



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF RIO GRANDE
GALLIA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2016 and 2015.

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 2 of the 2016 financial statements and Note 1 of the 2015 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of the Village of Rio Grande, Gallia County, Ohio, as of December 31, 2016 and 2015, and 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 2 of the 2016 financial statements and Note 1 of the 2015 financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2019

Village of Rio Grande, Ohio

Gallia County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$40	\$0	\$0	\$40
Municipal Income Tax	202,475	10,750	97,715	310,940
Intergovernmental	60,526	15,589	0	76,115
Charges for Services	28,407	0	0	28,407
Fines, Licenses and Permits	16,627	2,928	0	19,555
Earnings on Investments	77	2	0	79
Miscellaneous	14,900	52,639	24,355	91,894
<i>Total Cash Receipts</i>	<u>323,052</u>	<u>81,908</u>	<u>122,070</u>	<u>527,030</u>
Cash Disbursements				
Current:				
Security of Persons and Property	194,609	33,248	36,475	264,332
Leisure Time Activities	1,998	0	0	1,998
Community Environment	707	0	0	707
Transportation	0	98,211	0	98,211
General Government	121,436	464	0	121,900
Capital Outlay	0	0	24,888	24,888
Debt Service:				
Principal Retirement	1,500	0	64,891	66,391
Interest and Fiscal Charges	0	0	6,283	6,283
<i>Total Cash Disbursements</i>	<u>320,250</u>	<u>131,923</u>	<u>132,537</u>	<u>584,710</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,802</u>	<u>(50,015)</u>	<u>(10,467)</u>	<u>(57,680)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	51,000	0	0	51,000
Transfers In	0	200	0	200
Transfers Out	(200)	0	0	(200)
Other Financing Uses	0	(32)	0	(32)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>50,800</u>	<u>168</u>	<u>0</u>	<u>50,968</u>
<i>Net Change in Fund Cash Balances</i>	53,602	(49,847)	(10,467)	(6,712)
<i>Fund Cash Balances, January 1</i>	<u>931</u>	<u>70,668</u>	<u>29,778</u>	<u>101,377</u>
Fund Cash Balances, December 31				
Restricted	0	20,821	19,311	40,132
Unassigned (Deficit)	54,533	0	0	54,533
<i>Fund Cash Balances, December 31</i>	<u>\$54,533</u>	<u>\$20,821</u>	<u>\$19,311</u>	<u>\$94,665</u>

See accompanying notes to the basic financial statements

Village of Rio Grande, Ohio
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$418,514	\$0	\$418,514
<i>Total Operating Cash Receipts</i>	<u>418,514</u>	<u>0</u>	<u>418,514</u>
Operating Cash Disbursements			
Personal Services	80,679	0	80,679
Employee Fringe Benefits	48,183	0	48,183
Contractual Services	70,325	0	70,325
Supplies and Materials	24,532	0	24,532
Other	128,426	0	128,426
<i>Total Operating Cash Disbursements</i>	<u>352,145</u>	<u>0</u>	<u>352,145</u>
<i>Operating Income</i>	<u>66,369</u>	<u>0</u>	<u>66,369</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	136,437	0	136,437
Miscellaneous Receipts	7,006	0	7,006
Capital Outlay	(148,437)	0	(148,437)
Principal Retirement	(33,629)	0	(33,629)
Interest and Other Fiscal Charges	(8,002)	0	(8,002)
Other Financing Sources	0	20,013	20,013
Other Financing Uses	0	(22,685)	(22,685)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(46,625)</u>	<u>(2,672)</u>	<u>(49,297)</u>
<i>Net Change in Fund Cash Balances</i>	19,744	(2,672)	17,072
<i>Fund Cash Balances, January 1</i>	<u>394,702</u>	<u>3,469</u>	<u>398,171</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$414,446</u></u>	<u><u>\$797</u></u>	<u><u>\$415,243</u></u>

See accompanying notes to the basic financial statements

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Rio Grande (the Village), Gallia County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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's management believes these financial statements presents all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Law Enforcement Trust Fund This fund accounts for and reports money seized or forfeited and proceeds from the sale of forfeited property that are restricted for the use of the Police Department.

