying notes to the basic financial statements.

Rio Grande Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

		2014	(Restated) 2013
Operating revenues:			
Student tuition	$	6,276,618	5,560,976
State grants		83,133	95,000
Other		61,175	13,345
Total operating revenues		6,420,926	5,669,321
Operating expenses:			
Instructional contract expense		9,506,352	9,658,547
Lease payment expense		216,000	216,000
Bad debt/collection expenses		81,795	41,738
Credit card costs		16	1,501
Grant expenses		96,445	91,778
Salaries		334,935	310,903
Fringe benefits		101,136	100,765
Advertising/promotions		33,466	30,380
Professional fees		19,064	61,842
Office expenses		47,831	55,698
Travel and conferences		20,827	20,759
Dues and subscriptions		23,944	22,063
Insurance		289	22,968
Other expenses		56,228	28,993
Depreciation		499,545	573,559
Total operating expenses		11,037,873	11,237,494
Operating loss		(4,616,947)	(5,568,173)
Nonoperating revenues:			
State appropriations		4,753,629	4,577,634
Property taxes		753,356	637,475
Investment income		5,374	18,826
Total nonoperating revenues		5,512,359	5,233,935
Income (loss) before other revenues, expenses, gains or losses		895,412	(334,238)
Capital appropriations		3,518,024	292,914
Change in net position		4,413,436	(41,324)
Net position - beginning of year, as restated		12,252,467	12,293,791
Net position - end of year	$	16,665,903	12,252,467

See accompanying notes to the basic financial statements.

Rio Grande Community College
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

		2014	(Restated) 2013
Cash flows from operating activities:			
Tuition and fees	$	5,782,931	5,389,150
Grants		68,031	188,634
Other revenue		(164,692)	13,345
Contract payments to University of Rio Grande		(9,506,352)	(9,658,547)
Grant transfers to University of Rio Grande		(96,445)	(91,778)
Payments to employees for wages & benefits		(436,071)	(411,668)
Payments to vendors		(690,714)	(357,541)
Net cash used by operating activities		(5,043,312)	(4,928,405)
Cash flows from noncapital financing activities:			
State appropriations		4,753,629	4,577,634
Property taxes		711,377	929,531
Net cash provided by noncapital financing activities		5,465,006	5,507,165
Cash flows from capital and related financing activities:			
Capital appropriations		2,682,284	292,914
Capital asset purchases		(2,389,369)	(50,678)
Net cash provided by capital and related financing activities		292,915	242,236
Cash flows from investing activities:			
Interest on investments		5,374	18,826
Change in cash and cash equivalents		719,983	839,822
Cash and cash equivalents - beginning of year		2,697,156	1,857,334
Cash and cash equivalents - end of year	$	3,417,139	2,697,156
Reconciliation of operating loss to net cash Used by operating activities:			
Operating loss	$	(4,616,947)	(5,568,173)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense		499,545	573,559
Provision for bad debts		81,795	41,738
Changes in assets and liabilities:			
Receivables:			
Tuition		(493,687)	(158,780)
Intergovernmental		(15,102)	(45,122)
Accounts		(225,867)	-
Prepaid expenses		(3,531)	-
Accounts payable and accrued liabilities		(269,518)	228,373
Net cash used by operating activities	$	(5,043,312)	(4,928,405)
Supplemental disclosure of noncash investing and financing activities			
Capital assets acquired as accounts payable	$	904,505	-

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Entity

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 13). An appointed Chief Financial Officer is the custodian of funds and investment officer and is also responsible for the fiscal controls of the resources of the College.

Financial statement presentation

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

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

- **Net investment in capital assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted** – Net position whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. This represents amounts for capital construction projects.

- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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

New Accounting Standards Adopted
In fiscal year 2014, the College adopted two new accounting standards as follows:

GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66) improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the College.

Upcoming Accounting Pronouncements
In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of the statement are effective for financial statements for periods beginning after June 30, 2014.

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 2014 and 2013, 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 Chief Financial Officer 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.

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

Capital Assets
Capital assets are recorded at cost or, if acquired by gift, at fair market value at the date of the gift. In the absence of historical cost records, equipment is recorded at the current cost of replacement as of that date, based on an inventory and appraisal of the equipment by an independent appraisal firm.

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

Classification	Life
Buildings	40 years
Building Improvements	20 years
Land Improvements	15 years
Equipment	3 years
Computer Technology	3 years

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.

