



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rio Grande, Gallia County, Ohio, (the Village), as of and for the years ended December 31, 2014 and 2013.

### ***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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

Municipal income tax receipts are reported as \$251,609 for the year ended December 31, 2013. As described in Finding 2014-005 in the accompanying Schedule of Findings, the Village did not maintain supporting documentation for municipal income tax receipts for January through June of 2013. Therefore, we were unable to obtain sufficient appropriate audit evidence supporting 34% of the amounts recorded as municipal income tax receipts for the year ended December 31, 2013.

***Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* 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, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 17, 2015

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$287	\$0	\$0	\$287
Municipal Income Tax	247,704	33,000	28,090	308,794
Intergovernmental	45,396	28,395	0	73,791
Charges for Services	33,526	0	0	33,526
Fines, Licenses and Permits	31,225	0	0	31,225
Earnings on Investments	101	5	0	106
Miscellaneous	9,211	17,740	0	26,951
<i>Total Cash Receipts</i>	<u>367,450</u>	<u>79,140</u>	<u>28,090</u>	<u>474,680</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	217,564	13,936	0	231,500
Leisure Time Activities	2,100	0	0	2,100
Community Environment	480	0	0	480
Transportation	0	46,885	0	46,885
General Government	109,622	0	0	109,622
Capital Outlay	5,983	0	174,781	180,764
Debt Service:				
Principal Retirement	1,873	0	20,649	22,522
Interest and Fiscal Charges	0	0	1,684	1,684
<i>Total Cash Disbursements</i>	<u>337,622</u>	<u>60,821</u>	<u>197,114</u>	<u>595,557</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,828</u>	<u>18,319</u>	<u>(169,024)</u>	<u>(120,877)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	0	0	200,000	200,000
Transfers In	5,305	1,154	0	6,459
Transfers Out	0	(9,900)	0	(9,900)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,305</u>	<u>(8,746)</u>	<u>200,000</u>	<u>196,559</u>
<i>Net Change in Fund Cash Balances</i>	35,133	9,573	30,976	75,682
<i>Fund Cash Balances, January 1</i>	<u>247</u>	<u>46,439</u>	<u>12,238</u>	<u>58,924</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	56,012	43,214	99,226
Assigned	34,993	0	0	34,993
Unassigned (Deficit)	387	0	0	387
<i>Fund Cash Balances, December 31</i>	<u>\$35,380</u>	<u>\$56,012</u>	<u>\$43,214</u>	<u>\$134,606</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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$390,337	\$0	\$390,337
<i>Total Operating Cash Receipts</i>	<u>390,337</u>	<u>0</u>	<u>390,337</u>
<b>Operating Cash Disbursements</b>			
Personal Services	79,997	0	79,997
Employee Fringe Benefits	36,897	0	36,897
Contractual Services	56,659	0	56,659
Supplies and Materials	29,363	0	29,363
Other	308,274	0	308,274
<i>Total Operating Cash Disbursements</i>	<u>511,190</u>	<u>0</u>	<u>511,190</u>
<i>Operating Income (Loss)</i>	<u>(120,853)</u>	<u>0</u>	<u>(120,853)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	93,328	0	93,328
Other Debt Proceeds	358,776	0	358,776
Miscellaneous Receipts	6,496	0	6,496
Capital Outlay	(113,563)	0	(113,563)
Principal Retirement	(150,398)	0	(150,398)
Interest and Other Fiscal Charges	(134)	0	(134)
Other Financing Sources	0	33,775	33,775
Other Financing Uses	0	(34,082)	(34,082)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>194,505</u>	<u>(307)</u>	<u>194,198</u>
<i>Income (Loss) before Transfers</i>	73,652	(307)	73,345
Transfers In	3,441	0	3,441
<i>Net Change in Fund Cash Balances</i>	77,093	(307)	76,786
<i>Fund Cash Balances, January 1</i>	<u>275,587</u>	<u>2,319</u>	<u>277,906</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$352,680</u></u>	<u><u>\$2,012</u></u>	<u><u>\$354,692</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, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$674	\$0	\$0	\$674
Municipal Income Tax	204,209	33,000	14,400	251,609
Intergovernmental	45,300	33,366	2,398	81,064
Charges for Services	34,382	0	0	34,382
Fines, Licenses and Permits	25,212	0	0	25,212
Earnings on Investments	38	0	0	38
Miscellaneous	8,171	670	0	8,841
<i>Total Cash Receipts</i>	<u>317,986</u>	<u>67,036</u>	<u>16,798</u>	<u>401,820</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	205,371	690	5,592	211,653
Leisure Time Activities	1,465	0	0	1,465
Community Environment	464	0	0	464
Transportation	0	52,745	0	52,745
General Government	118,685	0	0	118,685
Capital Outlay	1,643	0	30,632	32,275
Debt Service:				
Principal Retirement	1,253	2,446	6,531	10,230
Interest and Fiscal Charges	0	90	658	748
<i>Total Cash Disbursements</i>	<u>328,881</u>	<u>55,971</u>	<u>43,413</u>	<u>428,265</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,895)</u>	<u>11,065</u>	<u>(26,615)</u>	<u>(26,445)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,895)</u>	<u>11,065</u>	<u>(26,615)</u>	<u>(26,445)</u>
<i>Fund Cash Balances, January 1</i>	<u>11,142</u>	<u>35,374</u>	<u>38,853</u>	<u>85,369</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	46,439	12,238	58,677
Unassigned (Deficit)	247	0	0	247
<i>Fund Cash Balances, December 31</i>	<u>\$247</u>	<u>\$46,439</u>	<u>\$12,238</u>	<u>\$58,924</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$390,984	\$0	\$390,984
<i>Total Operating Cash Receipts</i>	<u>390,984</u>	<u>0</u>	<u>390,984</u>
<b>Operating Cash Disbursements</b>			
Personal Services	99,457	0	99,457
Employee Fringe Benefits	64,631	0	64,631
Contractual Services	57,331	0	57,331
Supplies and Materials	41,138	0	41,138
Other	134,950	0	134,950
<i>Total Operating Cash Disbursements</i>	<u>397,507</u>	<u>0</u>	<u>397,507</u>
<i>Operating Income (Loss)</i>	<u>(6,523)</u>	<u>0</u>	<u>(6,523)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	17,409	0	17,409
Principal Retirement	(45,452)	0	(45,452)
Interest and Other Fiscal Charges	(488)	0	(488)
Other Financing Sources	0	29,209	29,209
Other Financing Uses	0	(28,046)	(28,046)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(28,531)</u>	<u>1,163</u>	<u>(27,368)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,054)</u>	<u>1,163</u>	<u>(33,891)</u>
<i>Fund Cash Balances, January 1</i>	<u>310,641</u>	<u>1,156</u>	<u>311,797</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$275,587</u></u>	<u><u>\$2,319</u></u>	<u><u>\$277,906</u></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, 2014 AND 2013**

