

**VILLAGE OF ROCKFORD  
MERCER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND 2005**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Rockford  
142 North Main Street  
P.O. Box 282  
Rockford, Ohio 45882

We have reviewed the *Independent Auditors' Report* of the Village of Rockford, Mercer County, prepared by Bastin & Company, LLC, for the audit period January 1, 2005 through December 31, 2006. 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 Auditors' 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 Auditors' 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.

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Mary Taylor, CPA  
Auditor of State

October 5, 2007

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**VILLAGE OF ROCKFORD  
MERCER COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of Village Council  
Village of Rockford  
142 North Main Street  
Rockford, OH 45882

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, 2006 and 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village prepares its 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005, or their 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 as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 July 9, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
July 9, 2007

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$425,541	\$ 4,136	\$ -	\$ -	\$429,677
Intergovernmental Receipts	53,349	50,394	-	-	103,743
Charges for Services	15,536	-	-	-	15,536
Fines, Licenses and Permits	13,031	100	-	-	13,131
Interest Receipts	28,383	5,508	-	-	33,891
Miscellaneous	<u>27,770</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>28,020</u>
Total Cash Receipts	<u>563,610</u>	<u>60,388</u>	<u>-</u>	<u>-</u>	<u>623,998</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	170,663	-	-	-	170,663
Leisure Time Activities	29,161	-	-	-	29,161
Community Environment	200	3,288	-	-	3,488
Basic Utility Services	7,037	-	-	-	7,037
Transportation	88,875	36,985	-	-	125,860
General Government	140,654	1,918	-	248	142,820
Capital Outlay	4,922	-	65	-	4,987
Debt Service:					
Principal Payments	-	-	145,000	-	145,000
Interest Payments	<u>-</u>	<u>-</u>	<u>4,338</u>	<u>-</u>	<u>4,338</u>
Total Cash Disbursements	<u>441,512</u>	<u>42,191</u>	<u>149,403</u>	<u>248</u>	<u>633,354</u>
Total Receipts Over (Under) Disbursements	<u>122,098</u>	<u>18,197</u>	<u>(149,403)</u>	<u>(248)</u>	<u>(9,356)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Notes	50,000	-	-	-	50,000
Operating Transfers - In	-	2,800	154,338	-	157,138
Operating Transfers - Out	<u>(157,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,138)</u>
Total Other Financing Receipts (Disbursements)	<u>(107,138)</u>	<u>2,800</u>	<u>154,338</u>	<u>-</u>	<u>50,000</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	14,960	20,997	4,935	(248)	40,644
Fund Cash Balance, January 1, 2006	<u>203,276</u>	<u>99,541</u>	<u>16,535</u>	<u>1,207</u>	<u>320,559</u>
Fund Cash Balance, December 31, 2006	<u>\$218,236</u>	<u>\$120,538</u>	<u>\$ 21,470</u>	<u>\$ 959</u>	<u>\$361,203</u>
Reserves for Encumbrances, December 31, 2006	<u>\$ 2,545</u>	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932</u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF ROCKFORD  
MERCER COUNTY  
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types <u>Enterprise</u>	Fiduciary Fund Types <u>Agency</u>	Totals (Memorandum Only)
<i>Operating Cash Receipts:</i>			
Charges for Services	<u>\$442,618</u>	<u>\$ -</u>	<u>\$442,618</u>
Total Operating Cash Receipts	<u>442,618</u>	<u>-</u>	<u>442,618</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	79,949	-	79,949
Employee Fringe Benefits	28,477	-	28,477
Contractual Services	54,099	-	54,099
Materials and Supplies	101,609	-	101,609
Capital Outlay	<u>59,150</u>	<u>-</u>	<u>59,150</u>
Total Operating Cash Disbursements	<u>323,284</u>	<u>-</u>	<u>323,284</u>
Operating Income	<u>119,334</u>	<u>-</u>	<u>119,334</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Loans	10,000	-	10,000
Other Non-Operating Receipts	<u>-</u>	<u>17,377</u>	<u>17,377</u>
Total Non-Operating Cash Receipts	<u>10,000</u>	<u>17,377</u>	<u>27,377</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(106,802)	-	(106,802)
Debt Interest Payments	(45,006)	-	(45,006)
Other Non-Operating Disbursements	<u>-</u>	<u>(17,377)</u>	<u>(17,377)</u>