Deferred Inflows of Resources
The statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on the statement of net position. Any grants and entitlements received before time requirements are met but after all other eligibility requirements are met are also recorded as a deferred inflow of resources.

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

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

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

Reclassifications
Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Subsequent events
The College evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 26, 2015.

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

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

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

Appropriations: A temporary appropriation ordinance to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 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:

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

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

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, 2014, the College's bank balance was $3,446,601. Of this amount, $1,059,759 was covered by federal depository insurance and the remaining $2,386,842 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, 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.

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

Credit risk – It is the College's practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated 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 APPROPRIATIONS:

The College is a State-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula determined by the State of Ohio. The College received $4,753,629 of student-based subsidy in fiscal year 2014 and $4,577,634 of student-based subsidy in fiscal year 2013.

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

College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available from this fund, the Ohio Board of Regents may assess a special fee uniformly applicable to students in State-assisted institutions of higher education throughout the State.

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

4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 and 2013 was as follows:

Classification	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Land	$ 2	-	-	2
Land improvements	1,027,382	-	-	1,027,382
Buildings	26,825,542	-	-	26,825,542
Building improvements	5,439,262	3,117,599	-	8,556,861
Equipment	3,248,007	176,275	-	3,424,282
Total capital assets	36,540,195	3,293,874	-	39,834,069
Less: accumulated depreciation				
Land improvements	985,740	8,148	-	993,888
Buildings	18,395,847	344,896	-	18,740,743
Building improvements	4,863,918	45,133	-	4,909,051
Equipment	3,205,398	101,368	-	3,306,766
Total accumulated depreciation	27,450,903	499,545	-	27,950,448
Net capital assets	$ 9,089,292	2,794,329	-	11,883,621

Classification	Balance July 1, 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

Depreciation expense for the fiscal years ended June 30, 2014 and 2013 was $499,545 and $573,559, respectively.

At June 30, 2014, the College had several uncompleted construction contracts related to the renovation of Wood Hall. The remaining commitment on these construction contracts was approximately $1,138,315.

5. FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS:

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

	2014	2013
Educational and General:		
Instructional Support	$ 9,506,352	9,658,547
Institutional Support	1,031,976	1,005,388
Depreciation	499,545	573,559
Total	$ 11,037,873	11,237,494

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Accounts payable and accrued liabilities consist of the following at June 30:

	2014	2013
Accounts Payable	$ 993,612	356,526
Payroll, Fringe & Other Liabilities	973	3,072
Total	$ 994,585	359,598

7. PROPERTY TAX:

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the various counties. Property tax revenue received during calendar 2014 for real and public utility property taxes represents collections of calendar 2013 taxes.

2014 real property taxes are levied after April 1, 2014, on the assessed value as of January 1, 2014, 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. 2014 public utility property taxes became a lien December 31, 2013, are levied after April 1, 2014 and are collected in 2014 with real property taxes.

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

The assessed values upon which the fiscal year 2014 taxes were collected for the College are:

		Gallia County	Jackson County	Meigs County	Vinton County	Hocking County
Agricultural/Residential and Other Real Estate (2013 Valuation)	$	491,278,090	427,068,060	303,691,620	161,093,280	39,040
Public Utility Personal (2013 Valuation)		239,004,580	48,923,830	45,852,420	42,088,150	7,650
	$	730,282,670	475,991,890	349,544,040	203,181,430	46,690
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, 2014, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources – property tax for that portion not levied to finance current fiscal year operations.

8. RISK MANAGEMENT:

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. By contract with the University of Rio Grande (see Note 13 for further details), comprehensive insurance coverage with private carriers for real property and building contents is maintained. Real property and contents are 100% coinsured.

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

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

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

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

9. PENSION PLANS:

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 contributions (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, but less than, 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 in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377

The Ohio Revised Code provides statutory authority for member and employer contributions. The 2014 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, 2014, 2013 and 2012 were $55,859, $52,929 and $54,337, respectively, which equaled the required contributions 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 120 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired.

Vesting of contributions made by the 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 University employees are Aetna, Equitable, Great American Life, Lincoln National Life, Nationwide Life, TIAA-CREF and VALIC.

No employees have elected to participate in the alternative retirement plan for the years ended June 30, 2014 and 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 employees 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 College. Contributions on behalf of employees for the years ended June 30, 2014, 2013, and 2012 was $7,244, $6,379 and $5,609 respectively.

