

**VILLAGE OF RIO GRANDE
GALLIA COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Rio Grande, Gallia County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2005 and the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The January 1, 2005 through December 31, 2005 financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Rio Grande is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 5, 2007

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**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

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Marietta, OH 45750
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INDEPENDENT ACCOUNTANTS' REPORT

November 9, 2007

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

To the Village Council:

We have audited the accompanying financial statements of The Village of Rio Grande, Gallia County, Ohio, (the Village) as of and for the year ended December 31, 2005. In addition, we have audited the accompanying financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Village of Rio Grande, Gallia County, Ohio as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described more fully in Note 2, the Village has prepared the 2005 financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Also, as discussed in Note 2, the accompanying 2006 financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately beginning in 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its 2005 statements. Since the Village does not use GAAP to measure the 2005 financial statement amounts, the following paragraph does not imply the amounts reported for the year ended December 31, 2005 are materially misstated under the accounting basis the Auditor of State permits.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 or their changes in financial position for the year then ended.

Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, the financial statements referred to above for the year ended December 31, 2006 present fairly, in all material respects, the respective cash financial position of the governmental and business activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2006, and the respective changes in financial position and the respective budgetary statements for the General Fund and Street Construction Maintenance Repair Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Rio Grande, Gallia County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2005. The Government has not presented Management's Discussion and Analysis as of December 31, 2005, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

For the year ended December 31, 2006, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Village of Rio Grande
Gallia County
Independent Accountants' Report
Page 3

Management's Discussion and analysis and the respective budgetary statement for the General Fund and the Street Construction Maintenance. Repair Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures consisting of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

The discussion and analysis of the Village of Rio Grande's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$17,069 or 9 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General Fund and the Street Construction, Maintenance and Repair Fund. The increase was due to two things. First, income tax money collected was greater in 2006 than it was in 2005. Second, due to the increase in gas prices, the monies we received for the gasoline excise tax and the cents per gallon were much greater in 2006 than in 2005.

The Village's general receipts are primarily municipal income taxes and grants and entitlements not restricted to specific programs. These receipts represent 66 percent and 24 percent, respectively, of the total general receipts. The "Grants and Entitlements not Restricted to Specific Programs" accounts for the money received as a local government distribution, local government revenue assistance, inheritance tax, cigarette tax, and liquor and beer permit fees. Income tax monies received increased between 2005 and 2006 because the tax administrator was able to collect some outstanding balances and through sending out tax questionnaires, the tax administrator was able to locate more residents to which the 1 percent tax applied.

The cost of wages overall declined from 2005 to 2006 because Ronald Miller, the Water and Wastewater Superintendent and the highest paid employee working for the Village of Rio Grande retired in October of 2005.

The cost of health insurance decreased for the first half of 2006 because Ronald Miller was no longer covered on the Village's insurance. Then, in the middle of 2006, the health insurance costs increased because the Village added two full time employees to the policy—one with family coverage and one with single coverage. Life insurance decreased significantly from 2005 to 2006 because the new renewal rates had declined from 2005 per the insurance carrier.

The Village paid off the fire truck loan during 2006. The balance due was \$9,000.

There were extra expenses in the Sewer Operating Fund for engineering fees because the Village is looking to expand the current sewer plant because it is nearing its maximum capacity.

The Village paved a selected number of streets in the Village during 2006. The cost was approximately \$17,425.

The Water Operating Fund lost \$10,533 during 2006, while the Sewer Operating Fund gained \$11,029 during 2006. The Sewer Debt Service Fund lost \$9,040 in 2006. The Sewer Replacement Fund lost \$11,396 during 2006 because a number of expensive repairs to the sewer plant and its equipment were necessary. A notable expense was a flow meter that cost approximately \$12,227. These repairs were necessary to maintain the efficiency and continuation of the sewer plant operations.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Reporting the Government as a Whole

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities

Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activities

The Village has two business-type activities, the provision of water and the provision of sewer services. Business-type activities are financed by a fee charged to the customers receiving the services.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds—not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statement in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Reporting the Government's Most Significant Funds (Continued)

Proprietary Funds

When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The government has four enterprise funds, the Water Operating Fund, the Sewer Operating Fund, the Enterprise Debt Service Fund, and the Sewer Replacement Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village does not have any internal service funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2006 on a cash basis. Since the Village did not prepare financial statements in this format for 2005, a comparative analysis of the government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 12,627	\$ 6,072	\$ 18,699
Investments	189,527	130,241	319,768
Total Assets	<u>202,154</u>	<u>136,313</u>	<u>338,467</u>
Net Assets			
Restricted for:			
Capital Projects	10,000	-	10,000
Other Purposes	29,302	-	29,302
Unrestricted	162,852	136,313	299,165
Total Net Assets	<u>\$ 202,154</u>	<u>\$ 136,313</u>	<u>\$ 338,467</u>

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

The Government as a Whole (Continued)

Net assets of governmental activities increased during 2006.