Total Non-Operating Cash Disbursements	<u>(151,808)</u>	<u>(17,377)</u>	<u>(169,185)</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	(22,474)	-	(22,474)
Operating Transfers - In	175,810	-	175,810
Operating Transfers - Out	<u>(175,810)</u>	<u>-</u>	<u>(175,810)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(22,474)	-	(22,474)
Fund Cash Balance, January 1, 2006	<u>345,607</u>	<u>2,055</u>	<u>347,662</u>
Fund Cash Balance, December 31, 2006	<u>\$323,133</u>	<u>\$ 2,055</u>	<u>\$325,188</u>
Reserves for Encumbrances, December 31, 2006	<u>\$ 1,754</u>	<u>\$ -</u>	<u>\$ 1,754</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$284,095	\$ 2,712	\$ -	\$ -	\$286,807
Intergovernmental Receipts	54,752	47,872	-	-	102,624
Charges for Services	18,294	-	-	-	18,294
Fines, Licenses and Permits	9,312	100	-	-	9,412
Interest Receipts	16,401	2,920	-	4	19,325
Miscellaneous	<u>41,898</u>	<u>600</u>	<u>-</u>	<u>1,103</u>	<u>43,601</u>
Total Cash Receipts	<u>424,752</u>	<u>54,204</u>	<u>-</u>	<u>1,107</u>	<u>480,063</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	159,022	4,668	-	-	163,690
Public Health Services	2,828	-	-	-	2,828
Leisure Time Activities	25,056	-	-	-	25,056
Community Environment	305	2,478	-	-	2,783
Basic Utility Services	5,497	-	-	-	5,497
Transportation	43,466	56,263	-	-	99,729
General Government	87,756	5,114	-	-	92,870
Capital Outlay	2,002	-	3,500	1,560	7,062
Debt Service:					
Principal Payments	-	-	160,000	-	160,000
Interest Payments	<u>-</u>	<u>-</u>	<u>4,388</u>	<u>-</u>	<u>4,388</u>
Total Cash Disbursements	<u>325,932</u>	<u>68,523</u>	<u>167,888</u>	<u>1,560</u>	<u>563,903</u>
Total Receipts Over (Under) Disbursements	<u>98,820</u>	<u>(14,319)</u>	<u>(167,888)</u>	<u>(453)</u>	<u>(83,840)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Bond Anticipation Note Proceeds	-	-	145,000	-	145,000
Operating Transfers - In	-	2,800	30,000	-	32,800
Operating Transfers - Out	<u>(32,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,800)</u>
Total Other Financing Receipts (Disbursements)	<u>(32,800)</u>	<u>2,800</u>	<u>175,000</u>	<u>-</u>	<u>145,000</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	66,020	(11,519)	7,112	(453)	61,160
Fund Cash Balance, January 1, 2005	<u>137,256</u>	<u>111,060</u>	<u>9,423</u>	<u>1,660</u>	<u>259,399</u>
Fund Cash Balance, December 31, 2005	<u>\$203,276</u>	<u>\$99,541</u>	<u>\$ 16,535</u>	<u>\$1,207</u>	<u>\$320,559</u>
Reserves for Encumbrances, December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	Totals (Memorandum Only)
<i>Operating Cash Receipts:</i>			
Charges for Services	<u>\$441,757</u>	<u>\$ -</u>	<u>\$441,757</u>
Total Operating Cash Receipts	<u>441,757</u>	<u>-</u>	<u>441,757</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	67,136	-	67,136
Employee Fringe Benefits	24,028	-	24,028
Contractual Services	49,299	-	49,299
Materials and Supplies	78,310	-	78,310
Capital Outlay	<u>35,446</u>	<u>-</u>	<u>35,446</u>
Total Operating Cash Disbursements	<u>254,219</u>	<u>-</u>	<u>254,219</u>
Operating Income	<u>187,538</u>	<u>-</u>	<u>187,538</u>
<i>Non-Operating Cash Receipts:</i>			
Special Assessments	8,260	-	8,260
Other Non-Operating Receipts	<u>-</u>	<u>12,584</u>	<u>12,584</u>
Total Non-Operating Cash Receipts	<u>8,260</u>	<u>12,584</u>	<u>20,844</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(102,374)	-	(102,374)
Debt Interest Payments	(48,614)	-	(48,614)
Other Non-Operating Disbursements	<u>-</u>	<u>(12,584)</u>	<u>(12,584)</u>
Total Non-Operating Cash Disbursements	<u>(150,988)</u>	<u>(12,584)</u>	<u>(163,572)</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	44,810	-	44,810
Operating Transfers - In	129,444	-	129,444
Operating Transfers - Out	<u>(129,444)</u>	<u>-</u>	<u>(129,444)</u>
Net Cash Receipts Over Cash Disbursements	44,810	-	44,810
Fund Cash Balance, January 1, 2005	<u>300,797</u>	<u>2,055</u>	<u>302,852</u>
Fund Cash Balance, December 31, 2005	<u>\$345,607</u>	<u>\$ 2,055</u>	<u>\$347,662</u>
Reserves for Encumbrances, December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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's 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:

*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 ROCKFORD**  
**MERCER COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(Continued)**

*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.

