



Dave Yost • Auditor of State

VILLAGE OF RIO GRANDE
GALLIA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Rio Grande, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion

The Village had Law Enforcement Trust Fund and K-9 bank accounts for which activity was not run through the Village's accounting system as Special Revenue Funds. At December 31, 2012, the fund balances of the Law Enforcement Trust Fund and K-9 Fund were \$95 and \$390, respectively. The financial statements have not been adjusted for this activity, and, the Village did not adjust the accounting system.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects the matter described in *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Rio Grande, Gallia County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, for 2010, the Village reported using an other comprehensive basis of accounting (OCBOA) which reported fund financial statements that presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column. For 2011 and 2012, the Village reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the Auditor of State's Office. The fund financial statements now present a column for each fund type.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 22, 2013

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**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$79			\$79
Municipal Income Tax	153,775	\$33,000	\$14,400	201,175
Intergovernmental	63,158	26,828		89,986
Charges for Services	36,773			36,773
Fines, Licenses and Permits	9,868			9,868
Earnings on Investments	1,344			1,344
Miscellaneous	5,924	33		5,957
<i>Total Cash Receipts</i>	<u>270,921</u>	<u>59,861</u>	<u>14,400</u>	<u>345,182</u>
Cash Disbursements				
Current:				
Security of Persons and Property	193,748			193,748
Leisure Time Activities	2,319			2,319
Community Environment	688			688
Transportation		45,270		45,270
General Government	98,830			98,830
Capital Outlay	11,397		1,820	13,217
Debt Service:				
Principal Retirement	1,253	2,332	14,150	17,735
Interest and Fiscal Charges		205	872	1,077
<i>Total Cash Disbursements</i>	<u>308,235</u>	<u>47,807</u>	<u>16,842</u>	<u>372,884</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(37,314)</u>	<u>12,054</u>	<u>(2,442)</u>	<u>(27,702)</u>
Other Financing Receipts				
Other Debt Proceeds			27,154	27,154
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>0</u>	<u>27,154</u>	<u>27,154</u>
<i>Net Change in Fund Cash Balances</i>	<u>(37,314)</u>	<u>12,054</u>	<u>24,712</u>	<u>(548)</u>
<i>Fund Cash Balances, January 1</i>	<u>48,456</u>	<u>22,832</u>	<u>14,141</u>	<u>85,429</u>
Fund Cash Balances, December 31				
Restricted		34,886		34,886
Committed			38,853	38,853
Assigned	26,355			26,355
Unassigned (Deficit)	(15,213)			(15,213)
<i>Fund Cash Balances, December 31</i>	<u>\$11,142</u>	<u>\$34,886</u>	<u>\$38,853</u>	<u>\$84,881</u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$404,815		\$404,815
<i>Total Operating Cash Receipts</i>	<u>404,815</u>	<u>\$0</u>	<u>404,815</u>
Operating Cash Disbursements			
Personal Services	88,709		88,709
Employee Fringe Benefits	60,337		60,337
Contractual Services	59,610		59,610
Supplies and Materials	31,110		31,110
Other	86,211		86,211
<i>Total Operating Cash Disbursements</i>	<u>325,977</u>	<u>0</u>	<u>325,977</u>
<i>Operating Income (Loss)</i>	<u>78,838</u>	<u>0</u>	<u>78,838</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	9,574		9,574
Capital Outlay	(11,266)		(11,266)
Principal Retirement	(48,855)		(48,855)
Interest and Other Fiscal Charges	(1,192)		(1,192)
Other Financing Sources		8,954	8,954
Other Financing Uses		(8,769)	(8,769)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(51,739)</u>	<u>185</u>	<u>(51,554)</u>
<i>Net Change in Fund Cash Balances</i>	27,099	185	27,284
<i>Fund Cash Balances, January 1</i>	<u>283,542</u>	<u>971</u>	<u>284,513</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$310,641</u></u>	<u><u>\$1,156</u></u>	<u><u>\$311,797</u></u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$3,000			\$3,000
Municipal Income Tax	155,968	\$30,250	\$14,000	200,218
Intergovernmental	61,003	23,763		84,766
Charges for Services	33,353			33,353
Fines, Licenses and Permits	9,510			9,510
Earnings on Investments	1,577			1,577
Miscellaneous	2,018	822		2,840
<i>Total Cash Receipts</i>	<u>266,429</u>	<u>54,835</u>	<u>14,000</u>	<u>335,264</u>
Cash Disbursements				
Current:				
Security of Persons and Property	166,764			166,764
Leisure Time Activities	1,506			1,506
Community Environment	493			493
Transportation		58,771		58,771
General Government	100,389			100,389
Capital Outlay	7,390			7,390
Debt Service:				
Principal Retirement	1,253	2,223	13,531	17,007
Interest and Fiscal Charges		314	1,130	1,444
<i>Total Cash Disbursements</i>	<u>277,795</u>	<u>61,308</u>	<u>14,661</u>	<u>353,764</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(11,366)</u>	<u>(6,473)</u>	<u>(661)</u>	<u>(18,500)</u>
<i>Fund Cash Balances, January 1 - Restated (See Note 2)</i>	<u>59,822</u>	<u>29,305</u>	<u>14,802</u>	<u>103,929</u>
Fund Cash Balances, December 31				
Restricted		22,832		22,832
Committed			14,141	14,141
Assigned	28,744			28,744
Unassigned	19,712			19,712
<i>Fund Cash Balances, December 31</i>	<u>\$48,456</u>	<u>\$22,832</u>	<u>\$14,141</u>	<u>\$85,429</u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$409,656		\$409,656
<i>Total Operating Cash Receipts</i>	409,656	\$0	409,656
Operating Cash Disbursements			
Personal Services	82,392		82,392
Employee Fringe Benefits	60,554		60,554
Contractual Services	54,206		54,206
Supplies and Materials	40,004		40,004
Other	98,996		98,996
<i>Total Operating Cash Disbursements</i>	336,152	0	336,152
<i>Operating Income (Loss)</i>	73,504	0	73,504
Non-Operating Receipts (Disbursements)			
Special Assessments	2,365		2,365
Miscellaneous Receipts	10,299		10,299
Capital Outlay	(59,814)		(59,814)
Principal Retirement	(40,905)		(40,905)
Interest and Other Fiscal Charges	(931)		(931)
Other Financing Sources		2,943	2,943
Other Financing Uses		(2,751)	(2,751)
<i>Total Non-Operating Receipts (Disbursements)</i>	(88,986)	192	(88,794)
<i>Net Change in Fund Cash Balances</i>	(15,482)	192	(15,290)
<i>Fund Cash Balances, January 1 - Restated (see Note 2)</i>	299,024	779	299,803
<i>Fund Cash Balances, December 31</i>	\$283,542	\$971	\$284,513

