RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO

Financial Statements

June 30, 2005 and 2004

with

Independent Auditors' Report

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

We have reviewed the *Independent Auditor's Report* of the Rio Grande Community College, Gallia County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 6, 2006

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RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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Independent Auditors' Report

Rio Grande Community College
Gallia County

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of Rio Grande Community College, Gallia County, Ohio (the College), as of and for the year ended June 30, 2005 and 2004, 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 opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Rio Grande Community College, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 of the notes to the financial statements, Rio Grande Community College has implemented for the year ended June 30, 2005, Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures.*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2005 on our consideration of Rio Grande Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered on assessing the results of our audit.

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

The Management's Discussion and Analysis on pages 3 – 8 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rio Grande Community College's financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying schedule included on page 28 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 11, 2005

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, 2005. 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

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:

- 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 auditors' report, this management's discussion and analysis, the basic financial statements in the above referred format and notes to the basic financial statements.

Financial Highlights

The College's financial position remained steady during the fiscal year ended June 30, 2005. The current assets decreased by 9.85% from the previous fiscal year, primarily due to a decrease in overall cash and cash equivalents and an increase in accounts receivable.

During the fiscal year ended June 30, 2005, the College's expenses exceeded revenues and other support creating a decrease in net assets of $969,800 (compared to a $1,040,220 decrease from the previous fiscal year). These decreases are due to depreciation expense being recorded each year, beginning in fiscal year 2002 and continuing through fiscal year 2005.

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

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

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

You will need to consider many other nonfinancial factors, such as the trend in College recruiting, student retention, condition of the buildings and campus, 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
As of June 30

		2005	2004
Current Assets	$	3,300,449	3,661,265
Noncurrent Assets:			
Capital Assets (net of depreciation)		15,634,991	16,749,536
Total Assets		18,935,440	20,410,801
Current Liabilities		315,178	844,357
Noncurrent Liabilities		921,671	898,053
Total Liabilities		1,236,849	1,742,410
Net Assets:			
Invested in Capital Assets		15,634,991	16,749,536
Restricted to Capital Projects		510,243	375,610
Unrestricted		1,553,357	1,543,245
Total Net Assets	$	17,698,591	18,668,391

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

- Current assets decreasing indicative of a negative cash flow related to the timing of receivables and payables and the expenses in connection with the instructional contract with the University of Rio Grande.
- Significant decrease in accounts payable related to the amount due the University of Rio Grande.
- Capital asset decreases were caused by depreciation expense exceeding the cost of new capital assets that were acquired during the fiscal year.

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

Operating Results
For the Year Ended June 30

		2005	2004
Operating Revenues:			
Student Tuition	$	3,964,724	3,741,352
Grants - Federal and State		735,274	851,271
Total Operating Revenues		4,699,998	4,592,623
Operating Expenses:			
Educational and General:			
Instructional Support		9,209,702	8,791,328
Institutional Support		595,480	681,575
Depreciation		1,350,723	1,323,840
Total Operating Expenses		11,155,905	10,796,743
Operating Loss		(6,455,907)	(6,204,120)
Nonoperating Revenues:			
State Appropriations		4,460,376	4,113,856
Property Taxes		847,645	893,306
Investment Income		43,453	22,105
Total Nonoperating Income		5,351,474	5,029,267
Loss Before other Revenues, Expenses, Gains or Losses		(1,104,433)	(1,174,853)
Capital Appropriations		134,633	134,633
Change in Net Assets		(969,800)	(1,040,220)
Net Assets - Beginning of Year		18,668,391	19,708,611
Net Assets - End of Year	$	17,698,591	18,668,391

Operating Revenues

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

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

- Student tuition revenue increased 6%, which is in direct correlation with the 4% increase in the tuition rate the Board of Trustees approved at the beginning of the school year and a slight increase in enrollment.
- State and Federal grants decreased slightly from the prior year, due to cuts in funding from the State of Ohio.

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 4.8%) for 2005, based primarily on the increase in enrollment and the funding formula provided in the contract between the University of Rio Grande and Rio Grande Community College.
- Administrative expenses, which are a component of Institutional expense, decreased slightly due to the reduction of grant monies which support these categories of expenses.

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 2005 increased slightly when compared to 2004. This increase was in accordance with the state funding formula.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College, primarily State of Ohio capital appropriations. Other revenues changes were primarily the result of a State capital appropriation in the amount of $134,633 designated for future capital projects.

