



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 22, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

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**VILLAGE OF ROCKFORD
MERCER COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rockford, Mercer County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rockford, Mercer County as of December 31, 2016 and 2015, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, 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
Columbus, Ohio

November 26, 2018

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$61,900	\$13,680			\$75,580
Municipal Income Tax	318,765				318,765
Intergovernmental	30,471	126,425			156,896
Special Assessments			18,509		18,509
Charges for Services				3,000	3,000
Fines, Licenses and Permits	22,848	1,511			24,359
Earnings on Investments	1,604	684			2,288
Miscellaneous	19,827	15,604			35,431
Total Cash Receipts	<u>455,415</u>	<u>157,904</u>	<u>18,509</u>	<u>3,000</u>	<u>634,828</u>
Cash Disbursements					
Current:					
Security of Persons and Property	194,201	12,754			206,955
Public Health Services	3,505				3,505
Leisure Time Activities	14,439				14,439
Community Environment	2,625				2,625
Basic Utility Services	5,071				5,071
Transportation	73,495	86,927			160,422
General Government	97,592	567	666		98,825
Capital Outlay	1,905	64,317		9,633	75,855
Debt Service:					
Principal Retirement	6,083		48,910	21,206	76,199
Interest and Fiscal Charges	825		934		1,759
Total Cash Disbursements	<u>399,741</u>	<u>164,565</u>	<u>50,510</u>	<u>30,839</u>	<u>645,655</u>
Excess of Receipts Over (Under) Disbursements	<u>55,674</u>	<u>(6,661)</u>	<u>(32,001)</u>	<u>(27,839)</u>	<u>(10,827)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			24,902		24,902
Transfers In			10,000	32,000	42,000
Transfers Out	(42,000)				(42,000)
Refund of Prior Year Disbursements	14,195				14,195
Total Other Financing Receipts (Disbursements)	<u>(27,805)</u>		<u>34,902</u>	<u>32,000</u>	<u>39,097</u>
Net Change in Fund Cash Balances	27,869	(6,661)	2,901	4,161	28,270
Fund Cash Balances, January 1	<u>170,170</u>	<u>112,259</u>	<u>69,265</u>	<u>3,902</u>	<u>355,596</u>
Fund Cash Balances, December 31					
Nonspendable	4,089				4,089
Restricted		105,598	72,166	108	177,872
Committed	849				849
Assigned	104,959			7,955	112,914
Unassigned	88,142				88,142
Fund Cash Balances, December 31	<u>\$198,039</u>	<u>\$105,598</u>	<u>\$72,166</u>	<u>\$8,063</u>	<u>\$383,866</u>

See accompanying notes to the basic financial statements

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$611,180		\$611,180
Fines, Licenses and Permits		19,110	19,110
Miscellaneous	5,239		5,239
Total Operating Cash Receipts	<u>616,419</u>	<u>19,110</u>	<u>635,529</u>
Operating Cash Disbursements			
Personal Services	149,536		149,536
Employee Fringe Benefits	75,137		75,137
Contractual Services	57,748		57,748
Supplies and Materials	89,460		89,460
Other	1,951	18,873	20,824
Total Operating Cash Disbursements	<u>373,832</u>	<u>18,873</u>	<u>392,705</u>
Operating Income	<u>242,587</u>	<u>237</u>	<u>242,824</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	9,700		9,700
Capital Outlay	(45,477)		(45,477)
Principal Retirement	(229,271)		(229,271)
Interest and Other Fiscal Charges	(12,872)		(12,872)
Total Non-Operating Receipts (Disbursements)	<u>(277,920)</u>		<u>(277,920)</u>
Net Change in Fund Cash Balances	(35,333)	237	(35,096)
Fund Cash Balances, January 1	<u>477,898</u>	<u>1,103</u>	<u>479,001</u>
Fund Cash Balances, December 31	<u>\$442,565</u>	<u>\$1,340</u>	<u>\$443,905</u>

See accompanying notes to the basic financial statements

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 direct the Village. The Village provides water and sewer utilities, park operations and police services.

The Village participates in the Ohio Plan Risk Management, a public entity risk pool.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund - This fund accounts for and reports monies used for leisure time activities.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service fund:

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

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects fund:

Sub Division Development Fund – This fund accounts for and reports monies from rent of land and general fund transfers to pay for the acquisition of land for future subdivision development and improvements.

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 Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

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 a Mayor’s court.

