

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

**AUDIT REPORT**

**For the Years Ended December 31, 2012 and 2011**







# Dave Yost • Auditor of State

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, 2011 through December 31, 2012. 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.

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 19, 2013

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**VILLAGE OF ROCK CREEK**  
**ASHTABULA COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2012 and 2011**

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

**To the Village Council:**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Rock Creek, Ashtabula County (the Village) as of and for the years ended December 31, 2011 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Rock Creek, Ashtabula County as of December 31, 2011 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 14, 2013



**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, 2012**

	<u>Governmental Fund Types</u>			<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 26,467	\$ 37,939	-	\$ 64,406
Municipal Income Tax	75,759	-	\$ 7,606	83,365
Intergovernmental	21,943	19,066	-	41,009
Fines, Licenses & Permits	360	-	-	360
Earnings on Investments	405	-	-	405
Miscellaneous	6,189	12	-	6,201
	<u>131,123</u>	<u>57,017</u>	<u>7,606</u>	<u>195,746</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons & Property	-	12,769	-	12,769
Public Health Services	-	3,232	-	3,232
Basic Utility Service	1,676	-	-	1,676
Transportation	-	34,172	-	34,172
General Government	119,642	-	-	119,642
<b>Debt Service:</b>				
Principal Payment	-	-	10,225	10,225
	<u>121,318</u>	<u>50,173</u>	<u>10,225</u>	<u>181,716</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<b>9,805</b>	<b>6,844</b>	<b>(2,619)</b>	<b>14,030</b>
<b>Fund Cash Balances, January 1</b>	<u>72,051</u>	<u>62,123</u>	<u>12,638</u>	<u>146,812</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	68,967	10,019	78,986
Assigned	1,562	-	-	1,562
Unassigned	80,294	-	-	80,294
	<u>81,856</u>	<u>68,967</u>	<u>10,019</u>	<u>160,842</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 81,856</u></u>	<u><u>\$ 68,967</u></u>	<u><u>\$ 10,019</u></u>	<u><u>\$ 160,842</u></u>

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, 2012**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>	<u>Fiduciary Fund Types</u> <u>Agency Fund</u>	<u>Total</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 294,365	-	\$ 294,365
<b>Total Operating Cash Receipts</b>	<b>294,365</b>	<b>-</b>	<b>294,365</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	26,552	-	26,552
Employee Fringe Benefits	4,623	-	4,623
Contractual Services	133,048	-	133,048
Supplies & Materials	56,252	-	56,252
Other	820	-	820
<b>Total Operating Cash Disbursements</b>	<b>221,295</b>	<b>-</b>	<b>221,295</b>
<b>Operating Income/(Loss)</b>	<b>73,070</b>	<b>-</b>	<b>73,070</b>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Miscellaneous Receipts	2,040	-	2,040
Capital Outlay	(1,100)	-	(1,100)
Principal Retirement	(48,370)	-	(48,370)
<b>Excess of Receipts Over Disbursements</b>	<b>25,640</b>	<b>-</b>	<b>25,640</b>
<b>Fund Cash Balance, January 1</b>	<b>202,504</b>	<b>\$ 732</b>	<b>203,236</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 228,144</b>	<b>\$ 732</b>	<b>\$ 228,876</b>

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, 2011**

	<u>Governmental Fund Types</u>			<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 27,270	\$ 37,332	-	\$ 64,602
Municipal Income Tax	74,591	-	\$ 2,819	77,410
Intergovernmental	23,571	24,993	9,446	58,010
Fines, Licenses & Permits	245	-	-	245
Earnings on Investments	552	17	-	569
Miscellaneous	27,028	100	-	27,128
<b>Total Cash Receipts</b>	<b>153,257</b>	<b>62,442</b>	<b>12,265</b>	<b>227,964</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons & Property	-	30,664	-	30,664
Public Health Services	-	3,330	-	3,330
Transportation	-	40,802	-	40,802
General Government	90,259	-	-	90,259
Capital Outlay	61,912	-	-	61,912
<b>Debt Service:</b>				
Principal Payment	-	9,800	8,026	17,826
<b>Total Cash Disbursements</b>	<b>152,171</b>	<b>84,596</b>	<b>8,026</b>	<b>244,793</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>1,086</b>	<b>(22,154)</b>	<b>4,239</b>	<b>(16,829)</b>
<b>Other Financing Sources/(Uses):</b>				
Other Financing Sources	-	5,191	-	5,191
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>5,191</b>	<b>-</b>	<b>5,191</b>
<b>Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses</b>	<b>1,086</b>	<b>(16,963)</b>	<b>4,239</b>	<b>(11,638)</b>
<b>Fund Cash Balances, January 1</b>	<b>70,965</b>	<b>79,086</b>	<b>8,399</b>	<b>158,450</b>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	62,123	12,638	74,761
Assigned	1,562	-	-	1,562
Unassigned	70,489	-	-	70,489
<b>Fund Cash Balances, December 31</b>	<b>\$ 72,051</b>	<b>\$ 62,123</b>	<b>\$ 12,638</b>	<b>\$ 146,812</b>