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 funds:

Police Capital Projects Fund This fund receives income tax money from the General Fund each month for the purpose of paying the police cruiser loan, purchasing equipment, and reoccurring expenditures.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Capital Project Funds (Continued)

Fire Capital Projects Fund This fund receives income tax money from the General Fund each month for the purpose of paying the fire truck and fire bunker equipment/gear loan.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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.

Basis of Accounting

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.

Budgetary Process

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

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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.

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.

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 2016 budgetary activity appears in Note 4.

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.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into two 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:

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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 (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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resource in the General Fund, Street Construction, Maintenance, and Repair Fund, Enforcement and Education Fund, Police Capital Projects Fund, and the Sewer Operating Fund in the amount of \$52,112, \$1,261, \$300, \$20,246, and \$46,752, respectively.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police Capital Projects Fund and Law Enforcement Trust Fund by \$16,697 and \$43,698, respectively for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$374,052	\$74,052
Special Revenue	51,650	82,108	\$30,458
Capital Projects	96,000	122,070	\$26,070
Enterprise	467,000	561,957	\$94,957
Total	\$914,650	\$1,140,187	\$225,537

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$352,711	\$320,450	\$32,261
Special Revenue	121,644	145,077	(23,433)
Capital Projects	120,279	132,537	(12,258)
Enterprise	670,252	542,213	128,039
Total	\$1,264,886	\$1,140,277	\$124,609

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 5 – 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:

	2016
Demand deposits	\$427,501
Total deposits	427,501
STAR Ohio	82,407
Total investments	82,407
Total deposits and investments	\$509,908

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.

Note 6 – Taxes

Property Taxes

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.

Local Income Taxes

The Village levies a municipal income tax of 1.5 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.

Income tax collections are processed by the Regional Income Tax Agency (RITA). RITA collects the income tax payments on-behalf of the Village and remits the payments to the Village monthly. The tax payments received from RTIA are recorded in the accompanying financial statements as municipal income tax receipts.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Taxes (Continued)

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance through Glatfelter Insurance through Saunders Insurance in Gallipolis, Ohio for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees 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. 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, 2016.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #6800	\$335,126	1.04%
Ohio Water Development Authority Loan #7083	\$380,194	2.54%
Ohio Valley Bank - Fire Department	\$155,669	2.00%
Ohio Public Works Commission Loan #CT53E	\$5,334	0.00%
Total	\$876,323	

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. In addition, the Village drew an additional \$12,868 in August 2015 for the repair of a fire truck. The loan will be repaid in twelve semiannual payments of \$17,770, including interest, over the remaining five years of the loan.

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 began repaying this 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.

In July 2015, the Village was approved for funding through Ohio Water Development Authority (OWDA) loan #7083. This loan relates to the waste water treatment plant flood damage. The total loan amount approved was \$430,000 with an interest rate of 1.04 percent. This loan has not been finalized; therefore, there is no amortization schedule. The Village began repaying this loan in July 2016 with semi-annual installments that will last 20 years.

Amortization

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

Year ending	OVB Bank - Fire Department	OPWC Loan #CT53E
December 31:		
2017	35,541	2,667
2018	35,541	2,667
2019	35,541	0
2020	35,541	0
2021	35,541	0
Total	\$177,705	\$5,334

