



Dave Yost • Auditor of State

VILLAGE OF ROCKFORD
MERCER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 1 and 2 to the financial statements, during 2011 the Village of Rockford adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

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



Dave Yost
Auditor of State

May 14, 2013

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$41,209	\$23,088			\$64,297
Municipal Income Tax	252,791				252,791
Intergovernmental	42,564	71,430	\$23,900	\$104,252	242,146
Special Assessments			12,811	5,053	17,864
Fines, Licenses and Permits	18,110	979			19,089
Earnings on Investments	1,085	403			1,488
Miscellaneous	10,844	100			10,944
Total Cash Receipts	<u>366,603</u>	<u>96,000</u>	<u>36,711</u>	<u>109,305</u>	<u>608,619</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	175,340	42,802			218,142
Leisure Time Activities	7,199				7,199
Community Environment	7,242				7,242
Basic Utility Services	5,992				5,992
Transportation	79,189	45,411			124,600
General Government	91,814	1,275			93,089
Capital Outlay			26,157	104,551	130,708
Debt Service:					
Principal Retirement			84,257	3,768	88,025
Interest and Fiscal Charges			2,568		2,568
Total Cash Disbursements	<u>366,776</u>	<u>89,488</u>	<u>112,982</u>	<u>108,319</u>	<u>677,565</u>
Excess of Receipts Over (Under) Disbursements	<u>(173)</u>	<u>6,512</u>	<u>(76,271)</u>	<u>986</u>	<u>(68,946)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes			64,083		64,083
Transfers In			6,000		6,000
Transfers Out	(6,000)				(6,000)
Advances In			8,578		8,578
Advances Out	(8,578)				(8,578)
Total Other Financing Receipts (Disbursements)	<u>(14,578)</u>		<u>78,661</u>		<u>64,083</u>
Net Change in Fund Cash Balances	(14,751)	6,512	2,390	986	(4,863)
Fund Cash Balances, January 1	<u>121,711</u>	<u>77,429</u>	<u>37,245</u>	<u>42,846</u>	<u>279,231</u>
Fund Cash Balances, December 31:					
Restricted		83,941	39,635	43,832	167,408
Unassigned (Deficit)	106,960				106,960
Fund Cash Balances, December 31	<u>\$106,960</u>	<u>\$83,941</u>	<u>\$39,635</u>	<u>\$43,832</u>	<u>\$274,368</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$628,545		\$628,545
Total Operating Cash Receipts	<u>628,545</u>		<u>628,545</u>
Operating Cash Disbursements:			
Personal Services	125,375		125,375
Employee Fringe Benefits	44,096		44,096
Contractual Services	65,747		65,747
Supplies and Materials	155,615		155,615
Total Operating Cash Disbursements	<u>390,833</u>		<u>390,833</u>
Operating Income (Loss)	<u>237,712</u>		<u>237,712</u>
Non-Operating Receipts (Disbursements):			
Special Assessments	5,000		5,000
Debt Proceeds	597,170		597,170
Capital Outlay	(685,273)		(685,273)
Principal Retirement	(181,562)		(181,562)
Interest and Other Fiscal Charges	(22,863)		(22,863)
Other Financing Sources		\$10,323	10,323
Other Financing Uses		(10,773)	(10,773)
Total Non-Operating Receipts (Disbursements)	<u>(287,528)</u>	<u>(450)</u>	<u>(287,978)</u>
Income (Loss) before Capital Contributions	(49,816)	(450)	(50,266)
Capital Contributions	<u>4,666</u>		<u>4,666</u>
Net Change in Fund Cash Balances	(45,150)	(450)	(45,600)
Fund Cash Balances, January 1	<u>567,499</u>	<u>500</u>	<u>567,999</u>
Fund Cash Balances, December 31	<u>\$522,349</u>	<u>\$50</u>	<u>\$522,399</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$43,768	\$22,962			\$66,730
Municipal Income Tax	258,353				258,353
Intergovernmental	60,968	60,640		\$165,955	287,563
Special Assessments			\$12,531	46,588	59,119
Charges for Services	204				204
Fines, Licenses and Permits	18,906	1,816			20,722
Earnings on Investments	1,797	494			2,291
Miscellaneous	16,826				16,826
Total Cash Receipts	<u>400,822</u>	<u>85,912</u>	<u>12,531</u>	<u>212,543</u>	<u>711,808</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	180,938	21,320			202,258
Public Health Services	2,131				2,131
Leisure Time Activities	6,607				6,607
Community Environment	3,669				3,669
Basic Utility Services	7,996				7,996
Transportation	77,345	50,312			127,657
General Government	106,617	2,522			109,139
Capital Outlay	3,901	5,146		259,833	268,880
Debt Service:					
Principal Retirement	5,409		99,801	1,885	107,095
Interest and Fiscal Charges			3,326		3,326
Total Cash Disbursements	<u>394,613</u>	<u>79,300</u>	<u>103,127</u>	<u>261,718</u>	<u>838,758</u>
Excess of Receipts Over (Under) Disbursements	<u>6,209</u>	<u>6,612</u>	<u>(90,596)</u>	<u>(49,175)</u>	<u>(126,950)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes			73,516	75,387	148,903
Transfers In			12,000	12,000	24,000
Transfers Out	(24,147)				(24,147)
Total Other Financing Receipts (Disbursements)	<u>(24,147)</u>		<u>85,516</u>	<u>87,387</u>	<u>148,756</u>
Net Change in Fund Cash Balances	(17,938)	6,612	(5,080)	38,212	21,806
Fund Cash Balances, January 1 - Restated	<u>139,649</u>	<u>70,817</u>	<u>42,325</u>	<u>4,634</u>	<u>257,425</u>
Fund Cash Balances, December 31:					
Restricted		77,429	37,245	42,846	157,520
Unassigned (Deficit)	121,711				121,711
Fund Cash Balances, December 31	<u>\$121,711</u>	<u>\$77,429</u>	<u>\$37,245</u>	<u>\$42,846</u>	<u>\$279,231</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$606,551		\$606,551
Total Operating Cash Receipts	<u>606,551</u>		<u>606,551</u>
Operating Cash Disbursements:			
Personal Services	119,424		119,424
Employee Fringe Benefits	39,225		39,225
Contractual Services	58,608		58,608
Supplies and Materials	153,601		153,601
Total Operating Cash Disbursements	<u>370,858</u>		<u>370,858</u>
Operating Income (Loss)	<u>235,693</u>		<u>235,693</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	385,000		385,000
Debt Proceeds	232,802		232,802
Capital Outlay	(444,474)		(444,474)
Principal Retirement	(212,800)		(212,800)
Interest and Other Fiscal Charges	(34,124)		(34,124)
Other Financing Sources		\$17,198	17,198
Other Financing Uses		(17,188)	(17,188)
Total Non-Operating Receipts (Disbursements)	<u>(73,596)</u>	<u>10</u>	<u>(73,586)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	162,097	10	162,107
Transfers In	<u>147</u>		<u>147</u>
Net Change in Fund Cash Balances	162,244	10	162,254
Fund Cash Balances, January 1 - Restated	<u>405,255</u>	<u>490</u>	<u>405,745</u>
Fund Cash Balances, December 31	<u><u>\$567,499</u></u>	<u><u>\$500</u></u>	<u><u>\$567,999</u></u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rockford, Mercer County, (the Village) as a body corporate and politic. 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 fire levy money to support a volunteer fire department.

