

RIO GRANDE COMMUNITY COLLEGE

Financial Statements

June 30, 2017 and 2016

with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Rio Grande Community College, Gallia County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 5, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Rio Grande Community College
Rio Grande, Ohio

Report on the Financial Statements

We have audited the accompanying basic financial statements of Rio Grande Community College (the "College"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-7) and the schedules of the College's proportionate share of the net pension liability (page 30) and College contributions (page 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of the Board of Trustees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of the Board of Trustees has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 11, 2017

The discussion and analysis of Rio Grande Community College's financial statements provide an overview of the College's financial activities for the fiscal years ended June 30, 2017 and 2016. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this report

The following activities are included in the financial statements:

Primary Institution (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service and support services.

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

Financial highlights

The College's financial position improved during fiscal year ended June 30, 2017. Current assets increased by 7.4% from the previous fiscal year primarily due to an increase in overall cash and cash equivalents and intergovernmental receivables as a result of the increased capital appropriations related to the College's various building improvement projects to be received from the State of Ohio.

During the fiscal year ended June 30, 2017, the College's total revenue exceeded total expenses creating an increase in net position of \$2,204,335 (compared to a \$745,629 increase from the previous fiscal year). This increase in net position was due primarily to total capital appropriations of \$2,237,089.

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

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

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

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

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

Rio Grande Community College
Management's Discussion and Analysis
For the Years Ended June 30, 2017 and 2016
(Unaudited)

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

Net Position			
As of June 30			
	2017	2016	2015
Current assets	\$ 8,527,899	7,939,890	6,872,461
Noncurrent assets:			
Capital assets (net of depreciation)	13,406,712	11,774,846	11,583,322
	21,934,611	19,714,736	18,455,783
Deferred outflows of resources	366,310	239,866	96,977
Current liabilities	808,948	820,815	546,355
Noncurrent liabilities	835,192	594,292	373,880
	1,644,140	1,415,107	920,235
Deferred inflows of resources	881,152	968,201	806,860
Net position:			
Investment in capital assets	13,406,712	11,774,846	11,583,322
Restricted to capital projects	1,090,189	1,201,952	1,686,092
Unrestricted	5,278,728	4,594,496	3,556,251
	\$ 19,775,629	17,571,294	16,825,665

The increase in current assets is primarily due to an increase in prepaid expense of \$363,844 and an increase of cash in the amount of \$1,014,747, with \$702,530 of this amount reflecting a collection of prior year receivables.

The increase in capital assets is due to renovation projects and the acquisition of land and a building in Jackson, Ohio. The total capital asset additions of \$2,338,401 were offset by current year depreciation charges of \$706,535.

The decrease in current liabilities of \$11,867 is due primarily to the decrease in unearned revenue.

The decrease in net position restricted to capital projects reflects \$247,928 in capital component monies received from the state during the fiscal year, and is offset by \$359,691 in payments related to capital projects from these funds. The increase in unrestricted net position is largely a result of an increase in current assets including increases in prepaid expense and cash.

Rio Grande Community College
Management's Discussion and Analysis
For the Years Ended June 30, 2017 and 2016
(Unaudited)

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

Operating Results			
For the Year Ended June 30			
	2017	2016	2015
Operating revenues:			
Student tuition	\$ 6,877,496	7,773,228	7,617,587
State grants	128,691	124,622	139,306
Auxiliary enterprises	2,726,758	3,305,747	3,714,029
Other	101,704	27,305	45,131
Total operating revenues	9,834,649	11,230,902	11,516,053
Operating expenses:			
Educational and general:			
Instructional support	14,677,643	15,511,717	15,643,968
Institutional support	1,554,202	1,385,806	1,302,335
Depreciation	706,535	686,909	682,627
Total operating expenses	16,938,380	17,584,432	17,628,930
Operating loss	(7,103,731)	(6,353,530)	(6,112,877)
Nonoperating revenues:			
State appropriations	6,174,110	5,710,586	5,243,456
Property taxes	880,077	872,229	788,014
Investment income	16,790	11,522	3,930
Total nonoperating income	7,070,977	6,594,337	6,035,400
Income (loss) before other revenues, expenses, gains or losses	(32,754)	240,807	(77,477)
Capital appropriations	2,237,089	504,822	533,708
Change in net position	2,204,335	745,629	456,231
Net position - beginning of year	17,571,294	16,825,665	16,369,434
Net position - end of year	\$ 19,775,629	17,571,294	16,825,665

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.