- There has been an increase in local tax receipts because the tax administrator has been able to locate more citizens subject to the Village tax and to collect some, not all, outstanding balances. Local wages have increased slightly, which has resulted in more income tax receipts compared to last year. In addition, the University of Rio Grande has been building on their campus and when they bring in contractors, the contractors are subject to the local tax. That has also helped to increase the amount of local taxes received for 2006.
- Wages for Village employees decreased approximately 15 percent in 2006 because Ronald Miller, the Water and Wastewater Superintendent and the highest paid Village employee, retired in 2005.
- Health insurance costs increased approximately 3 percent in 2006, while life insurance costs decreased approximately 36% in 2006. Health insurance costs increased because the Village added two employees to the insurance policy—one with family coverage and one with single coverage. Life insurance rates decreased significantly per our insurance carrier.
- In 2006, the Village paid off a 2001 bank loan for the purchase of a fire truck. The balance due was \$9,000.
- The Village paved a selected number of streets in the Village during 2006 and the cost was approximately \$17,425.

Net assets of the business-type activities decreased in 2006, mostly in the Water Operating Fund, Enterprise Debt Service Fund, and the Sewer Replacement Fund.

- The Water Operating Fund lost money because most of the expenses in that fund were monies paid to Gallia County Rural Water, which is the organization from which the Village purchases water to resell to Village residents.
- The loss in the Sewer Debt Service Fund was because the Village paid an extra loan payment in 2006.
- The Sewer Replacement Fund had a loss because significant maintenance was required for some equipment in the sewer plant. The equipment that had to be updated was quite expensive, most notably, the purchase of a \$12,227 flow meter. The repairs were necessary for the continuation and efficiency of the sewer plant operations.

Table 2 reflects the changes in net assets on a cash basis in 2006 for governmental activities, business-type activities and total primary government. Since the Village did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

The Government as a Whole (Continued)

(Table 2)			
Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Total
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 28,380	\$ 364,097	\$ 392,477
Operating Grants and Contributions	26,015	-	26,015
Total Program Receipts	54,395	364,097	418,492
General Receipts:			
Property and Other Local Taxes	456	-	456
Income Taxes	189,782	-	189,782
Grants and Entitlements Not Restricted to Specific Programs	70,557	-	70,557
Fines, Licenses and Permits	1,006	-	1,006
Interest	18,223	-	18,223
Miscellaneous	6,204	4,073	10,277
Total General Receipts	286,228	4,073	290,301
Total Receipts	340,623	368,170	708,793
Disbursements:			
General Government	118,578	-	118,578
Security of Persons and Property:	107,712	-	107,712
Leisure Time Activities	2,762	-	2,762
Community Environment	695	-	695
Transportation	45,295	-	45,295
Capital Outlay	38,035	-	38,035
Principal Retirement	10,254	-	10,254
Interest and Fiscal Charges	223	-	223
Water Operating	-	194,559	194,559
Sewer Operating	-	122,210	122,210
Sewer Debt Service	-	47,440	47,440
Sewer Replacement Fund	-	23,900	23,900
Total Disbursements	323,554	388,109	711,663
Increase (Decrease) in Net Assets	17,069	(19,939)	(2,870)
Net Assets, January 1, 2006	185,085	156,252	341,337
Net Assets, December 31, 2006	\$ 202,154	\$ 136,313	\$ 338,467

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

The Government as a Whole (Continued)

Program receipts represent 59 percent of total receipts and are primarily comprised of charges for services.

General receipts represent 41 percent of the Village's total receipts, and of this amount, 66 percent are local taxes and 24 percent are grants and entitlements not restricted to specific programs.

