

***VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Village Council
Village of Rock Creek
3081 West Water Street
Rock Creek, Ohio 44084

We have reviewed the *Report of Independent Accountants* of the Village of Rock Creek, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Rock Creek is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 26, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

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Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Rock Creek
Ashtabula County
3081 West Water Street
P.O. Box 92
Rock Creek, Ohio 44084

To the Village Council:

We have audited the accompanying financial statements of the Village of Rock Creek, Ashtabula County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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 that 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 years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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 the 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 years ended December 31, 2008 and 2007, 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, 2008 and 2007, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rock Creek, Ashtabula County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements and changes in fund cash balances 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 years ended December 31, 2008 and 2007. 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 December 4, 2009, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

December 4, 2009

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 24,443	\$ 33,822	-	-	\$ 58,265
Municipal Income Tax	79,083	-	-	\$ 8,787	87,870
Intergovernmental	28,444	29,444	-	8,377	66,265
Special Assessments	-	6,632	\$ 7,969	-	14,601
Charges for Services	-	-	-	16,650	16,650
Fines, Licenses & Permits	1,028	-	-	-	1,028
Earnings on Investments	33,758	1,479	-	-	35,237
Miscellaneous	5,220	1,318	-	-	6,538
Total Cash Receipts	171,976	72,695	7,969	33,814	286,454
Cash Disbursements:					
Current:					
Security of Persons & Property	1,676	9,480	-	-	11,156
Community Environment	329	-	-	-	329
Basic Utility Service	2,796	-	-	-	2,796
Transportation	800	48,512	-	-	49,312
General Government	125,148	466	-	-	125,614
Capital Outlay	-	-	-	50,844	50,844
Debt Service:					
Principal Payment	-	-	31,834	18,274	50,108
Interest and Fiscal Charges	-	-	8,188	2,577	10,765
Total Cash Disbursements	130,749	58,458	40,022	71,695	300,924
Total Receipts Over/(Under) Disbursements	41,227	14,237	(32,053)	(37,881)	(14,470)
Other Financing Sources/(Uses):					
Sale of Notes	-	-	-	36,000	36,000
Transfers-In	-	2,000	22,092	8,052	32,144
Transfers-Out	(48,592)	(8,052)	-	-	(56,644)
Other Financing Uses	-	(3,746)	(8,086)	-	(11,832)
Total Other Financing Sources/(Uses)	(48,592)	(9,798)	14,006	44,052	(332)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(7,365)	4,439	(18,047)	6,171	(14,802)
Fund Cash Balance, January 1, As restated	15,561	110,065	355,951	36,687	518,264
Fund Cash Balance, December 31	\$ 8,196	\$ 114,504	\$ 337,904	\$ 42,858	\$ 503,462