Statement of Cash Flows

Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

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

Cash Flows
For the Year Ended June 30

		2005	2004
Net Cash from:			
Operating Activities	$	(5,774,702)	(4,481,479)
Noncapital Financing Activities		5,354,564	4,970,905
Capital and Related Financing Activities		(97,281)	31,873
Investing Activities		43,453	22,105
Change in Cash and Cash Equivalents		(473,966)	543,404
Cash and Cash Equivalents - Beginning of Year		2,091,226	1,547,822
Cash and Cash Equivalents - End of Year	$	1,617,260	2,091,226

For the year ended June 30, 2005, the net cash used by operating activities ($5.77 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 $5.35 million and is indicative of the tremendous need that the College has for the appropriations from the State and local tax levies. The cash position of the College deteriorated approximately $474,000 from 2004 to 2005 due to a reduction in accounts liabilities of approximately $500,000.

Capital Assets

At June 30, 2005, the College had $15.64 million invested in capital assets, net of accumulated depreciation of $19.56 million. Depreciation charges totaled $1.35 million for the current fiscal year. A comparative summary of these assets is as follows:

Capital Assets, Net of Accumulated Depreciation
As of June 30

		2005	2004
Land and Land Improvements	$	385,193	436,620
Buildings		14,347,083	15,238,965
Building Improvements		757,276	882,907
Equipment		145,439	191,044
Total	$	15,634,991	16,749,536

The major capital additions for the year ended June 30, 2005 included renovations to the Student Success Center, which was funded by Title III monies, and the purchase of new equipment for the Nursing Program.

Beginning in 2006, 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 basic 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 minimal increases in the funding amount to the College for the year ended June 30, 2006. In addition, the Board of Trustees approved an increase of 2% in the tuition rates beginning with the fall 2005 term.

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.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of Rio Grande Community College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Financial Administrative Office at Rio Grande Community College, 218 North College Street, P.O. Box 326, Rio Grande, Ohio 45674 or call (740) 245-7236.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO
Statements of Net Assets
As of June 30, 2005 and 2004

		2005	2004
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$	1,617,260	2,091,226
Accounts Receivable:			
Tuition		553,222	385,353
Intergovernmental		162,594	177,997
Property Taxes		967,373	990,298
Prepaid Expenses		-	16,391
Total Current Assets		3,300,449	3,661,265
Noncurrent Assets:			
Capital Assets		15,634,991	16,749,536
Total Assets		18,935,440	20,410,801
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		315,178	844,357
Noncurrent Liabilities:			
Deferred Property Tax Revenue		921,671	898,053
Total Liabilities		1,236,849	1,742,410
NET ASSETS:			
Invested in Capital Assets		15,634,991	16,749,536
Restricted:			
Capital Projects		510,243	375,610
Unrestricted		1,553,357	1,543,245
Total Net Assets	$	17,698,591	18,668,391

See accompanying notes to the basic financial statements.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2005 and 2004

		2005	2004
OPERATING REVENUES:			
Student Tuition	$	3,964,724	3,741,352
Federal Grants and Contracts		482,369	377,870
State Grants		252,905	473,401
Total Operating Revenues		4,699,998	4,592,623
OPERATING EXPENSES:			
Instructional Contract Expense		8,976,038	8,410,000
Bad Debt/Collection Expenses		26,964	34,016
Contractual costs - Title III		267,391	360,498
Credit Card Costs		1,583	2,927
Grant Transfers		233,664	381,328
Salaries		160,206	150,537
Fringe Benefits		32,114	26,785
Advertising/Promotions		24,513	39,470
Professional Fees		21,209	14,330
Office Expenses		18,347	8,873
Travel & Conferences		5,911	9,631
Dues & Subscriptions		18,188	17,250
Insurance		16,771	16,052
Other Expenses		2,283	1,206
Depreciation		1,350,723	1,323,840
Total Operating Expenses		11,155,905	10,796,743
Operating Loss		(6,455,907)	(6,204,120)
NONOPERATING REVENUES/(EXPENSES):			
State Appropriations		4,460,376	4,113,856
Property Taxes		847,645	893,306
Investment Income		43,453	22,105
Total Nonoperating Revenues		5,351,474	5,029,267
Loss Before other Revenues, Expenses, Gains or Losses		(1,104,433)	(1,174,853)
Capital Appropriations		134,633	134,633
Change in Net Assets		(969,800)	(1,040,220)
Net Assets - Beginning of Year		18,668,391	19,708,611
Net Assets - End of Year	$	17,698,591	18,668,391

See accompanying notes to the basic financial statements.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