The decrease in operating revenue of \$1,396,253 is primarily the result of the decrease in student tuition and auxiliary enterprise revenue as enrollment was lower than that of the prior year.

Operating expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College and decreased by \$646,052 from the prior year. The most significant expense for the college is instructional support in the amount of \$14,677,643, which consists entirely of instructional services contract payments to the University of Rio Grande for instructional and administrative services. This amount is a decrease of \$834,074 from the prior year, which is a result of a decrease in main campus tuition and auxiliary revenues. The instructional services payment includes 96% of all charges to community college students, including tuition, fees and auxiliary, as well as the State Share of Instruction appropriations and property tax receipts. The instructional services contract represents 87% of the College's operating expenses.

Nonoperating revenues

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

State Share of Instruction appropriations increased by \$463,524 when compared to 2016. This increase was in accordance with the State funding formula calculations.

Total capital appropriations increased by \$1,732,267 when compared with 2016 as the State of Ohio approved additional funding for the Jackson Campus.

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		
	2017	2016	2015
Net cash from:			
Operating activities	\$ (5,902,418)	(5,291,733)	(5,794,625)
Noncapital financing activities	7,047,001	6,571,085	6,034,187
Capital and related financing activities	(146,626)	(175,657)	151,380
Investing activities	16,790	11,522	3,930
Change in cash and cash equivalents	1,014,747	1,115,217	394,872
Cash and cash equivalents - beginning of year	4,927,228	3,812,011	3,417,139
Cash and cash equivalents - end of year	\$ 5,941,975	4,927,228	3,812,011

For the year ended June 30, 2017, the net cash used by operating activities indicates that the College used more cash for instructional and administrative costs than it received from sources such as student tuition and certain federal and State grants. These costs included the instructional contract with the University of Rio Grande. However, this amount is offset by the net cash from noncapital financing activities and is indicative of the tremendous need that the College has for the appropriations from the State and local tax levies. The cash position of the College increased \$1,014,747 from 2016 to 2017, primarily due to the receipt of 2016 outstanding receivables.

Capital assets

At June 30, 2017, the College had \$13.4 million invested in capital assets, net of accumulated depreciation of \$30.0 million. Depreciation charges totaled \$706,535 for the current fiscal year. A comparative summary of these assets is as follows:

Capital Assets, Net of Accumulated Depreciation
As of June 30

	2017	2016	2015
Land and land improvements	\$ 686,738	188,243	25,348
Buildings	7,944,610	7,324,616	7,704,708
Building improvements	4,254,116	3,690,168	3,567,226
Equipment	521,248	571,819	286,040
	\$ 13,406,712	11,774,846	11,583,322

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

Economic factors that will affect the future

The economic position of the College is closely tied to that of the State. Beginning with the fiscal year ending June 30, 2015, 100% of the funding from State Share of Instruction is based upon student course and degree completions and other student success benchmarks. State appropriations are based on the results of the College's student course and degree completions. In addition to state appropriations and the local property tax levy, the College is heavily dependent on student tuition and fees. For the 2016-2017 and 2017-2018 academic years, the state legislature has prohibited any increases in tuition for all state funded community colleges. As a result, the college's tuition rate will remain the same through fiscal year 2018.