See accompanying Notes to the Financial Statements.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund Types</u> <u>Agency Fund</u>	<u>Total</u>
Operating Cash Receipts:			
Charges for Services	\$ 251,950	-	\$ 251,950
Miscellaneous	4,580	-	4,580
	<u>256,530</u>	<u>-</u>	<u>256,530</u>
Total Operating Cash Receipts	256,530	-	256,530
Operating Cash Disbursements:			
Personal Services	50,824	-	50,824
Contractual Services	117,804	-	117,804
Supplies & Materials	86,003	-	86,003
Capital Outlay	269,300	-	269,300
	<u>523,931</u>	<u>-</u>	<u>523,931</u>
Total Operating Cash Disbursements	523,931	-	523,931
Operating Income/(Loss)	(267,401)	-	(267,401)
Non-Operating Cash Receipts/(Disbursements):			
Other Financing Sources	3,053	-	3,053
Proceeds from Notes	269,300	-	269,300
Interest and Other Fiscal Charges	(8,696)	-	(8,696)
Redemption Of Principal	(20,067)	-	(20,067)
Other Financing Uses	(2,891)	-	(2,891)
	<u>3,053</u>	<u>-</u>	<u>3,053</u>
Excess of Receipts Over Disbursements Before Transfers	(26,702)	-	(26,702)
Transfers-In	63,942	-	63,942
Transfers-Out	(39,442)	-	(39,442)
	<u>27,240</u>	<u>-</u>	<u>27,240</u>
Net Receipts Over Disbursements	(2,202)	-	(2,202)
Fund Cash Balance, January 1	<u>33,494</u>	<u>\$ 117</u>	<u>33,611</u>
Fund Cash Balance, December 31	<u>\$ 31,292</u>	<u>\$ 117</u>	<u>\$ 31,409</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes	\$ 22,000	\$ 32,017	-	-	\$ 54,017
Municipal Income Tax	75,423	-	-	\$ 8,380	83,803
Intergovernmental	29,028	52,316	-	-	81,344
Special Assessments	-	7,097	\$ 6,429	-	13,526
Charges for Services	-	-	-	218	218
Fines, Licenses & Permits	83	-	-	-	83
Earnings on Investments	9,054	503	-	-	9,557
Miscellaneous	5,576	4,061	-	-	9,637
Total Cash Receipts	141,164	95,994	6,429	8,598	252,185
Cash Disbursements:					
Current:					
Security of Persons & Property	2,229	11,755	-	-	13,984
Public Health Services	1,868	-	-	-	1,868
Leisure Time Activities	-	3,736	-	-	3,736
Community Environment	332	-	-	-	332
Transportation	4,183	44,002	-	-	48,185
General Government	105,755	493	-	-	106,248
Capital Outlay	-	-	-	24,183	24,183
Debt Service:					
Principal Payment	-	-	98,717	52,515	151,232
Interest and Fiscal Charges	-	-	21,685	5,002	26,687
Total Cash Disbursements	114,367	59,986	120,402	81,700	376,455
Total Receipts Over/(Under) Disbursements	26,797	36,008	(113,973)	(73,102)	(124,270)
Other Financing Sources/(Uses):					
Sale of Notes	-	-	-	22,250	22,250
Transfers-In	-	-	24,025	8,052	32,077
Transfers-Out	(24,025)	(8,052)	-	-	(32,077)
Other Financing Uses	-	(33,685)	-	-	(33,685)
Total Other Financing Sources/(Uses)	(24,025)	(41,737)	24,025	30,302	(11,435)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	2,772	(5,729)	(89,948)	(42,800)	(135,705)
Fund Cash Balance, January 1	8,196	114,504	337,904	42,858	503,462
Fund Cash Balance, December 31	\$ 10,968	\$ 108,775	\$ 247,956	\$ 58	\$ 367,757

See accompanying Notes to the Financial Statements.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund Types</u> <u>Agency Fund</u>	<u>Total</u>
Operating Cash Receipts:			
Charges for Services	\$ 285,265	-	\$ 285,265
Miscellaneous	30,009	-	30,009
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	315,274	-	315,274
Operating Cash Disbursements:			
Personal Services	47,691	-	47,691
Contractual Services	98,405	-	98,405
Supplies & Materials	116,209	-	116,209
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	262,305	-	262,305
	<hr/>	<hr/>	<hr/>
Operating Income/(Loss)	52,969	-	52,969
Non-Operating Cash Receipts/(Disbursements):			
Other Financing Sources	1,083	-	1,083
Interest and Other Fiscal Charges	(8,146)	-	(8,146)
Redemption Of Principal	(21,317)	-	(21,317)
Other Financing Uses	(4,859)	-	(4,859)
	<hr/>	<hr/>	<hr/>
Net Receipts Over Disbursements	19,730	-	19,730
Fund Cash Balance, January 1	31,292	\$ 117	31,409
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31	<u>\$ 51,022</u>	<u>\$ 117</u>	<u>\$ 51,139</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Rock Creek, Ashtabula County (the Village) is a body corporate and politic established for the purpose of exercising 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 water and sewer utilities. The Village contracts with Ashtabula County Sheriff's Department to provide security of persons and property. The Village contracts with Morgan Township to receive 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

The Village prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are recorded 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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Governmental Fund Types:

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.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has 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.

Street Lighting Fund – This fund receives property tax money to provide street lights through out the Village.

Debt Service Funds: These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service Fund:

Special Assessment Fund – This fund receives special assessment money which was levied on certain users of the sanitary sewer system to repay the principal and interest on loans from the Ohio Water Development Authority (OWDA) used to finance the installation of sewer lines.

Capital Projects: 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 Project funds:

Permanent Improvement Fund – This fund receives 10% of income taxes collected by the Village, the revenue is used to finance improvements within the Village.

Water Loan EPA Fund- This fund receives a water user surcharge collected by the Village. The revenue is used to repay EPA ordered fines and improvements.