VILLAGE OF ROCKFORD
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 appropriate measure. 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 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 canceled, and re-appropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

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. Nonspendable

The Village classifies assets as *nonspendable* 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 Trustees amend 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
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Capital Assets

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. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2016 was as follows:

	2016
Demand deposits	<u>\$827,771</u>
Total deposits	<u><u>827,771</u></u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$320,572	\$469,610	\$149,038
Special Revenue	198,750	157,904	(40,846)
Debt Service	111,335	53,411	(57,924)
Capital Projects	788,000	35,000	(753,000)
Enterprise	852,700	626,119	(226,581)
Total	<u>\$2,271,357</u>	<u>\$1,342,044</u>	<u>(\$929,313)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$452,505	\$441,741	\$10,764
Special Revenue	\$230,696	\$164,565	\$66,131
Debt Service	\$110,236	\$50,510	\$59,726
Capital Projects	\$80,794	\$30,839	\$49,955
Enterprise	966,544	661,452	\$305,092
Total	<u>\$1,840,775</u>	<u>\$1,349,107</u>	<u>\$491,668</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. RETIREMENT SYSTEMS

The Village's Police 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 2016, OP&F participants contributed 12.25%. For 2016 the Village contributed to OP&F an amount equal to 19.5% for full time police members' wages. For 2016, 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 2016.

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

9. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Sewer Separation	\$13,697	0%
Ohio Public Works Commission - Franklin / Market St.	5,313	0%
Ohio Public Works Commission - Front Street	57,500	0%
Ohio Public Works Commission - South Main Street	74,631	0%
Ohio Public Works Commission - Market St.	54,656	0%
Ohio Water Development Authority - Sewer	44,054	3.5%
Ohio Water Development Authority - Force Main	21,542	0%
Ohio Water Development Authority- WTP / Meters	897,838	0%
Ohio Water Development Authority- Dist. System Improve	630,880	1.5%
Ohio Water Development Authority- WWTP Upgrade	53,800	0%
People's Holding Co. Note - Front Street	24,902	3%
Rogers Property	169,648	0%
People's Bank - 2016 Police SUV	26,082	2.75%
Total	<u>\$2,074,543</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 semiannual 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.

The Ohio Water Development Authority Sewer Separation loan relates to a sanity 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 years with the final payment due in 2017.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. DEBT (Continued)

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 1.5% loan from the Ohio Water Development Authority for the Sewer District Improvements for \$679,602. The loan will be repaid in semi-annual installments of \$14,696 over 30 years.

The Village received an interest free loan from Ohio Water Development Authority for Waste Water Treatment Plan upgrades, planning, and design totaling \$126,000. The Village received \$81,900 in 2015 and \$9,700 in 2016. The remaining balance will be received in 2017. The amortization schedule for this loan is not available until the completion of the project.

During 2016, the Village issued a Front Street / Parkway Utility Note to retire the 2015 note.

During 2015, the Village purchased the Rogers Property at 0% interest with payments being \$21,206 each year for 10 years. The 1st payment was made in January 2015.

During 2015, the Village purchased a 2016 Police SUV in the amount of \$32,000 that was borrowed from Peoples Bank. Payments will be made on a quarterly basis beginning in 2016 for 5 years.

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

Year ending	People's Holding /	Ohio Public	Rogers	Total	
December 31:	People's Bank	OWDA Loan	Commission	Property	
2017	\$31,810	144,053	29,024	21,206	\$226,093
2018	6,908	99,220	15,328	21,206	142,662
2019	6,908	99,220	15,328	21,206	142,662
2020	6,908	99,220	15,327	21,206	142,661
2021		99,220	15,327	21,206	135,753
2022-2026		484,501	73,777	63,618	621,896
2027-2031		379,759	41,686		421,445
2032-2036		146,960			146,960
2037-2041		146,960			146,960
2042		29,392			29,392
Total	\$52,534	\$1,728,505	\$205,797	\$169,648	\$2,156,484