Disbursements for General Government represent the overhead cost of running the Village and the support services provided for the other Village activities. These include the costs of council, the fiscal officer, income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection. Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, security of persons and property, transportation and capital outlay, representing 37 percent, 33 percent, 14 percent and 12 percent, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$ 118,578	\$(115,578)
Security of Persons and Property	107,712	(82,332)
Leisure Time Activities	2,762	(2,762)
Community Environment	695	(695)
Transportation	45,295	(19,280)
Capital Outlay	38,035	(38,035)
Principal Retirement	10,254	(10,254)
Interest and Fiscal Charges	223	(223)
Total Expenses	\$ 323,554	\$(269,159)

Most of the Village's programs are supported by the one percent local income tax.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Business-type Activities

The water and sewer operations of the Village are expanding and more people are annexing to the Village of Rio Grande. The sewer plant is nearing its maximum capacity and the Village is in the process of working with Floyd Browne Group for engineering services to expand the current plant so we can keep up with the anticipated future flow. The Village has also been discussing the possibility of Rio Grande taking on the sewage for some other smaller entities as Gallia County is considering a sewer expansion, themselves. This would be a way for the Village to work together with Gallia County to help them and to help our Village grow at the same time.

The Government's Funds

Total governmental funds had total receipts and other financing sources of \$340,623 and total disbursements and other financing uses of \$323,554. The greatest changes within governmental funds occurred within the General Fund and the Street Construction, Maintenance and Repair Fund. The fund balance of the General Fund increased \$2,115 and the Street Construction, Maintenance and Repair Fund increased by \$6,099. The increase in the General Fund was due to increased tax collections. The increase in the Street Construction, Maintenance and Repair Fund was due to the increase in gas prices. Due to the increase in gas prices, the monies we received for the gasoline excise tax and the cents per gallon increased more than we expected.

The General Fund receipts were more than disbursements by \$2,115 and the Street Construction, Maintenance and Repair Fund receipts were more than disbursements by \$6,099, indicating that these funds are stable.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Capital Assets and Debt Administration

Capital Assets

The Village uses the UAN Inventory Software to keep a listing of the capital expenditures.

Debt

At December 31, 2006, the Village's outstanding debt totaled \$485,088. For further information regarding the Village's debt, refer to the Schedule of Outstanding Debt in Note 11 to the basic financial statements.

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Elizabeth M. Brabham, Fiscal Officer, Village of Rio Grande, 174 East College Street PO Box 343, Rio Grande, Ohio 45674.

