

**VILLAGE OF ROCKFORD
MERCER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**



**Auditor of State
Betty Montgomery**

The Honorable Members of Village Council
Village of Rockford
Rockford, Ohio

We have reviewed the *Independent Auditor's Report* of the Village of Rockford, Mercer County, prepared by Bastin & Company, LLC, for the audit period January 1, 2003 through December 31, 2004. 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.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 23, 2005

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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, 2004 and 2003. 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005 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.



Cincinnati, Ohio
March 29, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$246,191	\$ 2,750	\$ -	\$ -	\$248,941
Intergovernmental Receipts	53,036	47,244	-	-	100,280
Charges for Services	15,285	-	-	-	15,285
Fines, Licenses and Permits	21,840	260	-	-	22,100
Interest Receipts	6,559	1,607	-	-	8,166
Miscellaneous	<u>11,942</u>	<u>6,939</u>	<u>3,500</u>	<u>-</u>	<u>22,381</u>
Total Cash Receipts	<u>354,853</u>	<u>58,800</u>	<u>3,500</u>	<u>-</u>	<u>417,153</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	169,872	707	-	-	170,579
Public Health Services	3,154	-	-	-	3,154
Leisure Time Activities	24,040	-	-	-	24,040
Community Environment	244	3,777	-	-	4,021
Basic Utility Services	1,899	-	-	-	1,899
Transportation	89,762	99,461	-	-	189,223
General Government	87,326	-	-	-	87,326
Capital Outlay	<u>9,823</u>	<u>-</u>	<u>160,000</u>	<u>419</u>	<u>170,242</u>
Total Cash Disbursements	<u>386,120</u>	<u>103,945</u>	<u>160,000</u>	<u>419</u>	<u>650,484</u>
Total Receipts Over (Under) Disbursements	<u>(31,267)</u>	<u>(45,145)</u>	<u>(156,500)</u>	<u>(419)</u>	<u>(233,331)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Note	-	-	160,000	-	160,000
Operating Transfers - In	-	2,800	-	-	2,800
Operating Transfers - Out	<u>(2,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,800)</u>
Total Other Financing Receipts (Disbursements)	<u>(2,800)</u>	<u>2,800</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	(34,067)	(42,345)	3,500	(419)	(73,331)
Fund Cash Balance, January 1, 2004	<u>171,323</u>	<u>153,405</u>	<u>5,923</u>	<u>2,079</u>	<u>332,730</u>
Fund Cash Balance, December 31, 2004	<u>\$137,256</u>	<u>\$111,060</u>	<u>\$ 9,423</u>	<u>\$1,660</u>	<u>\$259,399</u>
Reserves for Encumbrances, December 31, 2004	<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 YEARS ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Only</u>
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 397,981	\$ -	\$ 397,981
Miscellaneous	<u>11,646</u>	<u>-</u>	<u>11,646</u>
Total Operating Cash Receipts	<u>409,627</u>	<u>-</u>	<u>409,627</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	100,157	-	100,157
Contractual Services	42,818	-	42,818
Materials and Supplies	70,753	-	70,753
Capital Outlay	<u>77,790</u>	<u>-</u>	<u>77,790</u>
Total Operating Cash Disbursements	<u>291,518</u>	<u>-</u>	<u>291,518</u>
Operating Income	<u>118,109</u>	<u>-</u>	<u>118,109</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Loans	33,900	-	33,900
Other Non-Operating Receipts	<u>527</u>	<u>29,450</u>	<u>29,977</u>
Total Non-Operating Receipts	<u>34,427</u>	<u>29,450</u>	<u>63,877</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(101,902)	-	(101,902)
Debt Interest Payments	(51,738)	-	(51,738)
Other Non-Operating Disbursements	<u>(121)</u>	<u>(29,450)</u>	<u>(29,571)</u>
Total Non-Operating Disbursements	<u>(153,761)</u>	<u>(29,450)</u>	<u>(183,211)</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	(1,225)	-	(1,225)
Operating Transfers - In	190,162	-	190,162
Operating Transfers - Out	<u>(190,162)</u>	<u>-</u>	<u>(190,162)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(1,225)	-	(1,225)
Fund Cash Balance, January 1, 2004	<u>302,022</u>	<u>2,055</u>	<u>304,077</u>
Fund Cash Balance, December 31, 2004	<u>\$ 300,797</u>	<u>\$ 2,055</u>	<u>\$ 302,852</u>
Reserves for Encumbrances, December 31, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$235,995	\$ 3,117	\$ -	\$ -	\$239,112
Intergovernmental Receipts	53,428	51,843	12,143	-	117,414
Charges for Services	8,975	-	-	-	8,975
Fines, Licenses and Permits	30,578	707	-	-	31,285
Interest Receipts	6,655	1,492	-	-	8,147
Miscellaneous	<u>150,209</u>	<u>359</u>	<u>-</u>	<u>472</u>	<u>151,040</u>
Total Cash Receipts	<u>485,840</u>	<u>57,518</u>	<u>12,143</u>	<u>472</u>	<u>555,973</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	172,374	-	-	-	172,374
Public Health Services	2,513	-	-	-	2,513
Leisure Time Activities	22,198	-	-	-	22,198
Community Environment	300	3,252	-	-	3,552
Basic Utility Services	3,500	-	-	-	3,500
Transportation	77,951	59,118	-	-	137,069
General Government	96,737	-	9,254	-	105,991
Capital Outlay	9,741	-	147,715	-	157,456
Debt Service:					
Principal Payments	110,000	-	-	-	110,000
Interest Payments	<u>4,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,742</u>
Total Cash Disbursements	<u>500,056</u>	<u>62,370</u>	<u>156,969</u>	<u>-</u>	<u>719,395</u>
Total Receipts Over (Under) Disbursements	<u>(14,216)</u>	<u>(4,852)</u>	<u>(144,826)</u>	<u>472</u>	<u>(163,422)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Operating Transfers - In	-	2,800	10,000	-	12,800
Operating Transfers - Out	<u>(12,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,800)</u>
Total Other Financing Receipts (Disbursements)	<u>(12,800)</u>	<u>2,800</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	(27,016)	(2,052)	(134,826)	472	(163,422)
Fund Cash Balance, January 1, 2003	<u>198,339</u>	<u>155,457</u>	<u>140,749</u>	<u>1,607</u>	<u>496,152</u>
Fund Cash Balance, December 31, 2003	<u>\$171,323</u>	<u>\$153,405</u>	<u>\$ 5,923</u>	<u>\$2,079</u>	<u>\$ 332,730</u>
Reserves for Encumbrances, December 31, 2003	\$ -	\$ -	\$ -	\$ -	\$ -

