RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003

Auditor of State
Betty Montgomery

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Rio Grande Community College, Gallia County, Ohio (the College), as of and for the year ended June 30, 2003, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Rio Grande Community College, Gallia County, Ohio, as of June 30, 2003, and the changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2003, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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We conducted our audit to form opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

December 8, 2003

Rio Grande Community College
Gallia County

Management's Discussion and Analysis
For the Year Ended June 30, 2003

The discussion and analysis of Rio Grande Community College's financial statements provide an overview of the College's financial activities for the fiscal year ended June 30, 2003. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

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

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

This annual financial report includes the independent accountants' report, this management's discussion and analysis, the basic financial statements in the above referred format and notes to the financial statements.

Financial Highlights

The College's financial position increased during the fiscal year ended June 30, 2003. The current assets increase by 59% from the previous fiscal year, primarily due an increase in overall cash and cash equivalents and receivables.

During the fiscal year ended June 30, 2003, the College's expenses exceeded revenues and other support creating a decrease in net assets of $746,550 (compared to a $772,000 decrease from the previous fiscal year). This decrease is partially due to depreciation expense being recorded each year, beginning in fiscal year 2002.

<u>The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets</u>

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

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

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

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

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

Net Assets at June 30 (in millions)

	2003	2002
Current Assets	$ 3.07	$ 2.52
Noncurrent Assets:		
Capital Assets (net of depreciation)	17.96	18.95
Total Assets	$ 21.03	$ 21.47
Current Liabilities	$ 0.46	$ 0.06
Noncurrent Liabilities	0.86	0.95
Total Liabilities	$ 1.32	$ 1.01
Net Assets:		
Invested in Capital Assets	$ 17.96	$ 18.95
Restricted to Capital Projects	0.24	0.19
Unrestricted	1.51	1.32
Total Net Assets	$ 19.71	$ 20.46

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

- Current assets increases indicate a positive cash flow related to the timing of receivables and payables.
- Capital asset increases from the completion of the entrance road project were offset by increases to current depreciation, resulting in a net decrease in capital assets.
- Current liabilities increased from the recognition of payables related to grant transfers to the University of Rio Grande.

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

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

Operating Results for the Year Ended June 30 (in millions)

	2003	2002
Operating Revenues:		
Student Tuition	$ 3.12	$ 2.75
Grants - Federal and State	1.02	0.32
Total Operating Revenue	4.14	3.07
Operating Expenses:		
Educational and General:		
Instructional Support	8.35	8.07
Institutional Support	0.53	0.23
Depreciation	1.41	1.23
Total Operating Expenses	10.29	9.53
Operating Loss	(6.15)	(6.46)
Nonoperating Revenues:		
State Appropriations	4.16	4.27
Property Taxes	0.95	0.87
Investment Income	0.05	0.05
Total Nonoperating Revenue	5.16	5.19
Income Before Other Revenue, Expenses, Gains or Losses	(0.99)	(1.27)
Capital Appropriations	0.24	0.50
Decrease in Net Assets	(0.75)	(0.77)
Net Assets - Beginning of Year	20.46	21.23
Net Assets - End of Year	$ 19.71	$ 20.46

Operating Revenues

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

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

- Student tuition and fee revenue increased $368,794 or 13%. While the Board approved a tuition rate increase of approximately 7% at the beginning of the fiscal year, full-time equivalent enrollment of students increased by approximately 6%.

Operating Revenues (Continued)

- State and Federal grants increased $700,110 or 220% from the prior year, primarily due to the implementation Federal Title III program and other smaller State grant increases.

Operating Expenses

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

- Instructional contract expense increased only slightly (approximately 3%) for 2003, based primarily on the funding formula provided in the contract between the University of Rio Grande and Rio Grande Community College.

- Administrative expenses increased approximately 27% due to additional marketing expenses incurred to enhance student recruitment efforts.

Nonoperating Revenues

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

State appropriations for 2003 decreased approximately $112,236 when compared to 2002. This was in accordance with the state funding formula. Local property tax revenues increased by approximately 9% compared to 2002.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College, primarily State of Ohio capital appropriations. Other revenues changes were primarily the result of State capital appropriation amount of $238,663 designated for the "New Entrance Road" construction project.

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.

Statement of Cash Flows (Continued)

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

Cash Flows for the Year Ended June 30 (in millions)

	2003	2002
Net Cash from:		
Operating Activities	$ (4.67)	$ (5.25)
Noncapital Financing Activities	5.06	5.11
Capital and Related Financing Activities	(0.19)	0.09
Investing Activities	0.05	0.05
Net Increase (Decrease) in Cash	0.25	0.00
Cash - Beginning of Year	1.30	1.30
Cash - End of Year	$ 1.55	$ 1.30

For the year ended June 30, 2003, the net cash used by operating activities ($4.67 million) indicates that the College used more cash for instructional and administrative costs than it received from sources such as student tuition and certain federal and state grants. 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 of $5.06 million and is indicative of the tremendous need that the College has for the appropriations from the State and local tax levies. The major use of cash for capital and related financing activities related to the use of State capital funds for the new entrance road project and equipment purchases. The cash position of the College improved slightly from 2002 to 2003.

