

Village of Rio Grande

Gallia County

Regular Audit

January 1, 2003 Through December 31, 2004

Fiscal Years Audited Under GAGAS: 2004 and 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639, [www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Rio Grande  
PO Box 343  
Rio Grande, Ohio 45674

We have reviewed the *Independent Auditor's Report* of the Village of Rio Grande, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2003 through December 31, 2004. 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 financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the AOS 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 Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 28, 2006

**This Page is Intentionally Left Blank.**

VILLAGE OF RIO GRANDE  
GALLIA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types for the Year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Funds for the Year Ended December 31, 2004	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types for the Year Ended December 31, 2003	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Proprietary Fund Type and Similar Fiduciary Funds for the Year Ended December 31, 2003	6
Notes to the Financial Statements	7-13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14-15
Schedule of Findings	16-17

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**528 South West Street, P.O. Box 687**  
**Piketon, Ohio 45661**

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditors Report**

Members of Council  
Village of Rio Grande  
P.O. Box 343  
Rio Grande, Ohio 45674-0343

We have audited the accompanying financial statements of the Village of Rio Grande, Gallia County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

As described more fully in Note 1, the Village has prepared these 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and for 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require 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 financial statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

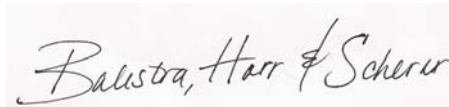
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Members of Council  
Village of Rio Grande  
Independent Auditor's Report  
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances for the Village of Rio Grande, Gallia County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2004 . The Village has not presented Management's Discussion & Analysis, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
September 30, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 2,334	\$ -	\$ -	\$ 2,334
Municipal Income Tax	167,307	14,400	-	181,707
Intergovernmental Receipts	76,738	17,065	17,968	111,771
Charges for Services	39,223	-	-	39,223
Fines, Licenses, and Permits	45	-	-	45
Earnings on Investments	3,521	-	-	3,521
Miscellaneous	9,269	-	-	9,269
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	298,437	31,465	17,968	347,870
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	109,966	-	-	109,966
Leisure Time Activities	1,893	-	-	1,893
Community Environment	117	-	-	117
Transportation	1,065	26,368	-	27,433
General Government	114,083	-	-	114,083
Capital Outlay	16,769	75	17,968	34,812
Debt Service:				
Principal Payments	26,694	-	-	26,694
Interest Payments	2,477	-	-	2,477
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	273,064	26,443	17,968	317,475
Total Cash Receipts Over/(Under) Cash Disbursements	25,373	5,022	-	30,395
Fund Cash Balances, January 1	143,559	18,421	-	161,980
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 168,932</b>	<b>\$ 23,443</b>	<b>\$ -</b>	<b>\$ 192,375</b>

*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  
PROPRIETARY FUND TYPE  
AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 349,686	\$ -	\$ 349,686
Total Operating Cash Receipts	349,686	-	349,686
<b>Operating Cash Disbursements:</b>			
Personal Services	80,476	-	80,476
Fringe Benefits	45,308	-	45,308
Contractual Services	44,990	-	44,990
Supplies and Materials	39,091	-	39,091
Other	21,871	-	21,871
Capital Outlay	138,941	-	138,941
Total Operating Cash Disbursements	370,677	-	370,677
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	(20,991)	-	(20,991)
<b>Non-Operating Cash Receipts:</b>			
Proceeds of Notes	84,184	-	84,184
Other Non-Operating Receipts	1,315	3,873	5,188
Total Non-Operating Cash Receipts	85,499	3,873	89,372
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Disbursements	-	3,413	3,413
Debt Service:			-
Redemption of Principal	79,209	-	79,209
Interest and Other Fiscal Charges	17,950	-	17,950
Total Non-Operating Cash Disbursements	97,159	3,413	100,572
Net Receipts Over/(Under) Disbursements	(32,651)	460	(32,191)
Fund Cash Balances, January 1	156,373	-	156,373
<b>Fund Cash Balances, December 31</b>	<b>\$ 123,722</b>	<b>\$ 460</b>	<b>\$ 124,182</b>

*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, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 1,580	\$ -	\$ -	\$ 1,580
Municipal Income Tax	160,728	14,400	-	175,128
Intergovernmental Receipts	68,500	14,457	220,189	303,146
Charges for Services	34,262	-	-	34,262
Fines, Licenses, and Permits	1,108	-	-	1,108
Earnings on Investments	10,302	-	-	10,302
Miscellaneous	11,090	-	-	11,090
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	287,570	28,857	220,189	536,616
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	82,452	-	-	82,452
Leisure Time Activities	1,085	-	-	1,085
Community Environment	186	-	-	186
Transportation	2,528	26,593	-	29,121
General Government	137,039	-	-	137,039
Capital Outlay	21,705	-	220,189	241,894
Debt Service:				
Principal Payments	26,235	-	-	26,235
Interest Payments	3,827	-	-	3,827
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	275,057	26,593	220,189	521,839
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	12,513	2,264	-	14,777
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	131,046	16,157	-	147,203
<b>Fund Cash Balances, December 31</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>\$ 143,559</b>	<b>\$ 18,421</b>	<b>\$ -</b>	<b>\$ 161,980</b>

