



**Auditor of State
Betty Montgomery**

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY

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**Auditor of State
Betty Montgomery**

Village of Rock Creek
Ashtabula County
3081 West Water Street
Rock Creek, Ohio 44084

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

January 25, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rock Creek
Ashtabula County
3081 West Water Street
Rock Creek, Ohio 44084

To the Village Council:

We have audited the accompanying financial statements of the Village of Rock Creek, Ashtabula 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 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 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 GAAP, we presume they are material.

Revisions to GAAP would 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 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 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 statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported 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 its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Rock Creek, Ashtabula County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 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, 2004. The Village has not presented Management's Discussion and 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 January 25, 2006, 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.



Betty Montgomery
Auditor of State

January 25, 2006

**VILLAGE OF ROCK CREEK
ASHTABULA 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**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property Tax | \$21,669 | \$28,557 | | | \$50,226 |
| Municipal Income Tax | 68,177 | | | \$7,562 | 75,739 |
| Special Assessments | | | \$56,809 | | 56,809 |
| Intergovernmental Receipts | 27,565 | 44,000 | | | 71,565 |
| Fines, Licenses, and Permits | 20 | | | | 20 |
| Earnings on Investments | 3,927 | 647 | | | 4,574 |
| Miscellaneous | 2,744 | 85 | | | 2,829 |
| Total Cash Receipts | 124,102 | 73,289 | 56,809 | 7,562 | 261,762 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 7,088 | 10,049 | | | 17,137 |
| Public Health Services | 3,238 | 74 | | | 3,312 |
| Community Environment | 304 | | | | 304 |
| Basic Utility Services | 1,669 | | | | 1,669 |
| Transportation | 800 | 32,597 | | | 33,397 |
| General Government | 53,089 | 594 | 1,080 | | 54,763 |
| Debt Service: | | | | | |
| Principal Payments | 4,671 | | 27,587 | 8,052 | 40,310 |
| Interest Payments | 786 | | 12,055 | | 12,841 |
| Capital Outlay | | | | 24,488 | 24,488 |
| Total Cash Disbursements | 71,645 | 43,314 | 40,722 | 32,540 | 188,221 |
| Total Receipts Over/(Under) Disbursements | 52,457 | 29,975 | 16,087 | (24,978) | 73,541 |
| Other Financing Receipts and (Disbursements): | | | | | |
| Proceeds of Loan | | | | 19,022 | 19,022 |
| Transfers-In | | | 44,725 | 8,052 | 52,777 |
| Transfers-Out | (44,725) | (8,052) | | | (52,777) |
| Other Financing Uses | | (3,496) | | | (3,496) |
| Total Other Financing Receipts/(Disbursements) | (44,725) | (11,548) | 44,725 | 27,074 | 15,526 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 7,732 | 18,427 | 60,812 | 2,096 | 89,067 |
| Fund Cash Balances, January 1 | 1,716 | 99,714 | 323,724 | 2,270 | 427,424 |
| Fund Cash Balances, December 31 | \$9,448 | \$118,141 | \$384,536 | \$4,366 | \$516,491 |
| Reserves for Encumbrances, December 31 | \$2,808 | \$25,742 | \$0 | \$0 | \$28,550 |

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

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <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 | \$232,203 | | \$232,203 |
| Total Operating Cash Receipts | 232,203 | 0 | 232,203 |
| Operating Cash Disbursements: | | | |
| Personal Services | 112,734 | | 112,734 |
| Contractual Services | 72,431 | | 72,431 |
| Supplies and Materials | 46,019 | | 46,019 |
| Total Operating Cash Disbursements | 231,184 | 0 | 231,184 |
| Operating Income/(Loss) | 1,019 | 0 | 1,019 |
| Non-Operating Cash Receipts: | | | |
| Special Assessments | 3,551 | | |
| Other Non-Operating Receipts | 50 | | 3,551 |
| Total Non-Operating Cash Receipts | 3,601 | 0 | 3,601 |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 17,600 | | 17,600 |
| Other Non-Operating Cash Disbursements | 771 | | 771 |
| Total Non-Operating Cash Disbursements | 18,371 | 0 | 18,371 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | (13,751) | 0 | (13,751) |
| Transfers-In | 33,801 | | 33,801 |
| Transfers-Out | (33,801) | | (33,801) |
| Net Receipts Over/(Under) Disbursements | (13,751) | 0 | (13,751) |
| Fund Cash Balances, January 1 | 95,249 | 117 | 95,366 |
| Fund Cash Balances, December 31 | <u>\$81,498</u> | <u>\$117</u> | <u>\$81,615</u> |

