



**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Rocky Ridge
Ottawa County
14571 West Second Street
P.O. Box 218
Rocky Ridge, Ohio 43458-0218

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 6, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rocky Ridge
Ottawa County
14571 West Second Street
P.O. Box 218
Rocky Ridge, Ohio 43458-0218

To the Village Council:

We have audited the accompanying financial statements of the Village of Rocky Ridge, Ottawa County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Rocky Ridge, Ottawa County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 6, 2008

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$9,583	\$15,274		\$24,857
Intergovernmental	24,705	29,340		54,045
Special Assessments		219		219
Charges for Services	1,429	21,125		22,554
Fines, Licenses and Permits	375	330		705
Earnings on Investments	63	41		104
Miscellaneous	379			379
Total Cash Receipts	<u>36,534</u>	<u>66,329</u>		<u>102,863</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	10,560	13,754		24,314
Public Health Services	837			837
Leisure Time Activities	117			117
Community Environment	300	506		806
Basic Utility Service	2,096	8,943		11,039
Transportation		19,472		19,472
General Government	19,448	1,258		20,706
Debt Service:				
Redemption of Principal	1,131	7,399		8,530
Interest and Fiscal Charges	55	11,452		11,507
Capital Outlay		189		189
Total Cash Disbursements	<u>34,544</u>	<u>62,973</u>		<u>97,517</u>
Total Receipts Over Disbursements	<u>1,990</u>	<u>3,356</u>		<u>5,346</u>
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets		1,012		1,012
Transfers-In		301		301
Transfers-Out	(250)		(\$51)	(301)
Other Financing Sources		4		4
Total Other Financing Receipts / (Disbursements)	<u>(250)</u>	<u>1,317</u>	<u>(51)</u>	<u>1,016</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,740	4,673	(51)	6,362
Fund Cash Balances, January 1	<u>11,309</u>	<u>38,595</u>	<u>\$51</u>	<u>49,955</u>
Fund Cash Balances, December 31	<u>\$13,049</u>	<u>\$43,268</u>		<u>\$56,317</u>
Reserve for Encumbrances, December 31	<u>\$500</u>	<u>\$3,133</u>		<u>\$3,633</u>

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

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$8,084	\$14,615		\$22,699
Intergovernmental	26,893	30,280		57,173
Charges for Services	1,518	20,000		21,518
Fines, Licenses and Permits	299	273		572
Earnings on Investments	61	79		140
Miscellaneous	1,835			1,835
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	38,690	65,247		103,937
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	10,676	13,387		24,063
Public Health Services	759			759
Leisure Time Activities	9			9
Community Environment	300	495		795
Basic Utility Service	2,097	9,204		11,301
Transportation		14,921		14,921
General Government	15,028	4,221		19,249
Debt Service:				
Redemption of Principal		7,019		7,019
Interest and Fiscal Charges		11,839		11,839
Capital Outlay		325	\$11,326	11,651
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	28,869	61,411	11,326	101,606
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	9,821	3,836	(11,326)	2,331
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):				
Transfers-In		1,213		1,213
Transfers-Out	(1,213)			(1,213)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(1,213)	1,213		
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,608	5,049	(11,326)	2,331
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	2,701	33,546	11,377	47,624
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$11,309	\$38,595	\$51	\$49,955
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$1,357	\$1,298		\$2,655
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rocky Ridge, Ottawa County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general services, police, and fire services.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. STAR Ohio is recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

3. Capital Project Fund

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

Fire Station Fund – This fund received proceeds of a general obligation bond. The proceeds are being used to construct a new municipal building.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$55,098	\$48,797
STAR Ohio	1,219	1,158
Total deposits and investments	\$56,317	\$49,955

Deposits: Deposits are insured by the Federal Depository Insurance Corporation,

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,345	\$36,534	\$2,189
Special Revenue	69,078	67,646	(1,432)
Total	\$103,423	\$104,180	\$757

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,005	\$35,294	\$4,711
Special Revenue	71,443	66,106	5,337
Capital Projects	50	51	(1)
Total	\$111,498	\$101,451	\$10,047