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, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	
	<u>Enterprise Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 261,106	-	\$ 261,106
<b>Total Operating Cash Receipts</b>	<b>261,106</b>	<b>-</b>	<b>261,106</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	26,462	-	26,462
Employee Fringe Benefits	7,669	-	7,669
Contractual Services	116,877	-	116,877
Supplies & Materials	61,445	-	61,445
Other	551	-	551
<b>Total Operating Cash Disbursements</b>	<b>213,004</b>	<b>-</b>	<b>213,004</b>
<b>Operating Income/(Loss)</b>	<b>48,102</b>	<b>-</b>	<b>48,102</b>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Miscellaneous Receipts	2,936	-	2,936
Capital Outlay	(21,466)	-	(21,466)
Principal Retirement	(78,833)	-	(78,833)
Interest and Other Fiscal Charges	(9,920)	-	(9,920)
<b>Excess of Receipts Over Disbursements</b>	<b>(59,181)</b>	<b>-</b>	<b>(59,181)</b>
<b>Fund Cash Balance, January 1</b>	<b>261,685</b>	<b>\$ 732</b>	<b>262,417</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 202,504</b>	<b>\$ 732</b>	<b>\$ 203,236</b>

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, 2012 and 2011

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:

**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.

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

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

D. **FUND ACCOUNTING** (continued)

**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 throughout the Village.

**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.

**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.

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

1. Appropriations

Budgetary disbursements (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.

3. Encumbrances

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

A summary of 2012 and 2011 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.

H. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND BALANCE (continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



**VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**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:

	2012	2011
Demand Deposits	\$ 389,718	\$ 350,048
Total deposits and investments	\$ 389,718	\$ 350,048

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.

**3. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the Village was completed in 2010. The next update is scheduled for 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2012 represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied April 1, 2011 on the values listed as of December 31, 2010. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashtabula County Treasurer collects property taxes on behalf of the Village. The Ashtabula County Auditor remits the collected taxes to the Village. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

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, 2011 and 2012 as follows:

<u>2011 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 150,000	\$ 153,257	\$ 3,257
Special Revenue	66,227	67,633	1,406
Capital Projects	16,000	12,265	(3,735)
Enterprise	250,800	264,042	13,242

<u>2011 Budgeted vs. Actual Budgetary Basis Disbursements</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 153,775	\$ 153,733	\$ 42
Special Revenue	122,425	84,596	37,829
Capital Projects	9,139	8,026	1,113
Enterprise	396,549	323,223	73,326

<u>2012 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 130,000	\$ 131,123	\$ 1,123
Special Revenue	54,022	57,017	2,995
Capital Projects	7,200	7,606	406
Enterprise	293,000	296,405	3,405

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

5. BUDGETARY ACTIVITY (continued)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 125,992	\$ 122,880	\$ 3,112
Special Revenue	57,254	50,173	7,081
Capital Projects	29,118	10,225	18,893
Enterprise	308,973	270,765	38,208

6. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Village contributed an amount equal to 14% of covered payroll. The Village paid all required contributions through 2012.

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 Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**7. RISK MANAGEMENT (continued)**

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$6,078.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**Contributions to PEP**

2010	\$3,057
2011	\$4,130
2012	\$6,607

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011

8. DEBT

Debt outstanding at December 31, 2012 is as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - 4534	\$ 221,687	1.00%
OWDA Loan - 2855	122,595	2.00%
Mortgage Revenue Bonds - 8601	20,000	5.00%
Mortgage Revenue Bonds - 8602	28,000	5.00%
G.O. Promissory Notes	16,893	4.25%
OPWC Loan - CG22D	92,596	0.00%
OPWC Loan - CG02I	36,250	0.00%
OPWC Loan - CT08L	38,035	0.00%
OPWC Loan - CG31K	12,030	0.00%
	<u>\$ 588,086</u>	

The December 31, 2010 debt balance was restated by \$1,561.

The Ohio Water Development Authority (OWDA) loan #4534 relates to the water distribution improvements. The loan will be repaid in semi-annual installments of \$5,026 including interest over a thirty-year period. The Village originally borrowed \$229,822. The loan is collateralized by water receipts.

The Ohio Water Development Authority (OWDA) loan #2855 relates to the construction at the water treatment plant. The loan will be repaid in semi-annual installments of \$18,319 including interest over a twenty five-year period. The Village originally borrowed \$715,314. The loan is collateralized by water receipts.

The Mortgage Revenue Bond #8601 relates to financing improvements made to the Village's waterworks system. The bond will be repaid in annual installments of \$5,000 plus interest over a forty-year period. The Village originally borrowed \$115,000. 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 Mortgage Revenue Bond #8602 relates to financing improvements made to the Village's waterworks system. The bond will be repaid in annual installments of \$7,000 plus interest over a forty-year period. The Village originally borrowed \$180,000. 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 Village has a promissory note with Huntington Bank. The note was 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.

**VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**8. DEBT (continued)**

The Ohio Public Works Commission (OPWC) loan # CG22D was issued to finance waterline improvements for East Water. The original issue for Water Street was for \$161,037 and will be repaid in semiannual installments of \$4,026 over 20 years. The final principal payment is due on January 1, 2024.

The Ohio Public Works Commission (OPWC) loan # CG02I was issued for Water Street Improvements. The original issue for Water System Improvement Loan was \$50,000 and will be repaid in semiannual installments of \$1,250, over 20 years. These loans are collateralized by water user fees. The final principal payment is due on January 1, 2027.

The Ohio Public Works Commission (OPWC) loan # CT08L was issued for the Jefferson Street Phase I improvement. The original issue was in the amount of \$43,468 and will be repaid in semiannual installments of \$1,087, over 20 years. These loans are collateralized by water user fees. The final principal payment is due on July 1, 2030.

The Ohio Public Works Commission (OPWC) loan # CG31K was issued for the Water Tower Project. The original issue for the Water Tower Project Loan was \$12,663 and will be repaid in semiannual installments of \$317, over 20 years. These loans are collateralized by water user fees. The final principal payment is due on July 1, 2031.

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

Year Ended:	OWDA Loan #4534	OWDA Loan #2855	Mortgage Revenue Bond #8601	Mortgage Revenue Bond #8602
2013	\$ 10,052	\$ 36,638	\$ 7,700	\$ 9,950
2014	10,052	36,638	7,700	9,950
2015	10,052	36,638	7,029	10,042
2016	10,052	18,319	-	-
2017	10,052	-	-	-
2018-2022	50,260	-	-	-
2023-2027	50,260	-	-	-
2028-2032	50,260	-	-	-
2033-2037	35,182	-	-	-
<b>Total</b>	<b>\$ 236,222</b>	<b>\$ 128,233</b>	<b>\$ 22,429</b>	<b>\$ 29,942</b>

**VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**8. DEBT (continued)**

Year Ended:	G.O. Promissory Notes	OPWC Loan #CG22D	OPWC Loan #CG02I	OPWC Loan #CT08L	OPWC Loan #CG31K
2013	\$ 4,608	\$ 8,052	\$ 2,500	\$ 2,174	\$ 634
2014	4,608	8,052	2,500	2,174	634
2015	4,608	8,052	2,500	2,174	634
2016	4,608	8,052	2,500	2,174	634
2017	4,608	8,052	2,500	2,174	634
2018-2022	-	40,260	12,500	10,870	3,170
2023-2027	-	12,076	11,250	10,870	3,170
2028-2032	-	-	-	5,425	2,520
<b>Total</b>	<b>\$ 23,040</b>	<b>\$ 92,596</b>	<b>\$ 36,250</b>	<b>\$ 38,035</b>	<b>\$ 12,030</b>

**9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**10. 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.

**11. CHANGE IN ACCOUNTING PRINCIPLE**

In 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

**12. COMPLIANCE**

Contrary to Ohio Revised Code section 5705.39, the Village had various funds' appropriations exceeding total estimated resources for 2011.

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

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INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Rock Creek, Ashtabula County (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 14, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village implemented Governmental Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

*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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters that we reported to management in a separate letter dated June 14, 2013.

***Entity's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
**June 14, 2013**

VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
Schedule of Findings  
December 31, 2012 and 2011

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

**Finding Number 2012-001**

**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 year ended December 31, 2011, the following funds' appropriations exceeded total estimated resources:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<b>Special Revenue Fund:</b>			
Special Assessments	\$ 44,464	\$ 56,000	\$ (11,536)
<b>Enterprise Funds:</b>			
Water Operations	126,350	141,439	(15,089)
Sewer Operations	135,055	176,293	(41,238)

We recommend that management review budgetary information regularly and amend when needed.

**Management Response:**

Management will review all budgetary information regularly and request amended certificates or modify appropriations when needed.

**VILLAGE OF ROCK CREEK  
ASHTABULA COUNTY, OHIO  
For the Years Ending December 31, 2012 and 2011**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2010-001	ORC 5705.41 (B) no subdivision shall make any expenditure of money unless it has been appropriated.	Yes	Finding no longer valid.
2010-002	ORC 5705.39, total appropriations from each fund not exceed total estimated fund resources.	No	Not corrected. Reissued as finding 2012-001.
2010-003	ORC 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the Village certifies that the funds are available.	No	Partially corrected. Included in management letter.
2010-004	ORC 5705.14, 5705.15, and 5705.16 Transfers not approved.	Yes	Finding no longer valid.
2010-005	Ohio Administrative Code Section 117-2-02(A) maintaining an accounting system and records	Yes	Finding no longer valid.

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# Dave Yost • 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  
AUGUST 29, 2013**