**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 (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 8 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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**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:

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**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 license tax money for constructing, maintaining, and repairing Village streets.

**3. Capital Project Fund**

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

Sewer 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.

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, 2014 AND 2013  
(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. 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 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into three 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. 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.

2. 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.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**3. 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. 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:

	2014	2013
Demand deposits	\$218,563	\$43,062
Certificates of deposit	188,327	211,360
Total deposits	406,890	254,422
STAR Ohio	82,408	82,408
Total deposits and investments	\$489,298	\$336,830

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** Investments in STAR Ohio 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, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$332,271	\$372,755	\$40,484
Special Revenue	51,650	80,294	28,644
Capital Projects	15,000	228,090	213,090
Enterprise	403,000	852,378	449,378
Total	\$801,921	\$1,533,517	\$731,596

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$330,517	\$337,622	(\$7,105)
Special Revenue	63,566	70,721	(7,155)
Capital Projects	20,500	197,114	(176,614)
Enterprise	454,095	900,080	(445,985)
Total	\$868,678	\$1,505,537	(\$636,859)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,000	\$317,986	(\$2,014)
Special Revenue	62,000	67,036	5,036
Capital Projects	15,000	16,798	1,798
Enterprise	403,000	408,393	5,393
Total	\$800,000	\$810,213	\$10,213

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$346,364	\$328,881	\$17,483
Special Revenue	77,214	55,971	21,243
Capital Projects	32,200	43,413	(11,213)
Enterprise	509,035	443,447	65,588
Total	\$964,813	\$871,712	\$93,101

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$7,104; Other Special Revenue Fund by \$9,900; Law Enforcement Trust Fund by \$13,892; Police and Fire Department Capital Project Fund by \$176,614; Water Operating Fund by \$474,114; and the Sewer Debt Service Fund by \$9,057 for the year ended December 31, 2014. In addition, budgetary expenditures exceeded appropriations authority in the K9 Fund by \$479; Law Enforcement Trust Fund by \$211; and the Police and Fire Department Capital Project Fund by \$11,213 for the year ended December 31, 2013.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. 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.

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.

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.

**6. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Ohio Valley Bank - Fire Truck & Fire House	\$200,000	2.54%
OWDA Loan #6800	265,449	2.00%
OPWC Infrastructure Loan #CT53E	\$9,333	0.00%
Total	\$474,782	

In September 2014, the Village obtained a loan from Ohio Valley Bank, in the amount of \$200,000, with an interest rate of 2.54 percent. This loan was used to pay off the 2012 loan for the fire truck and bunker gear for the Fire Department and to purchase a fire truck and to build an addition to the fire house. This loan will be repaid in fourteen semiannual payments of \$16,082, including interest, beginning on March 11, 2015.

