

**VILLAGE OF ROCKFORD  
MERCER COUNTY  
Regular Audit  
December 31, 2010 and 2009**

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





# Dave Yost • Auditor of State

Village Council  
Village of Rockford  
P.O. Box 282  
151 East Columbia Street  
Rockford, Ohio 45882

We have reviewed the *Independent Accountants' Report* of the Village of Rockford, Mercer County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 18, 2011

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**VILLAGE OF ROCKFORD  
MERCER COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

August 18, 2011

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

To the Village Council:

We have audited the accompanying financial statements of **Village of Rockford**, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009 or the changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Rockford, Mercer County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 50,430	\$ 21,916	\$ -	\$ -	\$ 72,346
Municipal Income Taxes	234,465	-	-	-	234,465
Intergovernmental	54,450	61,241	698,294	-	813,985
Special Assessments	-	-	47,069	-	47,069
Fines, Licenses, and Permits	15,698	2,756	-	-	18,454
Earnings on Investments	2,239	571	-	-	2,810
Miscellaneous	15,014	281	-	-	15,295
<b>Total Cash Receipts</b>	<u>372,296</u>	<u>86,765</u>	<u>745,363</u>	<u>-</u>	<u>1,204,424</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	175,971	21,312	-	-	197,283
Public Health Services	2,138	-	-	-	2,138
Leisure Time Activities	4,996	-	-	-	4,996
Community Environment	500	3,057	-	-	3,557
Basic Utility Services	8,836	-	-	-	8,836
Transportation	74,406	52,603	-	-	127,009
General Government	92,551	651	-	-	93,202
Debt Service:					
Redemption of Principal	-	-	116,685	-	116,685
Interest and Fiscal Charges	-	-	609	-	609
Capital Outlay	-	-	1,735,909	-	1,735,909
<b>Total Cash Disbursements</b>	<u>359,398</u>	<u>77,623</u>	<u>1,853,203</u>	<u>-</u>	<u>2,290,224</u>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<u>12,898</u>	<u>9,142</u>	<u>(1,107,840)</u>	<u>-</u>	<u>(1,085,800)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Note Proceeds	-	-	1,130,039	-	1,130,039
Transfer-In	-	2,800	12,000	-	14,800
Transfer-Out	(14,800)	-	-	-	(14,800)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(14,800)</u>	<u>2,800</u>	<u>1,142,039</u>	<u>-</u>	<u>1,130,039</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,902)	11,942	34,199	-	44,239
Fund Cash Balances, January 1	137,500	59,756	26,342	1,115	224,713
<b>Fund Cash Balances, December 31</b>	<u>\$ 135,598</u>	<u>\$ 71,698</u>	<u>\$ 60,541</u>	<u>\$ 1,115</u>	<u>\$ 268,952</u>
Reserve for Encumbrances, December 31	\$ 242	\$ 18	\$ -	\$ -	\$ 260

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 499,717	\$ -	\$ 499,717
Total Operating Revenues	<u>499,717</u>	<u>-</u>	<u>499,717</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	115,791	-	115,791
Fringe Benefits	38,711	-	38,711
Contractual Services	56,753	-	56,753
Supplies and Materials	84,713	-	84,713
Total Operating Cash Disbursements	<u>295,968</u>	<u>-</u>	<u>295,968</u>
Operating Income/(Loss)	<u>203,749</u>	<u>-</u>	<u>203,749</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Other Non-Operating Receipts	-	29,995	29,995
Capital Outlay	(35,339)	-	(35,339)
Redemption of Principal	(144,668)	-	(144,668)
Interest and Other Fiscal Charges	(29,330)	-	(29,330)
Other Non-Operating Disbursements	-	(29,582)	(29,582)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(209,337)</u>	<u>413</u>	<u>(208,924)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	<u>(5,588)</u>	<u>413</u>	<u>(5,175)</u>
Transfer-In	158,278	-	158,278
Transfer-Out	<u>(158,278)</u>	<u>-</u>	<u>(158,278)</u>
Net Receipts Over/(Under) Disbursements	(5,588)	413	(5,175)
Fund Cash Balances, January 1	<u>397,261</u>	<u>2,132</u>	<u>399,393</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 391,673</u></b>	<b><u>\$ 2,545</u></b>	<b><u>\$ 394,218</u></b>
Reserve for Encumbrances, December 31	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 190</u>