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,067	\$38,690	\$4,623
Special Revenue	745	66,460	65,715
Total	\$34,812	\$105,150	\$70,338

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,638	\$31,439	\$2,199
Special Revenue	70,055	62,709	7,346
Capital Projects	11,326	11,326	
Total	\$115,019	\$105,474	\$9,545

Contrary to Ohio law, at December 31, 2007 and 2006, the Fire Levy fund had a cash deficit balance of \$9,297 and \$6,305 respectively. Council has no plan in place to eliminate the deficit. Also contrary to Ohio law, budgetary appropriations exceeded estimated resources at December 31, 2007, in the Fire Levy Fund by \$5,003 and the Zoning Fund by \$215 and at December 31, 2006, in the Fire Levy Fund by \$8,935 and the State Highway Fund by \$1,691.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Fire Department General Obligation Bond	\$208,923	5.34%

The general obligation bond relates to the construction of a building to house the fire department vehicles and equipment. The bond is issued through U.S. Bank. The Village's taxing authority collateralizes general obligation bonds.

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT – (CONTINUED)

Amortization of the above debt, including interest, follows:

Year ending December 31:	General Obligation Bonds
2008	\$18,853
2009	18,854
2010	18,852
2011	18,854
2012	18,852
2013-2017	94,267
2018-2022	94,265
2023-2025	37,706
Total	\$320,503

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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>Contributions to PEP</u>	
2005	\$8,673
2006	\$10,284
2007	\$10,404

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

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Mary Taylor, CPA

Auditor of State

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

Village of Rocky Ridge
Ottawa County
14571 West Second Street
P.O. Box 218
Rocky Ridge, Ohio 43458-0218

To the Village Council:

We have audited the financial statements of the Village of Rocky Ridge, Ottawa County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 6, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Village's management in a separate letter dated August 6, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* as items 2007-001, 2007-002, and 2007-003.

We also noted certain noncompliance matters that we reported to the Village's management in a separate letter dated August 6, 2008.

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

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



Mary Taylor, CPA
Auditor of State

August 6, 2008

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Finding

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

- A. "Then and Now" certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

- B. Blanket Certificate** – Fiscal officers may prepare "blanket certificates" for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Clerk did not properly certify 27 percent of expenditures we tested prior to the purchase commitment and there was no evidence the Village followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

**FINDING NUMBER 2007-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend the Clerk certify the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response:

A genuine effort will be made to comply with this code section in the future.

FINDING NUMBER 2007-002

Noncompliance Finding

Ohio Revised Code § 5705.39 states total appropriation from each fund should not exceed the estimated revenue available for expenditure.

The Village's appropriations exceeded estimated revenue for the following funds for the years ended December 31, 2007 and 2006.

Fund	Estimated Resources	Appropriations	Variance
December 31, 2007			
Fire Levy	34,262	39,265	(5,003)
Zoning	339	554	(215)
December 31, 2006			
State Highway	(1,571)	120	(1,691)
Fire Levy	31546	40481	(8,935)

The failure to limit amounts appropriated to estimated resources could result in deficit fund balances. We recommend the Clerk monitor appropriations to ensure they are within the limits of the estimated revenue.

Client Response:

A genuine effort will be made to comply with this code section in the future.

FINDING NUMBER 2007-003

Noncompliance Finding

Ohio Revised Code § 5705.10 (H) requires that money paid into any fund shall be used only for the purpose for which such fund is established. Deficit fund balances indicate monies from one fund are used to pay obligations of another fund. As of December 31, 2006, the Fire Levy Fund had a deficit balance of \$6,305 and as of December 31, 2007, the Fire Levy Fund had a deficit balance of \$9,297.

We recommend the Clerk have the Council advance or transfer funds in accordance with the provisions of the Ohio Revised Code to cover these deficits.

Client Response:

A genuine effort will be made to comply with this code section in the future.

**VILLAGE OF ROCKY RIDGE
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revise Code § 5705.41(B) - Disbursements exceeding appropriations	No	Partially corrected. Reissued as a management letter comment.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROCKY RIDGE

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 2, 2008**