



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF RIO GRANDE
GALLIA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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, 2018 and 2017.

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 such 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 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, 2018 and 2017, and the respective 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 related notes of the Village of Rio Grande, Gallia County, Ohio, as of December 31, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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

December 23, 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, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$715	\$0	\$0	\$715
Municipal Income Tax	193,528	28,999	97,122	319,649
Intergovernmental	84,996	22,239	0	107,235
Charges for Services	27,371	0	0	27,371
Fines, Licenses and Permits	12,769	100	0	12,869
Earnings on Investments	171	0	0	171
Miscellaneous	41,278	5,944	10,000	57,222
<i>Total Cash Receipts</i>	<u>360,828</u>	<u>57,282</u>	<u>107,122</u>	<u>525,232</u>
Cash Disbursements				
Current:				
Security of Persons and Property	223,026	3,752	49,988	276,766
Leisure Time Activities	1,924	0	0	1,924
Community Environment	947	0	0	947
Transportation	0	45,938	0	45,938
General Government	122,004	150	0	122,154
Capital Outlay	0	0	10,742	10,742
Debt Service:				
Principal Retirement	1,253	0	57,522	58,775
Interest and Fiscal Charges	0	0	3,519	3,519
<i>Total Cash Disbursements</i>	<u>349,154</u>	<u>49,840</u>	<u>121,771</u>	<u>520,765</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,674</u>	<u>7,442</u>	<u>(14,649)</u>	<u>4,467</u>
Other Financing (Disbursements)				
Other Financing Uses	0	(50)	0	(50)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(50)</u>	<u>0</u>	<u>(50)</u>
<i>Net Change in Fund Cash Balances</i>	11,674	7,392	(14,649)	4,417
<i>Fund Cash Balances, January 1</i>	<u>44,293</u>	<u>20,551</u>	<u>40,637</u>	<u>105,481</u>
Fund Cash Balances, December 31				
Restricted	0	27,943	25,988	53,931
Assigned	43,716	0	0	43,716
Unassigned (Deficit)	12,251	0	0	12,251
<i>Fund Cash Balances, December 31</i>	<u>\$55,967</u>	<u>\$27,943</u>	<u>\$25,988</u>	<u>\$109,898</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, 2018*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$435,743	\$0	\$435,743
<i>Total Operating Cash Receipts</i>	<u>435,743</u>	<u>0</u>	<u>435,743</u>
Operating Cash Disbursements			
Personal Services	85,148	0	85,148
Employee Fringe Benefits	33,744	0	33,744
Contractual Services	69,131	0	69,131
Supplies and Materials	35,377	0	35,377
Other	134,470	0	134,470
<i>Total Operating Cash Disbursements</i>	<u>357,870</u>	<u>0</u>	<u>357,870</u>
<i>Operating Income</i>	<u>77,873</u>	<u>0</u>	<u>77,873</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	652	0	652
Miscellaneous Receipts	12,277	0	12,277
Capital Outlay	(5,000)	0	(5,000)
Principal Retirement	(26,045)	0	(26,045)
Interest and Other Fiscal Charges	(10,143)	0	(10,143)
Other Financing Sources	0	11,732	11,732
Other Financing Uses	0	(11,654)	(11,654)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(28,259)</u>	<u>78</u>	<u>(28,181)</u>
<i>Net Change in Fund Cash Balances</i>	49,614	78	49,692
<i>Fund Cash Balances, January 1</i>	<u>474,726</u>	<u>2,003</u>	<u>476,729</u>
<i>Fund Cash Balances, December 31</i>	<u>\$524,340</u>	<u>\$2,081</u>	<u>\$526,421</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, 2018

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 water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

The Village's management believes these financial statements present 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 Fund:

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.

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 Project Fund This fund receives income tax money from the General Fund each month for the purpose of purchasing equipment and reoccurring expenditures.

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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 accounts 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.

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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2018 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 five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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.

