

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
Regular Audit  
December 31, 2008 and 2007**

*Perry & Associates*  
**Certified Public Accountants, A.C.**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Rockford  
PO Box 282  
Rockford, OH 45882

We have reviewed the *Independent Accountants' Report* of the Village of Rockford, Mercer County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Rockford is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 4, 2009

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**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Audit Findings .....	17
Schedule of Prior Audit Findings .....	20

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**INDEPENDENT ACCOUNTANTS' REPORT**

September 11, 2009

Village of Rockford  
Mercer County  
PO Box 282, 151 East Columbia Street  
Rockford, OH 45882

To the Village Council:

We have audited the accompanying financial statements of the **Village of Rockford, Mercer County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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. 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or the changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Rockford, Mercer County, as of December 31, 2008 and 2007, 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 September 11, 2009 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Respectfully Submitted,



**Perry & Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 48,047	\$ 2,763	\$ -	\$ -	\$ 50,810
Municipal Income Taxes	282,081	-	-	-	282,081
Intergovernmental	105,098	53,387	-	-	158,485
Special Assessments	-	-	37,965	-	37,965
Charges for Services	99	-	-	-	99
Fines, Licenses, and Permits	1,190	17	-	-	1,207
Earnings on Investments	14,928	3,247	-	-	18,175
Miscellaneous	11,763	292	-	-	12,055
<b>Total Cash Receipts</b>	<b>463,206</b>	<b>59,706</b>	<b>37,965</b>	<b>-</b>	<b>560,877</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	173,167	796	-	-	173,963
Public Health Services	2,171	-	-	-	2,171
Leisure Time Activities	4,908	-	-	-	4,908
Community Environment	281	3,408	-	-	3,689
Basic Utility Services	4,722	-	-	-	4,722
Transportation	171,832	133,795	-	-	305,627
General Government	88,610	9,488	-	-	98,098
Debt Service:					
Redemption of Principal	-	-	86,934	-	86,934
Interest and Fiscal Charges	-	-	8,322	-	8,322
Capital Outlay	-	-	106,565	-	106,565
<b>Total Cash Disbursements</b>	<b>445,691</b>	<b>147,487</b>	<b>201,821</b>	<b>-</b>	<b>794,999</b>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<b>17,515</b>	<b>(87,781)</b>	<b>(163,856)</b>	<b>-</b>	<b>(234,122)</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Note Proceeds	-	-	70,000	-	70,000
Advances-In	3,504	-	3,504	-	7,008
Advances-Out	(3,504)	-	(3,504)	-	(7,008)
Transfer-In	-	4,140	20,000	-	24,140
Transfer-Out	(24,140)	-	-	-	(24,140)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(24,140)</b>	<b>4,140</b>	<b>90,000</b>	<b>-</b>	<b>70,000</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,625)	(83,641)	(73,856)	-	(164,122)
Fund Cash Balances, January 1	155,872	118,500	136,863	1,115	412,350
<b>Fund Cash Balances, December 31</b>	<b>\$ 149,247</b>	<b>\$ 34,859</b>	<b>\$ 63,007</b>	<b>\$ 1,115</b>	<b>\$ 248,228</b>
Reserve for Encumbrances, December 31	\$ 167	\$ -	\$ -	\$ -	\$ 167

