



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ROCK CREEK
ASHTABULA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2016	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2016	4
Notes to the Financial Statements For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2015	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types For the Year Ended December 31, 2015	14
Notes to the Financial Statements For the Year Ended December 31, 2015	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of Rock Creek
Ashtabula County
P.O. Box 92
Rock Creek, Ohio 44084

To the Village Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rock Creek, Ashtabula County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 such 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Rock Creek, Ashtabula County, as of December 31, 2016 and 2015, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 22, 2020

Village of Rock Creek
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,100	\$45,379	\$0	\$65,479
Municipal Income Tax	92,940		12,644	105,584
Intergovernmental	50,393	32,024	14,168	96,585
Fines, Licenses and Permits	30			30
Earnings on Investments	296			296
Miscellaneous	1,356	2,528		3,884
<i>Total Cash Receipts</i>	<u>165,115</u>	<u>79,931</u>	<u>26,812</u>	<u>271,858</u>
Cash Disbursements				
Current:				
Security of Persons & Property	18,000	12,713		30,713
Public Health Services		3,169		3,169
Leisure Time Activities		720		720
Basic Utility Services	2,240			2,240
Transportation		44,637		44,637
General Government	62,433	351		62,784
Capital Outlay	30,000			30,000
Debt Service:				
Principal Retirement	3,218		10,225	13,443
Interest and Fiscal Charges	87			87
<i>Total Cash Disbursements</i>	<u>115,978</u>	<u>61,590</u>	<u>10,225</u>	<u>187,793</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,137</u>	<u>18,341</u>	<u>16,587</u>	<u>84,065</u>
Other Financing Receipts (Disbursements)				
Transfers In		2,000		2,000
Transfers Out	(2,000)			(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	47,137	20,341	16,587	84,065
<i>Fund Cash Balances, January 1</i>	<u>93,897</u>	<u>86,314</u>	<u>16,568</u>	<u>196,779</u>
Fund Cash Balances, December 31				
Restricted		106,655	33,155	139,810
Unassigned (Deficit)	141,034			141,034
<i>Fund Cash Balances, December 31</i>	<u>\$141,034</u>	<u>\$106,655</u>	<u>\$33,155</u>	<u>\$280,844</u>

See accompanying notes to the basic financial statements

Village of Rock Creek
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$337,777	\$0	\$337,777
Miscellaneous	83		83
<i>Total Operating Cash Receipts</i>	<u>337,860</u>	<u>0</u>	<u>337,860</u>
Operating Cash Disbursements			
Personal Services	51,439		51,439
Fringe Benefits	5,852		5,852
Contractual Services	189,788		189,788
Supplies and Materials	32,719		32,719
Other	406		406
<i>Total Operating Cash Disbursements</i>	<u>280,204</u>	<u>0</u>	<u>280,204</u>
<i>Operating Income (Loss)</i>	<u>57,656</u>	<u>0</u>	<u>57,656</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	109		109
Principal Retirement	(29,569)		(29,569)
Interest and Other Fiscal Charges	(2,296)		(2,296)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(31,756)</u>	<u>0</u>	<u>(31,756)</u>
<i>Net Change in Fund Cash Balances</i>	25,900	0	25,900
<i>Fund Cash Balances, January 1</i>	<u>307,682</u>	<u>732</u>	<u>308,414</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$333,582</u></u>	<u><u>\$732</u></u>	<u><u>\$334,314</u></u>

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting 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.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting and maintenance fund accounts for property tax receipts to provide street lights throughout the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Permanent Improvement Fund This fund receives 12% of the Village Income Tax to finance improvements throughout the Village.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Unclaimed Money Fund This account holds resources which have not been claimed by rightful owners.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2016 budgetary activity appears in Note 4.

Capital Assets

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

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

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

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.

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.

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Fund by \$11,834 for the year ended December 31, 2016. Also contrary to Ohio law, appropriations exceeded total estimated resources in the Sewer Fund by \$16,577 for the year ended December 31, 2016.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,000	\$165,115	\$62,115
Special Revenue	66,463	81,931	15,468
Capital Projects	10,000	26,812	16,812
Enterprise	230,500	337,969	107,469
Total	\$409,963	\$611,827	\$201,864

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,826	\$118,228	\$11,598
Special Revenue	88,463	62,035	26,428
Capital Projects	10,225	10,225	0
Enterprise	303,784	312,938	(9,154)
Total	\$532,298	\$503,426	\$28,872

Note 5 – Deposits

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

Demand deposits	2016 \$615,158
-----------------	-------------------

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2016, \$365,158 of deposits were not insured or collateralized, contrary to Ohio law.

Note 6 – Taxes

Property Taxes

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 Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

Income Taxes

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.