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 54,714	\$ 22,163	\$ -	\$ -	\$ 76,877
Municipal Income Taxes	245,472	-	-	-	245,472
Intergovernmental	54,485	58,858	1,910,922	-	2,024,265
Special Assessments	-	135	8,459	-	8,594
Fines, Licenses, and Permits	3,007	442	-	-	3,449
Earnings on Investments	3,425	690	-	-	4,115
Miscellaneous	16,805	131	-	-	16,936
	<u>377,908</u>	<u>82,419</u>	<u>1,919,381</u>	<u>-</u>	<u>2,379,708</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	173,839	10,990	-	-	184,829
Public Health Services	2,138	-	-	-	2,138
Leisure Time Activities	3,383	-	-	-	3,383
Community Environment	111	2,241	-	-	2,352
Basic Utility Services	5,561	-	-	-	5,561
Transportation	81,483	46,891	-	-	128,374
General Government	90,840	200	-	-	91,040
Debt Service:					
Redemption of Principal	2,500	-	179,160	-	181,660
Interest and Fiscal Charges	-	-	3,372	-	3,372
Capital Outlay	-	-	2,129,296	-	2,129,296
	<u>359,855</u>	<u>60,322</u>	<u>2,311,828</u>	<u>-</u>	<u>2,732,005</u>
Total Cash Receipts Over/(Under) Disbursements	<u>18,053</u>	<u>22,097</u>	<u>(392,447)</u>	<u>-</u>	<u>(352,297)</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Note Proceeds	-	-	328,782	-	328,782
Transfer-In	-	2,800	27,000	-	29,800
Transfer-Out	(29,800)	-	-	-	(29,800)
	<u>(29,800)</u>	<u>2,800</u>	<u>355,782</u>	<u>-</u>	<u>328,782</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,747)	24,897	(36,665)	-	(23,515)
Fund Cash Balances, January 1	149,247	34,859	63,007	1,115	248,228
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 137,500</b></u>	<u><b>\$ 59,756</b></u>	<u><b>\$ 26,342</b></u>	<u><b>\$ 1,115</b></u>	<u><b>\$ 224,713</b></u>
Reserve for Encumbrances, December 31	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 499,056	\$ -	\$ 499,056
Total Operating Revenues	<u>499,056</u>	<u>-</u>	<u>499,056</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	113,805	-	113,805
Fringe Benefits	34,616	-	34,616
Contractual Services	57,240	-	57,240
Supplies and Materials	79,412	-	79,412
Total Operating Cash Disbursements	<u>285,073</u>	<u>-</u>	<u>285,073</u>
Operating Income/(Loss)	<u>213,983</u>	<u>-</u>	<u>213,983</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>			
Note Proceeds	20,000	-	20,000
Other Non-Operating Receipts	-	7,180	7,180
Capital Outlay	(28,235)	-	(28,235)
Redemption of Principal	(139,559)	-	(139,559)
Interest and Other Fiscal Charges	(31,898)	-	(31,898)
Other Non-Operating Disbursements	-	(7,103)	(7,103)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(179,692)</u>	<u>77</u>	<u>(179,615)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	<u>34,291</u>	<u>77</u>	<u>34,368</u>
Transfer-In	164,835	-	164,835
Transfer-Out	<u>(164,835)</u>	<u>-</u>	<u>(164,835)</u>
Net Receipts Over/(Under) Cash Disbursements	34,291	77	34,368
Fund Cash Balances, January 1	<u>362,970</u>	<u>2,055</u>	<u>365,025</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 397,261</b></u>	<u><b>\$ 2,132</b></u>	<u><b>\$ 399,393</b></u>

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

**B. Accounting Basis**

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

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

**C. Deposits**

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

*Fire Levy Fund* - This fund receives tax levy 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. Capital Project Funds**

These funds account for receipts that are 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:

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

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

**4. Permanent Funds**

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

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

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends 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 Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**D. Fund Accounting (Continued)**

**6. Fiduciary Funds (Agency 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.

**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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	<b>2010</b>	<b>2009</b>
Demand deposits	\$ 663,170	\$ 624,106

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 379,271	\$ 372,296	\$ (6,975)
Special Revenue	84,069	89,475	5,406
Capital Projects	2,166,395	1,887,402	(278,993)
Enterprise	670,890	657,995	(12,895)
<b>Total</b>	<b>\$ 3,300,625</b>	<b>\$ 3,007,168</b>	<b>\$ (293,457)</b>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 421,198	\$ 374,440	\$ 46,758
Special Revenue	101,000	77,641	23,359
Capital Projects	1,963,977	1,853,203	110,774
Enterprise	712,706	663,773	48,933
	<b>\$ 2,486,175</b>	<b>\$ 2,305,284</b>	<b>\$ 180,891</b>



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 422,863	\$ 377,908	\$ (44,955)
Special Revenue	111,219	85,219	(26,000)
Capital Projects	2,302,017	2,275,163	(26,854)
Enterprise	771,173	683,891	(87,282)
Total	\$ 3,608,222	\$ 3,422,181	\$ (186,041)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 474,625	\$ 389,674	\$ 84,951
Special Revenue	91,710	60,322	31,388
Capital Projects	2,312,082	2,311,828	254
Enterprise	846,114	649,600	196,514
	\$ 3,724,531	\$ 3,411,424	\$ 313,107