		2005	2004
Cash Flows from Operating Activities:			
Tuition and Fees	$	4,448,908	4,174,714
Grants		647,489	675,272
Contract Payments to University of Rio Grande		(9,406,939)	(8,042,138)
Grant Transfers to University of Rio Grande		(968,939)	(416,042)
Payments to Employees for Wages & Benefits		(190,481)	(174,775)
Payments to Vendors		(304,740)	(698,510)
Net Cash Used by Operating Activities		(5,774,702)	(4,481,479)
Cash Flows from Noncapital Financing Activities:			
State Appropriations		4,460,376	4,113,856
Property Taxes		894,188	857,049
Net Cash Provided by Noncapital Financing Activities		5,354,564	4,970,905
Cash Flows from Capital and Related Financing Activities:			
Capital Appropriations		134,633	134,633
Capital Asset Purchases		(231,914)	(102,760)
Net Cash (Used) Provided by Capital and Related Financing Activities		(97,281)	31,873
Cash Flows from Investing Activities:			
Interest on Investments		43,453	22,105
Change in Cash and Cash Equivalents		(473,966)	543,404
Cash and Cash Equivalents - Beginning of Year		2,091,226	1,547,822
Cash and Cash Equivalents - End of Year	$	1,617,260	2,091,226
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	$	(6,455,907)	(6,204,120)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation Expense		1,350,723	1,323,840
Changes in Assets and Liabilities:			
Tuition Receivable		(167,869)	(108,551)
Intergovernmental Receivable		15,403	152,889
Prepaid Expenses		16,391	(16,391)
Accounts Payable and Accrued Liabilities		(533,443)	370,854
Net Cash Used by Operating Activities	$	(5,774,702)	(4,481,479)
Other Capital and Related Financing Activities:			
Capital Assets acquired as Accounts Payable	$	4,264	9,852

See accompanying notes to the basic financial statements.

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 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 appointed by the Board of Trustees to oversee day-to-day operation of the College (see Note 13). 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 2005, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following summarizes the estimated useful life:

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

Accounts Receivable

Receivables at June 30, 2005 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consist of the following:

		2005	2004
Invested in Capital Assets, net of related debt	$	15,634,991	16,749,536
Restricted for Capital Projects		510,243	375,610
Unrestricted		1,553,357	1,543,245
Total	$	17,698,591	18,668,391

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)

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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which revised the necessary disclosures that address risk related to deposits and investments and amended Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements.* Statement No. 40 involves required disclosures about:

- Custodial Credit Risk
- Credit Risk
- Concentration of Credit Risk
- Interest Rate Risk, and
- Foreign Currency Risk

Additional disclosures are required regarding investment policies related to disclosed risks, and for investments with fair values that are highly sensitive to interest rate changes. The requirements of Statement No. 40 are effective for financial statements for periods beginning after June 15, 2004. Implementation of this new accounting principle had no effect on these financial statements.

NOTE 4 – CASH AND INVESTMENTS

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

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

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

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

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

NOTE 4 – CASH AND INVESTMENTS (Continued)

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.

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 the June 30, 2005, bank balances of $1,626,711: $856,567 was covered by federal depository insurance and the remaining $772,906 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.

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.

NOTE 4 – CASH AND INVESTMENTS (Continued)

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.

NOTE 5 – STATE SUPPORT

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

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

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

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

NOTE 6 – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. By contract with the University of Rio Grande (see Note 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.

NOTE 6 – RISK MANAGEMENT (Continued)

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 7 – PENSION PLANS

Ohio Public Employees Retirement System

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

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

2. 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.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. The member contribution rates were 8.5% of their annual covered salary to fund pensions obligations. The employer contribution rate was 13.31% of covered payroll. The College's required contributions to PERS for the years ended June 30, 2005, 2004, and 2003 were $22,160, $20,036, and $12,397, respectively. The full amount has been contributed for 2004 and 2003. 91.83 percent has been contributed for 2005 with the remainder being reported as current liability.

NOTE 7 – PENSION PLANS (Continued)

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, 2005.

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, 2005 and 2004 was $6,466 and $2,222, respectively.

NOTE 8 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll, of which 4.00% was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review—The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003.

Funding Method—An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method—All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return—The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll—An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

Health Care—Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The College's actual contribution for 2004 which was used to fund postemployment benefits was $6,659. The amount of $10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were $26.9 billion and $16.4 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan: On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 9 – 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 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, 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. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2005 with real property taxes.