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 YEARS ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
:	<u>Enterprise</u>	<u>Agency</u>	<u>Only</u>
<i>Operating Cash Receipts:</i>			
Charges for Services	<u>\$410,892</u>	<u>\$ -</u>	<u>\$410,892</u>
Total Operating Cash Receipts	<u>410,892</u>	<u>-</u>	<u>410,892</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	93,949	-	93,949
Contractual Services	44,903	-	44,903
Materials and Supplies	70,393	-	70,393
Capital Outlay	<u>91,024</u>	<u>-</u>	<u>91,024</u>
Total Operating Cash Disbursements	<u>300,269</u>	<u>-</u>	<u>300,269</u>
Operating Income	<u>110,623</u>	<u>-</u>	<u>110,623</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Loans	48,730	-	48,730
Other Non-Operating Receipts	<u>-</u>	<u>36,691</u>	<u>36,691</u>
Total Non-Operating Receipts	<u>48,730</u>	<u>36,691</u>	<u>85,421</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(95,648)	-	(95,648)
Debt Interest Payments	(55,519)	-	(55,519)
Other Non-Operating Disbursements	<u>(14,342)</u>	<u>(34,636)</u>	<u>(48,978)</u>
Total Non-Operating Disbursements	<u>(165,509)</u>	<u>(34,636)</u>	<u>(200,145)</u>
Excess of Receipts over (Under) Disbursements Before Interfund Transfers	(6,156)	2,055	(4,101)
Operating Transfers - In	172,193	-	172,193
Operating Transfers - Out	<u>(172,193)</u>	<u>-</u>	<u>(172,193)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(6,156)	2,055	(4,101)
Fund Cash Balance, January 1, 2003	<u>308,178</u>	<u>-</u>	<u>308,178</u>
Fund Cash Balance, December 31, 2003	<u>\$302,022</u>	<u>\$ 2,055</u>	<u>\$304,077</u>
Reserves for Encumbrances, December 31, 2003	<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, 2004 AND 2003

