



**Auditor of State
Betty Montgomery**

VILLAGE OF RIO GRANDE
GALLIA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rio Grande
Gallia County
P.O. Box 343
Rio Grande, Ohio 45674

To the Village Council:

We have audited the accompanying financial statements of the Village of Rio Grande, Gallia County, Ohio (the Village), as of and for the years ended December 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Rio Grande, Gallia County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Rio Grande
Gallia County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 21, 2003

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$147,589	\$14,400	\$	\$161,989
Intergovernmental Receipts	73,817	14,411	28,719	116,947
Charges for Services	36,071			36,071
Fines, Licenses, and Permits	7,500			7,500
Earnings on Investments	9,214			9,214
Miscellaneous	7,296			7,296
Total Cash Receipts	<u>281,487</u>	<u>28,811</u>	<u>28,719</u>	<u>339,017</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	108,399			108,399
Leisure Time Activities	1,413			1,413
Community Environment	278			278
Transportation	1,806	26,672		28,478
General Government	125,876			125,876
Debt Service:	30,974			30,974
Capital Outlay	11,683	53	28,719	40,455
Total Cash Disbursements	<u>280,429</u>	<u>26,725</u>	<u>28,719</u>	<u>335,873</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,058</u>	<u>2,086</u>	<u>0</u>	<u>3,144</u>
Fund Cash Balances, January 1	<u>129,988</u>	<u>14,071</u>	<u>0</u>	<u>144,059</u>
Fund Cash Balances, December 31	<u><u>\$131,046</u></u>	<u><u>\$16,157</u></u>	<u><u>\$0</u></u>	<u><u>\$147,203</u></u>
Reserves for Encumbrances, December 31	<u><u>\$879</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$879</u></u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$333,276	\$	\$333,276
Miscellaneous	11,247		11,247
Total Operating Cash Receipts	344,523	0	344,523
Operating Cash Disbursements:			
Personal Services	96,681		96,681
Fringe Benefits	49,052		49,052
Contractual Services	45,832		45,832
Supplies and Materials	46,426		46,426
Other	37,420		37,420
Capital Outlay	14,824		14,824
Total Operating Cash Disbursements	290,235	0	290,235
Operating Income/(Loss)	54,288	0	54,288
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		8,387	8,387
Total Non-Operating Cash Receipts	0	8,387	8,387
Non-Operating Cash Disbursements:			
Debt Service	76,282		76,282
Other Non-Operating Cash Disbursements		9,225	9,225
Total Non-Operating Cash Disbursements	76,282	9,225	85,507
Net Receipts Over/(Under) Disbursements	(21,994)	(838)	(22,832)
Fund Cash Balances, January 1	214,661	1,118	215,779
Fund Cash Balances, December 31	\$192,667	\$280	\$192,947
Reserve for Encumbrances, December 31	\$12,394	\$0	\$12,394

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$151,841	\$14,400	\$10,000	\$176,241
Intergovernmental Receipts	73,099	13,769		86,868
Charges for Services	29,440			29,440
Fines, Licenses, and Permits	8,877			8,877
Earnings on Investments	19,796	354		20,150
Miscellaneous	24,244			24,244
Total Cash Receipts	307,297	28,523	10,000	345,820
Cash Disbursements:				
Current:				
Security of Persons and Property	133,161			133,161
Leisure Time Activities	1,019			1,019
Community Environment	493			493
Transportation	5,544	20,684		26,228
General Government	112,618			112,618
Capital Outlay	131,747		37,000	168,747
Debt Service	20,365			20,365
Total Cash Disbursements	404,947	20,684	37,000	462,631
Total Cash Receipts Over/(Under) Cash Disbursements	(97,650)	7,839	(27,000)	(116,811)
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	90,000			90,000
Total Other Financing Receipts/(Disbursements)	90,000	0	0	90,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,650)	7,839	(27,000)	(26,811)
Fund Cash Balances, January 1	137,638	6,232	27,000	170,870
Fund Cash Balances, December 31	\$129,988	\$14,071	\$0	\$144,059
Reserves for Encumbrances, December 31	\$2,385	\$1,036	\$0	\$3,421