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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rio Grande, Gallia County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

The Village participates in two public entity risk pools. Note 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pools:

The Village participates in the Public Entities Pool of Ohio, or PEP. PEP is a government risk pool working to alleviate the extreme changes in the availability of insurance coverage and the cost of premiums for insurance. PEP provides casualty and property insurance coverage for member entities.

The Village also participates in the Ohio Municipal League (OML) Worker's Compensation Group Rating Program. The OML retains the services of a Group Administrator and that Group Administrator performs the claims administration, actuarial cost control, and the consulting services for participants.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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. This fund also receives income tax money from the General Fund each month.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Police and Fire Departments Capital Projects Fund – This fund receives income tax money from the General Fund each month for the purpose of purchasing a fire truck, a police cruiser, and fire bunker equipment/gear.

4. Enterprise Funds

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

Water Operating Fund – This fund receives charges for services from residents and commercial users to cover water service costs.

Sewer Operating Fund – This fund receives charges for services from residents and commercial users to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Unclaimed Monies Fund and the Mayor's Court.

VILLAGE OF RIO GRANDE
GALLIA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle, Change in Basis of Accounting and Restatement of Fund Balances

For 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

For 2010, the Village reported using the other comprehensive basis of accounting (OCBOA) which reported fund financial statements which presented each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Street Construction, Maintenance and Repair Fund was a major fund with a December 31, 2010 balance of \$28,587. Other Governmental Funds were comprised of the State Highway Fund and the Police and Fire Department Capital Projects Fund which had fund balances of \$718 and \$14,802, respectively, for a total of \$15,520 at December 31, 2010. For 2011 and 2012, the Village reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. The fund financial statements now present a column for each fund type. The Street Construction, Maintenance and Repair Fund and the State Highway Fund make up the Special Revenue Funds with a restated January 1, 2011 balance of \$29,305 while the Police and Fire Departments Capital Project Fund is the only Capital Projects Fund with a restated January 1, 2011 balance of \$14,802.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$102,934	\$77,534
Certificates of deposit	211,360	210,087
Total deposits	314,294	287,621
STAR Ohio	82,384	82,321
Total deposits and investments	\$396,678	\$369,942