10. SUBSEQUENT EVENT

On May 31, 2018, the Village signed an agreement for a 30 year interest free loan in the amount of \$2,155,000 with the Ohio Water Development Authority for wastewater treatment plant improvements. Repayment will begin in 2019. As of October 31, 2018, \$121,738 has been disbursed.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$61,321	\$3,044			\$64,365
Municipal Income Tax	326,923				326,923
Intergovernmental	32,757	\$56,527			89,284
Special Assessments			17,326		17,326
Charges for Services				3,000	3,000
Fines, Licenses and Permits	13,344	260			13,604
Earnings on Investments	921	427			1,348
Miscellaneous	16,772	9,846			26,618
Total Cash Receipts	452,038	70,104	17,326	3,000	542,468
Cash Disbursements					
Current:					
Security of Persons and Property	199,141	160			199,301
Public Health Services	2,205				2,205
Leisure Time Activities	22,049	23,540			45,589
Community Environment	4,067				4,067
Basic Utility Services	5,303				5,303
Transportation	64,120	53,321			117,441
General Government	109,888	221	1,011		111,120
Capital Outlay				141	141
Debt Service:					
Principal Retirement			62,052	21,206	83,258
Interest and Fiscal Charges			1,427		1,427
Total Cash Disbursements	406,773	77,242	64,490	21,347	569,852
Excess of Receipts Over (Under) Disbursements	45,265	(7,138)	(47,164)	(18,347)	(27,384)
Other Financing Receipts (Disbursements)					
Sale of Notes			33,968		33,968
Other Debt Proceeds	32,000				32,000
Transfers In	603	24,000	5,000	22,000	51,603
Transfers Out	(51,000)	(250)			(51,250)
Total Other Financing Receipts (Disbursements)	(18,397)	23,750	38,968	22,000	66,321
Net Change in Fund Cash Balances	26,868	16,612	(8,196)	3,653	38,937
Fund Cash Balances, January 1	143,302	95,647	77,461	249	316,659
Fund Cash Balances, December 31					
Nonspendable	4,089				4,089
Restricted		112,259	69,265	108	181,632
Committed	234				234
Assigned	132,033			3,794	135,827
Unassigned	33,814				33,814
Fund Cash Balances, December 31	\$170,170	\$112,259	\$69,265	\$3,902	\$355,596

See accompanying notes to the basic financial statements

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$605,417		\$605,417
Fines, Licenses and Permits		3,815	3,815
Miscellaneous	225		225
Total Operating Cash Receipts	<u>605,642</u>	<u>3,815</u>	<u>609,457</u>
Operating Cash Disbursements			
Personal Services	146,974	3,798	150,772
Employee Fringe Benefits	70,377		70,377
Contractual Services	60,971		60,971
Supplies and Materials	75,117		75,117
Other	3,135		3,135
Total Operating Cash Disbursements	<u>356,574</u>	<u>3,798</u>	<u>360,372</u>
Operating Income	<u>249,068</u>	<u>17</u>	<u>249,085</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	96,100		96,100
Capital Outlay	(98,577)		(98,577)
Principal Retirement	(239,222)		(239,222)
Interest and Other Fiscal Charges	(18,459)		(18,459)
Total Non-Operating Receipts (Disbursements)	<u>(260,158)</u>		<u>(260,158)</u>
Income (Loss) before Transfers	(11,090)	17	(11,073)
Transfers Out	(353)		(353)
Net Change in Fund Cash Balances	(11,443)	17	(11,426)
Fund Cash Balances, January 1	<u>489,341</u>	<u>1,086</u>	<u>490,427</u>
Fund Cash Balances, December 31	<u><u>\$477,898</u></u>	<u><u>\$1,103</u></u>	<u><u>\$479,001</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 direct the Village. The Village provides water and sewer utilities, park operations and police services.

The Village participates in the Ohio Plan Risk Management, a public entity risk pool.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Parks and Recreation Fund - This fund accounts for and reports monies used for leisure time activities.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service funds:

Front Street Improvement Fund – This fund receives Special Assessments to pay an Ohio Public Works Commission loan and a People's Holding Bank Note.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Sub Division Development Fund – This fund accounts for and reports monies from rent of land and general fund transfers to pay for the acquisition of land for future subdivision development and improvements.

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 Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

6. Fiduciary Fund

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 a Mayor's court.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 appropriate measure. 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 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 canceled, and re-appropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

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. Nonspendable

The Village classifies assets as *nonspendable* 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 Trustees amend 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
FOR THE YEAR ENDED DECEMBER 31, 2015
(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. Capital Assets

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. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was as follows:

	2015
Demand deposits	<u>\$834,597</u>
Total deposits	<u><u>834,597</u></u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$396,418	\$484,641	\$88,223
Special Revenue	190,350	94,104	(96,246)
Debt Service	44,279	56,294	12,015
Capital Projects	22,000	25,000	3,000
Enterprise	726,827	701,742	(25,085)
Total	\$1,379,874	\$1,361,781	(\$18,093)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$445,495	\$457,773	(\$12,278)
Special Revenue	\$230,695	\$77,492	\$153,203
Debt Service	\$84,400	\$64,490	\$19,910
Capital Projects	\$80,794	\$21,347	\$59,447
Enterprise	959,798	713,185	\$246,613
Total	\$1,801,182	\$1,334,287	\$466,895

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. RETIREMENT SYSTEMS

The Village's Police 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 2015, OP&F participants contributed 11.5% until July and then 12.25% thereafter. For 2015, the Village contributed to OP&F an amount equal to 19.5% for full time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participant's gross salaries. The Village has paid all contributions required through December 2015.

Social Security System

Only one employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. The employee contributed 6.2 percent of gross salary. The Village contributed an amount equal to 6.2 percent of gross salary. The Village has paid all required contributions required through December 31, 2015.