The Ohio Water Development Authority (OWDA) loan 6800 relates to the waterline and meter replacement project. The total loan amount approved was \$492,853 with an interest rate of 2 percent. This loan has not been finalized therefore there is no amortization schedule. The Village will begin repaying the loan in July 2015 with semi-annual installments that will last 30 years.

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 over 15 years.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Debt (Continued)**

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

Year ending December 31:	Ohio Valley Bank - Fire Truck/Equipm ent & Addition	OPWC Loan #CT53E
2015	\$32,164	\$2,667
2016	32,164	2,667
2017	32,164	2,667
2018	32,164	2,665
2019	32,164	0
2020-2024	64,069	0
Total	\$224,889	\$10,666

**7. 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.

For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Risk Management (Continued)**

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 net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Government's share of these unpaid claims collectible in future years is approximately \$12,000.

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>2013</u>	<u>2014</u>
\$17,917	\$18,004

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.

**9. Subsequent Events**

On August 27, 2015, the Village entered into a loan agreement with OWDA for the wastewater treatment plant project due to extensive flood damage. The funding approved was \$431,938.95 at 1.04 percent interest rate for 20 years. Loan payments will be paid semi-annually.



# 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 cash balances, receipts, and disbursements by fund type of the Village of Rio Grande, Gallia County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 17, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also qualified our opinion on the financial statements for 2013, as we were unable to obtain sufficient appropriate audit evidence supporting 34% of municipal income tax receipts for the year ended December 31, 2013.

### ***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 opinions 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.

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 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2014-005 and 2014-006 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 2014-001 through 2014-004.

***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

December 17, 2015

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Noncompliance**

Ohio Rev. Code § 733.40 requires all moneys collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Payment of fines and court costs that were due from the Mayor's Court to the Village were not made timely for 2013 and 2014, in which 62.5% of the payments made to the Village were not timely. This could result in errors and/or irregularities to occur and remain undetected for an extended period of time.

The Mayor's Court Clerk should submit Mayor's Court monies due to the Village by the first Monday of each month and submit a full statement of money received to Village Council monthly.

**FINDING NUMBER 2014-002**

**Noncompliance**

Ohio Rev. Code § 5705.40 provides, in part, that a subdivision may amend or supplement its appropriation measure provided the amendment or supplement complies with all provisions of law governing the subdivision in making an original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Village Council would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See *C. B. Transportation, Inc. vs Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N. E. 2d 781 (C. P. 1979); and, *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N. E. 2d (C. P. 1965).

At December 31, 2014, appropriations, as approved by the Village Council, did not agree to the Village's accounting system. The variances are as follows:

Fund	Authority	UAN System	Variance
General Fund	\$ 330,518	\$ 353,370	\$ (22,852)
Street Construction, Maintenance, and Repair Fund	60,866	62,161	(1,295)
FEMA Fund	0	9,900	(9,900)
Police and Fire Departments Capital Project Fund	20,500	202,702	(182,202)
Water Operating Fund	231,995	481,604	(249,609)
Sewer Operating Fund	161,600	166,360	(4,760)
Sewer Debt Service Fund	46,500	56,100	(9,600)
Water Replacement Fund	2,500	0	2,500

At December 31, 2013, appropriations, as approved by the Village Council, did not agree to the Village's accounting system. The variances are as follows:

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2014-002 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.40 (Continued)**

Fund	Authority	UAN System	Variance
General Fund	\$ 346,365	\$ 356,695	\$ (10,330)
Street Construction, Maintenance, and Repair Fund	73,980	75,885	(1,905)
Police and Fire Departments Capital Project Fund	32,200	53,853	(21,653)
Water Operating Fund	238,250	267,483	(29,233)
Sewer Operating Fund	178,085	207,107	(29,022)
Sewer Debt Service Fund	49,200	63,103	(13,903)
Sewer Replacement Fund	41,000	21,000	20,000

The Village Council should approve all appropriation amendments, record approval in the Council minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should only post legislatively approved amendments.

**FINDING NUMBER 2014-003**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

At December 31, 2014, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
General Fund	\$ 330,518	\$ 337,622	\$ (7,104)
Other Special Revenue Fund	0	9,900	(9,900)
Law Enforcement Trust Fund	0	13,892	(13,892)
Police and Fire Department Capital Projects Fund	20,500	197,114	(176,614)
Water Operating Fund	231,995	704,109	(472,114)
Sewer Debt Service Fund	46,500	55,557	(9,057)

At December 31, 2013, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
K9 Fund	\$ 0	\$ 479	\$ (479)
Law Enforcement Trust Fund	0	211	(211)
Police and Fire Department Capital Projects Fund	32,200	43,413	(11,213)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should also deny requests for payment when appropriations are not available.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-004**

**Noncompliance Citation**

Ohio Rev. Code § 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 §§ 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.