Contacting the College's financial management

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

Rio Grande Community College
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Current assets		
Cash and cash equivalents	\$ 5,941,975	4,927,228
Receivables:		
Tuition (less allowance for uncollectible amounts of \$737,283 and \$659,546, respectively)	986,163	1,852,761
Intergovernmental	238,321	88,613
Property taxes	973,515	1,047,207
Prepaid expenses	387,925	24,081
Total current assets	8,527,899	7,939,890
Noncurrent assets		
Capital assets, net	13,406,712	11,774,846
Total assets	21,934,611	19,714,736
Deferred outflows of resources		
Pensions	366,310	239,866
Current liabilities		
Accounts payable and accrued liabilities	362,747	350,155
Unearned revenue	446,201	470,660
Total current liabilities	808,948	820,815
Noncurrent liabilities		
Net pension liability	835,192	594,292
Total liabilities	1,644,140	1,415,107
Deferred inflows of resources		
Property tax	876,182	957,060
Pensions	4,970	11,141
Total deferred inflows of resources	881,152	968,201
Net position		
Investment in capital assets	13,406,712	11,774,846
Restricted:		
Capital projects	1,090,189	1,201,952
Unrestricted	5,278,728	4,594,496
Total net position	\$ 19,775,629	17,571,294

See accompanying notes to the basic financial statements.

Rio Grande Community College
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Student tuition and fees (less scholarship discounts and allowances of \$81,423 and \$122,602, respectively)	\$ 6,877,496	7,773,228
State grants	128,691	124,622
Auxiliary enterprises	2,726,758	3,305,747
Other	101,704	27,305
Total operating revenues	9,834,649	11,230,902
Operating expenses:		
Instructional contract expense	14,677,643	15,511,717
Lease payment expense	278,300	216,000
Bad debt/collection expenses	88,052	96,887
Grant expenses	88,355	104,879
Salaries	489,036	410,603
Fringe benefits	336,456	252,541
Advertising/promotions	25,907	15,681
Professional fees	26,650	21,437
Office expenses	45,765	43,711
Travel and conferences	11,738	9,414
Dues and subscriptions	33,198	26,698
Insurance	19,588	11,821
Other expenses	111,157	176,134
Depreciation	706,535	686,909
Total operating expenses	16,938,380	17,584,432
Operating loss	(7,103,731)	(6,353,530)
Nonoperating revenues:		
State appropriations	6,174,110	5,710,586
Property taxes	880,077	872,229
Investment income	16,790	11,522
Total nonoperating revenues	7,070,977	6,594,337
Income (loss) before other revenues, expenses, gains or losses	(32,754)	240,807
Capital appropriations	2,237,089	504,822
Change in net position	2,204,335	745,629
Net position - beginning of year	17,571,294	16,825,665
Net position - end of year	\$ 19,775,629	17,571,294

See accompanying notes to the basic financial statements.

Rio Grande Community College
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Tuition and fees	\$ 7,631,583	7,813,808
Grants	(21,017)	92,579
Other revenue	101,704	27,305
Auxiliary enterprises	2,726,758	3,305,747
Contract payments to University of Rio Grande	(14,677,643)	(15,511,717)
Grant transfers to University of Rio Grande	(88,355)	(104,879)
Payments to employees for wages & benefits	(717,207)	(582,260)
Payments to vendors	(858,241)	(332,316)
Net cash used by operating activities	(5,902,418)	(5,291,733)
Cash flows from noncapital financing activities:		
State appropriations	6,174,110	5,710,586
Property taxes	872,891	860,499
Net cash provided by noncapital financing activities	7,047,001	6,571,085
Cash flows from capital and related financing activities:		
Capital appropriations	2,237,089	504,822
Capital asset purchases	(2,383,715)	(680,479)
Net cash used by capital and related financing activities	(146,626)	(175,657)
Cash flows from investing activities:		
Interest on investments	16,790	11,522
Change in cash and cash equivalents	1,014,747	1,115,217
Cash and cash equivalents - beginning of year	4,927,228	3,812,011
Cash and cash equivalents - end of year	\$ 5,941,975	4,927,228

(continued)

See accompanying notes to the basic financial statements.