**4. 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.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain 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 Funds:

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

*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

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 2006 and 2005 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

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

The Village maintains a cash pool used by all funds. The Village did not have any investments as of December 31, 2006 or 2005. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 is as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	<u>\$686,391</u>	<u>\$668,221</u>

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

**VILLAGE OF ROCKFORD**  
**MERCER COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 423,382	\$ 613,610	\$ 190,228
Special Revenue	59,250	63,188	3,938
Capital Projects	254,144	154,338	(99,806)
Expendable Trust	-	-	-
Enterprise	621,016	628,428	7,412
Total	<u>\$ 1,357,792</u>	<u>\$ 1,459,564</u>	<u>\$ 101,772</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 558,948	\$ 601,195	\$ (42,247)
Special Revenue	150,280	42,578	107,702
Capital Projects	114,284	149,403	(35,119)
Expendable Trust	1,000	248	752
Enterprise	716,103	652,656	63,447
Total	<u>\$ 1,540,615</u>	<u>\$ 1,446,080</u>	<u>\$ 94,535</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 363,751	\$ 424,752	\$ 61,001
Special Revenue	63,500	57,004	(6,496)
Capital Projects	145,000	175,000	30,000
Expendable Trust	-	1,107	1,107
Enterprise	401,624	579,461	177,837
Total	<u>\$ 973,875</u>	<u>\$ 1,237,324</u>	<u>\$ 263,449</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 407,940	\$ 358,732	\$ 49,208
Special Revenue	144,381	68,523	75,858
Capital Projects	145,000	167,888	(22,888)
Expendable Trust	2,000	1,560	440
Enterprise	607,232	534,651	72,581
Total	<u>\$ 1,306,553</u>	<u>\$ 1,131,354</u>	<u>\$ 175,199</u>

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. COMPLIANCE**

Contrary to Ohio law, budgetary expenditure exceeded appropriations in the following funds:

2006	
General Fund	\$42,247
Tree City	288
Parkway Utility Project	39,338
OWDA Supplemental Debt Service	34,913
2005	
Law Enforcement Block Grant	4,668
Parkway Utility Project	19,388
Project Reserve Fund	3,500
OWDA Debt Service Fund #2	1,397

Contrary to Ohio law, the following funds had total appropriations in excess of estimated resources available:

2006	
Law Enforcement Block Grant	\$4,668
2005	
Sanitary Sewer	126,415
Drug Law Enforcement/Education Trust	284
Pool Trust Fund	339
Force Main Project	614

Contrary to Ohio law, the Village did not deposit income tax payments or process tax refunds on a timely basis.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with 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.

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

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

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



**VILLAGE OF ROCKFORD**  
**MERCER COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(Continued)**

**6. 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.

**7. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Mortgage Revenue Bonds	\$ 159,000	6.50%
Ohio Public Works Commission	164,157	0.00%
Ohio Water Development Authority	780,661	3.54%
OWDA - Supplemental	106,088	3.62%
Ohio Water Development Authority - Force Main	54,683	0.00%
Real Estate Acquisition Note - Series 2006	50,000	4.15%
Ohio Water Development Authority - Water Plan	10,000	0.00%
Total	<u>\$ 1,324,589</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 \$22,000 in 2007 to \$31,000 in 2012.

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 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.

The Ohio Water Development Authority (OWDA) Force Main loan was originated in 2003 in an initial amount totaling \$66,283. The loan is currently scheduled to be repaid in semi-annual installments of \$1,657 with no interest, with the final payment due in 2023. A final amortization schedule of this loan has been approved by OWDA.

On February 21, 2006 a note from Peoples Holding Company, Inc. was issued for the acquisition of land in the total amount of \$50,000. The note matures on February 21, 2007 with interest due at 4.15 percent. Note proceeds were used to acquire real estate to serve as a site for the Village's office complex.

**VILLAGE OF ROCKFORD**  
**MERCER COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(Continued)**

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. As of December 31, 2006 only \$10,000 of the funds had been disbursed by OWDA for the project costs. The loan terms require repayment over 10 years with the first payment on July 1, 2008 and final payment due July 1, 2017. The funds disbursed in 2006 have been reflected in the financial statements as loan proceeds. Amortization of the loan is presented in the following schedule based on the total loan amount approved and to be amortized over 10 years.