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Village of Rio Grande, Ohio
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$3,411	\$0	\$0	\$3,411
Municipal Income Tax	169,271	33,001	98,861	301,133
Intergovernmental	58,303	19,903	0	78,206
Charges for Services	42,112	0	0	42,112
Fines, Licenses and Permits	24,794	0	0	24,794
Earnings on Investments	1,320	118	0	1,438
Miscellaneous	7,449	14,558	0	22,007
<i>Total Cash Receipts</i>	<u>306,660</u>	<u>67,580</u>	<u>98,861</u>	<u>473,101</u>
Cash Disbursements				
Current:				
Security of Persons and Property	202,106	5,221	56,572	263,899
Public Health Services	2,120	0	0	2,120
Community Environment	384	0	0	384
Transportation	0	47,703	0	47,703
General Government	120,379	0	0	120,379
Capital Outlay	15,500	0	69,720	85,220
Debt Service:				
Principal Retirement	620	0	31,809	32,429
Interest and Fiscal Charges	0	0	6,579	6,579
<i>Total Cash Disbursements</i>	<u>341,109</u>	<u>52,924</u>	<u>164,680</u>	<u>558,713</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,449)</u>	<u>14,656</u>	<u>(65,819)</u>	<u>(85,612)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	0	0	52,383	52,383
Transfers In	0	0	7,000	7,000
Transfers Out	0	0	(7,000)	(7,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>52,383</u>	<u>52,383</u>
<i>Net Change in Fund Cash Balances</i>	<u>(34,449)</u>	<u>14,656</u>	<u>(13,436)</u>	<u>(33,229)</u>
<i>Fund Cash Balances, January 1</i>	<u>35,380</u>	<u>56,012</u>	<u>43,214</u>	<u>134,606</u>
Fund Cash Balances, December 31				
Restricted	0	70,668	29,778	100,446
Unassigned (Deficit)	931	0	0	931
<i>Fund Cash Balances, December 31</i>	<u>\$931</u>	<u>\$70,668</u>	<u>\$29,778</u>	<u>\$101,377</u>

See accompanying notes to the basic financial statements

Village of Rio Grande, Ohio
Gallia County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$430,503	\$0	\$430,503
<i>Total Operating Cash Receipts</i>	<u>430,503</u>	<u>0</u>	<u>430,503</u>
Operating Cash Disbursements			
Personal Services	76,557	0	76,557
Employee Fringe Benefits	38,236	0	38,236
Contractual Services	61,147	0	61,147
Supplies and Materials	32,925	0	32,925
Other	134,162	0	134,162
<i>Total Operating Cash Disbursements</i>	<u>343,027</u>	<u>0</u>	<u>343,027</u>
<i>Operating Income</i>	<u>87,476</u>	<u>0</u>	<u>87,476</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	31,385	0	31,385
Other Debt Proceeds	382,500	0	382,500
Miscellaneous Receipts	6,564	0	6,564
Capital Outlay	(401,954)	0	(401,954)
Principal Retirement	(56,698)	0	(56,698)
Interest and Other Fiscal Charges	(7,251)	0	(7,251)
Other Financing Sources	0	25,829	25,829
Other Financing Uses	0	(24,372)	(24,372)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(45,454)</u>	<u>1,457</u>	<u>(43,997)</u>
<i>Net Change in Fund Cash Balances</i>	42,022	1,457	43,479
<i>Fund Cash Balances, January 1</i>	<u>352,680</u>	<u>2,012</u>	<u>354,692</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$394,702</u></u>	<u><u>\$3,469</u></u>	<u><u>\$398,171</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 and fire 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.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 funds:

Police Department Capital Projects Fund – This fund receives income tax money from the General Fund each month for the purpose of operating the police department.

Fire Department Capital Projects Fund – This fund receives income tax money from the General Fund each month for the purpose of operating the fire department.

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 to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Replacement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance the Waste Water Treatment Plant Flood Damage. A surcharge recorded in this fund will repay this loan.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Continued)

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.

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 2015 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into two 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:

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 (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:

	2016
Demand deposits	\$417,141
Total deposits	417,141
STAR Ohio	82,407
Total investments	82,407
Total deposits and investments	\$499,548

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, 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$306,660	(\$43,340)
Special Revenue	61,650	67,580	5,930
Capital Projects	45,000	158,244	113,244
Enterprise	442,000	850,952	408,952
Total	\$898,650	\$1,383,436	\$484,786

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$394,377	\$341,109	\$53,268
Special Revenue	72,314	52,924	19,390
Capital Projects	148,012	171,680	(23,668)
Enterprise	1,326,931	808,930	518,001
Total	\$1,941,634	\$1,374,643	\$566,991

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$8,997; Police Capital Projects Fund by \$59,012; Fire Capital Projects Fund by \$786; Water Operating Fund by \$45,428; Sewer Operating Fund by \$224,631; and the Sewer Replacement Fund by \$276,498 at December 31, 2015. Also, contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the K9 Fund by \$136; Law Enforcement Trust Fund by \$5,085; and the Police Capital Projects Fund by \$24,216 at December 31, 2015.