Rio Grande Community College
Statement of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (7,103,731)	(6,353,530)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	706,535	686,909
Provision for bad debts	88,052	96,887
Changes in assets and liabilities:		
Receivables:		
Tuition	778,546	9,795
Intergovernmental	(149,708)	(32,043)
Prepaid expenses	(363,844)	142,859
Deferred outflows	(126,444)	(142,889)
Accounts payable and accrued liabilities	57,906	45,721
Unearned revenue	(24,459)	30,785
Net pension liability	240,900	220,412
Deferred inflows	(6,171)	3,361
Net cash used by operating activities	\$ <u>(5,902,418)</u>	<u>(5,291,733)</u>
Supplemental disclosure of noncash investing and financing activities		
Capital assets acquired as accounts payable	\$ <u>152,640</u>	<u>197,954</u>

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Entity

Rio Grande Community College (the "College") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The College was formed after the creation of a community college district, as defined in Ohio Revised Code Chapter 3354. The College is an institution of higher learning dedicated to providing the residents of the community college district with low-cost higher education in various academic and technical areas, for the purpose of gaining credit for further academic achievement. The College operates under the direction of an appointed nine-member Board of Trustees. Three members of this board are appointed by the Governor of the State of Ohio. The remaining six members are appointed by the Boards of County Commissioners within the community college district, with one from each of the four counties in the district (Meigs, Gallia, Jackson and Vinton), and two by joint action of the four counties. A president is contracted by the Board of Trustees through an agreement with the University of Rio Grande (see Note 12). An appointed Chief Financial Officer is the custodian of funds and investment officer and is also responsible for the fiscal controls of the resources of the College.

Financial Statement Presentation

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

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

- **Investment in capital assets** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The College has no outstanding capital related debt for either year.
- **Restricted** – Net position whose use is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. This represents amounts for capital construction projects.
- **Unrestricted** – Net position that are not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

Basis of Accounting

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

New Accounting Standards Adopted

For the year ended June 30, 2017, the College implemented the provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statement No. 80 amends the GASB Statement No. 14 blending requirements for the financial statement presentation of component units of all state and local governments. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

Cash and Investments

To improve cash management, all cash received by the College is pooled in central bank accounts. For internal control and accountability purposes, individual fund integrity is maintained through the College's records. During fiscal years 2017 and 2016, investments were limited to certificates of deposit with local institutions and interest bearing checking accounts.

The College makes investments in accordance with the Board of Trustees' policy which conforms to the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the College's Chief Financial Officer within these policy guidelines. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost, which approximates fair value.

Receivables

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

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the acquisition value at the date of the gift. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation.

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

<u>Classification</u>	<u>Life</u>
Buildings	40 years
Building Improvements	20 years
Land Improvements	20 years
Furniture & Fixtures	10 years
Equipment & Vehicles	7 years
Computer Technology	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pension as explained in Note 9.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the College, deferred inflows of resources include property taxes and pension. Property taxes at June 30, 2017 represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on the statement of net position. Any grants and entitlements received before time requirements are met but after all other eligibility requirements are met are also recorded as a deferred inflow of resources. Deferred inflows of resources related to pension are reported on the statement of net position as explained in Note 9.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Operating and Nonoperating Revenues

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

Scholarship Discounts and Allowances

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

Estimates

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

Subsequent Events

The College evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through December 11, 2017.

Budgetary Process

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

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

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

Appropriations: A temporary appropriation ordinance to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation ordinance must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the function level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

2. CASH AND INVESTMENTS:

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

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

Deposits

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments or collateral securities in the possession of an outside party. The College's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities.

As of June 30, 2017, the College's bank balance was \$5,960,390. Of this amount, \$968,874 was covered by federal depository insurance and the remaining \$4,991,516 was exposed to custodial credit risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law. As of June 30, 2016, the College's bank balance was \$4,941,267. Of this amount, \$1,064,415 was covered by federal depository insurance and the remaining \$3,876,852 was exposed to custodial credit risk.

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

Credit risk – It is the College’s practice to limit its investments to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAAM by Standard & Poor’s), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

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

3. STATE APPROPRIATIONS:

The College is a State-assisted institution of higher education that receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula determined by the State of Ohio. The College received \$6,174,110 and \$5,710,586 of student-based subsidy in fiscal years 2017 and 2016, respectively.