*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  
PROPRIETARY FUND TYPE  
AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 340,177	\$ -	\$ 340,177
Total Operating Cash Receipts	340,177	-	340,177
<b>Operating Cash Disbursements:</b>			
Personal Services	90,408	-	90,408
Fringe Benefits	38,418	-	38,418
Contractual Services	47,754	-	47,754
Supplies and Materials	49,127	-	49,127
Capital Outlay	23,562	-	23,562
Miscellaneous	28,842	-	28,842
Total Operating Cash Disbursements	278,111	-	278,111
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	62,066	-	62,066
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	1,781	5,687	7,468
Total Non-Operating Cash Receipts	1,781	5,687	7,468
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	-	5,967	5,967
Debt Service:			
Redemption of Principal	81,560	-	81,560
Interest and Other Fiscal Charges	18,581	-	18,581
Total Non-Operating Cash Disbursements	100,141	5,967	106,108
Net Cash Receipts Over/(Under) Cash Disbursements	(36,294)	(280)	(36,574)
Fund Cash Balances, January 1	192,667	280	192,947
<b>Fund Cash Balances, December 31</b>	<b>\$ 156,373</b>	<b>\$ -</b>	<b>\$ 156,373</b>

*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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Rio Grande, Gallia County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including maintenance of streets, fire protection, police protection and recreation services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

**B. Basis of Accounting**

These 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.

**C. Cash and Investments**

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 disbursements, respectively.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The village had the following significant Capital Projects Fund:

*Capital Projects Fund*- This fund was established to accumulate resources for the acquisition, construction, or improvement of fixed assets, including motor vehicles.

**4. Enterprise Funds**

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

*Water Operating Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Operating Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Fiduciary Funds**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

*Mayor's Court Fund*- This fund was used to account for the activity of the Mayor's Court.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 4.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$ 17,922	\$ 21,593
Certificates of deposit	210,227	209,326
Total deposits	228,149	230,919
STAR Ohio		
Total investments	88,408	87,434
Total deposits and investments	\$ 316,557	\$ 318,353

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the village, or (3) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form

**3. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,015	\$298,437	\$14,422
Special Revenue	29,130	31,465	2,335
Capital Projects	128,000	17,968	(110,032)
Enterprise	455,888	435,185	(20,703)
Total	<u>\$897,033</u>	<u>\$783,055</u>	<u>(\$113,978)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$376,718	\$273,064	\$103,654
Special Revenue	42,700	26,443	16,257
Capital Projects	75,000	17,968	57,032
Enterprise	535,985	467,836	68,149
Total	<u>\$1,030,403</u>	<u>\$785,311</u>	<u>\$245,092</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$289,176	\$287,570	(\$1,606)
Special Revenue	27,790	28,857	1,067
Capital Projects	224,677	220,189	(4,488)
Enterprise	507,521	341,958	(165,563)
Total	<u>\$1,049,164</u>	<u>\$878,574</u>	<u>(\$170,590)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$408,679	\$275,056	\$133,623
Special Revenue	38,430	26,593	11,837
Capital Projects	375,677	220,189	155,488
Enterprise	473,620	378,252	95,368
Total	<u>\$1,296,406</u>	<u>\$900,090</u>	<u>\$396,316</u>

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the village.

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

**6. DEBT**

Debt Outstanding at December 31, 2004 was as follows:

Water Mortgage Revenue Bonds-1972	\$12,000	4.75%
Sewer Mortgage Revenue Bonds-1972	20,000	4.75%
Ohio Water Development Authority Loan	73,346	2.20%
Ohio Public Works Commission Loan	328,063	0.00%
Water Mortgage Revenue Bonds-1994	158,300	6.75%
General Obligation Note-Farmers Bank	3,765	5.45%
General Obligation Note-Ohio Valley Bank	27,000	4.90%
Ohio Public Works Commission 2004	37,333	0.00%
Ohio Water Development Authority 2004	40,619	0.00%
Total	<u>\$700,426</u>	

The 1972 Water and Sewer Mortgage Revenue Bonds were issued for sewer and water expansion and maintenance. The Water Bonds will be repaid in annual installments averaging \$5,282 including interest through the year 2008. The Sewer Bonds will be repaid in annual installments averaging \$7,041 including interest through the year 2008. The Village has agreed to set utility rates sufficient to cover the bonds debt service requirements. 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 semiannual installments of \$4,105.50 including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan 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 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 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 year. 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 requirements. The bonds are secured by a mortgage on the water plant.

The General Obligation Note with Farmers bank relates to the purchase of additional real property. Monthly payments will be made in the amount of \$763.25, including interest, over 5 years.