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 1.5 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.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

5. LOCAL INCOME TAX (Continued)

Income tax collections are processed by the Regional Income Tax Agency (RITA). RITA collects the income tax payments on behalf of the Village and remits the payments to the Village monthly. The tax payments received from RITA are recorded in the accompanying financial statements as municipal income tax receipts.

Employers within the Village withhold income tax on employee compensation and remit the tax to RITA 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 Department Capital Projects Funds.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Valley Bank - Fire Truck & Fire House	\$185,348	2.54%
OWDA Loan #6800	\$344,283	2.00%
OWDA Loan #7083	\$263,303	1.04%
OPWC Infrastructure Loan #CT53E	\$8,000	0.00%
Ohio Valley Bank - Police Ford Explorer	\$35,226	1.74%
Total	<u>\$836,160</u>	

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. In addition, the Village drew an additional \$12,868 in August 2015 for the repair of a fire truck. The loan will be repaid in twelve semiannual payments of \$17,770, including interest, over the remaining six years of the loan.

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 began repaying this 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.

In July 2015, the Village was approved for funding through Ohio Water Development Authority (OWDA) loan #7083. This loan relates to the waste water treatment plant flood damage. The total loan amount approved was \$430,000 with an interest rate of 1.04 percent. This loan has not been finalized; therefore, there is no amortization schedule. The Village will begin repaying this loan in July 2016 with semi-annual installments that will last 20 years.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT (Continued)

In August 2015, the Village obtained a loan from Ohio Valley Bank, in the amount of \$39,515 with an interest rate of 1.74 percent to purchase a police cruiser. The Village began repaying this loan in September 2015 with monthly installments of \$1,128, including interest, over three years.

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

Year ending December 31:	Ohio Valley Bank - Fire Truck/Equip ment & Addition	OPWC Loan #CT53E	Ohio Valley Bank - Police Cruiser
2016	\$35,541	\$2,667	\$13,528
2017	35,541	2,667	13,528
2018	35,541	2,666	9,019
2019	35,541	0	0
2020	35,541	0	0
2021-2025	35,541	0	0
Total	<u>\$213,246</u>	<u>\$8,000</u>	<u>\$36,075</u>

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 2015, 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, 2015.

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 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 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$13,000.

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>2015</u>
\$20,555

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.

OHIO AUDITOR OF STATE KEITH FABER



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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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 24, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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.

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 2016-006 through 2016-008 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 2016-001 through 2016-005.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.



Keith Faber
Auditor of State
Columbus, Ohio

June 24, 2019

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Finding for Recovery

Ohio Rev. Code § 9.39 provides that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Pursuant to Ohio Rev. Code § 2921.41(A): “[n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender’s office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. “Division (B) further states whoever violates this section is guilty of theft in office.

LaDonna Day, former Mayor’s Court Clerk, was responsible for collecting, recording, and depositing mayor’s court receipts. Computer generated receipts can be generated from the system and manual duplicate receipts were used to document some of the cash received.

During our testing of comparing Mayor’s Court receipts per the computer system and manual receipts to bank deposits, for the period from August 2015 through February 6, 2018, \$3,708 of Mayor’s Court receipts were collected but unaccounted for.

On April 8, 2019, LaDonna Day entered a plea of guilty to a Bill of Information charging Theft in Office (F-4) in Gallia County Common Pleas Court Case No. 19CR000078.

On June 5, 2019, LaDonna Day was sentenced by the court and ordered to pay restitution in the amount of \$7,808 to the Village which includes the \$3,708 noted above and \$4,100 in additional audit costs necessary to uncover and document the theft.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against LaDonna Day, former Mayor’s Court clerk, and her insurance company, the Cincinnati Insurance Company, jointly and severally, in the amount of \$7,708 and in favor of the Village’s Mayor’s Court Agency Fund in the amount of \$3,708 and the General Fund in the amount of \$4,100.

Officials’ Response: Immediate action upon discovery of missing money was taken. The County Sheriff’s Office and BCI investigated this matter. LaDonna Day admitted guilt and sentenced on the above charges.