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Proprietary Fund Types:

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 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.

Fiduciary Funds (Agency Funds): These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

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

E. BUDGETARY PROCESS

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the 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.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

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.

A summary of 2008 and 2007 budgetary activity appears in Note 5.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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 for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 168,896	\$ 234,871
Investments:		
Certificates of Deposit	<u>250,000</u>	<u>300,000</u>
Total deposits and investments	<u>\$ 418,896</u>	<u>\$ 534,871</u>

Deposits: Deposits are either (1) insured by the Federal Deposit 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.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 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 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.

4. 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.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2008 as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 171,530	\$ 171,976	\$ 446
Special Revenue	72,725	74,695	1,970
Debt Service	21,000	30,061	9,061
Capital Projects	48,477	77,866	29,389
Enterprise	317,298	592,825	275,527
Total	\$ 631,030	\$ 947,423	\$ 316,393

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

5. BUDGETARY ACTIVITY – (continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 143,142	\$ 179,341	\$ (36,199)
Special Revenue	86,851	70,256	16,595
Debt Service	44,000	48,108	(4,108)
Capital Projects	46,904	71,695	(24,791)
Enterprise	326,820	595,027	(268,207)
Total	\$ 647,717	\$ 964,427	\$ (316,710)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 144,000	\$ 141,164	\$ (2,836)
Special Revenue	102,555	95,994	(6,561)
Debt Service	21,025	30,454	9,429
Capital Projects	19,770	38,900	19,130
Enterprise	353,570	316,357	(37,213)
Total	\$ 640,920	\$ 622,869	\$ (18,051)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 144,748	\$ 138,392	\$ 6,356
Special Revenue	135,108	101,723	33,385
Debt Service	52,496	120,402	(67,906)
Capital Projects	104,074	81,700	22,374
Enterprise	275,352	296,627	(21,275)
Total	\$ 711,778	\$ 738,844	\$ (27,066)

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

6. RETIREMENT SYSTEM – (continued)

Contribution rates are prescribed by the Ohio Revised Code. In 2007, OPERS members contributed 9.50% of their wages. The Village contributed an amount equal to 13.85% of participants' gross salaries. In 2008, OPERS members contributed 10.00% of their wages. The Village contributed an amount equal to 14.00% of participants' gross salaries. The Village has paid all contributions through December 31, 2008.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. The rate is calculated based on accident history and administrative costs.

8. DEBT

Debt outstanding at December 31, 2008 is as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loans	\$ 570,676	2.0-7.89%
Mortgage Revenue Bonds	100,000	5.00%
G.O. Promissory Note	49,440	4.25%
OPWC	<u>167,028</u>	0.00%
	<u>\$ 887,144</u>	

The Ohio Water Development Authority (OWDA) loans relate to 1989 sewer construction projects. The OWDA has approved \$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. In 2006 the OWDA approved \$269,300 in loans to the Village for Water System Improvements. The Village will repay this loan in semiannual installments of \$5,207, including interest, over 30 years. The Village Water and sewer receipts collateralize these loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

8. DEBT – (continued)

The mortgage revenue bonds \$295,000 (1975) relates to financing improvements made to the Village’s waterworks system. The bonds are payable only from the revenues and properties of the Utility and will be repaid in annual installments including interest of \$17,000, over 40 years, 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 Ohio Public Works Commission (OPWC) loans were used to finance waterline improvements for Water Street and for Water System Improvements. The original issue for Water Street (2003) was \$161,037 and will be repaid in semiannual installments of \$4,026 over 20 years. The original issue for Water System Improvement Loan (2006) was \$50,000 and will be repaid in semiannual installments of \$1,250, over 20 years. These loans are collateralized by water user fees.

There was a Sky Bank Promissory note issued for the purchase Land in 2007. The note will be repaid over ten years. The original issue was \$36,000. The note will be paid back in 120 monthly payments of \$384.24.

There was a Huntington Bank Promissory note issued for the purchase of the Industrial Park in 2008. The note will be repaid over three years. The original issue was \$22,250. The note will be paid back in 36 monthly payments of \$672.12.