VILLAGE OF RIO GRANDE, GALLIA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 12,627	\$ 6,072	\$ 18,699
Investments	189,527	130,241	319,768
Total Assets	<u>202,154</u>	<u>136,313</u>	<u>338,467</u>
Net Assets			
Restricted for:			
Capital Projects	10,000	-	10,000
Other Purposes	29,302	-	29,302
Unrestricted	162,852	136,313	299,165
Total Net Assets	<u>\$ 202,154</u>	<u>\$ 136,313</u>	<u>\$ 338,467</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$ 107,712	\$ 25,380	\$ -	\$ (82,332)	\$ -	\$ (82,332)
Leisure Time Activities	2,762	-	-	(2,762)	-	(2,762)
Community Environment	695	-	-	(695)	-	(695)
Transportation	45,295	-	26,015	(19,280)	-	(19,280)
General Government	118,578	3,000	-	(115,578)	-	(115,578)
Capital Outlay	38,035	-	-	(38,035)	-	(38,035)
Debt Service:						
Principal	10,254	-	-	(10,254)	-	(10,254)
Interest	223	-	-	(223)	-	(223)
<i>Total Governmental Activities</i>	<u>323,554</u>	<u>28,380</u>	<u>26,015</u>	<u>(269,159)</u>	<u>-</u>	<u>(269,159)</u>
Business Type Activities						
Water Operating	194,559	181,427	-	-	(13,132)	(13,132)
Sewer Operating	122,210	131,765	-	-	9,555	9,555
Sewer Debt Service	47,440	38,400	-	-	(9,040)	(9,040)
Sewer Replacement Fund	23,900	12,505	-	-	(11,395)	(11,395)
<i>Total Business Type Activities</i>	<u>388,109</u>	<u>364,097</u>	<u>-</u>	<u>-</u>	<u>(24,012)</u>	<u>(24,012)</u>
<i>Total</i>	<u>\$ 711,663</u>	<u>\$ 392,477</u>	<u>\$ 26,015</u>	<u>\$ (269,159)</u>	<u>\$ (24,012)</u>	<u>\$ (293,171)</u>
General Receipts						
Property Taxes				380	-	380
Municipal Income Taxes				189,782	-	189,782
Other Taxes				76	-	76
Grants and Entitlements not Restricted to Specific Programs				70,557	-	70,557
Fines, Licenses and Permits				1,006	-	1,006
Earnings on Investments				18,223	-	18,223
Miscellaneous				6,204	4,073	10,277
<i>Total General Receipts</i>				<u>286,228</u>	<u>4,073</u>	<u>290,301</u>
Change in Net Assets				17,069	(19,939)	(2,870)
<i>Net Assets Beginning of Year</i>				<u>185,085</u>	<u>156,252</u>	<u>341,337</u>
<i>Net Assets End of Year</i>				<u>\$ 202,154</u>	<u>\$ 136,313</u>	<u>\$ 338,467</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Street Const. Maint.Rep.	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 245	\$ 2,357	\$ 10,025	\$ 12,627
Investments	162,607	24,547	2,373	189,527
<i>Total Assets</i>	<u>162,852</u>	<u>26,904</u>	<u>12,398</u>	<u>202,154</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	162,852	-	-	162,852
Special Revenue Funds	-	26,904	2,398	29,302
Capital Projects Funds	-	-	10,000	10,000
<i>Total Fund Balances</i>	<u>\$ 162,852</u>	<u>\$ 26,904</u>	<u>\$ 12,398</u>	<u>\$ 202,154</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General Fund	Street Const. Maint. Rep. Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 456	\$ -	\$ -	\$ 456
Municipal Income Taxes	155,782	24,000	10,000	189,782
Intergovernmental	70,557	24,064	1,951	96,572
Charges for Services	28,380	-	-	28,380
Fines, Licenses and Permits	1,006	-	-	1,006
Earnings on Investments	18,223	-	-	18,223
Miscellaneous	5,970	234	-	6,204
Total Receipts	280,374	48,298	11,951	340,623
Disbursements				
Current:				
Security of Persons and Property	107,712	-	-	107,712
Leisure Time Activities	2,762	-	-	2,762
Community Environment	695	-	-	695
Transportation	-	42,199	3,096	45,295
General Government	118,578	-	-	118,578
Capital Outlay	38,035	-	-	38,035
Debt Service:				
Principal Retirement	10,254	-	-	10,254
Interest and Fiscal Charges	223	-	-	223
Total Disbursements	278,259	42,199	3,096	323,554
Excess of Receipts Over (Under) Disbursements	2,115	6,099	8,855	17,069
Fund Balances Beginning of Year	160,737	20,805	3,543	185,085
Fund Balances End of Year	<u>\$ 162,852</u>	<u>\$ 26,904</u>	<u>\$ 12,398</u>	<u>\$ 202,154</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 996	\$ 996	\$ 456	\$ (540)
Municipal Income Taxes	154,000	154,000	155,782	1,782
Intergovernmental	68,121	68,121	70,557	2,436
Charges for Services	34,500	34,500	28,380	(6,120)
Fines, Licenses and Permits	300	300	1,006	706
Earnings on Investments	7,000	7,000	18,223	11,223
Miscellaneous	7,355	7,355	5,970	(1,385)
<i>Total receipts</i>	<u>272,272</u>	<u>272,272</u>	<u>280,374</u>	<u>8,102</u>
Disbursements				
Current:				
Security of Persons and Property	134,755	133,215	107,712	(25,503)
Leisure Time Activities	2,125	4,125	2,762	(1,363)
Community Environment	530	730	695	(35)
General Government	173,685	163,480	118,578	(44,902)
Capital Outlay	41,500	49,790	38,035	(11,755)
Debt Service:				
Principal Retirement	9,000	10,255	10,254	(1)
Interest and Fiscal Charges	500	500	223	(277)
<i>Total Disbursements</i>	<u>362,095</u>	<u>362,095</u>	<u>278,259</u>	<u>(83,836)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(89,823)</u>	<u>(89,823)</u>	<u>2,115</u>	<u>91,938</u>
<i>Net Change in Fund Balance</i>	(89,823)	(89,823)	2,115	91,938
<i>Fund Balance Beginning of Year</i>	<u>160,737</u>	<u>160,737</u>	<u>160,737</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 70,914</u>	<u>\$ 70,914</u>	<u>\$ 162,852</u>	<u>\$ 91,938</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Const.Maint.Rep. Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Municipal Income Taxes	\$ 24,000	\$ 24,000	\$ 24,000	\$ -
Intergovernmental	16,000	16,000	24,064	8,064
Miscellaneous	-	-	234	234
<i>Total receipts</i>	<u>40,000</u>	<u>40,000</u>	<u>48,298</u>	<u>8,298</u>
Disbursements				
Current:				
Transportation	<u>53,150</u>	<u>53,150</u>	<u>42,199</u>	<u>(10,951)</u>
<i>Total Disbursements</i>	<u>53,150</u>	<u>53,150</u>	<u>42,199</u>	<u>(10,951)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,150)</u>	<u>(13,150)</u>	<u>6,099</u>	<u>19,249</u>
<i>Net Change in Fund Balance</i>	(13,150)	(13,150)	6,099	19,249
<i>Fund Balance Beginning of Year</i>	<u>20,805</u>	<u>20,805</u>	<u>20,805</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,655</u>	<u>\$ 7,655</u>	<u>\$ 26,904</u>	<u>\$ 19,249</u>