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$367,724	\$	\$367,724
Miscellaneous	12,689		12,689
Total Operating Cash Receipts	<u>380,413</u>	<u>0</u>	<u>380,413</u>
Operating Cash Disbursements:			
Personal Services	84,746		84,746
Fringe Benefits	44,304		44,304
Contractual Services	33,878		33,878
Supplies and Materials	42,460		42,460
Capital Outlay	40,278		40,278
Miscellaneous	36,323		36,323
Total Operating Cash Disbursements	<u>281,989</u>	<u>0</u>	<u>281,989</u>
Operating Income/(Loss)	<u>98,424</u>	<u>0</u>	<u>98,424</u>
Non-Operating Cash Receipts:			
Other Financing Sources		11,555	11,555
Total Non-Operating Cash Receipts	<u>0</u>	<u>11,555</u>	<u>11,555</u>
Non-Operating Cash Disbursements:			
Debt Service	89,469		89,469
Other Financing Uses		10,941	10,941
Total Non-Operating Cash Disbursements	<u>89,469</u>	<u>10,941</u>	<u>100,410</u>
Net Receipts Over/(Under) Disbursements	8,955	614	9,569
Fund Cash Balances, January 1	<u>205,706</u>	<u>504</u>	<u>206,210</u>
Fund Cash Balances, December 31	<u>\$214,661</u>	<u>\$1,118</u>	<u>\$215,779</u>
Reserve for Encumbrances, December 31	<u>\$3,177</u>	<u>\$0</u>	<u>\$3,177</u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Rio Grande, Gallia County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities. The Village contracts with Gallia County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF RIO GRANDE
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. **Fund Accounting (Continued)**

2. **Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Projects Fund - This fund was established to accumulate resources for the acquisition, construction, or improvement of fixed assets, including motor vehicles.

4. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. **Fiduciary Funds (Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This fund was used to account for the activity of the Mayor's Court.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

VILLAGE OF RIO GRANDE
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$25,442	\$6,914
Certificates of deposit	228,236	228,140
Total deposits	<u>253,678</u>	<u>235,054</u>
STAROhio		
Total investments	86,472	124,784
Total deposits and investments	<u>\$340,150</u>	<u>\$359,838</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$292,164	\$281,487	(\$10,677)
Special Revenue	27,400	28,811	1,411
Capital Projects	224,677	28,719	(195,958)
Enterprise	372,044	344,523	(27,521)
Total	\$916,285	\$683,540	(\$232,745)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,758	\$281,308	\$105,450
Special Revenue	33,366	26,725	6,641
Capital Projects	224,677	28,719	195,958
Enterprise	469,927	378,911	91,016
Total	\$1,114,728	\$715,663	\$399,065

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$377,150	\$397,297	\$20,147
Special Revenue	28,370	28,523	153
Capital Projects	10,000	10,000	0
Enterprise	385,754	380,413	(5,341)
Total	\$801,274	\$816,233	\$14,959

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$465,910	\$407,332	\$58,578
Special Revenue	32,595	21,720	10,875
Capital Projects	37,000	37,000	0
Enterprise	518,750	374,635	144,115
Total	\$1,054,255	\$840,687	\$213,568

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

Sewer Mortgage Revenue Bonds - 1972	\$32,000	4.75%
Ohio Water Development Authority Loan	86,185	2.20%
Ohio Public Works Commisison Loan	390,551	0.00%
Water Mortgage Revenue Bonds - 1994	208,500	6.75%
General Obligation N ote	20,694	5.45%
General Obligation N ote	63,000	4.90%
Total	<u>\$820,930</u>	