Note 7 – Jointly Governed Organizations

Rock Creek Union Cemetery is directed by a three-member board of trustees. The board oversees the operations of the Cemetery. The Village of Rock Creek, Morgan Township and The Village of Roaming Shores each appoint a member to the board. These entities also provide funding to meet the Cemetery's operating costs under the agreement established.

Note 8 - Risk Management

Risk Pool Membership

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 Insurance Services Group, Inc. (York) 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

<u>2016 Contributions to PEP</u> \$6,901

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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Social Security

Other Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 10 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 11 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - 4534	\$188,324	1.00%
General Obligation Promissory Notes	\$2,365	4.25%
OPWC Loan - CG22D	\$60,389	0.00%
OPWC Loan - CG02I	\$26,250	0.00%
OPWC Loan - CT08L	\$29,341	0.00%
OPWC Loan - CG31K	\$9,497	0.00%
Total	<u>\$316,166</u>	

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 final payment is due on July 1, 2036.

The Village has a promissory note with Huntington Bank. The note was issued for the purchase of land in 2007. The note will be repaid over ten years. The original issue was \$36,000.

The Ohio Public Works Commission (OPWC) loan #CG22D was issued to finance waterline improvements for East Water. The original issue for the loan was for \$161,037 and will be repaid in semi-annual installments of \$4,026 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2024.

OPWC Loan #CG02I was issued to finance Water Street Improvements. The original issue for the loan was for \$50,000 and will be repaid in semi-annual installments of \$1,250 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2027.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

OPWC Loan #CT08L was issued to finance the Jefferson Street Phase I Improvement. The original issue for the loan was for \$43,468 and will be repaid in semi-annual installments of \$1,087 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2030.

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

Amortization

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

Year Ending December 31:	OWDA Loan #4534	General Obligation Promissory Notes	OPWC Loan #CG22D	OPWC Loan #CG02I	OPWC Loan #CT08L	OPWC Loan #CG31K
2017	\$10,413	\$2,401	\$8,052	\$2,500	\$2,174	\$634
2018	10,413		8,052	2,500	2,174	634
2019	10,413		8,052	2,500	2,174	634
2020	10,413		8,052	2,500	2,174	634
2021	10,413		8,052	2,500	2,174	634
2022-2036	156,189		20,129	13,750	18,471	6,327
Total	<u>\$208,254</u>	<u>\$2,401</u>	<u>\$60,389</u>	<u>\$26,250</u>	<u>\$29,341</u>	<u>\$9,497</u>

Village of Rock Creek
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$13,480	\$44,380	\$0	\$57,860
Municipal Income Tax	81,996		10,144	92,140
Intergovernmental	25,883	30,633	4,723	61,239
Fines, Licenses and Permits	295			295
Earnings on Investments	239			239
Miscellaneous	3,848	732		4,580
<i>Total Cash Receipts</i>	<u>125,741</u>	<u>75,745</u>	<u>14,867</u>	<u>216,353</u>
Cash Disbursements				
Current:				
Security of Persons & Property	18,000	14,501		32,501
Public Health Services		3,375		3,375
Basic Utility Services	2,933			2,933
Transportation		62,937		62,937
General Government	80,829	200		81,029
Debt Service:				
Principal Retirement	20,481		10,225	30,706
Interest and Fiscal Charges	992			992
<i>Total Cash Disbursements</i>	<u>123,235</u>	<u>81,013</u>	<u>10,225</u>	<u>214,473</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,506</u>	<u>(5,268)</u>	<u>4,642</u>	<u>1,880</u>
Other Financing Receipts (Disbursements)				
Transfers In			5,800	5,800
Transfers Out	(5,800)			(5,800)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,800)</u>	<u>0</u>	<u>5,800</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,294)</u>	<u>(5,268)</u>	<u>10,442</u>	<u>1,880</u>
<i>Fund Cash Balances, January 1</i>	<u>97,191</u>	<u>91,582</u>	<u>6,126</u>	<u>194,899</u>
Fund Cash Balances, December 31				
Restricted		86,314	16,568	102,882
Unassigned (Deficit)	93,897			93,897
<i>Fund Cash Balances, December 31</i>	<u>\$93,897</u>	<u>\$86,314</u>	<u>\$16,568</u>	<u>\$196,779</u>

See accompanying notes to the basic financial statements

Village of Rock Creek
Ashtabula County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2015