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

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

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

4. CAPITAL ASSETS:

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

Classification	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Land	\$ 2	515,196	-	515,198
Land improvements	1,198,426	-	-	1,198,426
Buildings	26,825,542	1,000,086	-	27,825,628
Building improvements	9,003,886	780,252	-	9,784,138
Equipment	4,066,974	42,867	-	4,109,841
Total capital assets	<u>41,094,830</u>	<u>2,338,401</u>	<u>-</u>	<u>43,433,231</u>
Less: accumulated depreciation				
Land improvements	1,010,185	16,701	-	1,026,886
Buildings	19,500,926	380,092	-	19,881,018
Building improvements	5,313,718	216,304	-	5,530,022
Equipment	3,495,155	93,438	-	3,588,593
Total accumulated depreciation	<u>29,319,984</u>	<u>706,535</u>	<u>-</u>	<u>30,026,519</u>
Net capital assets	<u>\$ 11,774,846</u>	<u>1,631,866</u>	<u>-</u>	<u>13,406,712</u>

Rio Grande Community College
Notes to the Basic Financial Statements
For the Years Ended June 30, 2017 and 2016

Classification	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Land	\$ 2	-	-	2
Land improvements	1,027,382	171,044	-	1,198,426
Buildings	26,825,542	-	-	26,825,542
Building improvements	8,678,611	325,275	-	9,003,886
Equipment	3,684,860	382,114	-	4,066,974
Total capital assets	<u>40,216,397</u>	<u>878,433</u>	<u>-</u>	<u>41,094,830</u>
Less: accumulated depreciation				
Land improvements	1,002,036	8,149	-	1,010,185
Buildings	19,120,834	380,092	-	19,500,926
Building improvements	5,111,385	202,333	-	5,313,718
Equipment	3,398,820	96,335	-	3,495,155
Total accumulated depreciation	<u>28,633,075</u>	<u>686,909</u>	<u>-</u>	<u>29,319,984</u>
Net capital assets	<u>\$ 11,583,322</u>	<u>191,524</u>	<u>-</u>	<u>11,774,846</u>

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 was \$706,535 and \$686,909, respectively.

As of June 30, 2017, the college was a party to construction contracts and commitments totaling \$1,167,035 of which \$489,161 had been incurred. Remaining commitments for these contracts were \$677,874 at June 30, 2017.

5. FUNCTIONAL AND NATURAL EXPENSE CLASSIFICATIONS:

The accompanying Statement of Revenues, Expenses and Changes in Net Position reflect the natural expense classifications utilized by the College. Functional expense classification would be as follows for the fiscal years ended June 30:

	2017	2016
Educational and General:		
Instructional support	\$ 14,677,643	15,511,717
Institutional support	1,554,202	1,385,806
Depreciation	<u>706,535</u>	<u>686,909</u>
Total	<u>\$ 16,938,380</u>	<u>17,584,432</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

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

	2017	2016
Accounts payable	\$ 322,136	347,459
Payroll, fringe and other liabilities	<u>40,611</u>	<u>2,696</u>
Total	<u>\$ 362,747</u>	<u>350,155</u>

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 year 2017 for real and public utility property taxes represents collections of calendar year 2016 taxes.

2017 real property taxes are levied after April 1, 2017, on the assessed value as of January 1, 2017, 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. 2017 public utility property taxes became a lien December 31, 2016, are levied after April 1, 2017 and are collected in 2017 with real property taxes.

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

The assessed values upon which the fiscal year 2017 taxes were collected for the College are:

	<u>Gallia County</u>	<u>Jackson County</u>	<u>Meigs County</u>	<u>Vinton County</u>	<u>Hocking County</u>
Agricultural/Residential and Other Real Estate (2016 Valuation)	\$ 520,288,280	472,159,990	316,305,440	167,250,090	48,120
Public Utility Personal (2016 Valuation)	<u>273,930,030</u>	<u>70,406,200</u>	<u>69,622,810</u>	<u>67,133,920</u>	<u>48,120</u>
	<u>\$ 794,218,310</u>	<u>542,566,190</u>	<u>385,928,250</u>	<u>234,384,010</u>	<u>96,240</u>
Tax rate per \$1,000 of Assessed Valuation	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>

The College receives property taxes from Gallia, Jackson, Meigs, Vinton and Hocking 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2017, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources – property tax for that portion not levied to finance current fiscal year operations.