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, 2004 AND 2003
(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.

**VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 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 cancelled, and re-appropriated in the subsequent year.

A summary of 2004 and 2003 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.

VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

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, 2004 or 2003. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, is as follows:

	2004	2003
Demand deposits	\$562,251	\$636,807

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$357,953	\$354,853	(\$3,100)
Special Revenue	59,850	61,600	1,750
Capital Projects	160,000	163,500	3,500
Expendable Trust	0	0	0
Enterprise	431,503	634,216	202,713
Total	\$1,009,306	\$1,214,169	\$204,863

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$421,838	\$388,920	\$32,918
Special Revenue	177,350	103,945	73,405
Capital Projects	0	160,000	(160,000)
Expendable Trust	0	419	(419)
Enterprise	633,725	635,441	(1,716)
Total	\$1,232,913	\$1,288,725	(\$55,812)

**VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$453,661	\$485,840	\$32,179
Special Revenue	61,675	60,318	(1,357)
Capital Projects	10,000	22,143	12,143
Expendable Trust	0	472	472
Enterprise	397,603	631,815	234,212
Total	\$922,939	\$1,200,588	\$277,649

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$651,776	\$512,856	\$138,920
Special Revenue	206,125	62,370	143,755
Capital Projects	10,000	156,969	(146,969)
Expendable Trust	0	0	0
Enterprise	644,662	637,971	6,691
Total	\$1,512,563	\$1,370,166	\$142,397

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

Fiscal year 2004 - Tree City Fund	\$977
Fiscal year 2004 - Drug Law Enforcement Trust Fund	707
Fiscal year 2004 - Parkway Utility Project	160,000
Fiscal year 2004 - Pool Trust Fund	419
Fiscal year 2004 - Sanitary Sewer	25,383
Fiscal year 2004 - OWDA Supplemental Debt Service	2,227
Fiscal year 2003 - Tree City Fund	452
Fiscal year 2003 - Franklin Market State Grant	147,715
Fiscal year 2003 - Force Main Project Fund	32,383
Fiscal year 2003 - Water Line Replacement and Repair Fund	16,478

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

Fiscal year 2004 - Permissive License Tax	\$544
Fiscal year 2004 - Sanitary Sewer	134,628
Fiscal year 2004 - OWDA Supplemental Debt Service	70,298
Fiscal year 2003 - Sanitary Sewer	137,848
Fiscal year 2003 - OWDA Supplemental Debt Service	3,845

**VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. 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.

Property owners are assessed tangible personal property tax. They must file a list of tangible property to the County by April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

7. 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.

8. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Mortgage Revenue Bonds	\$199,000	6.50%
Public Infrastructure Improvement BAN	160,000	2.75%
Ohio Public Works Commission	193,593	0.00%
Ohio Water Development Authority - Force Main	59,603	0.00%
Ohio Water Development Authority	899,424	3.54%
OWDA - Supplemental	<u>122,145</u>	3.62%
Total	<u>\$1,633,765</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 \$19,000 in 2005 to \$31,000 in 2012.