FINDING NUMBER 2016-002

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 2015 and 2016 resulting in sixty-seven and one hundred percent, respectively, of payments made to the Village not being timely. This could result in errors and/or irregularities to occur and remain undetected for an extended period of time.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance – Ohio Rev. Code § 733.40 (Continued)

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.

Officials' Response: As of 7/1/19, we are correcting this exact issue.

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2016 in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$300,599	\$352,711	(\$52,112)
Street Construction Maintenance and Repair Fund	115,763	117,024	(1,261)
Enforcement & Education Fund	-	300	(300)
Police Capital Projects Fund	48,533	68,779	(20,246)
Sewer Operating Fund	283,885	330,637	(46,752)

Appropriations exceeded estimated resources at December 31, 2015 in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$385,380	\$394,377	(\$8,997)
Police Capital Projects Fund	4,000	63,012	(59,012)
Fire Capital Projects Fund	84,214	85,000	(786)
Water Operating Fund	421,176	466,604	(45,428)
Sewer Operating Fund	230,517	455,148	(224,631)
Sewer Replacement Fund	78,481	354,979	(276,498)

Failure to limit appropriations to estimated resources could result in overspending and negative fund balances.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

Officials' Response: The estimated resources were probably not updated with the Budget Commission; however, UAN will not allow appropriations to exceed estimated resources.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-004

Noncompliance

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

At December 31, 2016, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
Police Capital Projects Fund	68,799	85,476	(16,677)
Law Enforcement Trust Fund	2,500	46,198	(43,698)

At December 31, 2015, expenditures exceeded appropriations, as follows:

Fund	Authority	Expenditures	Variance
K9 Fund	\$0	\$136	(\$136)
Law Enforcement Trust Fund	0	5,085	(5,085)
Police Capital Projects Fund	63,012	87,228	(24,216)

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 need, the Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response: At 2015 year end, according to UAN, expenses showed K-9 with \$0 expenses, LETF with \$0 expenses, and 4901 with \$61,326.75 expenses. At 2016 year end, according to UAN, expenses showed 2021 \$1,435.55; 4901 \$66,120.63, and 2091 \$33,242.82. We were however told of some adjustments during the post audit hearing that I was not of the opinion would have to be recorded as "expenses" such as an electric bill with service date of November but was not due until January and a donation on a police cruise/equipment by the County LETF fund by the outgoing prosecutor.

FINDING NUMBER 2016-005

Noncompliance

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.

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.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005 (Continued)

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

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 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 Certificates - Fiscal officers may prepare so-called “blanket” certificates not running beyond 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had unrecorded encumbrances totaling \$19,141 and \$6,978 at December 31, 2016 and 2015, respectively, in various funds. These unrecorded encumbrances, which were not certified by the Village Fiscal Officer at the time the commitment was incurred, were sixty percent of transactions tested. There was no evidence that the Village followed the aforementioned exceptions.

Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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.

Village officials and employees should 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 certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response: We are currently trying to improve use of purchase orders.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village's monthly cash reconciliations for 2015 did not include the amount of interest received on their certificates of deposit or from their STAR Ohio account, nor did the monthly reconciliations include activity for the Law Enforcement Trust, Mayor's Court, Mayor's Court Local Police Fund, or the K-9 bank accounts.

Furthermore, for 2016, the Village's monthly cash reconciliations did not include the amount of interest received from their STAR Ohio account, nor did the monthly reconciliations include activity for the Mayor's Court bank account each month.

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

In 2015:

- General Fund intergovernmental receipts of \$10,795 were incorrectly classified as miscellaneous receipts;
- General Fund intergovernmental receipts of \$432 was incorrectly posted as intergovernmental receipts in the Street Construction, Maintenance, and Repair Fund and State Highway Fund in the amount of \$400 and \$32, respectively;
- Law Enforcement Trust Fund miscellaneous receipts of \$5,990 and security of persons and property disbursements of \$5,085 were unrecorded;
- Drug Law Enforcement K9 Fund miscellaneous receipts of \$132 and security of persons and property disbursements of \$136 were unrecorded;
- Police Capital Projects Fund debt service principal retirement and interest disbursements of \$4,289 and \$220, respectively, were incorrectly classified as security of persons and property disbursements;
- Police Capital Projects Fund other debt proceeds of \$39,515 and capital outlay disbursements of \$26,147 were unrecorded;
- Fire Capital Projects Fund other debt proceeds of \$12,868 were incorrectly classified as miscellaneous receipts;
- Fire Capital Projects Fund capital outlay disbursements of \$16,892 were incorrectly classified as principal retirement disbursements;
- Fire Capital Projects Fund interest disbursements of \$3,240 were incorrectly classified as principal retirement disbursements;
- Water Operating Fund other debt proceeds of \$119,197 were incorrectly classified as miscellaneous receipts;
- Water Operating Fund capital outlay disbursements of \$119,197 were incorrectly classified as other disbursements;
- Water Operating Fund intergovernmental receipts and principal retirement disbursements of \$31,385 were unrecorded;

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006 (Continued)

Material Weakness (Continued)

- Water Operating Fund other debt proceeds of \$27,153 was incorrectly classified as miscellaneous receipts;
- Water Operating Fund miscellaneous receipts and other disbursements were overstated \$107,530 due to OWDA activity already reported in 2014 recorded in 2015 by Fiscal Officer;
- Sewer Operating Fund capital outlay disbursements of \$17,684 were incorrectly classified as other disbursements;
- Sewer Replacement Fund capital outlay disbursements of \$60,000 were incorrectly classified as other disbursements;
- Sewer Replacement Fund other debt proceeds and capital outlay of \$2,171 were unrecorded;
- Sewer Replacement Fund other debt proceeds of \$233,979 was incorrectly classified as charges for services; and
- Mayor's Court other non-operating receipts of \$25,829 and other non-operating disbursements of \$24,372 were unrecorded.

In 2016:

- General Fund intergovernmental receipts of \$10,856 were incorrectly classified as miscellaneous receipts;
- General Fund sales of capital assets receipts of \$51,000 were incorrectly classified as miscellaneous receipts;
- General Fund miscellaneous receipts of \$9,462 were incorrectly classified as charges for services receipts;
- Police Capital Projects Fund debt service principal retirement and interest disbursements of \$15,878 and \$400, respectively were incorrectly classified as security of persons and property disbursements;
- Police Capital Projects Fund miscellaneous receipts of \$5,000 were incorrectly classified as municipal income tax receipts;
- Police Capital Projects Fund miscellaneous receipts of \$19,355 and debt service principal retirement and interest disbursements of \$19,333 and \$22, respectively, were unrecorded;
- Police Capital Projects Fund municipal income tax receipts were overstated by \$13,368 due to the Fiscal Officer incorrectly recording a portion of 2015 loan proceeds in 2016;
- Police Capital Projects Fund capital outlay disbursement of \$13,368 was incorrectly classified as security of persons and property disbursements;
- Fire Capital Projects Fund interest disbursements of \$2,361 were incorrectly classified as principal retirement disbursements;
- Water Operating Fund debt service principal and interest of \$4,556 and \$3,558, respectively was incorrectly recorded in the Sewer Debt Service Fund as debt service principal;
- Sewer Operating Fund other debt proceeds of \$136,437 were incorrectly classified as miscellaneous receipts;
- Sewer Operating Fund capital outlay disbursements of \$136,437 were incorrectly classified as supplies and materials and other disbursements in the amount of \$1,407 and \$135,030, respectively;
- Water Operating Fund principal retirement and interest disbursements of \$4,556 and \$3,558, respectively, were incorrectly reported as principal retirement disbursements of \$8,114 in the Sewer Debt Service Fund;

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006 (Continued)

Material Weakness (Continued)

- Sewer Debt Service Fund interest disbursements of \$4,444 were incorrectly classified as principal retirement disbursements; and
- Mayor's Court other non-operating receipts of \$20,013 and other non-operating disbursements of \$22,685 were unrecorded.

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

The audited financial statements and the Village's UAN accounting system have been adjusted for the items 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: Trying to improve errors with posting. However, we work part time in the office, with constant distractions, and do the best we can. These errors in posting could be due to several reasons, as they are from several departments.