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

**VILLAGE OF ROCK CREEK
ASHTABULA 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> | | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax | \$28,347 | \$24,725 | | | \$53,072 |
| Municipal Income Tax | 60,778 | | | \$6,753 | 67,531 |
| Special Assessments | | | \$60,039 | | 60,039 |
| Intergovernmental Receipts | 28,405 | 39,773 | | | 68,178 |
| Fines, Licenses, and Permits | 65 | | | | 65 |
| Earnings on Investments | 5,608 | 642 | | | 6,250 |
| Miscellaneous | 5,484 | | | | 5,484 |
| Total Cash Receipts | 128,687 | 65,140 | 60,039 | 6,753 | 260,619 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | | 9,997 | | | 9,997 |
| Public Health Services | 11,003 | | | | 11,003 |
| Community Environment | 349 | | | | 349 |
| Basic Utility Services | 825 | | | | 825 |
| Transportation | | 28,264 | | | 28,264 |
| General Government | 66,872 | 577 | 2,292 | | 69,741 |
| Debt Service: | | | | | |
| Principal Payments | 4,460 | | 52,685 | | 57,145 |
| Interest Payments | 997 | | 27,531 | | 28,528 |
| Capital Outlay | | | | 149,251 | 149,251 |
| Total Cash Disbursements | 84,506 | 38,838 | 82,508 | 149,251 | 355,103 |
| Total Receipts Over/(Under) Disbursements | 44,181 | 26,302 | (22,469) | (142,498) | (94,484) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Proceeds of Loan | | | | 142,015 | 142,015 |
| Transfers-In | | | 40,997 | | 40,997 |
| Transfers-Out | (45,361) | | | | (45,361) |
| Total Other Financing Receipts/(Disbursements) | (45,361) | 0 | 40,997 | 142,015 | 137,651 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (1,180) | 26,302 | 18,528 | (483) | 43,167 |
| Fund Cash Balances, January 1 | 2,896 | 73,412 | 305,196 | 2,753 | 384,257 |
| Fund Cash Balances, December 31 | \$1,716 | \$99,714 | \$323,724 | \$2,270 | \$427,424 |
| Reserves for Encumbrances, December 31 | \$0 | \$20,742 | \$0 | \$0 | \$20,742 |

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

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <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 | \$235,674 | | \$235,674 |
| Total Operating Cash Receipts | 235,674 | 0 | 235,674 |
| Operating Cash Disbursements: | | | |
| Personal Services | 107,534 | | 107,534 |
| Contractual Services | 62,986 | | 62,986 |
| Supplies and Materials | 66,339 | | 66,339 |
| Capital Outlay | 249 | | 249 |
| Total Operating Cash Disbursements | 237,108 | 0 | 237,108 |
| Operating Income/(Loss) | (1,434) | 0 | (1,434) |
| Non-Operating Cash Receipts: | | | |
| Special Assessments | 3,754 | | 3,754 |
| Other Non-Operating Receipts | 2,661 | | 2,661 |
| Total Non-Operating Cash Receipts | 6,415 | 0 | 6,415 |
| Non-Operating Cash Disbursements: | | | |
| Debt Service | 17,050 | | 17,050 |
| Other Non-Operating Cash Disbursements | 4,700 | | 4,700 |
| Total Non-Operating Cash Disbursements | 21,750 | 0 | 21,750 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | (16,769) | 0 | (16,769) |
| Transfers-In | 46,599 | | 46,599 |
| Transfers-Out | (42,235) | | (42,235) |
| Net Receipts Over/(Under) Disbursements | (12,405) | 0 | (12,405) |
| Fund Cash Balances, January 1 | 107,654 | 117 | 107,771 |
| Fund Cash Balances, December 31 | \$95,249 | \$117 | \$95,366 |

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

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rock Creek, Ashtabula County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities. The Village contracts with the Ashtabula County Sheriff to provide security of persons and property and Morgan Township to provide fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and repurchase agreements at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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:

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Street Lighting Fund – This fund receives property tax money to provide street lighting throughout the Village.

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond debt. The Village had the following significant debt service fund:

Special Assessment Loan Retirement Fund – This fund accounts for resources from special assessments of certain property owners to pay the principal and interest on loans from the Ohio Water Development Authority used to finance the installation of sewer lines.

4. Capital Projects Fund

This fund (except those financial through enterprise or trust funds) accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Permanent Improvement Fund – This fund receives proceeds from a local income tax to finance improvements within the Village.

5. Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover water service costs.