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 486,349	\$ -	\$ 486,349
Total Operating Revenues	<u>486,349</u>	<u>-</u>	<u>486,349</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	105,636	-	105,636
Fringe Benefits	36,726	-	36,726
Contractual Services	53,337	-	53,337
Supplies and Materials	111,821	-	111,821
Total Operating Cash Disbursements	<u>307,520</u>	<u>-</u>	<u>307,520</u>
Operating Income/(Loss)	<u>178,829</u>	<u>-</u>	<u>178,829</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Note Proceeds	100,000	-	100,000
Other Non-Operating Receipts	-	755	755
Capital Outlay	(134,228)	-	(134,228)
Redemption of Principal	(118,424)	-	(118,424)
Interest and Other Fiscal Charges	(35,964)	-	(35,964)
Other Non-Operating Disbursements	-	(755)	(755)
Total Non-Operating Cash Receipts/Disbursements	<u>(188,616)</u>	<u>-</u>	<u>(188,616)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	<u>(9,787)</u>	<u>-</u>	<u>(9,787)</u>
Transfer-In	172,060	-	172,060
Transfer-Out	<u>(172,060)</u>	<u>-</u>	<u>(172,060)</u>
Net Receipts Over/(Under) Disbursements	(9,787)	-	(9,787)
Fund Cash Balances, January 1	<u>372,757</u>	<u>2,055</u>	<u>374,812</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 362,970</u></b>	<b><u>\$ 2,055</u></b>	<b><u>\$ 365,025</u></b>
Reserve for Encumbrances, December 31	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 127</u>

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

**VILLAGE OF ROCKFORD  
MERCER 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>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 54,293	\$ 2,962	\$ -	\$ -	\$ 57,255
Municipal Income Taxes	225,767	-	-	-	225,767
Intergovernmental	84,391	51,934	-	-	136,325
Charges for Services	14,223	-	-	-	14,223
Fines, Licenses, and Permits	11,943	-	-	-	11,943
Earnings on Investments	30,892	6,039	-	-	36,931
Miscellaneous	21,167	231	12,000	156	33,554
	<u>442,676</u>	<u>61,166</u>	<u>12,000</u>	<u>156</u>	<u>515,998</u>
Total Cash Receipts					
	442,676	61,166	12,000	156	515,998
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	175,013	-	-	-	175,013
Leisure Time Activities	27,733	-	-	-	27,733
Community Environment	63	3,665	-	-	3,728
Basic Utility Services	7,650	-	-	-	7,650
Transportation	60,665	60,883	-	-	121,548
General Government	119,713	1,456	-	-	121,169
Debt Service:					
Redemption of Principal	50,000	-	100,000	-	150,000
Interest and Fiscal Charges	2,154	-	3,989	-	6,143
Capital Outlay	2,610	-	64,258	-	66,868
	<u>445,601</u>	<u>66,004</u>	<u>168,247</u>	<u>-</u>	<u>679,852</u>
Total Cash Disbursements					
	445,601	66,004	168,247	-	679,852
Total Cash Receipts Over/(Under) Disbursements	<u>(2,925)</u>	<u>(4,838)</u>	<u>(156,247)</u>	<u>156</u>	<u>(163,854)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Note Proceeds	-	-	215,000	-	215,000
Transfer-In	-	2,800	56,640	-	59,440
Transfer-Out	(59,440)	-	-	-	(59,440)
	<u>(59,440)</u>	<u>2,800</u>	<u>271,640</u>	<u>-</u>	<u>215,000</u>
Total Other Financing Receipts/(Disbursements)					
	(59,440)	2,800	271,640	-	215,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(62,365)	(2,038)	115,393	156	51,147
Fund Cash Balances, January 1	218,236	120,538	21,470	959	361,203
<b>Fund Cash Balances, December 31</b>	<u>\$ 155,872</u>	<u>\$ 118,500</u>	<u>\$ 136,863</u>	<u>\$ 1,115</u>	<u>\$ 412,350</u>
Reserve for Encumbrances, December 31	\$ 8,595	\$ 1,644	\$ -	\$ -	\$ 10,239