The Village participates in the Ohio Plan Healthcare Consortium, Inc. public entity risk pool. Note 10 to the financial statements provides additional information.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The Village did not properly classify all activity as required by the Ohio Revised Code.

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village funds are maintained in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund - This fund receives tax money for maintaining Village fire protection services.

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. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

South Main Street Fund – This fund receives Special Assessment Revenue to pay an Ohio Public Works Commission loan.

Front Street Improvements Fund – This fund receives Special Assessments and Note Proceeds to pay an Ohio Public Works Commission loan and the People’s Holding Bank Note.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

5. Enterprise Funds

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

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

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

6. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for Mayor’s Court fines and forfeitures.

VILLAGE OF ROCKFORD
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

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

5. Unassigned

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

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

G. 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.

H. 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.

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND EQUITY

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	<u>Fund Balance at January 1, 2011</u>	<u>GASB 54 Change in Fund Structure</u>	<u>Adjusted Fund Balance at January 1, 2011</u>
General	\$135,598	\$4,051	\$139,649
Special Revenue	71,698	(881)	70,817
Debt Service		42,325	42,325
Capital Projects	60,541	(55,907)	4,634
Permanent	1,115	(1,115)	
Enterprise	391,673	13,582	405,255
Agency	2,545	(2,055)	490

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$796,767</u>	<u>\$847,230</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 379,822	\$ 366,603	(\$ 13,219)
Special Revenue	86,260	96,000	9,740
Debt Service	159,000	115,372	(43,628)
Capital Projects	114,252	109,305	(4,947)
Enterprise	1,689,927	1,235,381	(454,546)
Total	<u>\$2,429,261</u>	<u>\$1,922,661</u>	<u>(\$506,600)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 423,503	\$ 381,354	\$ 42,149
Special Revenue	130,018	89,488	40,530
Debt Service	177,370	112,982	64,388
Capital Projects	150,837	108,319	42,518
Enterprise	1,493,591	1,280,531	213,060
Total	<u>\$2,375,319</u>	<u>\$1,972,674</u>	<u>\$402,645</u>