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

Village of Rio Grande
Gallia County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2006

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Enterprise Debt Service</u>	<u>Sewer Replacement</u>	<u>Nonmajor Enterprise</u>	<u>Total Enterprise</u>
Assets						
Cash	\$ 479	\$ 3,340	\$ 523	\$ 1,100	\$ 630	\$ 6,072
Investments	<u>17,832</u>	<u>43,543</u>	<u>7,928</u>	<u>47,435</u>	<u>13,503</u>	<u>130,241</u>
<i>Total Assets</i>	<u><u>18,311</u></u>	<u><u>46,883</u></u>	<u><u>8,451</u></u>	<u><u>48,535</u></u>	<u><u>14,133</u></u>	<u><u>136,313</u></u>
Fund Balances						
Unrestricted	<u>18,311</u>	<u>46,883</u>	<u>8,451</u>	<u>48,535</u>	<u>14,133</u>	<u>136,313</u>
<i>Total Fund Balances</i>	<u><u>\$ 18,311</u></u>	<u><u>\$ 46,883</u></u>	<u><u>\$ 8,451</u></u>	<u><u>\$ 48,535</u></u>	<u><u>\$ 14,133</u></u>	<u><u>\$ 136,313</u></u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Water Operating	Sewer Operating	Enterprise Debt Service	Sewer Replacement	Other Enterprise Funds	Total Enterprise
Operating Receipts						
Charges for Services	\$ 181,427	\$ 131,765	\$ 38,400	\$ 12,505	\$ -	\$ 364,097
<i>Total Operating Receipts</i>	<u>181,427</u>	<u>131,765</u>	<u>38,400</u>	<u>12,505</u>	<u>-</u>	<u>364,097</u>
Operating Disbursements						
Personal Services	19,984	37,566	-	-	-	57,550
Employee Fringe Benefits	12,921	18,894	-	-	-	31,815
Contractual Services	8,215	44,420	-	-	-	52,635
Supplies and Materials	6,292	13,581	-	-	-	19,873
Other	88,741	7,300	-	-	-	96,041
<i>Total Operating Disbursements</i>	<u>136,153</u>	<u>121,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,914</u>
<i>Operating Income (Loss)</i>	<u>45,274</u>	<u>10,004</u>	<u>38,400</u>	<u>12,505</u>	<u>-</u>	<u>106,183</u>
Non-Operating Receipts (Disbursements)						
Miscellaneous Receipts	2,599	1,474	-	-	-	4,073
Capital Outlay	(449)	(449)	-	(23,900)	-	(24,798)
Principal Payments	(49,386)	-	(45,344)	-	-	(94,730)
Interest and Fiscal Charges	(8,571)	-	(2,096)	-	-	(10,667)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(55,807)</u>	<u>1,025</u>	<u>(47,440)</u>	<u>(23,900)</u>	<u>-</u>	<u>(126,122)</u>
<i>Change in Net Assets</i>	<u>(10,533)</u>	<u>11,029</u>	<u>(9,040)</u>	<u>(11,395)</u>	<u>-</u>	<u>(19,939)</u>
<i>Net Assets Beginning of Year</i>	<u>28,844</u>	<u>35,854</u>	<u>17,491</u>	<u>59,930</u>	<u>14,133</u>	<u>156,252</u>
<i>Net Assets End of Year</i>	<u>\$ 18,311</u>	<u>\$ 46,883</u>	<u>\$ 8,451</u>	<u>\$ 48,535</u>	<u>\$ 14,133</u>	<u>\$ 136,313</u>