8. RISK MANAGEMENT:

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. By contract with the University of Rio Grande (see Note 12 for further details), comprehensive insurance coverage with private carriers for real property and building contents is maintained. Real property and contents are 100% coinsured.

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

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

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

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

9. DEFINED BENEFIT PENSION PLANS:

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) state statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the state legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accounts payable and accrued liabilities.

Plan Description and Plan Benefits - Ohio Public Employees Retirement System (OPERS)

OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, the Combined Plan and the Member-Directed Plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS's fiduciary net position. That report can be obtained by visiting <https://www.opers.org/financial/reports.shtml#CAFR>.

The Traditional Pension Plan. The Traditional Pension Plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and final average salary. The pension benefits are funded by both member and employer contributions, and investment earnings on those contributions.

The Combined Plan. The Combined Plan is a defined benefit plan with elements of a defined contribution plan. Under the Combined Plan, members earn a formula benefit similar to, but at a factor less than, the Traditional Pension Plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment earnings (or losses) on those contributions. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

The Member-Directed Plan. The Member-Directed Plan is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The retirement distribution under this plan is equal to the sum of member and vested employer contributions, plus investment earnings (or losses) on those contributions. Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use his/her defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

Plan benefits, and any benefit increases, are established by legislature pursuant to Chapter 145 of the Ohio Revised Code. The Board of Trustees, pursuant to Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

Senate Bill (SB) 343 enacted into law new legislation with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Age and Service Defined Benefits. Benefits in the Traditional Pension Plan for members are calculated on the basis of age, final average salary and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Members in transition Group C are eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. The final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on an average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age and service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions, plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits. Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan was discussed above. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members contributions, vested employer contributions and investment gains and losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance, net of taxes withheld or a combination of these options.

Additional information on other benefits available can be found in the OPERS CAFR.

Funding Policy

The OPERS funding policy provides for periodic employee and employer contributions to all three plans at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of OPERS' external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2016. Plan members were required to contribute 10% of covered payroll. The College's contribution rate was 14% of covered payroll.

The College's contractually required contributions to OPERS for fiscal years 2017 and 2016 were \$63,369 and \$53,597, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPERS

The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. For reporting purposes, the College combined the amounts for both the Traditional and Combined plans, due to insignificance of the amounts that related to the Combined Plan. At June 30, 2017 and 2016, the College reported a net pension liability of \$835,192 and \$594,292, respectively, as its proportionate share. Following is information related to the proportionate share and pension expense:

	Proportionate Share of Net Pension Liability		Proportion of the Net Pension Liability		Pension Expense	
	2017	2016	2017	2016	2017	2016
Traditional Plan	\$ 835,192	594,292	0.003678%	0.003431%	\$ 148,675	110,016

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,132	\$ 4,970
Differences between projected and actual earnings on investments	124,378	-
Change in assumptions	132,472	-
Change in government's proportionate share and difference in employer contributions	67,938	-
College contributions subsequent to the measurement date	40,390	-
Total	<u>\$ 366,310</u>	<u>\$ 4,970</u>

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 11,141
Differences between projected and actual earnings on investments	173,237	-
Change in government's proportionate share and difference in employer contributions	34,888	-
College contributions subsequent to the measurement date	31,741	-
Total	<u>\$ 239,866</u>	<u>\$ 11,141</u>

\$40,390 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2018	\$ 141,787
2019	136,333
2020	46,476
2021	(3,646)
	<u>\$ 320,950</u>

Actuarial Assumptions

Total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>As of 12/31/16</u>	<u>As of 12/31/15</u>
Actuarial cost method	Individual entry age	Individual entry age
Cost of living	3.0 percent	3.0 percent
Salary increases, including inflation	3.25 percent - 10.75 percent	4.25 percent - 10.05 percent
Inflation	3.25 percent	3.75 percent
Investment rate of return	7.50 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Priod of 5 years ended December 31, 2015	Priod of 5 years ended December 31, 2010
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2000 Mortality Table projected 20 years using Projection Scale AA