**4. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.0% 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.

**5. PROPERTY TAX**

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

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

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest</u>
First Mortgage Revenue Bonds	\$ 70,000	6.50%
Ohio Public Works Commission Loans	315,300	0.00%
Ohio Water Development Authority	516,608	3.54%
OWDA- Supplemental	14,398	3.62%
OWDA- Force Main	41,427	0.00%
OWDA- Water Project	1,138,682	0.00%
Peoples Holding Co. Note- Front Street	63,250	4.25%
Peoples Holding Co. Note- Public Infrastructure	25,440	4.00%
Total	<u>\$ 2,185,105</u>	

The Village issued the First Mortgage Revenue Bonds in 1987 for a sewer line project totaling \$400,000. Bonds are retired annually at \$33,000 through 2013.

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

The Ohio Water Development Authority (OWDA) loan and the OWDA Supplemental loan relates to a sanitary sewer improvement project. These loans originated in 1998 in initial amounts totaling \$1,277,416 and \$117,095, 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 OWDA Supplemental loan balance has been restated \$55,904 due to an overstatement in the prior audit. This loan is expected be paid in full in 2012.

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

The Village received an interest free loan from the Ohio Water Development Authority for water system improvement and meters for \$1,138,682 of which a portion was received in 2009 and the remaining balance was received in 2010. The loan will be repaid in semi-annual installments of \$33,794 with no interest, with the final payment due in 2017.

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT (Continued)**

During 2009, the Village issued a Public Infrastructure Bond Anticipation Note (BAN) for \$70,000 to retire a Public Infrastructure Bond Anticipation Note of \$80,000 issued in 2009. During 2010, the Village issued a Public Infrastructure Bond Anticipation Note (BAN) for \$60,000 to retire a Public Infrastructure Bond Anticipation Note of \$70,000 issued in 2009. The 2010 BAN is to be retired in 2011.

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

Year Ending December 31:	First Mortgage Revenue Bond	Peoples Holding Front Street	Peoples Holding Public Infrastructure	OWDA Supplemental
2011	\$ 32,655	\$ 33,700	\$ 26,458	\$ 12,235
2012	32,900	-	-	6,118
2013	33,015	-	-	-
	<u>\$ 98,570</u>	<u>\$ 33,700</u>	<u>\$ 26,458</u>	<u>\$ 18,353</u>

Year Ending December 31:	OWDA Water Project	OWDA	OWDA Force Main	OPWC Loans
2011	\$ 67,588	\$ 89,667	\$ 3,314	\$ 19,514
2012	67,588	89,667	3,314	19,514
2013	67,588	89,667	3,314	19,514
2014	67,588	89,667	3,314	19,514
2015	67,588	89,667	3,314	19,514
2016-2020	337,940	224,167	16,571	70,174
2021-2025	337,940	-	8,286	27,448
2026-2030	124,862	-	-	1,500
	<u>\$ 1,138,682</u>	<u>\$ 672,502</u>	<u>\$ 41,427</u>	<u>\$ 196,692</u>

**7. TRANSFERS**

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, 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, 2010.

**9. RISK MANAGEMENT**

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), 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 60 members as of December 31, 2009. The Village does not participate in this coverage.

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: 2009 and 2008 (the latest information available), and include amounts for both OPRRM and OPHC:

	<b>2009 OPRM</b>	<b>2009 OPHC</b>	<b>2009</b>	<b>2008</b>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members’ Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

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

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

August 18, 2011

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

To the Village Council:

We have audited the financial statements of **Village of Rockford**, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 18, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of audit findings to be a material weakness.

Village of Rockford  
Mercer County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

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

**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2010 and 2009**

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

**FINDING NUMBER 2010-001**

**Material Weakness**

**Posting Receipts and Expenditures**

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

During 2009 and 2010, several receipts and expenditures were not posted into accurate revenue classifications based on the source of the receipt or expenditure. For example, intergovernmental revenue, tax revenue and note proceeds were not posted into the correct receipt classification. In addition, the expenditures for the principal/interest payments were not always separated or posted to the correct disbursement classification. This resulted in several adjustments and reclassification entries being made to the financial statements. The accompanying financial statements reflect all adjustments and reclassifications.

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

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



**VILLAGE OF ROCKFORD  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, <i>Explain</i>
2008-001	Posting of Receipts and Expenditures	No	Repeated as Finding 2010-001
2008-002	ORC 5705.36	Yes	Corrected
2008-003	ORC 5705.39	Yes	Corrected
2008-004	ORC 5705.41(D)(1)	Yes	Corrected

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# Dave Yost • Auditor of State

VILLAGE OF ROCKFORD

MERCER COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 10, 2011