10. STUDENT FINANCIAL AID:

The student financial aid program of the College is accounted for by the department of student financial aid of the University of Rio Grande, a private institution of higher education (see Note 13). The accounts of the department of student financial aid are not reflected in the accompanying financial statements.

11. POSTEMPLOYMENT BENEFITS:

Ohio Public Employees Retirement System
Plan Description – 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 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 health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement. In order to qualify for post-employment 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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

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 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0 percent 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. Active members do not make contributions to the post-employment health care plan.

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2014, 2013, and 2012 were $3,988, $3,779 and $15,524, respectively, which equaled the required contributions each year.

Changes to the health care plan were adopted by the OPERS Board of Trustee on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

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, 2014 amounted to $216,000. The lease is a two-year lease with renewal options biannually at the same rate for the next 8 years.

Future minimum lease payments as of June 30, 2014 under the operating lease are as follows:

Years Ending June 30		Amount
2015	$	216,000
2016		216,000
2017		216,000
2018		216,000
2019		216,000
2020-2022		648,000
Total minimum lease payments	$	1,728,000

13. INSTRUCTIONAL CONTRACT WITH THE UNIVERSITY OF RIO GRANDE:

The College has a contract with the University of Rio Grande (the “University”) whereby the University agrees to perform instructional services for the College in return for a fee equal to 96% of tuition revenue and state share of instruction. The current contract expires 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 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 for the fiscal year ended June 30, 2014 and 2013 was $649,761 and $641,909, respectively. The amount payable to the University for the fiscal years ended June 30, 2014 and 2013 was $55,724 and $349,477, respectively. These amounts are included as accounts receivable, accounts payable and accrued liabilities and are reported in the Statements of Net Position.

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 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, and such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2014. 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.

15. PRIOR PERIOD ADJUSTMENTS:

Beginning balances in the statement of revenues, expenses and changes in net position have been, restated by $(244,178) and $(745,219) for the years ending June 30, 2014 and 2013, respectively, to account for overstated prior period activity related to tuition, intergovernmental and property tax receivables. As a result, net position for the years ending June 30, 2014 and 2013 required the following restatement:

Net position as reported June 30, 2012	12,537,969
Intergovermental revenue	(244,178)
Restated net position at July 1, 2012	12,293,791
Net position as reported June 30, 2013	12,997,686
Intergovermental revenue	(244,178)
Tuition revenue	(287,853)
Property tax	(213,188)
Restated net position at July 1, 2013	12,252,467

SUPPLEMENTAL INFORMATION

College Location	Mailing Address
218 North College Street Rio Grande, Ohio 45674	P.O. Box 326 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
Ms. Shawn E. Saunders	Trustee	Governor	01/09/08-10/10/16
Mr. Aaron Michael	Trustee	Jackson County [1]	12/30/11-12/30/16

[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.

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

Board of Trustees
Rio Grande Community College
Rio Grande, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rio Grande Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon January 26, 2015, wherein it was noted the 2013 financial information was restated to correct certain errors noted.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control, described as item 2014-001 in the accompanying schedule of findings and responses, to be a material weakness.

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

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Response to Finding
The College's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 26, 2015

Section I – Summary of Auditors' Results

Financial Statements

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

Section II – Financial Statement Findings

2014-001: Material Weakness

Statement of Condition: Adjusting journal entries not initiated by management were needed during the year-end audit to adjust property tax revenue and the related receivable and deferred inflow of resources. Additionally, adjustments were necessary to the intergovernmental receivable balance as the College did not appropriately reduce the receivable for amounts received and recorded as revenue in fiscal years 2012 and 2013.

Criteria: Management is responsible for the effectiveness of internal control over financial reporting.

Effect: Audit adjustments were recorded to present the College's financial statements in conformity with generally accepted accounting principles.

Cause of Condition: Account reconciliations and reviews did not capture all entries necessary to accurately reflect year-end property tax and intergovernmental receivable balances.

Recommendation: Management should exercise additional care in the review of supporting documentation for significant account reconciliations to help ensure errors in the financial statements are identified and corrected on a timely basis.

Management Response: The College concurs with these adjustments which have been posted to the financial statements.

2013-001 Controls over Financial Reporting

Condition: Financial statement amounts were adjusted to reflect corrections to unearned revenue, other revenues and capital assets.

Recommendation: The auditor recommended implementing application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported. Management concurred with the recommendation and indicated that the procedures would be implemented.

Current Status: Not corrected; see 2014-001

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

SINCE 1938

At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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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 17, 2015