Capital Assets

At June 30, 3002, the College had $17.96 million invested in capital assets, net of accumulated depreciation of $16.93 million. Depreciation charges totaled $1.41 million for the current fiscal year. 2002 was the first year for reporting depreciation. A comparative summary of these assets is as follows:

Capital Assets - Net of Accumulated Depreciation
As of June 30 (in millions)

	2003	2002
Land and Land Improvements	$ 0.49	$ 0.37
Buildings	16.13	17.02
Building Improvements	1.13	1.44
Equipment	0.21	0.12
Total	$ 17.96	$ 18.95

Capital Assets (Continued)

The major capital addition for the year was the "New Entrance Road" construction project, which was funded with capital appropriations from the State. Although begun in 2002, this project was completed during 2003, at a total cost of $545,772.

Beginning in 2004, it is anticipated that the College will begin renovations on Florence Evans Hall to create a comprehensive one-stop student welcome and financial services center. This project will also be funded with capital appropriations from the state.

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

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and limited State resources, the current State budget projects that there will be no increase in the funding amount to the College for the year ended June 30, 2004. In addition the Board of Trustees approved an increase of 6% in the tuition rates beginning with the Fall term 2003.

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

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2003

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 1,547,822
Tuition Receivable	276,802
Intergovernmental Receivable	330,886
Property Taxes Receivable	911,513
Total Current Assets	3,067,023
Noncurrent Assets:	
Capital Assets (Net - See Note 10)	17,960,764
Total Noncurrent Assets	17,960,764
Total Assets	**21,027,787**
LIABILITIES:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	463,650
Total Current Liabilities	463,650
Noncurrent Liabilities:	
Deferred Property Tax Revenue	855,526
Total Noncurrent Liabilities	855,526
Total Liabilities	**1,319,176**
NET ASSETS:	
Invested in Capital Assets	17,960,764
Restricted to:	
Capital Projects	240,977
Unrestricted	1,506,870
TOTAL NET ASSETS	**$ 19,708,611**

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

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

Operating Revenues:	
Student Tuition	$ 3,123,720
Federal Grants and Contracts	457,792
State Grants	561,167
Total Operating Revenues	4,142,679
Operating Expenses:	
Instructional Contract Expense	7,922,138
Bad Debt/Collection Expense	3,200
Contractual Costs - Title III	253,105
Credit Card Costs	2,170
Grant Transfers	422,631
Salaries	139,486
Fringe Benefits	22,486
Advertising/Promotions	31,268
Professional Fees	14,530
Office Expenses	6,254
Travel & Conferences	6,999
Dues & Subscriptions	14,958
Insurance	14,124
Other Expenses	40
Tax Levy Expense	24,951
Depreciation	1,408,866
Total Operating Expenses	10,287,206
Operating Income (Loss)	(6,144,527)
Nonoperating Revenues/(Expenses):	
State Appropriations	4,161,339
Property Taxes	950,222
Investment Income	47,753
Total Nonoperating Revenues/(Expenses)	5,159,314
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(985,213)
Capital Appropriations	238,663
Increase (Decrease) in Net Assets	(746,550)
Net Assets - Beginning of Year	20,455,161
Net Assets - End of Year	**$ 19,708,611**

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

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Cash Flows from Operating Activities:	
Tuition and Fees	$ 3,083,453
Grants	689,578
Contract Payments to University of Rio Grande	(7,680,000)
Grant Transfers to University of Rio Grande	(480,819)
Payments to Employees for Wages & Benefits	(163,302)
Payments to Vendors	(116,014)
Net Cash Provided (Used) by Operating Activities	(4,667,104)
Cash Flows from Noncapital Financing Activities:	
State Appropriations	4,161,339
Property Taxes	894,235
Net Cash Provided (Used) by Noncapital Financing Activities	5,055,574
Cash Flows from Capital and Related Financing Activities:	
Capital Appropriations	54,196
Capital Asset Purchases	(242,385)
Net Cash Provided (Used) by Capital and Related Financing Activities	(188,189)
Cash Flows from Investing Activities:	
Interest on Investments	47,753
Net Cash Provided (Used) by Investing Activities	47,753
Net Increase/(Decrease) in Cash	248,034
Cash - Beginning of Year	1,299,788
Cash - End of Year	**$ 1,547,822**