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$270,921	(\$29,079)
Special Revenue	53,700	59,861	6,161
Capital Projects	14,000	41,554	27,554
Enterprise	403,000	414,389	11,389
Total	\$770,700	\$786,725	\$16,025

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,744	\$308,235	\$20,509
Special Revenue	68,209	47,807	20,402
Capital Projects	20,500	16,842	3,658
Enterprise	489,542	387,290	102,252
Total	\$906,995	\$760,174	\$146,821

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,000	\$266,429	(\$48,571)
Special Revenue	53,350	54,835	1,485
Capital Projects	9,000	14,000	5,000
Enterprise	390,200	422,320	32,120
Total	\$767,550	\$757,584	(\$9,966)

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$330,235	\$277,795	\$52,440
Special Revenue	65,448	61,308	4,140
Capital Projects	20,500	14,661	5,839
Enterprise	451,153	437,802	13,351
Total	\$867,336	\$791,566	\$75,770

Contrary to Ohio law, the Village did not properly encumber. Also, contrary to Ohio law, the Village did not file 2011 amended appropriations with the Gallia County Auditor.

5. Property Tax

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

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.

6. 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.

Proceeds from the municipal income tax are credited to the General Fund, Street Construction, Maintenance and Repair Fund and the Police and Fire Departments Capital Projects Fund.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Valley Bank - Fire Truck and Bunker Gear	\$27,154	2.54%
Ohio Valley Bank - Maintenance Truck	7,342	4.80%
OWDA Loan #2490	15,980	2.20%
OPWC Loan #CO526	78,111	0.00%
OPWC Infrastructure Loan #CT53E	16,000	0.00%
Total	<u>\$144,587</u>	

The Ohio Water Development Authority (OWDA) loan #2490 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. This loan will be repaid in semi-annual 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 #CO526 was issued in 1994, interest free, for the purpose of making improvements at the water treatment plant. This loan will be repaid in semi-annual installments of \$15,622.03 over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CT53E was issued in 2004, interest free, for the purpose of upgrading the water treatment facility. The loan will be repaid in semi-annual installments of \$1,333.33 over 15 years.

In July 2008, the Village of Rio Grande Fire Department obtained a loan from Ohio Valley Bank to purchase a used 1986 fire truck. In August 2012, the Village obtained another loan from Ohio Valley Bank, in the amount of \$27,153.75, with an interest rate of 2.54%. This loan was used to pay off the 2008 loan for the fire truck and to purchase bunker gear for the Village of Rio Grande Fire Department. This loan will be repaid in 8 semi-annual payments of \$3,594.05, including interest, beginning on February 15, 2013. The 1986 fire truck serves as collateral for this loan.

The Village obtained a loan for a maintenance truck from Ohio Valley Bank, in the amount of \$33,419, in October 2008. The first payment was due in April 2009. The loan has an interest rate of 4.80% and will be repaid in semi-annual payments over 5 years.

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

Year ending December 31:	Ohio Valley Bank - Fire Truck and Bunker Gear Loan	Ohio Valley Bank - Maintenance Truck Loan	OWDA Loan #2490	OPWC Loan #CO526	OPWC Infrastructure Loan #CT53E
2013	\$7,188	\$7,611	\$8,211	\$31,244	\$2,667
2014	7,188		8,211	31,244	2,667
2015	7,188			15,623	2,667
2016	7,188				2,667
2017					2,667
2018-2021					2,665
Total	<u>\$28,752</u>	<u>\$7,611</u>	<u>\$16,422</u>	<u>\$78,111</u>	<u>\$16,000</u>

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

9. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Village participates in the Ohio Municipal League (OML) Worker's Compensation Group Rating Program. The OML retains the services of a Group Administrator and that Group Administrator performs the claims administration, actuarial cost control, and the consulting services for participants.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Assets	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$17,164	\$14,824

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Rio Grande, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion due to the Village not adjusting the accounting system to include the Law Enforcement Trust Fund and K-9 Funds. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2012-05 and 2012-06 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-01 through 2012-04 and 2012-07.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 22, 2013

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Noncompliance

Ohio Rev. Code Section 9.38 provides that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

For example, a government employee, other than the fiscal officer collecting funds and issuing a receipt, must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