Long Term Expected Rate of Return

The allocation of investment assets within the defined benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The following table displays the Board-approved asset allocation policy and the long term expected arithmetic real rates of return:

<u>As of 12/31/2016</u>			<u>As of 12/31/2015</u>		
Investment Category	Target Allocation	Long- Term Expected Real Rate of Return	Investment Category	Target Allocation	Long- Term Expected Real Rate of Return
Fixed income	23.00%	2.75%	Fixed income	23.00%	2.31%
Domestic equities	20.70%	6.34%	Domestic equities	20.70%	5.84%
Real estate	10.00%	4.75%	Real estate	10.00%	4.25%
Private equity	10.00%	8.97%	Private equity	10.00%	9.25%
International equity	18.30%	7.95%	International equity	18.30%	7.40%
Other investments	18.00%	4.92%	Other investments	18.00%	4.59%
Total	<u>100.00%</u>		Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following chart represents the College's proportionate share in thousands of the net pension liability at the 7.5% and 8% discount rates for 2016 and 2015, respectively, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate (in thousands):

	1% Decrease (6.500%)	Current Discount Rate (7.500%)	1% Increase (8.50%)
Fiscal year 2017	<u>\$ 1,275,941</u>	<u>\$ 835,192</u>	<u>\$ 467,904</u>
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Fiscal year 2016	<u>\$ 946,853</u>	<u>\$ 594,292</u>	<u>\$ 296,919</u>

Alternative Retirement Plan (ARP)

All newly hired full-time administrative employees and faculty are eligible to choose an Alternative Retirement Plan (ARP) rather than the Ohio Public Employees Retirement System (OPERS). Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College. Employees have 120 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired.

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

<u>Years of Service</u>	<u>Percentage Vested</u>
Less than 2	0%
2	25%
3	50%
4	75%
5	100%

The seven companies approved to offer an ARP for the College employees are Aetna, Equitable, Great American Life, Lincoln National Life, Nationwide Life, TIAA-CREF and VALIC. No employees have elected to participate in the alternative retirement plan for the year ended June 30, 2017.

403(b) Plan

Effective April 1, 2004, the Rio Grande Community College Board of Trustees approved a 403(b) plan for its employees. The plan calls for the College to match voluntary withholdings of the employee up to 5% of the employee's annual salary.

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

<u>Years of Service</u>	<u>Percentage Vested</u>
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, 2017, 2016, and 2015 was \$8,199, \$8,311 and \$6,794, respectively.

10. 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. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016.

As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2017, 2016 and 2015 were \$10,562, \$8,929 and \$8,607, respectively, which equaled the required contributions each year.

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

12. INSTRUCTIONAL CONTRACT WITH THE UNIVERSITY OF RIO GRANDE:

The College has a contract with the University of Rio Grande (the "University") whereby the University agrees to perform instructional services for the College in return for a fee equal to 96% of tuition revenue and state share of instruction. This contract expired June 30, 2017 and in June 2017 was renewed through June 30, 2019. 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.

The amount receivable from the University at June 30, 2017 and 2016 was \$317,617 and \$570,332, respectively. The amount payable to the University at June 30, 2017 and 2016 was \$132,241 and \$43,083, respectively.

13. OPERATING LEASE OBLIGATION:

The College has entered into a lease agreement that is considered an operating lease for a building. Total rental expense under the operating lease during the fiscal years ended June 30, 2017 and 2016 amounted to \$216,000. The lease is a two-year lease with renewal options biannually at the same rate for the next 5 years.

Future minimum lease payments as of June 30, 2017 under the operating lease are as follows:

Years Ending June 30	Amount
2018	216,000
2019	216,000
2020	216,000
2021	216,000
2022	216,000
Total minimum lease payments	\$ 1,080,000

14. CONTINGENCIES:

Grants

The College received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the College. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the College at June 30, 2017. Under terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. College management believes disallowances, if any, will be immaterial.

15. SUBSEQUENT EVENTS:

On September 11, 2017, the Board of Trustees approved the purchase of land in McArthur, Ohio for the amount of \$350,000, contingent upon state controlling board approval. The purchase is being funded by state capital appropriations which were appropriated by the state legislature for the fiscal year 2017-2018 capital budget cycle.