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 373,948	\$ 400,822	\$ 26,874
Special Revenue	84,350	85,912	1,562
Debt Service	177,622	98,047	(79,575)
Capital Projects	273,342	299,930	26,588
Enterprise	1,000,520	1,224,500	223,980
Total	<u>\$1,909,782</u>	<u>\$2,109,211</u>	<u>\$199,429</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 466,825	\$ 418,760	\$ 48,065
Special Revenue	105,517	79,300	26,217
Debt Service	140,627	103,127	37,500
Capital Projects	261,933	261,718	215
Enterprise	1,269,436	1,062,256	207,180
Total	<u>\$2,244,338</u>	<u>\$1,925,161</u>	<u>\$319,177</u>

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. PROPERTY TAX

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

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

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

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. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission - Sewer Separation	\$ 68,486	0%
Ohio Public Works Commission - Franklin / Market Street	8,582	0%
Ohio Public Works Commission - Front Street	77,500	0%
Ohio Public Works Commission - South Main Street	97,595	0%
Ohio Public Works Commission - Market Street Improvements	69,733	0%
Ohio Water Developmental Authority Loan - Sewer Separation	370,004	3.50%
Ohio Water Developmental Authority Loan - Force Main	34,799	0%
Ohio Water Developmental Loan Authority - WWTP / Meters	1,163,993	0%
Ohio Water Developmental Loan Authority - Dist. System Improv.	675,889	1.50%
People's Holding Co. Note - Front Street	64,083	3.50%
Total	<u>\$2,630,664</u>	

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 Front Street water and sewer construction in 2008 for \$100,000 with semi-annual payments of \$2,500 through 2028. The Village received an additional interest free loan from Ohio Public Works Commission for South Main Street Reconstruction in 2010 for \$114,817 with semi-annual payments of \$2,870 through 2030. The Village received an additional interest free loan from the Ohio Public Works Commission for Market Street Improvements in 2011 for \$75,387 with semi-annual payments of \$1,885 through 2031.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT (Continued)

The Ohio Water Development Authority Sewer Separation loan relates to a sanitary sewer improvement project. This loan originated in 1998 in an initial amount totaling \$1,277,416. The loan will be repaid in semi-annual installments of \$44,833, including interest, over 20 year with the final payments due in 2017.

The Ohio Water Development Authority 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.

The Village received an interest free loan from the Ohio Water Development Authority for water system improvement and meters for \$1,330,228 of which a portion was received in 2009 and the remaining balance was received in 2011. The loan will be repaid in semi-annual installments of \$33,794 with no interest, with the final payment due in 2030.

The Village received a 1.50% loan from the Ohio Water Development Authority for the Sewer District Improvements. The Village received \$675,889 in 2011 and 2012 and the remaining balance will be received in 2013. The amortization schedule for this loan is not available until the completion of the project.

During 2011, the Village issued a Front Street Bond Anticipation Note for \$59,122 to retire the 2010 note. In addition, the Village issued a Public Infrastructure Bond Anticipation Note for \$14,394 to retire the 2010 note.

During 2012, the Village issued a Front Street Bond Anticipation Note for \$64,083 to retire the 2011 Front Street and Public Infrastructure Bond Anticipation Note.

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

<u>Year ending December 31:</u>	<u>People's Holding</u>	<u>OWDA Loan</u>	<u>Ohio Public Works Commission</u>
2013	\$64,083	\$ 160,569	\$ 29,024
2014		160,569	29,024
2015		160,569	29,024
2016		160,569	29,024
2017		115,725	29,024
2018-2022		354,510	76,635
2023-2027		339,597	72,959
2028-2031		150,174	27,182
Total	<u>\$64,083</u>	<u>\$1,602,282</u>	<u>\$321,896</u>

8. TRANSFERS AND ADVANCES

Transfers from the General Fund were to provide operating funds and pay debt payments to the Village's Capital Project Equipment, Parkway Utility Fund and the Water Plant Project. Advances from the General Fund were to pay for debt payments to the Parkway Utility Fund.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

10. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium, (the "Plan"), a non-assessable, un-incorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

As authorized by Section 9.833 of the Ohio Revised Code, the OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 74 and 65 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$1,459,791	\$1,355,131
Liabilities	(1,283,527)	(1,055,096)
Members' Equity	<u>\$ 176,264</u>	<u>\$ 300,035</u>

You can read the complete audited financial statements for OPHC at the Plan's website, www.ohioplan.org.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

11. SUBSEQUENT EVENTS

On January 15, 2013, Village Council approved a new note with People's Bank Holding Company for the Parkway Utility Project / Front Street Improvements for \$51,011 with a 3% interest rate and a maturity of 1 year (renewable). On February 19, 2013, Village Council approved a new note with People's Bank Holding Company for the Wastewater Improvement Project for \$60,000 with a 3% interest rate with a maturity of 1 year (renewable).

