



**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Rocky Ridge  
Ottawa County  
14570 Kania Drive P.O. Box 218  
Rocky Ridge, Ohio 43458-0218

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 an 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 adverse 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 "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 14, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Rocky Ridge  
Ottawa County  
14570 Kania Drive P.O. Box 218  
Rocky Ridge, Ohio 43458-0218

To the Village Council:

We have audited the accompanying financial statements of the Village of Rocky Ridge, Ottawa County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position 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 and reserves for encumbrances of the Village of Rocky Ridge, Ottawa County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 14, 2010, 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.



**Mary Taylor, CPA**  
Auditor of State

June 14, 2010



**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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 and Local Taxes	\$8,832	\$14,010		\$22,842
Intergovernmental	21,767	29,105	\$14,491	65,363
Charges for Services	970	21,500		22,470
Fines, Licenses and Permits	1,642	790		2,432
Earnings on Investments	48	209		257
Miscellaneous	50	1,259		1,309
	<u>33,309</u>	<u>66,873</u>	<u>14,491</u>	<u>114,673</u>
<b>Total Cash Receipts</b>				
	<u>33,309</u>	<u>66,873</u>	<u>14,491</u>	<u>114,673</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	12,092	30,610		42,702
Public Health Services	902			902
Community Environment	300	925		1,225
Basic Utility Service	1,300			1,300
Transportation		13,240		13,240
General Government	20,644	88		20,732
Debt Service:				
Redemption of Principal		8,377		8,377
Interest and Fiscal Charges		10,195		10,195
Capital Outlay			14,491	14,491
	<u>35,238</u>	<u>63,435</u>	<u>\$14,491</u>	<u>113,164</u>
<b>Total Cash Disbursements</b>				
	<u>35,238</u>	<u>63,435</u>	<u>\$14,491</u>	<u>113,164</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(1,929)</u>	<u>3,438</u>		<u>1,509</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		500		500
Transfers-Out	(500)			(500)
	<u>(500)</u>	<u>500</u>		<u>(500)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
	<u>(500)</u>	<u>500</u>		<u>(500)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(2,429)</u>	<u>3,938</u>		<u>1,509</u>
<b>Fund Cash Balances, January 1</b>	<u>8,903</u>	<u>41,934</u>		<u>50,837</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$6,474</b></u>	<u><b>\$45,872</b></u>		<u><b>\$52,346</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$155</b></u>	<u><b>\$4</b></u>		<u><b>\$159</b></u>

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

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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 and Local Taxes	\$9,102	\$14,531		\$23,633
Intergovernmental	24,217	39,183	\$54,728	118,128
Charges for Services	1,938	23,300		25,238
Fines, Licenses and Permits	48	240		288
Earnings on Investments	31	5		36
Miscellaneous	1,112			1,112
	<u>36,448</u>	<u>77,259</u>	<u>54,728</u>	<u>168,435</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	12,820	23,379		36,199
Public Health Services	905			905
Leisure Time Activities	6			6
Community Environment	300	411		711
Basic Utility Service	3,818			3,818
Transportation		31,630		31,630
General Government	22,495	4,574		27,069
Debt Service:				
Redemption of Principal		7,795		7,795
Interest and Fiscal Charges		11,054		11,054
Capital Outlay			54,728	54,728
	<u>40,344</u>	<u>78,843</u>	<u>\$54,728</u>	<u>173,915</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Under Disbursements</b>	<u>(3,896)</u>	<u>(1,584)</u>		<u>(5,480)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		250		250
Transfers-Out	(250)			(250)
	<u>(250)</u>	<u>250</u>		
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(4,146)	(1,334)		(5,480)
Fund Cash Balances, January 1	13,049	43,268		56,317
<b>Fund Cash Balances, December 31</b>	<u><u>\$8,903</u></u>	<u><u>\$41,934</u></u>		<u><u>\$50,837</u></u>
Reserve for Encumbrances, December 31		<u><u>\$709</u></u>		<u><u>\$709</u></u>

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

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 Rocky Ridge, Ottawa County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general services, police, and fire services.

The Village participates in the Ohio Government Risk Management Plan (the Plan), a public entity risk pool. The Plan provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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. Deposits and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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.

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from 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.

Fire Levy Fund – This fund receives tax revenue for fire protection.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant Capital Project Fund:

Construction Fund– This fund received grant proceeds from Ottawa County for various improvement projects.