For 2012, twenty-five percent (25%) of the receipts tested in the Utility Department were not deposited within 24 hours of receipt, and there was no indication of a policy which would allow deposits to be held past one business day. Furthermore, in 2011 and 2012, for General Fund Charges for Services receipts, we noted that, for sixty-seven percent (67%) and eleven percent (11%), respectively, of receipts tested, we were unable to determine if they were deposited in a timely manner due to the Fiscal Officer posting the receipt after the deposit date. Additionally, in 2011 and 2012, eighty-three percent (83%) of income tax receipts tested for each year were not deposited timely. This could result in funds not being made available for use on a timely basis and could allow for loss or theft of the undeposited funds.

We recommend the Utility Clerk deposit money with the Fiscal Officer or the bank within twenty-four hours of collecting the receipts. We further recommend the Fiscal Officer deposit money with the bank within twenty-four hours of collection and refrain from holding significant amounts of cash and checks for an unreasonable period of time. Additionally, we recommend Village Council adopt a collection policy specifying when monies need to be deposited once they have been collected. This policy should include such information as safeguarding cash that has been collected, providing duplicate receipts where applicable, to the payee, and proper segregation of duties for receipting, depositing, recording, and reporting cash.

FINDING NUMBER 2012-02

Noncompliance

Ohio Rev. Code Section 1905.21 states, in part, that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket.

The Village Bond Clerk maintained a manual cashbook and docket for the Mayor's Court. However, the docket was not updated for 2012. This could result in questions regarding payments of tickets or resolutions of cases.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-02 (Continued)

Noncompliance – Ohio Rev. Code Section 1905.21 (Continued)

We recommend the Mayor maintain all required Mayor's Court records, including an updated docket.

FINDING NUMBER 2012-03

Noncompliance

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The Village filed the 2011 permanent appropriations with the Gallia County Auditor on January 27, 2011. The Village Council approved the 2011 final amended appropriations on December 12, 2011. However, the Village did not file the final amended appropriations with the Gallia County Auditor. This resulted in the final amended appropriation measure not being in effect for 2011.

We recommend the Fiscal Officer file the appropriations and any amendments, thereto, with the Gallia County Auditor's office after they have been approved by Village Council.

FINDING NUMBER 2012-04

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-04

Noncompliance – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2011, thirteen percent of disbursement transactions tested were not properly certified. Furthermore, in 2012, thirty-eight percent of disbursement transactions tested were not properly certified. The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2012-05

Material Weakness

Reconciliations were performed monthly by the Fiscal Officer; however, there were "Other Adjusting Factors" identified in each reconciliation.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-05 (Continued)

Material Weakness (Continued)

"Other Adjusting Factors" identified in the bank reconciliations by the Fiscal Officer totaled \$34,305.26 and \$25,070.90 at December 31, 2011 and December 31, 2012, respectively. The Village had investments identified in their accounting system, which were made up of a STAR Ohio bank account and five certificates of deposit. A review of the 2011 and 2012 Cash Journals identified 95 adjustments in 2011 and 127 adjustments in 2012 made between the primary checking balance and the investments balance because the system would not allow the Fiscal Officer to write a check from a fund where the primary checking account balance was less than the amount of the check that the Fiscal Officer was attempting to write. These adjustments coupled with unrecorded interest earned on investments in 2011 totaling \$1,501.17 and in 2012 totaling \$1,282.85 made up the majority of "Other Adjusting Factors". In addition, there was no formal policy or Village Council resolution identifying the allocation of each investment among the fund balances or anything to identify how interest was to be recorded for each investment. This resulted in cumbersome reconciliations.

We recommend the Fiscal Officer only adjust the investment balances in the accounting system to record interest that is rolled into the STAR Ohio account balance or certificate of deposit balance. We further recommend the Village Council approve a policy or resolution regarding the allocation of each investment among the fund balances and identify how interest is to be recorded for each investment. Furthermore, we recommend the Village Council and Fiscal Officer determine whether the Village has the monies available in order to continue to renew certificates of deposit. In the case where monies are not readily available in the primary checking account in order for the Fiscal Officer to write the required checks from each fund, Village Council should consider not renewing the certificates of deposit at their maturity and should return those monies to the Village's checking account. Finally, we recommend the Village Council only invest monies from funds that have a sufficient balance in order to sustain both the primary checking account and the certificate of deposit.