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (6,144,527)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,408,866
Changes in Assets and Liabilities:	
Tuition Receivable	(35,432)
Intergovernmental Receivable	(327,374)
Property Tax Reserve	25,302
Deferred Revenue	0
Accounts Payable	407,391
Payroll Liabilities	(1,330)
Net Cash Provided (Used) by Operating Activities	$ (4,667,104)
Other Noncash Financing Activities:	
Capital Assets Contribution from State	$ 184,467

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

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NOTE 1 - DESCRIPTION OF THE COLLEGE AND REPORTING 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 Rev. 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 appointed by the Board of Trustees to oversee day-to-day operation of the College (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.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation: The financial statements of the College have been prepared on the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when they have been reduced to a legal or contractual obligation to pay, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management’s Discussion - and Analysis for Public Colleges and Universities*, issued in June and November 1999.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While these Statements are scheduled for a phased implementation according to the size of the government unit, the College adopted these Statements in accordance with the State's requirement for adoption by all Ohio colleges and universities beginning with the year ended June 30, 2002. The College now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the financial activities of the College.

The College also has the option of applying Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 to its business-type activities provided that they do not conflict with or contradict Government Accounting Standards Board (GASB) pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

The following is a summary of the more significant policies.

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

During fiscal year 2003, 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 Vice-President of Financial and Administrative Affairs within these policy guidelines.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Capital Assets: Capital assets (except for Title III assets) with a unit cost of $1,000 or greater, including property, plant 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 market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Expenses for construction in progress are capitalized as incurred.

Assets	Years
Buildings	30
Building Improvements	15
Land Improvements	10
Equipment	3
Computer Technology	3

Accounts Receivable: Receivables at June 30, 2003 consist primarily of student tuition, grants and property taxes. Receivables are reported at net using the direct write-off method.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Federal Financial Assistance Programs: The College participates in federally funded programs for Higher Educational Institutional Aid, Tech-Prep Education, Vocational Education and Improving Teacher Quality State Grants. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

Net Assets: GASB Statement No. 34 reports equity as “net assets” rather than “fund balance”. Net assets are classified according to external donor restrictions or availability of assets for satisfying obligations of the College. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal and state programs.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the policy of the College is to first apply restricted resources.

The total net asset balance of $19,708,611 at June 30, 2003 includes $17,960,764 held for or invested in capital assets, $240,977 restricted for capital projects, and $1,506,870 for unrestricted purposes.

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 revenue during the reporting period. Actual results may differ from those estimates.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process: (Continued)

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

Appropriations: A temporary appropriation ordinance to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 31. An annual appropriation ordinance must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the function level. 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 3 - CASH AND INVESTMENTS

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

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

Inactive Deposits are those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 market 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 (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

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

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

<u>Deposits:</u> At June 30, 2003, the carrying amount of the College's deposits was $1,547,822 and the bank balance was $1,621,758. All of the bank balance was protected by either federal depository insurance or qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third-party trustees of the financial institutions.

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

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

NOTE 4 - STATE SUPPORT

The College is a state-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents.

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

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

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

NOTE 5 - 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 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 has its own prescription drug policy.

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 6 - PENSION PLANS AND POST EMPLOYMENT BENEFITS

Public Employees Retirement System: All full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report, which may be obtained in writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4562.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the College was 13.31 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The College's required contributions to PERS for the years ended June 30, 2003, 2002, and 2001 were $12,397, $ 13,083, and $8,066, respectively. The full amount has been contributed for 2002 and 2001. 98 percent has been contributed for 2003 with the remainder being reported as current liability.

Alternative Retirement Plan (ARP): All newly hired full time administrative employees and faculty are eligible to choose an Alternative Retirement Plan (ARP) rather than the Public Employees Retirement System (PERS). Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College. Employees have 90 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired.

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

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 year ended June 30, 2003.

Post Employment Benefits: PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.31 percent of covered payroll; 4.29 percent was the portion that was used to fund health care for 2003.

NOTE 6 - PENSION PLANS AND POST EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on PERS' latest actuarial review performed as December 31, 2001, included a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4 percent of compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants was 402,041. The College's actual contribution for 2003 which was used to fund postemployment benefits was $6,256. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2001, (latest information available) were $11.6 billion. The actuarially accrued liability and unfunded actuarial accrued liability were $16.4 billion and $4.8 billion, respectively.