The Village issued a Public Infrastructure Bond Anticipation Note (BAN) on January 22, 2004 for \$160,000 at an interest rate of 2.75% per annum. The purpose of the note is for paying part of the cost of constructing sanitary sewer, storm sewer and water system improvements in the Village. The BAN matures on January 21, 2005 and was renewed.

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

**VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 \$2,227 with no interest, over 20 years with the final payment due in 2023. The actual loan amount is less than the original amortization schedule and a final amortization schedule of this loan has not been approved by OWDA. Amortization of the loan balance presented below is presented at current payment amounts.

During 1999 a note from The Peoples Bank was issued for the acquisition of land in the total amount of \$123,575. The note was extended on a yearly basis and required only the payment of interest until such time that the Village could provide payment of principle. During 2002, \$13,575 of the note's principle was retired. The balance of \$110,000 was retired on July 16, 2003.

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	Public Infrastructure Bond Anticipation Note
2005	\$31,935	\$14,514	\$4,453	\$89,667	\$12,235	\$164,400
2006	32,700	14,514	4,453	89,667	12,235	-
2007	32,335	14,514	4,453	89,667	12,235	-
2008	32,905	14,514	4,453	89,667	12,235	-
2009	33,345	14,514	4,453	89,667	12,235	-
2010-2014	98,570	72,572	22,265	448,335	61,175	-
2015-2019	-	45,180	15,073	224,168	30,594	-
2020-2024	-	3,271	-	-	-	-
Total	<u>\$261,790</u>	<u>\$193,593</u>	<u>\$59,603</u>	<u>\$1,120,838</u>	<u>\$152,944</u>	<u>\$164,400</u>

9. RETIREMENT SYSTEMS

The Village's law enforcement officers 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 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS' members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF ROCKFORD
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

10. RISK MANAGEMENT

Risk Pool Membership

The Village maintains comprehensive insurance coverage with The Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002 (latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained Earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<u>Property coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

The Village also provides medical and life insurance coverage for full-time employees through a commercial carrier.

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, 2004 and 2003, and have issued our report thereon dated March 29, 2005 wherein we noted the Village prepared its financial statements using 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants, 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* and which are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

We also noted certain additional matters that we reported to management of the Village in a separate letter dated March 29, 2005.

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.

Bastin & Company, LLC

Cincinnati, Ohio
March 29, 2005

**VILLAGE OF ROCKFORD
MERCER COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number 2004 – 01

Noncompliance Citation – Expenditures Exceeding Appropriations

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, which exceeded appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Fiscal Year 2004			
Tree City Fund	\$2,800	\$3,777	\$977
Drug Law Enforcement Trust Fund	-	707	707
Parkway Utility Project	-	160,000	160,000
Pool Trust Fund	-	419	419
Sanitary Sewer	271,750	297,133	25,383
OWDA/OPWC Debt Service	-	2,227	2,227
OPWC Sewer Debt Service	13,700	28,700	15,000
Fiscal Year 2003			
Tree City Fund	2,800	3,252	452
Franklin Market State Grant	-	147,715	147,715
Force Main Project Fund	-	32,383	32,383
Water Line Replacement and Repair Fund	-	16,478	16,478

Procedures should be implemented to compare expenditure activity to approved appropriated amounts to ensure that budgetary expenditures do not exceed legally appropriated amounts.

**VILLAGE OF ROCKFORD
MERCER COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

Finding Number 2004 – 02

Noncompliance Citation – Appropriations Exceeding Estimated Resources Available

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 2004			
Permissive License Tax	\$9,456	\$10,000	\$544
Sanitary Sewer	137,122	271,750	134,628
OWDA Supplemental Debt Service	20,702	91,000	70,298
Fiscal Year 2003			
Sanitary Sewer	155,689	293,537	137,848
OWDA Supplemental Debt Service	8,405	12,250	3,845

Procedures should be implemented to ensure that approved appropriations do not exceed estimated resources available.

**VILLAGE OF ROCKFORD
MERCER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS**

There were no prior findings reported for the years ended December 31, 2002 and 2001.



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 6, 2005**