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

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair Fund and Fire Capital Projects Fund by \$1,490 and \$31,783, respectively, for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$360,828	\$10,828
Special Revenue	34,400	57,282	22,882
Capital Projects	96,000	107,122	11,122
Enterprise	400,000	448,672	48,672
Total	\$880,400	\$973,904	\$93,504

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 - Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$391,830	\$349,254	\$42,576
Special Revenue	51,489	49,890	1,599
Capital Projects	99,607	121,771	(22,164)
Enterprise	574,650	399,058	175,592
Total	\$1,117,576	\$919,973	\$197,603

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:

	2018
Demand deposits	\$553,911
Total deposits	553,911
STAR Ohio	82,408
Total investments	82,408
Total deposits and investments	\$636,319

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 – Taxes (Continued)

Property Taxes (Continued)

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

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 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.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured 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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

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, 2018.

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, 2018.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #6800	\$313,727	1.04%
Ohio Water Development Authority Loan #7083	\$344,936	2.54%
Ohio Valley Bank - Fire Department	67,471	2.00%
Total	\$726,134	

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 10 – Debt (Continued)

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. The Village began repaying this loan in July 2015 with semi-annual installments that will last 30 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. The Village began repaying this loan in July 2016 with semiannual installments that will last 20 years.

Amortization

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

Year Ending December 31:	OVB Bank - Fire Department	OWDA Loan #6800	OWDA Loan #7083
2019	\$35,541	\$15,533	\$22,189
2020	35,541	15,533	22,189
2021	0	15,533	22,189
2022	0	15,533	22,189
2023	0	15,533	22,189
2024-2028	0	77,665	110,947
2029-2033	0	77,665	110,947
2034-2038	0	77,665	55,473
2039-2043	0	77,665	0
2044-2048	0	23,300	0
Total	\$71,082	\$411,625	\$388,312

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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$727	\$0	\$0	\$727
Municipal Income Tax	209,491	24,001	92,001	325,493
Intergovernmental	251,997	15,050	7,000	274,047
Charges for Services	22,801	0	0	22,801
Fines, Licenses and Permits	17,051	300	0	17,351
Earnings on Investments	105	16	0	121
Miscellaneous	39,518	14,753	4,000	58,271
<i>Total Cash Receipts</i>	<u>541,690</u>	<u>54,120</u>	<u>103,001</u>	<u>698,811</u>
Cash Disbursements				
Current:				
Security of Persons and Property	395,548	18,647	39,134	453,329
Leisure Time Activities	2,150	0	0	2,150
Community Environment	759	0	0	759
Transportation	0	35,300	0	35,300
General Government	152,220	315	0	152,535
Capital Outlay	0	0	7,000	7,000
Debt Service:				
Principal Retirement	1,253	0	30,675	31,928
Interest and Fiscal Charges	0	0	4,866	4,866
<i>Total Cash Disbursements</i>	<u>551,930</u>	<u>54,262</u>	<u>81,675</u>	<u>687,867</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,240)</u>	<u>(142)</u>	<u>21,326</u>	<u>10,944</u>
Other Financing (Disbursements)				
Other Financing Uses	0	(128)	0	(128)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(128)</u>	<u>0</u>	<u>(128)</u>
<i>Net Change in Fund Cash Balances</i>	(10,240)	(270)	21,326	10,816
<i>Fund Cash Balances, January 1</i>	<u>54,533</u>	<u>20,821</u>	<u>19,311</u>	<u>94,665</u>
Fund Cash Balances, December 31				
Restricted	0	20,551	40,637	61,188
Assigned	41,830	0	0	41,830
Unassigned (Deficit)	2,463	0	0	2,463
<i>Fund Cash Balances, December 31</i>	<u>\$44,293</u>	<u>\$20,551</u>	<u>\$40,637</u>	<u>\$105,481</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, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$430,744	\$0	\$430,744
<i>Total Operating Cash Receipts</i>	430,744	0	430,744
Operating Cash Disbursements			
Personal Services	77,443	0	77,443
Employee Fringe Benefits	38,892	0	38,892
Contractual Services	67,729	0	67,729
Supplies and Materials	23,966	0	23,966
Other	126,543	0	126,543
<i>Total Operating Cash Disbursements</i>	334,573	0	334,573
<i>Operating Income</i>	96,171	0	96,171
Non-Operating Receipts (Disbursements)			
Intergovernmental	4,724	0	4,724
Miscellaneous Receipts	8,657	0	8,657
Capital Outlay	(5,000)	0	(5,000)
Principal Retirement	(32,991)	0	(32,991)
Interest and Other Fiscal Charges	(11,281)	0	(11,281)
Other Financing Sources	0	16,815	16,815
Other Financing Uses	0	(15,609)	(15,609)
<i>Total Non-Operating Receipts (Disbursements)</i>	(35,891)	1,206	(34,685)
<i>Net Change in Fund Cash Balances</i>	60,280	1,206	61,486
<i>Fund Cash Balances, January 1</i>	414,446	797	415,243
<i>Fund Cash Balances, December 31</i>	\$474,726	\$2,003	\$476,729

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, 2017

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 water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

The Village's management believes these financial statements present 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 purchasing equipment and reoccurring expenditures.