NOTE 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 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, 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. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

NOTE 7 - PROPERTY TAX (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected for the College are:

	Meigs County	Vinton County	Gallia County	Jackson County
Agricultural/Residential And Other Real Estate (2002 Valuation)	$ 172,843,810	$ 87,705,270	$ 318,390,320	$ 271,277,920
Public Utility Personal (2002 Valuation)	47,264,510	22,958,420	270,931,830	41,662,750
Tangible Personal Property (2003) Valuation	33,479,220	14,933,575	37,913,359	51,460,642
	$ 253,587,540	$ 125,597,265	$ 627,235,509	$ 364,401,312
Tax Rate per $1,000 of Assessed Valuation	$1.00	$1.00	$1.00	$1.00

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

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

The College receives property taxes from Meigs, Vinton, Gallia 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, 2003, are available to finance fiscal year 2003 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, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations.

NOTE 8 - 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 11). The accounts of the department of student financial aid are not reflected in the accompanying financial statements.

NOTE 9 - FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS

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

Educational and General:	
Instructional Support	$ 8,344,769
Institutional Support	533,571
Depreciation	1,408,866
Total	$ 10,287,206

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

Classification	Balance July 1, 2002	Additions	Retirements	Balance June 30,2003
Land	$ 2	$ 0	$ 0	$ 2
Land Improvements	836,269	182,713	0	1,018,982
Buildings	26,752,493	3,988	0	26,756,481
Building Improvements	4,778,268	900	0	4,779,168
Equipment	2,152,592	239,250	59,379	2,332,463
Total Capital Assets	34,519,624	426,851	59,379	34,887,096
Less Accumulated Depreciation:				
Land Improvements	473,210	54,577	0	527,787
Buildings	9,733,484	892,149	0	10,625,633
Building Improvements	3,339,958	312,262	0	3,652,220
Equipment	2,030,193	147,566	57,067	2,120,692
Total Accumulated Depreciation	15,576,845	1,406,554	57,067	16,926,332
Net Capital Assets	$ 18,942,779	$ (979,703)	$ 2,312	$ 17,960,764

NOTE 11 - 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 services for the College in return of an amount determined by the State of Ohio per full-time equivalent student enrolled at the College. The current contract expires June 30, 2004. Under the terms of the contract, the President of the University also serves as President of the College. The University provides to the College and its students:

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

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

NOTE 12 - CONTINGENCIES

Grants
The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2003.

Litigation
The College is currently not party to any litigation.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2003

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
Ms. Polly B. Wetherholt	Chairman	Gallia County[1]	12/18/97-09/09/07
Mr. Andrew R. Adelmann, Jr.	Vice Chairman	Vinton County[1]	09/11/81-09/10/06
Mr. Charles I. Adkins	Trustee	Joint Commissioners[2]	09/11/85-09/10/05
Mr. Don B. Cotner	Trustee	Joint Commissioners[2]	10/03/91-10/02/06
Mr. Carl G. Dahlberg	Trustee	Jackson County[1]	09/01/84-08/30/04
Ms. Bonny C. Huffman	Trustee	Governor	10/11/00-10/10/05
Mr. Thomas W. Karr	Trustee	Governor	09/28/01-10/10/06
Dr. Herman L. Koby	Trustee	Governor	10/10/01-10/10/06
Mr. Michael L. Swisher	Trustee	Meigs County[1]	09/11/97-09/10/06

Administrative Personnel

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

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

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF EDUCATION				
Direct from the Federal Government:				
Higher Education Institutional Aid	84.031A	N/A	$ 331,244	$ 394,043
Passed through the Ohio Department of Education:				
Tech-Prep Education	84.243	3E00 2002	57,316	57,316
		3ETC 2003	33,146	33,146
Total Tech-Prep Education			90,462	90,462
Vocational Education Basic Grants to States	84.048	20A0 2002/2003	67,639	62,248
		20A0 2003	15,000	24,034
Total Vocational Education Basic Grants to States			82,639	86,282
Improving Teacher Quality State Grants	84.367		10,000	0
Total United States Department of Education			514,345	570,787
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			**$ 514,345**	**$ 570,787**

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEPITS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the College's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the College contribute non-Federal funds (matching funds) to support the Federally-funded programs. The College has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Rio Grande Community College, Gallia County, Ohio (the College), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted a certain immaterial instance of noncompliance that we have reported to management of the College in a separate letter dated December 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that do not require inclusion in this report, that we have reported to management of the College in a separate letter dated December 8, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

Betty Montgomery
Auditor of State

December 8, 2003

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Rio Grande Community College, Gallia County, Ohio (the College), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The College's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the College in a separate letter dated December 8, 2003.

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

Betty Montgomery

Betty Montgomery
Auditor of State

December 8, 2003

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under §.510?**	No
(d)(1)(vii)	**Major Programs (list):**	Higher Education – Institutional Aid CFDA #84.031A
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS FOR FEDERAL AWARDS

None

Auditor of State
Betty Montgomery

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Facsimile 614-466-4490

RIO GRANDE COMMUNITY COLLEGE

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 22, 2004