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 489,249	\$ -	\$ 489,249
Miscellaneous	10,000	-	10,000
Total Operating Revenues	<u>499,249</u>	<u>-</u>	<u>499,249</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	93,630	-	93,630
Fringe Benefits	28,132	-	28,132
Contractual Services	54,002	-	54,002
Supplies and Materials	106,729	-	106,729
Total Operating Cash Disbursements	<u>282,493</u>	<u>-</u>	<u>282,493</u>
Operating Income/(Loss)	<u>216,756</u>	<u>-</u>	<u>216,756</u>
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Other Non-Operating Receipts	-	12,827	12,827
Capital Outlay	(17,788)	-	(17,788)
Redemption of Principal	(109,471)	-	(109,471)
Interest and Other Fiscal Charges	(39,873)	-	(39,873)
Other Non-Operating Disbursements	-	(12,827)	(12,827)
Total Non-Operating Cash Receipts/Disbursements	<u>(167,132)</u>	<u>-</u>	<u>(167,132)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	<u>49,624</u>	<u>-</u>	<u>49,624</u>
Transfer-In	167,248		167,248
Transfer-Out	(167,248)	-	(167,248)
Net Receipts Over/(Under) Cash Disbursements	49,624	-	49,624
Fund Cash Balances, January 1	<u>323,133</u>	<u>2,055</u>	<u>325,188</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 372,757</u></b>	<b><u>\$ 2,055</u></b>	<b><u>\$ 374,812</u></b>

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Rockford, Mercer County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides general government services, including public safety, health, recreation, street maintenance, water and sewer facilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 9 to the financial statements provides additional information.

Management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

Investments, if owned by the Village, are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The Village 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

*State Highway Improvement Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

*Parkway Utility Project Fund* – This fund receives revenues to cover the cost of construction for water and sewer utilities for the Parkway Project.

*Front Street Improvement Fund* – This fund receives revenues to cover the cost of improvements of Front Street.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

*Pool Expendable Trust Fund* – This fund receives donations for specific costs of the Village pool.

**5. Enterprise Funds**

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

*Water Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

*Mayors Court Agency Fund* – This fund is used to account for the collection and distribution of Mayor’s Court fines, fees and bonds.

*Unclaimed Funds Agency Fund* – This fund accounts for funds issued but not claimed by vendors or individuals.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. 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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	<b>2008</b>	<b>2007</b>
Demand deposits	\$ 613,253	\$ 787,162

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 492,316	\$ 463,206	\$ (29,110)
Special Revenue	55,950	63,846	7,896
Capital Projects	155,000	127,965	(27,035)
Enterprise	765,868	758,409	(7,459)
Total	\$ 1,469,134	\$ 1,413,426	\$ (55,708)
2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 477,099	\$ 469,998	\$ 7,101
Special Revenue	161,110	147,487	13,623
Capital Projects	213,257	201,821	11,436
Enterprise	819,437	768,323	51,114
Total	\$ 1,670,903	\$ 1,587,629	\$ 83,274



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 498,140	\$ 442,676	\$ (55,464)
Special Revenue	55,950	63,966	8,016
Capital Projects	85,000	283,640	198,640
Permanent	-	156	156
Enterprise	670,012	666,497	(3,515)
Total	\$ 1,309,102	\$ 1,456,935	\$ 147,833
2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 623,955	\$ 513,636	\$ 110,319
Special Revenue	152,753	67,648	85,105
Capital Projects	178,825	168,247	10,578
Permanent	950	-	950
Enterprise	695,312	616,873	78,439
Total	\$ 1,651,795	\$ 1,366,404	\$ 285,391

Contrary to Ohio Rev. Code Section 5705.36, the Village did not file appropriate increases to Estimated Revenue during 2008 in the Front Street Improvement Fund, Law Enforcement Grant Fund, and the Tree City Fund and during 2007 in the Capital Project Equipment Fund, Capital Project Reserve Fund, Water Plant Project Fund, and the Tree City Fund.

Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations exceeding total estimated revenue during 2008 in the Front Street Improvement Fund, Law Enforcement Grant Fund, and the Tree City Fund and during 2007 in the Capital Project Equipment Fund, Capital Project Reserve Fund, Water Plant Project Fund, and the Tree City Fund.

Contrary to Ohio Rev. Code Section 5705.41 (D)(1), the certification of availability of unencumbered appropriations for expenditure was not obtained for 25% of expenditures tested during 2008 and 15% of expenditures testing during 2007.

**4. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.0 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.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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.