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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 accounts 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.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 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 five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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.

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

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and Law Enforcement Trust Fund by \$192,685 and \$8,647, respectively, for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$541,690	\$191,690
Special Revenue	49,200	54,120	4,920
Capital Projects	96,000	103,001	7,001
Enterprise	575,000	444,035	(130,965)
Total	\$1,070,200	\$1,142,846	\$72,646

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$359,245	\$551,930	(\$192,685)
Special Revenue	59,950	54,390	5,560
Capital Projects	91,400	81,675	9,725
Enterprise	534,650	383,845	150,805
Total	\$1,045,245	\$1,071,840	(\$26,595)

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:

	2017
Demand deposits	\$499,802
Total deposits	499,802
STAR Ohio	82,408
Total investments	82,408
Total deposits and investments	\$582,210

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Taxes (Continued)

Property Taxes (Continued)

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

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 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.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured 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

Village 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.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (Continued)

Ohio Public Employees Retirement System (Continued)

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, 2017.

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, 2017.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #6800	\$322,848	1.04%
Ohio Water Development Authority Loan #7083	\$360,445	2.54%
Ohio Valley Bank - Fire Department	\$124,994	2.00%
Ohio Public Works Commission Loan #CT53E	\$2,667	0.00%
Total	\$810,954	

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. The Village began repaying this loan in July 2015 with semi-annual installments that will last 30 years.

Village of Rio Grande, Ohio
Gallia County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt (Continued)

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 semiannual installments that will last 20 years.

Amortization

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

Year Ending December 31:	OVB Bank - Fire Department	OPWC Loan #CT53E	OWDA Loan #6800
2018	\$35,541	\$2,667	\$15,533
2019	35,541	0	15,533
2020	35,541	0	15,533
2021	35,541	0	15,533
2022	0	0	15,533
2023-2027	0	0	77,665
2028-2032	0	0	77,665
2033-2037	0	0	77,665
2038-2042	0	0	77,665
2043-2047	0	0	38,833
Total	\$142,164	\$2,667	\$427,158

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 23, 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 2018-004 and 2018-005 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 2018-001 through 2018-003.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 23, 2019

**VILLAGE OF RIO GRANDE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

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.

One hundred percent of payment for fines and court costs that were due from the Mayor's Court to the Village were not made timely for 2017 and 2018. 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.

Officials' Response: Corrected in 2019.

FINDING NUMBER 2018-002

Noncompliance

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

At December 31, 2018, disbursements exceeded appropriations in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
Street Construction, Maintenance, and Repair	\$43,450	\$44,940	(\$1,490)
Fire Capital Projects	40,000	71,783	(31,783)

At December 31, 2017, disbursements exceeded appropriations in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
General Fund	\$359,245	\$551,930	(\$192,685)
Law Enforcement Trust Fund	10,000	18,647	(8,647)

The practice of allowing expenditures to exceed appropriations could result in overspending and 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 deny requests for payment when appropriations are not available.

Officials' Response: Still working on this.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003

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.

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 \$10,811 and \$8,929 at December 31, 2018 and 2017, respectively, in various funds. These unrecorded encumbrances, which were not certified by the Village Fiscal Officer at the time the commitment was incurred, were thirty-seven percent of transactions tested. There was no evidence that the Village followed the aforementioned exceptions. There was no evidence the Village followed the aforementioned exceptions.

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-003 (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.

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: Working on this.