The 1972 Water and Sewer Mortgage Revenue Bonds were issued for sewer and water expansion and maintenance. The Water Bonds will be repaid in annual installments averaging \$5,282 including interest through the year 2008. The Sewer Bonds will be repaid in annual installments averaging \$7,041 including interest through the year 2008. The Village has agreed to set utility rates sufficient to cover the bonds debt service requirements. The bonds are secured by a mortgage on the water and sewer plants.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant pollution control project that was mandated by the Ohio Environmental Protection Agency. Upon completion of the project, the loan amount was finalized for \$132,278 in 1999. The loan will be repaid in semiannual installments of \$4,105.50 including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan was issued in 1994, interest free, for the purpose of making improvements at the water treatment plan. This loan will be repaid in semi-annual installments of \$15,622 over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The 1994 Water Mortgage Revenue Bonds were issued for the purpose of improving the Village water system. Monthly payments are made to the trustee in the amount of 1/12 of the scheduled succeeding years principal plus 1/12 of the succeeding years interest, less 1/12 of any excess funds remaining in the Trustees Bond Account at the end of the preceding year. Interest payments are made by the Trustee semi-annually and principal payments are made by the Trustee annually. The Village has agreed to set utility rates sufficient to cover the bonds debt service requirements. The bonds are secured by a mortgage on the water plant.

The General Obligation Note relates to the purchase of additional real property for Village services. Monthly payments will be made in the amount of \$763.25, including interest, over 5 years

The General Obligation Note relates to the purchase of a new fire truck for the Village. Yearly payments will be made of \$18,000 including interest, over six years.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending Dec 31:	1972 Water Mortgage Revenue Bonds	1972 Sewer Mortgage Revenue Bonds	OPWC Loan	OWDA Loan	1994 Water Mortgage Revenue Bonds	General Obligation Note	General Obligation Note
2003	\$5,140	\$6,758	\$31,244	\$8,211	\$38,374	\$9,159	\$18,000
2004	4,950	7,520	31,244	8,211	38,334	9,159	18,000
2005	4,760	7,235	31,244	8,211	38,385	3,816	18,000
2006	4,570	6,950	31,244	8,211	38,324	0	18,000
Subsequent	<u>8,570</u>	<u>14,997</u>	<u>265,574</u>	<u>69,794</u>	<u>76,722</u>	<u>0</u>	<u>0</u>
Total	\$27,990	\$43,460	\$390,551	\$102,638	\$230,130	\$22,134	72,000

7. RETIREMENT SYSTEMS

Officials and full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Village contributed equal to 13.55% of participants' gross salaries through June 30, 2002. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- general liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance coverage to full-time employees through a private carrier.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. DEBT SERVICE TRUSTEED FUNDS

The 1994 Water Mortgage Revenue Bonds trust agreement required the Village to establish a bond account, an issuance account, a construction account, and a debt service reserve account to be maintained by Firststar, a custodian bank. The bond account was established to make the annual principal and interest payments on the bonds from the monthly payments made by the Village to this account. The issuance account was established to pay all costs of issuing these bonds. The construction account was established to pay all project costs related to the improvement of the Village water system. The debt service reserve account was established to maintain, at a minimum, the balance of the succeeding years payment. When all of the money in the Construction account and Issuance account is spent on improvements to the water system, the Village can require the trustee to pay all remaining amounts from the construction account and issuance account into the bond account to be used for principal and interest payments. At December 31, 2002, the construction account and issuance account had \$0 balances due to a transfer of \$2,636.98 from the construction account and \$626.98 from the Issuance account. At December 31, 2002, Firststar held \$15,321 in Village assets in the bond account, \$16,694 in Village assets in the construction account and \$48,321 in Village assets in the debt service reserve account. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

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**Auditor of State
Betty Montgomery**

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

Village of Rio Grande
Gallia County
PO Box 343
Rio Grande, Ohio 45674

To the Village Council:

We have audited the accompanying financial statements of the Village of Rio Grande, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 21, 2003

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 21, 2003.

Village of Rio Grande
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This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 21, 2003



**Auditor of State
Betty Montgomery**

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VILLAGE OF RIO GRANDE

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
MAY 13, 2003**