**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**6. DEBT (Continued)**

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, over six years.

The Ohio Public Works Commission Loan was issued in 2004, interest free, for the purpose of upgrading the water treatment Facility. A semi-annual installment of \$1333.33 is due Jan and July over a 15 year term.

The OWDA loan was issued in 2004, at a 5.28% interest rate, for upgrading the water treatment facility. A semi-annual installment of \$4909.38 is due (per resolution 2004-11) Jan. & July over a five year term, which does not account for additional interest charges.

Amortization of the above debt including interest of \$46,750 is scheduled as follows.

	2005	2006	2007	2008	Subsequent	Total
GMAC Water Mortgage Revenue	4,570	4,380	4,190	-	-	13,140
GMAC Sewer Mortgage Revenue	6,950	6,665	6,380	2,008	-	22,003
Water Mortgage Revenue Bonds	38,385	38,316	38,324	38,398	38,323	191,746
C0526 OPWC Loan	15,622	31,244	31,244	31,244	218,709	328,063
2490 OWDA Loan	4,106	8,211	8,211	8,211	53,372	82,111
CT53E OPW	1,332	2,667	2,667	2,667	28,000	37,333
3888 OWDA	9,819	9,819	9,819	9,819	1,343	40,619
General Obligation Note-Farmers	3,816	-	-	-	-	3,816
General Obligation Note-Ohio	19,120	9,225	-	-	-	28,345
	<u>\$103,722</u>	<u>\$110,526</u>	<u>\$100,835</u>	<u>\$92,347</u>	<u>\$339,747</u>	<u>\$ 747,176</u>

**7. RETIREMENT SYSTEMS**

Officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**8. DEBT SERVICE TRUSTED FUNDS**

The 1994 Water Mortgage Revenue Bonds trust agreement required the Village to establish a bond account, an issuance account, a construction account, and a debt service reserve account to be maintained by US Bank, a custodian bank. The bond account was established to make the annual principal and interest payments on the bonds from the monthly payments made by the Village to this account. The issuance account was established to pay all cost of issuing these bonds. The construction account was established to pay all project costs related to the improvement of the Village water system. The debt service reserve account was established to maintain, at a minimum, the balance of the succeeding year's payment. When all of the money in the Construction account and Issuance account is spent on improvements to the water system, the Village can require the trustee to pay all remaining amounts from the construction account and issuance account into the bond account to be used for principal and interest payments. The Construction and Issuance accounts were closed at the end of 2002. At December 31, 2004 US Bank held \$16,040.95 in Village assets in the bond account and \$48,556.51 in Village assets in the debt service reserve account. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

**9. RISK MANAGEMENT**

**COMMERCIAL INSURANCE**

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance coverage to full-time employees through a private carrier.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of Council  
Village of Rio Grande  
P. O. Box 343  
Rio Grande, Ohio 45674-0343

We have audited the financial statements of the Village of Rio Grande, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 30, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

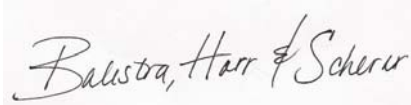
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003.

We noted other matters that have been reported to the management of the Village in a separate letter dated September 30, 2005.

Members of Council  
Village of Rio Grande  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 30, 2005

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased and reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue collected will be greater or less than the amount in the official certificate of estimated resources.

Budgeted receipts exceeded actual receipts in the Enterprise Fund by 49% in 2003. In 2004, budgeted receipts exceeded actual receipts in the Capital Projects Fund by 612% and in the Enterprise Fund by 6%. The Village did not request amended certificates when it became apparent that estimated resources would be less than the amount in the official certificate of estimated resources for the funds listed above. This could result in expenditures being made for which resources are not available or appropriations being made when revenues have not been certified.

We recommend the Village Clerk and Council monitor estimated and actual revenue for all funds on a regular basis. Furthermore, when it becomes evident that actual receipts will be greater or less than budgeted receipts, an amended certificate should be requested from the County Auditor and appropriations should be adjusted accordingly.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. If a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance.

Appropriations exceeded the total estimated revenue during and at the end of 2003 in the Capital Projects Fund by 40%. This could result in deficit spending.

We recommend the Village monitor budgetary data to ensure that total appropriations from each fund do not exceed the total estimated revenue certified to the County Auditor.

**VILLAGE OF RIO GRANDE  
GALLIA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1000 (increased to \$3,000 on April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Funds were not certified prior to purchase commitments being made and no “Then and Now” certificates were obtained for 100% of the transactions tested in 2004. In 2004 a Purchase Order was opened the same date that checks were written to allow access to the UAN system. This could allow deficit spending to occur.

We recommend the Village not expend funds without obtaining the certificate of the Clerk prior to an obligation being incurred. Such certificate of the Clerk should be signed by the Clerk and evidenced as certified prior to the obligation being incurred or as a “then and now” certificate.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MARCH 14, 2006**