**6. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest</u>
First Mortgage Revenue Bonds	\$ 116,000	6.50%
Ohio Public Works Commission Loans	233,037	0.00%
Ohio Water Development Authority	653,265	3.54%
OWDA- Supplemental	88,837	3.62%
OWDA- Force Main	48,055	0.00%
OWDA- Water Planning	22,500	4.15%
Peoples Holding Co. Note- Cruiser Loan	13,066	4.30%
Peoples Holding Co. Note- Front Street	100,000	4.25%
Peoples Holding Co. Note- Public Infrastructure	70,000	4.00%
Total	<u>\$ 1,344,760</u>	

The Village issued the First Mortgage Revenue Bonds in 1987 for a sewer line project totaling \$400,000. Bonds are retired annually ranging from \$23,000 in 2009 to \$33,000 in 2013.

The Village received an interest free loan from the Ohio Public Works Commission for a sewer separation project. The loan was issued in 1998 and requires semi-annual payments of \$6,849 through 2018. An additional interest free loan from the Ohio Public Works Commission of \$16,348 for the Market Street Project was obtained in 2004 and requires semi-annual payments of \$408 through 2023. The Village received an additional interest free loan from the Ohio Public Works Commission for water and sewer construction in 2008 for \$100,000 with semi-annual payments of \$2,500 through 2028.

The Ohio Water Development Authority (OWDA) loan and the OWDA Supplemental loan relates to a sanitary sewer improvement project. These loans originated in 1998 in initial amounts totaling \$1,277,416 and \$173,067, respectively. The loans will be repaid in semi-annual installments of \$50,951, including interest, over 20 years with the final payment due in 2017.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) Force Main loan was originated in 2003 in an initial amount totaling \$66,283. The loan will be repaid in semi-annual installments of \$1,657 with no interest, with the final payment due in 2023.

In August of 2006 the Village received an interest free loan from the Ohio Water Development Authority for water system improvement planning for \$25,000 of which \$10,000 was received in 2006 and \$15,000 was received in 2007. The loan terms require repayment over 10 years with the first payment on July 1, 2008 and final payment due July 1, 2017.

During 2007, the Village issued a \$20,000 Note through Peoples Holding Co. for a new cruiser. This Loan is to be paid in three annual payments of \$7,232 beginning in February 2008.

During 2007, the Village issued a \$100,000 Note through Peoples Holding Co. for Front Street Reconstruction. This Loan is to be paid in three annual payments beginning in early 2009. An interest payment of \$4,250 was made in 2008.

During 2007, the Village issued a Public Infrastructure Bond Anticipation Note (BAN) for \$80,000 to retire a Public Infrastructure Bond Anticipation Note of \$100,000 issued in 2006 that was not reflected in the outstanding debt in the prior audit report. During 2008, the Village issued a Public Infrastructure Bond Anticipation Note (BAN) for \$70,000 to retire a Public Infrastructure Bond Anticipation Note of \$80,000 issued in 2007. The 2008 BAN is to be retired in 2009.

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

Year Ending	First Mortgage Revenue Bond	OWDA Water Planning	OPWC Loans	OWDA	OWDA Supplemental
December 31:					
2009	\$ 33,345	\$ 2,500	\$ 19,514	\$ 89,667	\$ 12,235
2010	32,655	2,500	19,514	89,667	12,235
2011	32,900	2,500	19,514	89,667	12,235
2012	33,015	2,500	19,514	89,667	12,235
2013	-	2,500	19,514	89,667	12,235
2014-2018	-	10,000	92,983	403,501	42,823
2019-2023	-	-	24,984	-	-
2024-2028	-	-	17,500	-	-
	<u>\$ 131,915</u>	<u>\$ 22,500</u>	<u>\$ 233,037</u>	<u>\$ 851,836</u>	<u>\$ 103,998</u>

Year Ending	OWDA Force Main	Peoples Holding Police Cruiser	Peoples Holding Front Street	Peoples Holding Public Infrastructure
December 31:				
2009	\$ 3,314	\$ 7,232	\$ 33,000	\$ 72,800
2010	3,314	7,232	33,300	-
2011	3,314	-	33,700	-
2012	3,314	-	-	-
2013	3,314	-	-	-
2014-2018	16,571	-	-	-
2019-2023	14,914	-	-	-
	<u>\$ 48,055</u>	<u>\$ 14,464</u>	<u>\$ 100,000</u>	<u>\$ 72,800</u>

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. TRANSFERS**

Transfers from the General fund were to provide operating funds to the Village's Tree Fund, Equipment Replacement Fund and Parkway Utility Project Fund. Transfers in and out of enterprise funds were made out of operating enterprise funds to other enterprise funds established for the retirement of applicable debt.