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

Village of Rockford
Mercer County
151 E. Columbia Street
PO Box 282
Rockford, Ohio 45882

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Rockford, Mercer County, (the Village) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 14, 2013 wherein we noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted the Village adopted the provisions of Government Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

May 14, 2013

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Material Weakness and Noncompliance

Posting of Receipts and Expenditures

Ohio Revised Code 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly classify receipt and disbursement transactions. The following errors were noted on the Village's annual reports:

- The 2012 and 2011 annual reports did not correctly present the fund balance changes due to GASB 54. The Tree Commission Fund (from Special Revenue), Unclaimed Money Fund (from Agency) and Pool Trust Fund (from Private Purpose Trust Fund) were moved to the General Fund which resulted in 2012 and 2011 increases to the General Fund revenues of \$6,690 and \$3,254, disbursements of \$6,992 and \$3,552, and beginning fund balance of \$3,753 and \$4,051, respectively. Various Capital Project Funds (South Main, Parkway Utility Project, and Front Street Improvement) were moved to the Debt Service Fund which resulted in increases to the Debt Service revenues of \$115,372 and \$98,047, disbursements of \$112,982 and \$103,127 and beginning fund balance of \$37,245 and \$42,325, respectively, for 2012 and 2011. The Water Plant Project was moved from a Capital Project Fund to the Enterprise Fund in 2011 (no activity in 2012) which resulted in increases to the Enterprise Fund revenues of \$157,949, expenditures of \$171,531 and beginning fund balance of \$13,582.
- The 2012 and 2011 homestead and rollback was posted all to the General Fund instead of correctly being split between the General and Fire Fund which resulted in a fund balance adjustment in 2012 and 2011 of \$4,162 and \$4,032, respectively, to the Fire Fund.
- The Village did not record the court revenues and expenditures as an Agency Fund for both 2012 and 2011. This resulted in adding in 2012 and 2011, revenues of \$10,323 and \$17,198, expenditures of \$10,733 and \$17,188, and beginning fund balance of \$500 and \$490, respectively.
- In 2011, warrant #43399 and #43357 were improperly posted to Transportation, Supplies and Materials, Transfers Out, and Fringe Benefits instead of Capital Outlay in the amount of \$3,901 in the General Fund, \$5146 in the Special Revenue Funds and \$260,256 in the Enterprise Funds.
- The 2012 and 2012 annual report had numerous audit adjustments regarding debt. In 2011, in the Debt Service Fund, \$59,122 was reclassified from Special Assessments to Proceeds of Notes and \$14,394 was reclassified from Charges for Services to Proceeds of Notes. Also in 2011, \$65,622 was reclassified from Capital Outlay to \$63,250 Principal and \$2,372 in Interest and \$26,394 out of General Government to \$25,446 to Principal and \$954 to Interest. In the Enterprise Fund in 2011, we reclassified \$17,496 from Intergovernmental Revenue to Loan Proceeds, \$75,000 from Special Assessments to Loan Proceeds. The 2012 annual report required reclassifications in the Debt Service Fund in the amount of \$64,083 from Special Assessments to Proceeds of Notes and in the Enterprise Fund for \$35,338 from Special Assessments to Loan Proceeds. In addition in the Enterprise Fund for 2012, OWDA payments to Shinn Brothers and Interest capitalization on a loan were not recorded which resulted in Loan Proceeds of \$561,832, Capital Outlay of \$556,068, and Interest of \$5,764.
- In 2012 and 2011, OPWC vendor payments were not recorded on the annual report. This resulted in adjustments in 2011 of \$241,342 to the Capital Projects Fund and \$140,306 to the Enterprise Fund and in 2012 of \$104,252 to the Enterprise Fund.

**FINDING NUMBER 2012-01
(Continued)**

- The CBDG revenue in the Enterprise Fund was improperly presented on the 2011 annual reports as Special Assessments instead of Intergovernmental Revenue in the amounts of \$385,000. In 2012, the CDBG revenue was improperly posted to Special Assessments instead of Intergovernmental Revenue in the Debt Service Fund in the amount of \$23,900.
- The Village removed old outstanding checks from beginning fund balance instead of Miscellaneous Revenue in the amount of \$1,104 from the General Fund in 2012.
- During 2012, warrant #43571 was improperly posted to Supplies and Materials instead of Capital Outlay in the amount of \$110,802 in the Enterprise Fund.

The adjustments are reflected on the audited financial statements and have been posted to the Village's records.

The 2012 and 2011 annual reports required numerous audit adjustments and reclassifications for proper presentation. The Village fiscal officer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts.

Official's Response:

I always do my job to the best of my ability. In the future, I will try to not make the same mistakes.

VILLAGE OF ROCKFORD
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting of Receipts and Expenditures	No	Not Corrected – Repeated as Finding 2012-01

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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
JUNE 13, 2013**