FINDING NUMBER 2016-007

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Entity and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-007 (Continued)

Material Weakness (Continued)

Fund	Approved	UAN system	Variance
General Fund	\$300,000	\$385,288	(\$85,288)
Street Construction, Maintenance, and Repair Fund	50,000	56,500	(6,500)
Law Enforcement Trust Fund	0	45,856	(45,856)
Enforcement and Education Fund	0	950	(950)
Police Capital Projects Fund	48,000	68,118	(20,118)
Sewer Operating Fund	160,000	211,908	(51,908)

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

Fund	Approved	UAN system	Variance
General Fund	\$350,000	\$359,000	(\$9,000)
Police Capital Projects Fund	0	59,360	(59,360)
Fire Capital Projects Fund	45,000	48,000	(3,000)
Water Operating Fund	225,000	325,000	(100,000)
Sewer Operating Fund	160,000	411,663	(251,663)
Sewer Replacement	13,000	296,979	(283,979)

At December 31, 2016, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances are as follows:

Fund	Approved	UAN system	Variance
General Fund	\$352,711	\$358,076	(\$5,365)
Law Enforcement Trust Fund	2,500	48,500	(46,000)
Sewer Operating Fund	330,637	334,637	(4,000)

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: We keep UAN updated, but not always the County Budget Commission.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Mayor's Court Clerk utilized the lite version of the Baldwin Group software during the audit period. This system accounted for money received on cases but did not account for the disbursements to various agencies or a running book balance at any given time. A manual disbursement spreadsheet was utilized for part of the audit period; however, errors were found in the spreadsheet as it did not foot or cross foot in various months.

Refunds in the amount of \$1,090 and \$36 at December 31, 2016 and 2015, respectively were made in the Baldwin Group System with no documentation on file to support the adjustment in the system.

Due to the lack of complete records, we were unable to determine if the proper amounts were remitted to the State, Village and County Court. Additionally, bank reconciliations were not performed for the audit period. Furthermore, ticket logs were maintained by the Police Department, however, ticket batches were not disbursed to officers in sequential order, voided tickets were not on file, nor did the Police Department keep the agency copy of the ticket once issued. No reconciliation was performed to identify and account for the missing tickets. This could result in possible errors and/or irregularities occurring and remaining undetected for an extended period of time.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides opportunity for errors and irregularities to occur and not be detected by management in a timely manner. Due to the lack of incomplete supporting documentation, completeness could not be determined over Mayor's Court.

The Mayor's Court Clerk should complete a monthly disbursement spreadsheet showing collections, book balance, and disbursements for each month. This spreadsheet should include the following information:

- Payee
- Amount received
- Date received
- Case Number
- Allocation of amount received
- Total due to various agencies
- Check #, date, amount, and payee for monthly disbursements
- Reconciliation of bank to book balance

In addition, the Mayor's Court Clerk should maintain supporting documentation for any adjustments made in the software system.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Material Weakness (Continued)

Furthermore, the Police Department should use tickets in sequential order, maintain the agency copy of the ticket, and maintain/track voided tickets. A file of ticket copies should be maintained which would include all tickets issued in sequential order and any voided ticket packets. Police officers should be held strictly accountable for all tickets issued in his or her name.

Officials' Response: The Village is trying to improve this.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 733.40 – failure to remit Mayor’s Court fines due to the State in a timely manner	Not Corrected.	Working on correction.
2014-002	Ohio Rev. Code § 5705.40 – Board approved appropriations did not agree to appropriations per UAN	Not Corrected.	Working on this.
2014-003	Ohio Rev. Code § 5705.41 (B) – expenditures exceeded appropriations	Not Corrected.	Working on this.
2014-004	Ohio Rev. Code § 5705.41 (D)(1) – not properly encumbering	Not Corrected.	Working on this.
2014-005	Material weakness – not maintaining supporting documentation for income tax receipts	Corrected.	
2014-006	Material weakness for significant audit adjustments and reclassifications	Not Corrected.	Working on this.

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OHIO AUDITOR OF STATE
KEITH FABER



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
JULY 16, 2019**