FINDING NUMBER 2018-004

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 did not include the amount of interest received from their STAR Ohio account in 2017 or 2018, 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 reclassifications:

In 2017:

- General Fund intergovernmental receipts of \$202,689 were incorrectly classified as miscellaneous receipts;
- General Fund miscellaneous receipts of \$12,095 were incorrectly classified as charges for services;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.175 requires reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village incorrectly reported the assigned portion of the General Fund cash fund balance as unassigned in the amount of \$41,830;
- Fire Capital Projects Fund intergovernmental receipt of \$7,000 was incorrectly classified as miscellaneous; and

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-004 (Continued)

Material Weakness (Continued)

- Mayor's Court Agency Fund other non-operating receipts of \$16,815 and other non-operating disbursements of \$15,609 were unrecorded.

In 2018:

- General Fund intergovernmental receipts of \$35,761 were incorrectly classified as miscellaneous receipts;
- General Fund miscellaneous receipts of \$11,780 were incorrectly classified as charges for services receipts;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.175 requires reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Fund cash fund balance as unassigned in the amount of \$43,716;
- Fire Capital Projects Fund miscellaneous receipt of \$10,000 and debt service principal retirement disbursement of \$10,000 were unrecorded;
- Sewer Debt Service Fund charges for service receipt of \$3,680 was incorrectly posted to the Sewer Replacement Fund as charges for service; and
- Mayor's Court Agency Fund other non-operating receipts of \$11,732 and other non-operating disbursements of \$11,654 were unrecorded.

The Fiscal Officer made classification errors in posting of receipts. 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: Corrected.

FINDING NUMBER 2018-005

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.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-005 (Continued)

Material Weakness (Continued)

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 Village 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, 2018, estimated receipts as approved by the Budget Commission did not agree to UAN. The variances and funds are as follows:

	<u>Approved</u>	<u>UAN System</u>	<u>Variance</u>
General Fund	\$350,000	\$373,828	(\$23,828)
Street Construction, Maintenance and Repair	30,000	45,000	(15,000)
Water Replacement Fund	0	40,000	(40,000)

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to UAN. The variances and funds are as follows:

	<u>Approved</u>	<u>UAN System</u>	<u>Variance</u>
General Fund	\$350,000	\$549,234	(\$199,234)
Law Enforcement Trust Fund	2,000	10,000	(8,000)

At December 31, 2018, appropriations as approved by the Village Council did not agree to UAN. The variances and funds are as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$391,830	\$412,602	(\$20,772)
Street Construction Maintenance and Repair	43,450	54,900	(11,450)
Police and Fire Capital Projects	40,000	62,288	(22,288)

At December 31, 2017, appropriations as approved by the Village Council did not agree to UAN. The variances and funds are as follows:

**VILLAGE OF RIO GRANDE
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-005 (Continued)

Material Weakness (Continued)

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$359,245	\$587,604	(\$228,359)
Law Enforcement Trust Fund	10,000	25,000	(15,000)
Other Capital Projects	46,400	46,680	(280)
Water Operating Fund	246,850	296,850	(50,000)

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) were 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 Fiscal Officer should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Fiscal Officer and Council 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: Corrected.



Village of Rio Grande

PO Box 343
 Rio Grande, Ohio 45674
 Phone (740) 245-5822 • Fax (740) 245-1704
www.riograndevillage.net

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance/Finding for Recovery Ohio Rev. Code § 9.38 – Public funds received but not deposited.	Partially	In process of correcting. Village received \$3,708 from bonding company but no court payments have been received.
2016-002	Ohio Rev. Code § 733.40 – failure to remit Mayor's Court fines due to the Village in a timely manner.	Partially	Trying to deposit in quicker manner.
2016-003	Ohio Rev. Code § 5705.39 – Appropriations exceeded estimated resources.	Partially	Trying for improvement.
2016-004	Ohio Rev. Code § 5705.41(B) – Disbursements exceeded Appropriations.	Partially	Trying to improve on this.
2016-005	Ohio Rev. Code § 5705.41(D)(1) – Not properly encumbering.	Partially	Trying to improve on this.
2016-006	Material Weakness for significant audit adjustments and reclassifications.	Partially	Still working on.
2016-007	Material weakness for approved appropriations and estimated receipts not agreeing to amounts entered into the system.	Partially	Still working on.
2016-008	Material Weakness over Mayor's Court controls of receiving, distributing, and reconciling activity	Partially	Still working on.

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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
JANUARY 2, 2020**