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

6. Fiduciary Fund (Agency Fund)

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

Unclaimed Monies Fund – This fund accounts for resources which have not been claimed by their rightful owner.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. 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 | (\$15,743) | (\$31,716) |
| Certificates of deposit | 302,748 | 202,748 |
| Total deposits | 287,005 | 171,032 |
| | | |
| Repurchase agreement | 311,101 | 351,758 |
| Total investments | 311,101 | 351,758 |
| Total deposits and investments | \$598,106 | \$522,790 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions' public entity deposit pools.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

| | Budgeted | Actual | |
|------------------|-----------|-----------|----------|
| Fund Type | Receipts | Receipts | Variance |
| General | \$123,700 | \$124,102 | \$402 |
| Special Revenue | 58,645 | 73,289 | 14,644 |
| Debt Service | 44,725 | 101,534 | 56,809 |
| Capital Projects | 33,574 | 34,636 | 1,062 |
| Enterprise | 295,527 | 269,605 | (25,922) |
| Total | \$556,171 | \$603,166 | \$46,995 |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| | Appropriation | Budgetary | |
|------------------|---------------|--------------|-----------|
| Fund Type | Authority | Expenditures | Variance |
| General | \$123,450 | \$119,178 | \$4,272 |
| Special Revenue | 104,623 | 80,604 | 24,019 |
| Debt Service | 89,248 | 40,722 | 48,526 |
| Capital Projects | 32,540 | 32,540 | 0 |
| Enterprise | 312,813 | 283,356 | 29,457 |
| Total | \$662,674 | \$556,400 | \$106,274 |

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$137,837 | \$128,687 | (\$9,150) |
| Special Revenue | 52,313 | 65,140 | 12,827 |
| Debt Service | 44,725 | 101,036 | 56,311 |
| Capital Projects | 148,635 | 148,768 | 133 |
| Enterprise | 273,933 | 288,688 | 14,755 |
| Total | \$657,443 | \$732,319 | \$74,876 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$134,398 | \$129,867 | \$4,531 |
| Special Revenue | 94,209 | 59,580 | 34,629 |
| Debt Service | 89,375 | 82,508 | 6,867 |
| Capital Projects | 149,251 | 149,251 | 0 |
| Enterprise | 308,820 | 301,093 | 7,727 |
| Total | \$776,053 | \$722,299 | \$53,754 |

4. PROPERTY TAX

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

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

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| Ohio Water Development Authority Loans | \$593,622 | 2.0 - 7.89% |
| Mortgage Revenue Bonds | 142,000 | 5.00% |
| Promissory Note | 14,466 | 4.62% |
| OPWC Loan | <u>152,985</u> | 0.00% |
| Total | <u>\$903,073</u> | |

The Ohio Water Development Authority (OWDA) loans relate to water and sewer construction projects. The OWDA has approved up to \$1,453,059 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$40,683, including interest, over 20-25 years. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The mortgage revenue bonds relate to financing improvements made to the Village's waterworks system. The bonds are payable only from the revenues and properties of the Utility, after provisions for the reasonable operating and maintenance expenses thereof. The bonds are to be secured by mortgaging all the properties of the Village used in and directly connected with the operation of the Utility.

The promissory note relates to the purchase of a tractor. The Village's taxing authority collateralizes the note.

The Ohio Public Works Commission (OPWC) loan was used to finance waterline improvements on Water Street. The original issue was \$161,037 and will be repaid in semiannual installments over 20 years. The loan is collateralized by water user fees.

Amortization of the above debt, including interest, follows:

| <u>Year ending December 31</u> | <u>OWDA Loans</u> | <u>Mortgage Revenue Bonds</u> | <u>Promissory Note</u> | <u>OPWC Loan</u> |
|------------------------------------|-------------------|---------------------------------------|----------------------------|------------------|
| 2005 | \$79,401 | \$17,100 | \$5,457 | \$8,052 |
| 2006 | 79,644 | 16,600 | 5,457 | 8,052 |
| 2007 | 79,906 | 17,100 | 4,547 | 8,052 |
| 2008 | 80,189 | 16,550 | | 8,052 |
| 2009 | 80,494 | 17,000 | | 8,052 |
| 2010-2014 | 249,557 | 85,970 | | 40,260 |
| 2015-2016 | 54,948 | 850 | | 40,260 |
| 2020-2024 | | | | <u>32,205</u> |
| Total | <u>\$704,139</u> | <u>\$171,170</u> | <u>\$15,461</u> | <u>\$152,985</u> |

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equaling 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

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

Village of Rock Creek
Ashtabula County
3081 West Water Street
Rock Creek, Ohio 44084

To the Village Council:

We have audited the financial statements of the Village of Rock Creek (the Village) as of and for the years ended December 31 2004 and 2003, and have issued our report thereon dated January 25, 2006, 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 25, 2006



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF ROCK CREEK

ASHTABULA 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**