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

VILLAGE OF RIO GRANDE, GALLIA COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<i>Agency</i>
Assets	
Cash	\$ 709
Investments	4,000
<i>Total Assets</i>	<i>4,709</i>
 Net Assets	
Restricted for:	
Other Purposes	4,709
<i>Total Net Assets</i>	<i>\$ 4,709</i>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 531	\$ -	\$ 531
Municipal Income Tax	159,077	24,000	183,077
Intergovernmental	131,575	21,484	153,059
Charges for Services	32,321	-	32,321
Fines, Licenses, and Permits	172	-	172
Earnings on Investments	6,911	-	6,911
Miscellaneous	3,161	-	3,161
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	333,748	45,484	379,232
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	171,361	-	171,361
Community Environment	282	-	282
Transportation	-	44,579	44,579
General Government	98,043	-	98,043
Capital Outlay	10,596	-	10,596
Leisure Time Activities	921	-	921
Debt Service:			
Principal Payment	23,090	-	23,090
Interest and Fiscal Charges	1,160	-	1,160
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	305,453	44,579	350,032
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Disbursements	28,295	905	29,200
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Operating Transfers-Out	(36,490)	-	(36,490)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(36,490)	-	(36,490)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,195)	905	(7,290)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	168,932	23,443	192,375
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 160,737	\$ 24,348	\$ 185,085
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 374,706	\$ -	\$ 374,706
Total Operating Cash Receipts	<u>374,706</u>	<u>-</u>	<u>374,706</u>
Operating Cash Disbursements:			
Personal Services	86,178	-	86,178
Fringe Benefits	37,977	-	37,977
Contractual Services	44,248	-	44,248
Supplies and Materials	18,612	-	18,612
Capital Outlay	15,288	-	15,288
Other	81,335	-	81,335
Total Operating Cash Disbursements	<u>283,638</u>	<u>-</u>	<u>283,638</u>
Operating Income (Loss)	<u>91,068</u>	<u>-</u>	<u>91,068</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	5,602	-	5,602
Other Non-Operating Receipts	<u>-</u>	<u>1,832</u>	<u>1,832</u>
Total Non-Operating Cash Receipts	<u>5,602</u>	<u>1,832</u>	<u>7,434</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Disbursements	-	(1,135)	(1,135)
Debt Service:			
Redemption of Principal	(87,264)	-	(87,264)
Interest and Fiscal Charges	<u>(13,366)</u>	<u>-</u>	<u>(13,366)</u>
Total Nonoperating Expenses	<u>(100,630)</u>	<u>(1,135)</u>	<u>(101,765)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(3,960)	697	(3,263)
Transfer-In	<u>36,490</u>	<u>-</u>	<u>36,490</u>
Net Receipts Over/(Under) Cash Disbursements	32,530	697	33,227
Fund Cash Balances, January 1	<u>123,722</u>	<u>460</u>	<u>124,182</u>
Fund Cash Balances, December 31	<u>\$ 156,252</u>	<u>\$ 1,157</u>	<u>\$ 157,409</u>

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

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Note 1-Reporting Entity

The Village of Rio Grande, Gallia County, Ohio (the “Village”), 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. The Village is directed by a six-member Council elected for four year terms and a three member Board of Public Affairs elected for four year terms. The Mayor is elected to a four-year term and votes only to break a tie. The Council appoints one Council member to serve as the Council President.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services through a contract with the Gallia County Sheriff’s Department. The Village appropriates general fund money to support a volunteer fire department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

C. Public Entity Risk Pools

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.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

For 2006, the Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information to the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

For 2005, the Village's basic financial statement consists of a Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances for all Fund Types.

B. Fund Accounting

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts, (e.g. grants), and other nonexchange transactions as governmental funds. The Village's 2006 major governmental funds were the General Fund and the Street Construction, Maintenance and Repair Fund.

General Fund-This fund is used to account for all financial resources, except those required to be accounted for 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.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The Village's proprietary funds consist entirely of enterprise funds.

Enterprise Funds-Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating Fund, the Sewer Operating Fund, the Enterprise Debt Fund and the Sewer Replacement Fund.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies (continued)

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

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

Enterprise Debt Service Fund-This fund was established to account for payment on the Village's sewer debt. This fund receives a portion of the charges for sewer services.

Sewer Replacement Fund-This fund was established to account for payment on the Village's sewer replacement costs. This fund receives a portion of the charges for sewer services.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any private purpose trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only fiduciary fund is the Mayor's Court agency fund.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

For 2005, the financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies (continued)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificates of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2006 and 2005, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. The total interest receipts credited to the General Fund for 2006 and 2005 were \$18,223 and \$6,911 respectively.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2-Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in the proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3-Change in Basis of Accounting and Restatement of Fund Equity

For 2005, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. For 2006, the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4-Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balances-Budget and Actual-Budgetary Basis presented for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are the outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no outstanding encumbrances or advances at year-end for any funds.