FINDING NUMBER 2012-06

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statements included the following errors requiring adjustment or reclassification:

In 2011:

- In the General Fund, a reclassification of \$28,744 was made from Unassigned Fund Balance to Assigned Fund Balance;
- In the General Fund, an adjustment to post it \$1,501 to record interest;
- In the General and Street Construction Funds, an adjustment to move \$3,983 from the General Fund General Government line item to the Street Construction Fund Transportation line item;
- In the General Fund, an adjustment to increase Security of Persons and Property by \$366 to remove Law Enforcement Trust Fund activity balance and move it to the Agency Fund for the Law Enforcement Trust Fund;
- In the Police and Fire Capital Projects Fund, a reclassification of \$14,141 was made from Restricted Fund Balance to Committed Fund Balance;
- In the Water Fund, a reclassification of \$24,657 from Other Expenses to Capital Outlay;

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-06 (Continued)

Material Weakness (Continued)

- In the Agency Fund for Mayor's Court, an adjustment was made to increase Other Financing Sources by \$2,943 and Other Financing Uses by \$2,751 to record Mayor's Court activity.

In 2012:

- In the General Fund, a reclassification of \$26,355 was made from Unassigned Fund Balance to Assigned Fund Balance;
- In the General Fund, an adjustment to post it \$1,283 to record interest;
- In the General Fund, a reclassification of \$14,326 was made from Miscellaneous Revenue to Intergovernmental Revenue;
- In the General Fund, an adjustment was made to decrease the beginning fund balance and General Government expenses due to a voided check;
- In the General and Police and Fire Capital Projects Funds, an adjustment was made to move \$19,462 from the General Fund Miscellaneous Revenue and post it to the Police and Fire Capital Projects Fund as Debt Proceeds;
- In the General and Police and Fire Capital Projects Funds, an adjustment was made to move \$1,820 from the General Fund Capital Outlay to the Police and Fire Capital Projects Fund as Capital Outlay;
- In the Police and Fire Capital Projects Fund, an adjustment was made to record \$7,692 as Debt Proceeds and record \$7,154 as Principal and \$538 as interest and fiscal charges;
- In the Police and Fire Capital Projects Fund, a reclassification was made to move the ending fund balance from Restricted Fund Balance to Committed Fund Balance;
- In the Street Construction Fund, a reclassification of \$3,854 was made from Miscellaneous Revenue to Intergovernmental Revenue;
- In the Agency Fund for Mayor's Court, an adjustment was made to increase Other Financing Sources by \$8,954 and Other Financing Uses by \$8,769 to record Mayor's Court activity.

The Fiscal Officer did not follow the UAN established account codes for all postings. This resulted in audit adjustments and reclassifications to the financial statements as noted above.

To ensure the Village Council's financial statements and notes to the financial statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the statements and notes by the Village Council to identify and correct errors or omissions.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-07

Noncompliance and Finding for Adjustment

Ohio Rev. Code Section 5705.09 provides that each subdivision must establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision;
- A trust fund for any amount received by a subdivision in trust.

The Village opened a Law Enforcement Trust Fund bank account in prior years for the purpose of obtaining donations for the purchase of equipment for the Police Department and training of police staff. The Village opened a K-9 Fund bank account in 2012 for the purpose of obtaining donations for the purchase of a police K-9 and to pay for training of the dog handler. The Village Council did not properly approve the establishment of these funds as Special Revenue Funds in the accounting system. As such, the activity for the Law Enforcement Trust Fund and K-9 Fund was not included in the accounting system. Furthermore, the Village Council did not obtain proper approval from Local Government Services for the establishment of the K-9 Fund.

As a result of the foregoing facts, a Finding for Adjustment is hereby issued in the amount of \$95 in favor of the Law Enforcement Trust Fund and \$390 in favor of the K-9 Fund.

The Fiscal Officer has not posted these adjustments to the Village records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Village Council formally approve the establishment of the Law Enforcement Trust Fund and K-9 Fund as Special Revenue Funds. We further recommend the Village obtain proper approval from Local Government Services for the establishment of the K-9 Fund. Lastly, we recommend the Village include all activity of the Law Enforcement Trust Fund and K-9 Fund in the accounting system within the respective funds.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1)	No	Not Corrected: Reissued as Finding Number 2012-04.
2010-02	Material weakness regarding sound financial reporting.	No	Not Corrected: Reissued as Finding Number 2012-06.

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Dave Yost • Auditor of State

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
DECEMBER 03, 2013