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$398,287	\$0	\$398,287
Miscellaneous	1		1
<i>Total Operating Cash Receipts</i>	<u>398,288</u>	<u>0</u>	<u>398,288</u>
Operating Cash Disbursements			
Personal Services	53,691		53,691
Fringe Benefits	4,866		4,866
Contractual Services	178,758		178,758
Supplies and Materials	38,652		38,652
Other	430		430
<i>Total Operating Cash Disbursements</i>	<u>276,397</u>	<u>0</u>	<u>276,397</u>
<i>Operating Income (Loss)</i>	<u>121,891</u>	<u>0</u>	<u>121,891</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	501		501
Principal Retirement	(46,710)		(46,710)
Interest and Other Fiscal Charges	(3,475)		(3,475)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(49,684)</u>	<u>0</u>	<u>(49,684)</u>
<i>Net Change in Fund Cash Balances</i>	72,207	0	72,207
<i>Fund Cash Balances, January 1</i>	<u>235,475</u>	<u>732</u>	<u>236,207</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$307,682</u></u>	<u><u>\$732</u></u>	<u><u>\$308,414</u></u>

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting 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.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting and maintenance fund accounts for property tax receipts to provide street lights throughout the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Permanent Improvement Fund - This fund receives 12% of the Village Income Tax to finance improvements throughout the Village.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Unclaimed Money Fund This account holds resources which have not been claimed by rightful owners.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2015 budgetary activity appears in Note 4.

Capital Assets

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

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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:

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

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.

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.

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.

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded total estimated resources in the Sewer Fund by \$36,250 for the year ended December 31, 2015.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,000	\$125,741	\$8,741
Special Revenue	46,300	75,745	29,445
Capital Projects	9,000	20,667	11,667
Enterprise	280,000	398,789	118,789
Total	\$452,300	\$620,942	\$168,642

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,361	\$129,303	\$5,058
Special Revenue	94,653	81,156	13,497
Capital Projects	10,225	10,225	-
Enterprise	334,020	327,054	6,966
Total	\$573,259	\$547,738	\$25,521

Note 5 – Deposits

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

Demand deposits	2015 \$505,193
-----------------	-------------------

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2015, \$255,193 of deposits were not insured or collateralized, contrary to Ohio law.

Note 6 – Taxes

Property Taxes

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 Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

Income Taxes

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.

Note 7 – Jointly Governed Organizations

Rock Creek Union Cemetery is directed by a three-member board of trustees. The board oversees the operations of the Cemetery. The Village of Rock Creek, Morgan Township and the Village of Roaming Shores each appoint a member to the board. These entities also provide funding to meet the Cemetery's operating costs under the agreement established.

Note 8 - Risk Management

Risk Pool Membership

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 Insurance Services Group, Inc. (York) 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 York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

<u>2015 Contributions to PEP</u> \$6,652

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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 10 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA Loan - 4534	\$196,790	1.00%
OWDA Loan - 2855	\$17,970	2.00%
General Obligation Promissory Notes	\$5,583	4.25%
OPWC Loan - CG22D	\$68,441	0.00%
OPWC Loan - CG02I	\$28,750	0.00%
OPWC Loan - CT08L	\$30,428	0.00%
OPWC Loan - CG31K	\$10,130	0.00%
Total	\$358,092	

The Ohio Water Development Authority (OWDA) loan #4534 relates to the water distribution improvements. The loan will be repaid in semi-annual installments of \$5,206 including interest over 30 years. The Village originally borrowed \$229,822. The loan is collateralized by water receipts. The final payment is due on July 1, 2036.

OWDA loan #2855 relates to the construction at the water treatment plan. The loan will be repaid in semi-annual installments of \$18,319 including interest over 25 years. The Village originally borrowed \$715,314. The loan is collateralized by water receipts. The final payment is due on January 1, 2016

The Village has a promissory note with Huntington Bank. The note was issued for the purchase of land in 2007. The note will be repaid over 10 years. The original issue was \$36,000.

The Ohio Public Works Commission (OPWC) loan #CG22D was issued to finance waterline improvements for East Water. The original issue for the loan was for \$161,037 and will be repaid in semi-annual installments of \$4,026 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2024.

OPWC Loan #CG02I was issued to finance Water Street Improvements. The original issue for the loan was for \$50,000 and will be repaid in semi-annual installments of \$1,250 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2027.

Village of Rock Creek, Ohio
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

OPWC Loan #CT08L was issued to finance the Jefferson Street Phase I Improvement. The original issue for the loan was for \$43,468 and will be repaid in semi-annual installments of \$1,087 over 20 years. These loans are collateralized by the water user fees. The final principal payment is due on January 1, 2030.