NOTE 9 – PROPERTY TAX (Continued)

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which the fiscal year 2005 taxes were collected for the College are:

	Gallia County	Jackson County	Meigs County	Vinton County
Agricultural/Residential and Other Real Estate (2004 Valuation)	$ 444,568,550	318,504,570	225,145,070	120,674,090
Public Utility Personal (2004 Valuation)	148,570,260	44,439,170	38,799,870	28,035,920
Tangible Personal Property (2005 Valuation)	46,873,588	57,019,767	10,274,320	13,336,519
	$ 640,012,398	419,963,507	274,219,260	162,046,529
Tax rate per $1,000 of Assessed Valuation	$1.00	$1.00	$1.00	$1.00

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, 2005, are available to finance fiscal year 2006 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, 2005, 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 10 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Classification		Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Land	$	2	-	-	2
Land Improvements		1,018,982	3,500	-	1,022,482
Buildings		26,756,481	-	-	26,756,481
Building Improvements		4,779,168	126,868	-	4,906,036
Equipment		2,406,880	105,810	-	2,512,690
Total Capital Assets		34,961,513	236,178	-	35,197,691
Less: Accumulated Depreciation					
Land Improvements		582,364	54,927	-	637,291
Buildings		11,517,516	891,883	-	12,409,399
Building Improvements		3,896,261	252,499	-	4,148,760
Equipment		2,215,836	151,414	-	2,367,250
Total Accumulated Depreciation		18,211,977	1,350,723	-	19,562,700
Net Capital Assets	$	16,749,536	(1,114,545)	-	15,634,991

Depreciation expense for the fiscal year ended June 30, 2005 and 2004 was $1,350,723 and $1,323,840, respectively.

NOTE 11 – 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:

		2005	2004
Educational and General:			
Instructional Support	$	9,209,702	8,791,328
Institutional Support		595,480	681,575
Depreciation		1,350,723	1,323,840
Total	$	11,155,905	10,796,743

NOTE 12 – STUDENT FINANCIAL AID

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

NOTE 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 services for the College in return of an amount determined by the State of Ohio per fulltime equivalent student enrolled at the College. The current contract expired June 30, 2004. Negotiations with the University on a new contract are currently taking place. Under the terms of the contract, the President of the University of Rio Grande 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 14 – CONTINGENCIES

Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2005. 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.

NOTE 14 – CONTINGENCIES (Continued)

Litigation

At June 30, 2005, there are two lawsuits filed against the College. In management's opinion, the outcome of any such litigation will not materially affect the College's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome could change materially in the near term.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO

Board of Trustees and Administrative Personnel
For the Year Ended June 30, 2005

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

[1] – Appointed by the Board of County Commissioners

[2] – Appointed by a majority action of each Board of County Commissioners of Gallia, Jackson, Meigs, and Vinton Counties.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Program Title	CFDA Number	Grantor's Number		Expenditures
U.S. Department of Education:				
Direct from the Federal Government:				
Higher Education Institutional Aid	84.031A	N/A	$	415,860
Passed through the Ohio Department of Education:				
Tech-Prep Education	84.243	3ETC 2005		130,364
Vocational Education Basic Grants to States	84.048	20A0 2005		41,785
Improving Teacher Quality State Grants	84.367			8,310
Total U.S. Department of Education			$	596,319

See accompanying notes to the Schedule of Expenditures of Federal Awards.

RIO GRANDE COMMUNITY COLLEGE
GALLIA COUNTY, OHIO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (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.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

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
Gallia County

We have audited the accompanying financial statements of the business-type activities of Rio Grande Community College, Gallia County, Ohio (the College), as of and for the year ended June 30, 2005 and 2004, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 11, 2005, in which we noted the College adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. 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.

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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters
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 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.*

However, we noted certain immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated November 11, 2005.

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

This report is intended solely for the information and use of the Board of Trustees, management, the Auditor of State of Ohio 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 11, 2005

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Report On Compliance With Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Rio Grande Community College
Gallia County

Compliance

We have audited the compliance of Rio Grande Community 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 each of its major federal programs for the year ended June 30, 2005. The Rio Grande Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rio Grande Community College's management. Our responsibility is to express an opinion on Rio Grande Community 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rio Grande Community 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 Rio Grande Community College's compliance with those requirements.

In our opinion, Rio Grande Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Rio Grande Community 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 Rio Grande Community 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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CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

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.

This report is intended solely for the information and use of the Board of Trustees, management, the Auditor of State of Ohio 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 11, 2005

RIO GRANDE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2005

1.	Summary of Auditors' 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 weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any reported non-compliance 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	Title III 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 and Questioned Costs for Federal Awards

NONE

RIO GRANDE COMMUNITY COLLEGE

Schedule of Prior Year Audit Findings and Questioned Costs

OMB Circular A-133 § 315(b)

June 30, 2005

NONE

Auditor of State
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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 16, 2006