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multi-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. Members of OPERS contributed 10% and 9.5%, respectively, of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries in 2008 and 13.85% in 2007. The Village has paid all contributions required through December 31, 2008.

**9. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007, the latest information available:

(Dollars in thousands)	<b>2008</b>	<b>2007</b>
Assets	\$ 10,471	\$ 11,136
Liabilities	<u>(5,287)</u>	<u>(4,273)</u>
Members' Equity	<u>\$ 5,184</u>	<u>\$ 6,863</u>

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

***Perry & Associates***  
Certified Public Accountants, A.C.

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

September 11, 2009

Village of Rockford  
Mercer County  
PO Box 282, 151 East Columbia Street  
Rockford, OH 45882

To the Village Council:

We have audited the financial statements of the **Village of Rockford, Mercer County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 11, 2009 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

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

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.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-004.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiency 2008-001 described above is a material weakness.

We noted one matter we reported to the Village's management is a separate letter dated September 11, 2009.

### **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 or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2008-002 through 2008-004.

We noted one compliance matter we reported to the Village's management in a separate letter dated September 11, 2009.

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

Respectfully Submitted,



**Perry & Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Significant Deficiency/Material Weakness**

**Posting Receipts and Expenditures**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2007 and 2008, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, intergovernmental revenue, tax revenue, note proceeds and donated revenues were not posted into the correct receipt classification. In addition, the expenditures for the principal/interest payments were not always separated or posted to the correct disbursement classification. This resulted in several reclassification entries being made to the financial statements.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-002**

**Significant Deficiency/Noncompliance**

**Ohio Rev. Code Section 5705.36** allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of deficiency will reduce available resources below the current level of appropriation.

During 2007, the actual receipts exceeded total estimated receipts in the Capital Project Equipment Fund, Capital Project Reserve Fund, Water Plant Project Fund, and the Tree City Fund. The Village received unanticipated revenue and appropriated money, however, did not request increased amended certificates. During 2008, the actual receipts exceeded total estimated receipts in the Front Street Improvement Fund, Law Enforcement Grant Fund, and the Tree City Fund. The Village received unanticipated revenue and appropriated money, however, did not request increased amended certificates.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-003**

**Significant Deficiency/Noncompliance**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During 2007, the appropriations exceeded total estimated resources in the Capital Project Equipment Fund, Capital Project Reserve Fund, Water Plant Project Fund, and the Tree City. The Village received unanticipated revenue and appropriated money, however, did not request increased amended certificates.

During 2008, the appropriations exceeded total estimated resources in the Front Street Improvement Fund, Law Enforcement Grant Fund, and the Tree City. The Village received unanticipated revenue and appropriated money, however, did not request increased amended certificates.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-004**

**Significant Deficiency/Noncompliance**

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



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-004 (Continued)**

**Significant Deficiency/Noncompliance (Continued)**

**Ohio Revised Code § 5705.41(D)(1) (Continued)**

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

The Village did not properly certify the availability of funds prior to purchase commitment for 25% of the expenditures tested during 2008 and 15% in 2007. Without these certifications, the management of the Village lost some degree of budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Management’s Response** – We did not receive a response from officials to this finding.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 and 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, <i>Explain</i>
2006-001	ORC 5705.41(B)	Yes	Corrected
2006-002	ORC 5705.39	No	Repeated as Finding 2008-003
2006-003	ORC 9.38	Yes	Corrected



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF ROCKFORD**

**MERCER 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  
NOVEMBER 17, 2009**