During 2005, the Village issued a Public Infrastructure Bond Anticipation Note (BAN) for \$145,000 to retire a Public Infrastructure Bond Anticipation Note of \$160,000 issued in 2004. The 2005 BAN was retired in 2006.

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

Year ending December 31:	First Mortgage Revenue Bond	OPWC	OWDA Force Main	OWDA	OWDA Supplemental	Peoples Holding Company	OWDA Water Planning
2007	\$ 32,335	\$ 14,514	\$ 3,314	\$ 89,667	\$ 12,235	\$ 52,075	-
2008	32,905	14,514	3,314	89,667	12,235	-	2,500
2009	33,345	14,514	3,314	89,667	12,235	-	2,500
2010	32,655	14,514	3,314	89,667	12,235	-	2,500
2011	32,900	14,514	3,314	89,667	12,235	-	2,500
2012-2016	33,015	72,572	16,571	448,335	61,175	-	12,500
2017-2021	-	24,633	16,571	44,834	6,118	-	2,500
2022-2026	-	1,635	4,971	-	-	-	-
Total	<u>\$ 197,155</u>	<u>\$ 171,410</u>	<u>\$ 54,683</u>	<u>\$ 941,504</u>	<u>\$ 128,468</u>	<u>\$ 52,075</u>	<u>\$ 25,000</u>

**8. 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.

**9. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. For 2006 and 2005, OPERS' members contributed 9 and 8.5 percent, respectively, of their gross wages. The Village contributed an amount equal to 13.70 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**10. RISK MANAGEMENT**

During 2006, the Village enrolled in the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 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, automobile, excess liability, crime, surety and bond, inland marine and other coverage, 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 for a 5 percent portion retained by the Plan. After September 1, 2003, the plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The 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 generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Member's equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of Village Council  
Village of Rockford  
142 North Main Street  
Rockford, OH 45882

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, 2006 and 2005, and have issued our report thereon dated July 9, 2007 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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 deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-01, 2006-02 and 2006-03.

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, express no opinion on them.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
July 9, 2007

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

**Finding Number 2006 - 01**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following Village funds had expenditures that exceeded appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Fiscal Year 2006:			
General Fund	\$558,948	\$601,195	\$42,247
Tree City Fund	3,000	3,288	288
Parkway Utility Project Fund	110,000	149,338	39,338
OWDA/OPWC Debt Service	-	34,913	34,913
Fiscal Year 2005:			
Law Enforcement Block Grant Fund	-	4,668	4,668
Parkway Utility Project Fund	145,000	164,388	19,388
Ordinance 5-96 Project Reserve Fund	-	3,500	3,500
2nd Mortgage OWDA Debt Svc. Fund	12,300	13,697	1,397

**Village’s Response**

The Village agrees with the finding and feels that they can monitor expenditures and appropriations better now that they have converted to the UAN accounting system.

**Finding Number 2006 - 02**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated resources available. No appropriation measure is to 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 certificate. The following Village funds had appropriations that exceeded the total estimated resources available:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Fiscal Year 2006:			
Law Enforcement Block Grant	\$6	\$4,674	\$4,668
Fiscal Year 2005:			
Drug Law Enforcement/Education Trust	216	500	284
Pool Trust	1,661	2,000	339
Sanitary Sewer	127,026	253,441	126,415
Force Main Project	386	1,000	614

**Village’s Response**

The Village agrees with the finding and feels that they can monitor appropriations and estimated resources better now that they have converted to the UAN accounting system.

## **Finding Number 2006 - 03**

### **Noncompliance Citation**

Ohio Rev. Code Section 9.requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

Testing disclosed income tax collections were being held by the Tax Commissioner and not being deposited on a timely basis.

We also noted that the Tax Commissioner was not processing tax refunds or submitting payment information to the Village Clerk for the payment of tax refunds for extended periods.

### **Village's Response**

The Village acknowledges the noncompliance and is in the process of consolidating the Tax Commissioner position with the Clerk's position. The Village is in the process of hiring someone for that position to facilitate more timely procedures for depositing funds and processing tax returns.

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2004 - 01	Expenditures exceeded appropriations noncompliance citation ORC section 5705.41	No	Condition existed during current audit period, reissued as finding 2006 - 01
2004 - 02	Appropriations exceeded estimated resources noncompliance citation ORC section 5705.39	No	Condition existed during current audit period, reissued as finding 2006 - 02





**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  
OCTOBER 18, 2007**