REQUIRED SUPPLEMENTARY INFORMATION

Rio Grande Community College
 Required Supplementary Information
 Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)
 Last Four Measurement Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Ohio Public Employees Retirement System - Traditional Plan</u>				
College's Proportion of the Net Position Liability (Asset)	0.003678%	0.003431%	0.003131%	0.003131%
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 835,192	\$ 594,292	\$ 377,634	\$ 369,104
College's Covered Payroll	\$ 382,836	\$ 405,958	\$ 376,232	\$ 356,496
College's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	218.16%	146.39%	100.37%	103.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	77.25%	81.08%	86.45%	86.36%
<u>Ohio Public Employees Retirement System - Combined Plan</u>				
College's Proportion of the Net Position Liability (Asset)	0.000000%	0.000000%	0.009749%	0.009749%
College's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ (3,754)	\$ (1,023)
College's Covered Payroll	\$ -	\$ -	\$ 22,760	\$ 21,565
College's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	N/A	N/A	16.49%	4.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2013 is not available.

Rio Grande Community College
Required Supplementary Information
Schedule of College Contributions
Last Six Fiscal Years (1)

	2017	2016	2015	2014	2013	2012
<u>Ohio Public Employees Retirement System - Traditional Plan</u>						
Contractually Required Contribution	\$ 63,369	\$ 53,597	\$ 48,715	\$ 47,029	\$ 40,997	\$ 31,264
Contributions in Relation to the Contractually Required Contribution	<u>(63,369)</u>	<u>(53,597)</u>	<u>(48,715)</u>	<u>(47,029)</u>	<u>(40,997)</u>	<u>(31,264)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College Covered Payroll	\$ 452,636	\$ 382,836	\$ 405,958	\$ 376,232	\$ 356,496	\$ 312,640
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	12.00%	12.50%	11.50%	10.00%
<u>Ohio Public Employees Retirement System - Combined Plan</u>						
Contractually Required Contribution	\$ -	\$ -	\$ 2,947	\$ 2,845	\$ 2,480	\$ 1,891
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>(2,947)</u>	<u>(2,845)</u>	<u>(2,480)</u>	<u>(1,891)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College Covered Payroll	\$ -	\$ -	\$ 24,558	\$ 22,760	\$ 21,565	\$ 18,910
Contributions as a Percentage of College Covered Payroll	14.00%	14.00%	12.00%	12.50%	11.50%	10.00%

(1) - Information prior to 2012 is not available.

SUPPLEMENTAL INFORMATION

College Location
 218 North College Street
 Rio Grande, Ohio 45674

Mailing Address
 P.O. Box 326
 Rio Grande, Ohio 45674

<u>Board of Trustees</u>	<u>Title</u>	<u>Appointed By</u>	<u>Term of Office</u>
Mr. Mick Davenport	Trustee	Meigs County ¹	08/17/15-08/17/20
Ms. Mary Lynne Jones	Trustee	Gallia County ¹	10/11/12-10/11/17
Mr. Andrew R. Adelman, Jr.	Trustee	Vinton County ¹	09/11/16-09/10/21
Mr. Paul M. Reed	Trustee	Joint Commissioners ²	09/11/15-09/10/20
Mr. Jody W. Walker	Trustee	Joint Commissioners ²	11/01/11-11/01/21
Ms. Debora Weber	Trustee	Governor	10/11/15-10/10/20
Mr. Lawrence Kidd	Trustee	Governor	10/11/15-10/10/20
Ms. Shawn E. Saunders	Trustee	Governor	10/11/11-10/10/21
Ms. Bobbi Montgomery	Trustee	Jackson County ¹	12/30/11-12/30/21

¹ – Appointed by the Board of County Commissioners

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

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

Board of Trustees
Rio Grande Community College
Rio Grande, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rio Grande Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 11, 2017

Section I – Summary of Auditors’ Results

Financial Statements

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

Section II – Financial Statement Findings

None noted

Section III – Summary of Prior Audit Findings

None noted





Dave Yost • Auditor of State

RIO GRANDE COMMUNITY COLLEGE

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2018**