**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 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 reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

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

**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.

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

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

	2009	2008
Demand deposits	\$36,066	\$49,587
STAR Ohio	16,280	1,250
Total deposits and investments	\$52,346	\$50,837

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,000	\$33,309	(\$2,691)
Special Revenue	72,265	67,373	(4,892)
Capital Projects	21,400	14,491	(6,909)
Total	\$129,665	\$115,173	(\$14,492)

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,400	\$35,893	\$4,507
Special Revenue	101,708	63,439	38,269
Capital Projects	21,400	14,491	6,909
Total	\$163,508	\$113,823	\$49,685

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,992	\$36,448	(\$544)
Special Revenue	84,853	77,509	(7,344)
Capital Projects	55,000	54,728	(272)
Total	\$176,845	\$168,685	(\$8,160)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,464	\$40,594	\$5,870
Special Revenue	95,962	79,552	16,410
Capital Projects	55,000	54,728	272
Total	\$197,426	\$174,874	\$22,552

Contrary to Ohio law, at December 31, 2009 and 2008, the Fire Levy fund had a cash deficit balance of \$21,868 and \$11,922 respectively. Also, contrary to Ohio law, the Fire Levy fund's 2009 appropriations exceeded estimated resources by \$17,497

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**4. PROPERTY TAX – (Continued)**

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.

**5. DEBT**

Debt outstanding at December 31, 2009, was as follows:

	Principal	Interest Rate
Fire Department General Obligation Bond	\$192,747	4.90%

The general obligation bond relates to the construction of a building to house the fire department vehicles and equipment. The bond is issued through U.S. Bank. The Village will make semi-annual payments of \$9,148 from the Fire Levy Fund.

The Village's taxing authority collateralizes general obligation bonds.

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

Year ending December 31:	General Obligation Bonds
2010	\$18,295
2011	18,295
2012	18,295
2013	18,295
2014	18,295
2015-2019	91,477
2020-2024	91,477
Total	\$274,429

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:



**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. RISK MANAGEMENT – (Continued)**

	<b>2008</b>	<b>2007</b>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Mary Taylor, CPA**  
Auditor of State

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

Village of Rocky Ridge  
Ottawa County  
14570 Kania Drive P.O. Box 218  
Rocky Ridge, Ohio 43458-0218

To the Village Council:

We have audited the financial statements of the Village of Rocky Ridge, Ottawa County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 14, 2010, 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

One Government Center / Suite 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 14, 2010.

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

We intend this report solely for the information and use of management, the audit committee, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

June 14, 2010

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation**

**Ohio Revised Code § 5705.39** states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Appropriations of \$48,575 exceeded estimated resources of \$31,078 in the Fire Levy Fund for fiscal year 2009. Allowing appropriations to remain higher than estimated resources resulted in deficit spending in this fund. Appropriations should have been reduced to the level of the actual resources available for appropriation.

Management officials should monitor estimated resources and appropriations throughout the year and make the necessary modifications, with approval of the Council to avoid appropriations exceeding estimated resources to avoid overspending.

**Officials’ Response:**

The Village will monitor future appropriations and compare them to estimated resources approved by the County and submit amendments if needed.

**FINDING NUMBER 2009-002**

**Noncompliance Finding**

**Ohio Revised Code § 5705.10(H)** requires that money paid into any fund shall be used only for the purposes for which such fund is established. Deficit fund balances indicate that money from one fund was used to pay the obligations of another fund.

As of December 31, 2008, the Fire Levy Fund had a deficit balance of \$11,922, and as of December 31, 2009, the Fire Levy Fund had a deficit balance of \$21,868. By allowing the deficit balance in the fund to continue to increase, members of the Village Council are not fulfilling their responsibility as elected officials to protect the fiscal integrity of the Village. In addition, allowing the deficit to continue to increase could cause the Village to be declared in fiscal emergency in the future.

The Village Council should adopt a plan to eliminate the deficit and monitor the plan to ensure it is followed and the deficit eliminated.

**Officials’ Response:**

Village officials have discussed several possible remedies for this situation. Council is going to put a replacement fire levy on the November 2010 ballot that will generate significantly more money than the current levy. Also, the Village has received or will receive some one time revenue sources from the sale of the old fire station and payments from First Energy and the Railroad. Council is going to consider using all or most of these funds to reduce the deficit in the Fire Levy fund.

**VILLAGE OF ROCKY RIDGE  
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code § 5705.41(D) – Fiscal Officer did not certify all expenditures as required.	No	Partially corrected. Reissued as a management letter comment.
2007-002	Ohio Revised Code § 5705.39 – Appropriations exceeded estimated receipts.	No	Not Corrected. Reissued in this report as finding number 2009-001.
2007-003	Ohio Revised Code § 5705.10 (H) – Fire Levy fund had negative cash fund balance.	No	Not Corrected. Reissued in this report as finding number 2009-002.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ROCKY RIDGE**

**OTTAWA 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  
JUNE 29, 2010**