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

Year Ended:	Mortgage			
	OPWC	OWDA	Revenue Bonds	G.O. Notes
2009	\$ 10,552	\$ 91,776	\$ 17,000	\$ 12,676
2010	10,552	91,776	17,000	12,676
2011	10,552	69,413	17,000	6,627
2012	10,552	47,050	17,000	4,611
2013	10,552	47,050	17,000	4,611
2013-2017	52,760	180,293	51,000	21,518
2018-2022	52,760	52,060	-	-
2023-2027	8,748	52,060	-	-
2028-2032	-	52,060	-	-
2033-2037	-	41,648	-	-
Total	<u>\$ 167,028</u>	<u>\$ 631,478</u>	<u>\$ 136,000</u>	<u>\$ 62,719</u>

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007**

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. INTERFUND TRANSFERS

In 2007 and 2008, the Village had transfers out of the Permissive Tax Fund into Capital Projects Fund to pay debt related to sewer improvements. The General Fund had transfers into the Debt Service funds. Transfers between Enterprise Funds were for debt related expenses. All transfers were in compliance with applicable Ohio Revised Code sections.

11. JOINTLY GOVERNED ORGANIZATION

Rock Creek Union Cemetery is directed by a three-member Board of Trustees to oversee the operations of the Cemetery. The board is appointed by the Village of Rock Creek and Morgan Township. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery.

12. BUDGETARY NONCOMPLIANCE

The following is a list of material budgetary noncompliance:

- 5705.39, Village had various funds' appropriations exceed estimated resources.
- 5705.41(B), Village had numerous funds' expenditures exceed appropriations.
- 5705.41(D), Village did not properly certify purchases in all instances.

13. RESTATEMENT OF PRIOR YEAR FUND BALANCE

The Village's Debt Service Fund was adjusted as a result of improper recording of interest income in prior years. Interest was being recorded as earned instead of on the cash basis. The adjustment was to lower the Debt Service Fund balance by \$6,734.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Village of Rock Creek
Ashtabula County
3081 West Water Street
P.O. Box 92
Rock Creek, Ohio 44084

To the Village Council:

We have audited the financial statements of the Village of Rock Creek, Ashtabula County Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 4, 2009, 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 Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2008-004 and 2008-005 to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described above 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, grants agreements and other matters, 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 2008-001, 2008-002, 2008-003 and 2008-005.

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

We also noted certain matters that we have reported to management of the Village in a separate letter dated December 4, 2009.

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

Charles E. Harris and Associates, Inc.

December 4, 2009

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings
For the Years Ending December 31, 2008 and 2007**

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

Finding Number 2008-001

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds.

During the years ended December 31, the following funds' expenditures plus encumbrances exceeded total appropriations:

Year	Fund	Appropriations	Expenditures Plus Encumbrances	Variance
2007	General Fund	\$ 143,142	\$ 179,341	\$ (36,199)
	SCMR Fund	27,667	41,739	(14,072)
	Debt Service	44,000	48,108	(4,108)
	Capital Project	5,475	41,447	(35,972)
	Cemetery	3,800	3,821	(21)
	Water Revenue	134,864	409,896	(275,032)
	Water Surplus	3,857	4,100	(243)
2008	Permissive Tax	12,900	14,383	(1,483)
	Street Lights	11,238	12,167	(929)
	Parks & Recreation	2,000	33,736	(31,736)
	Debt Service	52,496	120,402	(67,906)
	E. Water St.	8,052	12,078	(4,026)
	Water Revenue	117,001	157,455	(40,454)
	Water Security Deposit	500	841	(341)
	Water Debt Service	4,723	9,446	(4,723)

The Village should monitor expenditures more closely to ensure they do not expend more than has been lawfully appropriated. Further, the Village should revise their appropriation ordinance during the year as needed to ensure that expenditures plus encumbrances do not exceed appropriations.

Official's Response:

The current Fiscal Officer took office in March of 2009 and is aware of the issue and is working to correct them.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2008 and 2007**

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

Finding Number 2008-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not to exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the years ended December 31, 2008 & 2007, the following funds’ appropriations exceeded total estimated resources:

<u>Year</u>	<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2007	Sewer Fund	\$ 134,862	\$ 136,862	\$ (2,000)
	Water Surplus II	2,169	3,857	(1,688)
2008	Capital Projects			
	- Water Tower OPWC	-	29,230	(29,230)
	- Jefferson St.	-	23,567	(23,567)

The Village should monitor appropriations more closely to ensure they do not appropriate more than is determined to be the total estimated resources. Further, the Village should revise their appropriation ordinance and certificate of estimated resources during the year as needed to ensure that appropriations do not exceed total estimated resources.