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

Amortization

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

Year Ending December 31:	OWDA Loan #4534	OWDA Loan #2534	General Obligation Promissory Notes	OPWC Loan #CG22D	OPWC Loan #CG02I	OPWC Loan #CT08L	OPWC Loan #CG31K
2016	\$10,413	\$18,319	\$3,254	\$8,052	\$2,500	\$2,174	\$634
2017	10,413	0	2,401	8,052	2,500	2,174	634
2018	10,413	0		8,052	2,500	2,174	634
2019	10,413	0		8,052	2,500	2,174	634
2020	10,413	0		8,052	2,500	2,174	634
2021-2036	166,602	0		28,181	16,250	19,558	6,960
Total	<u>\$218,667</u>	<u>\$18,319</u>	<u>\$5,655</u>	<u>\$68,441</u>	<u>\$28,750</u>	<u>\$30,428</u>	<u>\$10,130</u>

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Village of Rock Creek
Ashtabula County
P.O. Box 92
Rock Creek, Ohio 44084

To the Village Council and Mayor:

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 cash balances, receipts, and disbursements by fund type of the Village of Rock Creek, Ashtabula County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 22, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Village's Response to Findings

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

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 22, 2020

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

1. Financial Reporting

<i>Finding Number</i>	2016-001
-----------------------	----------

NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following classification errors were adjusted in the financial statements by management for the year ended December 31, 2016:

- In 2016, the Village recorded Auto License Permissive tax receipts of \$3,308 to two funds: \$3,089 to the Street Construction, Maintenance and Repair (SCMR) and \$219 State Highway fund instead of \$3,308 to the Permissive Motor Vehicle License Tax (MVLТ).
- In 2016, the Village recorded State and Local Highway receipts of \$3,212 to the General Fund instead of \$2,971 to the SCMR Fund and \$241 to the State Highway Fund.
- In 2016, the Village recorded Intergovernmental receipts of \$449 to the SCRM Fund instead of the State Highway Fund.

The following classification errors were adjusted in the financial statements by management for the year ended December 31, 2015:

- In 2015 the Village recorded Auto License Permissive tax receipts of \$3,064 to two funds: \$2,834 to the Street Construction, Maintenance and Repair (SCMR) and \$230 State Highway fund instead of \$3,064 to the Permissive Motor Vehicle License Tax (MVLТ).
- In 2015, the Village recorded State and Local Highway receipts of \$6,503 to the General Fund instead of \$6,015 to the SCMR Fund and \$488 to the State Highway Fund.
- In 2015, the Village recorded an income tax receipt of \$436 in the Capital Projects Fund instead of the General Fund.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

We recommend the Fiscal Officer use the Village Officer's Handbook or UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as sources of information regarding the proper recording of transactions. Additionally, Village Council should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports and any discrepancies should be investigated and corrected in a timely manner.

Officials' Response: Council agrees with the findings and is working on recommended changes.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

2. Finding for Recovery - Illegal Expenditures

<i>Finding Number</i>	2016-002
-----------------------	----------

NONCOMPLIANCE

Government expenditures are required to be for a proper public purpose as defined in Ohio Attorney General Opinion 82-006. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. As stated in State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), “[g]enerally, a public purpose has for its objective the promotion of the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants” Id. at 325. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Expenditures were issued by the Village during the Period that did not meet the above requirements as follows:

Overpayment of Compensation

Joshua Fleming was the Village Administrator during the period December 15, 2014 through April 6, 2016. Mr. Fleming received a wage rate increase effective June 1, 2015 through the end of his employment with the Village on April 6, 2016. Cynthia Pace was the Village Fiscal Officer during the Period and as such was responsible for the input, processing, and issuance of the Village payroll. The Village erroneously input the wage rate into the Village accounting system resulting in Mr. Fleming receiving twice the amount of the approved rate during this period. Mr. Fleming did not notify the Village of the accounting error. An examination of wages received by Mr. Fleming, during the period of review, identified an overpayment of wages totaling \$17,015.

Diverted Assets

As the Village Administrator, Mr. Fleming was responsible for the daily operations of the Village which included making regular purchases for Village operational items. Additionally, Mr. Fleming supervised Village employees who would make purchases or pick up orders placed by Mr. Fleming as directed by Mr. Fleming.

During the Period, the Village issued payments totaling \$9,068 to legitimate vendors for goods or services unrelated to Village operations. Invoices signed by Mr. Fleming or his staff on his behalf, signifying receipt of the items totaled \$8,859 and \$209, respectively. These purchased items were not located at the Village.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joshua Fleming in the amount of \$9,068, and against both Mr. Fleming and Cynthia Pace, jointly and severally, in the amount of \$17,015, in favor of the Village of Rock Creek General Fund, in the amount of \$4,736, Street Construction, Maintenance and Repair Fund in the amount of \$9,545, Water Operating Fund in the amount of \$5,318, and Sewer Operating Fund in the amount of \$6,484.

**VILLAGE OF ROCK CREEK
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(CONTINUED)**

Officials' Response: Council agrees with the findings and is working on recommended policies and procedure changes.

OHIO AUDITOR OF STATE KEITH FABER



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
JULY 7, 2020**