Budgetary activity for the year ended December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,107	\$333,748	\$71,641
Special Revenue	38,735	45,484	6,749
Enterprise	369,504	416,798	47,294
Total	\$670,346	\$796,030	\$125,684

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 4-Budgetary Basis of Accounting (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$383,983	\$341,943	\$42,040
Special Revenue	58,925	44,579	14,346
Enterprise	389,951	384,268	5,683
Total	\$832,859	\$770,790	\$62,069

Note 5-Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United State Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 5-Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions as set forth in the Village's investment policy. The Village is also permitted to invest in STAR Ohio in addition to the financial institutions listed in the Village's investment policy.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. All of the Village's bank balance was covered by federal depository insurance or collateralized.

Investments

The Village Council adopted an investment policy and procedures manual on April 10, 2006. The Village's investment policy addresses interest rate risk to the extent that it allows the Fiscal Officer to invest funds to a maximum maturity of five years for the interest rate that will yield the most interest for the Village. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity.

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard setting service.

As of December 31, 2006 and 2005, all of the Village's investments were in STAR Ohio.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6-Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. A portion of income tax monies were received into special revenue funds as approved by Council per Ordinance 2004-16 and Resolution 2005-22.

Note 7-Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 35 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$1.00 per \$1,000 (or .10 millage) of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$ 3,299,730
Agricultural	219,180
Commercial	1,197,080
Industrial/Mineral	-
Tangible Personal Property	219,690
Public Utility	550,210
Total Assessed Value	<u>\$ 5,485,890</u>

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8-Risk Management

The Village participates in the Public Entities Pool of Ohio, which is a government risk pool working to alleviate the extreme changes in the availability of coverage and the cost of premiums for insurance. PEP provides casualty and property insurance coverage for member entities. PEP is a member of APEEP, the American Public Entity Excess Pool. This is a reinsurance pool. Entities belonging to PEP automatically have liability limits up to \$2,000,000 for automobile liability, public official's liability, police professional liability, or general liability claims. PEP's responsibility is the first \$250,000 of the claim and related expenses. The APEEP reinsures claims from \$250,000 to \$1,750,000. For claims in excess of \$2,000,000, entities can arrange for more coverage with the General Reinsurance Program.

PEP has a AAA rating from Demotech, Inc., which is an Ohio company that specializes in management consulting services and financial stability analysis.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Village contracted with Acordia, through the Public Entities Pool of Ohio for various types of insurance coverage. The third party administrator is The Wiseman Agency, Inc. and the Village's representative there is Pam Massie. She can be reached at (740) 446-3643. The insurance coverage is as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Public Entities Pool of Ohio (Acordia)	Legal Liability for Third Party Claims	\$2,000,000 for Each Occurrence or Wrongful Act
Public Entities Pool of Ohio (Acordia)	Automobile Liability	\$2,000,000 Each Accident
Public Entities Pool of Ohio (Acordia)	Wrongful Acts (Public Officials)	\$2,000,000 Each Act
Public Entities Pool of Ohio (Acordia)	Real & Personal Property Blanket Building & Contents	\$3,058,415
Public Entities Pool of Ohio (Acordia)	Fire Vehicles Other Vehicles	\$ 331,482 Per Schedule
Public Entities Pool of Ohio (Acordia)	Miscellaneous Property	\$ 179,792
Public Entities Pool of Ohio (Acordia)	Electronic Data Processing Hardware Software EDP Extra Expense	\$ 24,522 \$ 8,133 \$ 10,000
Public Entities Pool of Ohio (Acordia)	Contingent Liability Demolition Cost Increase Cost Construction	\$ 500,000 \$ 500,000 \$ 500,000

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8-Risk Management (continued)

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village of Rio Grande pays the State Workers' Compensation System a premium based on a rate per \$100.00 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village of Rio Grande provides life insurance and accidental death and dismemberment insurance to full time employees. The Village also provides health insurance for all full time employees through United Healthcare of Ohio. Oak Hill Financial Institution is the third party administrator for this employee benefit. The Village of Rio Grande pays monthly premiums of \$3,591, of which \$25 is for employee only life insurance, \$2 is for employee only accidental death and dismemberment insurance, \$3,397 is for family coverage for three full time employees and \$167 for single coverage for one full time employee. Premiums are paid from the same funds that pay the employee's wages.

The Village also participates in the Ohio Municipal League Workers' Compensation Group Rating Program. The Ohio Municipal League, as the sponsoring, organization, has retained the services of Gates McDonald as its Group Administrator to perform claims administration, actuarial cost control, and consulting services for participants. Each year, the Village pays an enrollment fee to the Group Rating Program to cover the costs of administering the program.