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.
3. Super Blanket Certificate – The entity 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.

We noted the Village had unrecorded encumbrances totaling \$124,796 at December 31, 2014 and \$20,607 at December 31, 2013 in the Enterprise Funds.

In addition, the Village used "blanket" certificates for which Village Council did not have a resolution adopted to establish a maximum amount.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-004 (Continued)**

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

Unless the Village uses the exceptions noted above, prior certification is not only required by statute, but is 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 that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should review invoice dates and ensure they are paid during the proper period or carryover purchase orders that represent future valid commitments. In addition, Village Council should adopt a resolution to establish a maximum amount for "blanket" certificates.

**FINDING NUMBER 2014-005**

**Material Weakness**

The Village did not maintain supporting documentation for income tax receipts for January through June 2013. Effective July 1, 2013, the Regional Income Tax Agency (RITA) assumed income tax collection responsibility and the Village transferred the income tax records to RITA.

We were unable to obtain sufficient coverage over 34% of income tax receipts in 2013.

The Village should maintain supporting documentation for all transactions.

**FINDING NUMBER 2014-006**

**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.

As a result of the audit procedures performed, the financial statements had the following errors that required audit adjustments or reclassifications.

In 2013:

- General Fund January 1, 2013 beginning fund balance was reduced \$134 to agree to the audited December 31, 2012 ending fund balance due to a voided check;
- Law Enforcement Trust Fund beginning fund balance of \$96, miscellaneous receipts of \$465, and security of persons and property disbursements of \$211 were unrecorded;
- K9 Fund beginning fund balance of \$391, miscellaneous receipts of \$205, and security of persons and property disbursements of \$479 were unrecorded;
- Police and Fire Capital Projects Fund intergovernmental receipt of \$2,398 was incorrectly posted as municipal income tax; and
- Mayor's Court Fund beginning fund balance of \$587, other non-operating receipts of \$29,209, and other non-operating disbursements of \$28,046 were unrecorded.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-006 (Continued)**

**Material Weakness (Continued)**

In 2014:

- General Fund January 1, 2014 beginning fund balance was reduced \$73 due to a voided check;
- General Fund unassigned fund balance of \$34,993 was reclassified to assigned fund balance;
- Street Construction Maintenance and Repair Fund intergovernmental receipt of \$6,394 was incorrectly posted as miscellaneous receipts;
- Law Enforcement Trust Fund miscellaneous receipts of \$17,708 were unrecorded;
- Law Enforcement Trust Fund security of persons and property disbursements of \$13,892 were unrecorded;
- K9 Fund security of persons and property disbursements of \$44 were unrecorded;
- Police and Fire Capital Projects Fund other debt proceeds of \$184,855 were incorrectly recorded as miscellaneous receipts;
- Police and Fire Capital Projects Fund other debt proceeds of \$15,145, principal retirement and interest and fiscal charges disbursements of \$13,948 and \$1,197, respectively, were unrecorded;
- Water Operating Fund other debt proceeds of \$245,213 were incorrectly posted as miscellaneous receipts;
- Water Operating Fund January 1, 2014 beginning fund balance was reduced \$7 due to a voided check;
- Water Operating Fund other debt proceeds and capital outlay of \$113,563 were unrecorded;
- Water Operating Fund intergovernmental and principal retirement of \$93,328 were unrecorded; and
- Mayor's Court Fund beginning fund balance of \$1,750, other non-operating receipts of \$33,775, and other non-operating disbursements of \$34,082 were unrecorded.

The Fiscal Officer made classification errors in posting of receipts and disbursements. This caused the incorrect postings and unrecorded receipts and disbursements as noted above.

The audited financial statements and the Village's UAN accounting system have been adjusted for the issues noted above.

The Fiscal Officer should review the Village Officer's Handbook for guidance on the correct line item to post various receipts and disbursements of the Village to ensure the Village's financial statements are complete and accurate.

**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, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev. Code § 9.38 timely deposits	Yes	
2012-02	Ohio Rev. Code § 1905.21 mayor's court shall keep a docket	Yes	
2012-03	Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources	Yes	
2012-04	Ohio Rev. Code § 5705.41(D)(1)	No	Not Corrected. Reissued as Finding Number 2014-004.
2012-05	Material weakness due to reconciliation not performed monthly	Yes	
2012-06	Material weakness for significant audit adjustments and reclassifications	No	Not Corrected. Reissued as Finding Number 2014-006.
2012-07	Ohio Rev. Code § 5705.09 for not establishing funds correctly	No	Partially Corrected. Reissued in the management letter.



# 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 29, 2015