Official’s Response:

The current Fiscal Officer took office in March of 2009 and is aware of the issue and is working to correct them.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2008 and 2007**

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

Finding Number 2008-003

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificate which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. Then and Now Certificate-** If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by ordinance or resolution within 30 days from the receipt of such certificate.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

- 2. Blanket Certificate-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2008 and 2007**

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

- 3. Super Blanket Certificate-** The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During review of expenditures (non-payroll), we noted forty-eight (48) instances out of seventy (70) reviewed or 69% of expenditures tested, in which the Village incurred an obligation prior to the Fiscal Officer certifying the availability of funds. More simply, the date of the invoice preceded the date of the purchase order. Also, eight of the seventy payments or 11% of expenditures tested had an invoice amount which exceeded the purchase order amount. Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

Management is currently correcting this issue by developing a process to control the purchase order process. The Village may also switch to accounting software more conducive to governmental accounting.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2008 and 2007**

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

Finding Number 2008-004

Material Weakness

Internal Controls over Purchasing

The Village has developed certain policies and procedure to follow for the purchasing of goods and services, which if implemented, provide controls to help ensure that expenditures are proper and accounted for.

During our control testing of these policies and procedures for non-payroll cash disbursements in which we tested 70 transactions, we noted the following:

- Twenty five of the seventy transactions did not have a prepared or signed purchase requisition.
- Six of seventy transactions did not have the voucher packet signed by members of Council or Finance Committee.
- Eight of seventy transactions did not have the purchase order signed by the Fiscal Officer.
- Six payments did not have related documents that appear in a reasonable time frame to the payment (four payments were between 60 days and six months old; and two did not have a purchase order attached),
- Eight of seventy payments were not supported by an invoice,
- Eight of seventy payments had an invoice amount which exceeded the purchase order amount

Because the Village voucher packets did not always include supporting documentation it was difficult to determine if payments were for (1) proper public purposes, (2) proper amounts, and (3) posted to the proper fund.

We recommend the Village properly approve all purchase requisitions, voucher packets and purchase orders. All applicable purchases are to have approved purchase requisitions. The fiscal officer should sign the certification at the time the Village incurs a commitment and the fiscal officer should post approved purchase commitments to the proper appropriation code.

We further recommend the Village Council review these matters and create procedures that remedy these conditions. Payments should only be made on original support documentations. Timely payments will prevent late fee penalties, keep the Village accounting current, and also help the Village receive discounts if applicable. Accuracy of the accounting records is a required procedure of governments that insures revenues and expenditures are properly accounted for.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
Schedule of Findings – (continued)
For the Years Ending December 31, 2008 and 2007**

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

Official's Response:

Management is currently correcting this issue by developing a process to control the purchase order process. The Village may also switch to accounting software more conducive to governmental accounting.

Finding Number 2008-005

Non-Compliance Citation and Material Weakness

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

During 2008 and 2007, the Village had debt that was either misclassified or not posted correctly. The following adjustments were required: OWDA debt for \$269,300 and a General Obligation Promissory Note for \$36,000 had to be posted to the correct funds. There were also numerous adjustments ranging from \$106-\$4,030 made to expense line items to correct incorrect postings regarding debt.

We recommend the Village use more caution when recording transactions and refer to the Village Officers' Handbook to ensure proper fund and transaction classification.

Official's Response:

Management has made strides in correcting the posting errors and will continue to make improvements. Current Fiscal Officer took over in March 2009.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY, OHIO
For the Years Ending December 31, 2008 and 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC 5705.39, total appropriations from each fund not exceed total estimated fund resources.	No	Not corrected. Reissued as finding 2008-002.
2006-002	ORC 5705.41 (B) no subdivision shall make any expenditure of money unless it has been appropriated.	No	Not corrected. Reissued as finding 2008-001.
2006-003	ORC 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certifies that the funds are available.	No	Not corrected. Reissued as finding 2008-003.
2006-004	Unapproved water rate billing	Yes	Finding no longer valid.
2006-005	Incorrect billing of water customers	Yes	Finding no longer valid.
2006-006	Implementing of non-payroll related expenditures.	No	Not corrected. Reissued as finding 2008-004.



Mary Taylor, CPA
Auditor of State

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 11, 2010