Note 9-Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9-Defined Benefit Pension Plans (continued)

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.10 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2006 was 13.70 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$39,361 (\$15,606 for employee contributions and \$23,755 for employer contributions), \$40,300 (\$15,535 for employee contributions and \$24,765 for employer contributions) and \$39,903 (\$15,382 for employee contributions and \$24,521 for employer contributions), respectively.

Note 10-Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6.00 percent for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 10-Postemployment Benefits (continued)

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006, total and 26 participants from the Village. The active number of contributing participants for both plans used in the December 31, 2005 actuarial valuations was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$7,806. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 11-Long-Term Obligations

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation-Ohio Valley						
Bank for the Fire Truck Loan	4.90%	\$ 9,000	\$ -	\$ 9,000	\$ -	\$ -
<u>Business-type Activities</u>						
GMAC Sewer Loan #01-049040-2	4.75%	14,000	-	7,000	7,000	7,000
GMAC Water Loan #01-049040-1	4.75%	8,000	-	3,820	4,180	4,000
Firststar (US Bank) Water Bonds	6.75%	129,850	-	30,333	99,517	31,500
OWDA Sewer Loan #2490	2.20%	70,048	-	6,780	63,268	6,930
OPWC Sewer Loan #CO526	0.00%	296,819	-	31,245	265,574	31,244
OPWC Infrastructure Loan #CT53E	0.00%	34,667	-	2,667	32,000	2,667
OWDA Planning Loan #3888	0.00%	\$ 27,689	\$ -	\$ 14,140	\$ 13,549	\$ 9,524

The GMAC 1972 Water and Sewer Mortgage Revenue Bonds (GMAC Sewer Loan #01-049040-2 and GMAC Loan #01-049040-1) were issued for sewer and water expansion and maintenance. The Water Bonds will be repaid in annual installments including interest through the year 2008. The Sewer Bonds will be repaid in annual installments including interest through the year 2008. The bonds are secured by a mortgage on the water and sewer plants.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant pollution control project that was mandated by the Ohio Environmental Protection Agency. Upon completion of the project, the loan amount was finalized for \$132,278 in 1999. The loan will be repaid in semi-annual installments of \$4,106 including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 11-Long-Term Obligations (continued)

The Ohio Public Works Commission (OPWC) loan was issued in 1994, interest free, for the purpose of making improvements at the water treatment plant. This loan will be repaid in semi-annual installments of \$15,622.00 over 20 years. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

The General Obligation Note with Ohio Valley Bank relates to the purchase of a new fire truck for the Village. Semi-annual payments will be made in the amount of \$9,000 plus interest through the year 2006.

The Ohio Public Works Commission (OPWC) loan 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 a 15 year term.

The Ohio Water Development Authority (OWDA) loan was issued in 2004, for upgrading the water treatment facility. The loan will be repaid in semi-annual installments of \$4909 over a five year term.

Amortization of the above debt is scheduled as follows:

Year	GMAC Sewer Loan #01- 049040-2	GMAC Water Loan #01- 049040-1	Firststar (US Bank) Water Bonds
2007	\$7,000	\$4,180	\$31,500
2008	0	0	33,700
2009	0	0	34,317
Totals	\$7,000	\$4,180	\$99,517

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

Note 11-Long-Term Obligations (continued)

Year	OWDA Sewer Loan #2490	OPWC Sewer Loan #CO526	OPWC Infrastructure Loan #CT53E	OWDA Planning Loan #3888
2007	\$6,930	\$31,244	\$2,667	\$9,524
2008	7,084	31,244	2,667	4,025
2009	7,240	31,244	2,667	0
2010	7,401	31,244	2,667	0
2011-2015	34,612	140,598	13,333	0
2015-2019	0	0	8,000	0
Totals	\$63,268	\$265,574	\$32,000	\$13,549

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

November 9, 2007

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

To the Village Council:

We have audited the financial statements of the Village of Rio Grande, Gallia County, (the Village) as of and for the year ended December 31, 2005, and have issued our report thereon dated November 9, 2007, wherein we noted the financial statements for the period ended December 31, 2005 the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we have audited the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of The Village of Rio Grande, Gallia County, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

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

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF RIO GRANDE
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.36 – Requesting Amended Certificates of Estimated Resources	Yes	
2004-002	ORC Section 5705.39 – Appropriations exceeded Total Estimated Revenue	Yes	
2004-003	ORC Section 5705.41 (D) – Expenditures prior to lawful appropriation	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF RIO GRANDE

GALLIA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2007**