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2014, the OPRM retained 47% 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 772 members as of December 31, 2015.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. RISK MANAGEMENT (Continued)

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 equity at December 31, 2015.

	2015
Assets	\$14,643,667
Liabilities	(9,112,030)
Members' Equity	\$5,531,637

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

9. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission - Sewer Separation	\$27,394	0%
Ohio Public Works Commission - Franklin / Market St.	6,130	0%
Ohio Public Works Commission - Front Street	62,500	0%
Ohio Public Works Commission - South Main Street	80,372	0%
Ohio Public Works Commission - Market St.	58,425	0%
Ohio Water Development Authority - Sewer	129,877	3.5%
Ohio Water Development Authority - Force Main	24,856	0%
Ohio Water Development Authority - WTP / Meters	964,451	0%
Ohio Water Development Authority - Dist. System Improve	650,587	1.5%
Ohio Water Development Authority - WWTP Upgrade	69,300	0%
People's Holding Co. Note - Front Street	33,968	3%
People's Holding Co. Note - WWTP Improve	14,200	3%
Rogers Property	190,854	0%
People's Bank - 2016 Police SUV	32,000	2.75%
Total	\$2,344,914	

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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. DEBT (Continued)

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 semiannual 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.

The Ohio Water Development Authority Sewer Separation loan relates to a sanity 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 years with the final payment 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 1.5% loan from the Ohio Water Development Authority for the Sewer District Improvements for \$679,602. The loan will be repaid in semi-annual installments of \$14,696 over 30 years.

The Village received an interest free loan from Ohio Water Development Authority for Waste Water Treatment Plan upgrades, planning, and design totaling \$126,000. The Village received \$81,900 in 2015. The remaining balance will be received in 2016 and 2017. The amortization schedule for this loan is not available until the completion of the project.

During 2015, the Village issued a Wastewater Treatment Plant Note to retire the 2014 note.

During 2015, the Village issued a Front Street / Parkway Utility Note to retire the 2014 note.

During 2015, the Village purchased the Rogers Property at 0% interest with payments being \$21,206 each year for 10 years. The 1st payment was made in January 2015.

During 2015, the Village purchased a 2016 Police SUV in the amount of \$32,000 that was borrowed from Peoples Bank. Payments will be made on a quarterly basis beginning in 2016 for 5 years.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. DEBT (Continued)

Amortization

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

Year ending December 31:	People's Holding / People's Bank	OWDA Loan	Ohio Public Works Commission	Rogers Property	Total
2016	\$55,075	\$187,838	\$29,024	\$21,206	\$293,143
2017	6,908	144,053	29,024	21,206	201,191
2018	6,908	99,220	15,328	21,206	142,662
2019	6,908	99,220	15,328	21,206	142,662
2020	6,908	99,220	15,327	21,206	142,661
2021-2025		487,815	74,593	84,824	647,232
2026-2030		446,273	54,312		500,585
2031-2035		146,960	1,885		148,845
2036-2040		146,960			146,960
2041-2042		58,784			58,784
Total	<u>\$82,707</u>	<u>\$1,916,343</u>	<u>\$234,821</u>	<u>\$190,854</u>	<u>\$2,424,725</u>

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Dave Yost • Auditor of State

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
P.O. 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 cash balances, receipts, and disbursements by fund type of the Village of Rockford, Mercer County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 26, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-004 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

November 26, 2018

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness

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

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types - General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 changes the definitions of governmental funds; therefore, some funds that are maintained for day-to-day accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the general fund or a qualifying special revenue fund in the year-end financial statements. GASB Statement No. 54 also establishes criteria for reporting governmental fund balances based upon constraints placed upon the use of the resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The following misstatements occurred on the Village's financial statements and accounting records:

- In 2016 and 2015, permissive license taxes levied by the Village in the amounts of \$13,680 and \$3,044 in the Permissive Motor Vehicle License Tax fund, were incorrectly classified as intergovernmental receipts instead of property and other local tax receipts;
- In 2016, an insurance reimbursement in the amount of \$15,175 was incorrectly classified as a special assessments receipt in the Light Pole fund instead of a miscellaneous receipt;
- In 2016, upon receipt of grant funding, a reimbursement was made to the General fund from the Parks & Recreation fund for disbursements paid in previous years and was incorrectly classified as a Miscellaneous receipt instead of Refund of Prior Year Disbursements;
- In 2015, loan proceeds totaling \$32,000 for the purchase of a police cruiser were incorrectly classified as other financing sources in the General fund. Additionally, principal and interest in the amounts of \$5,962 and \$765, respectively, were recorded in the Permissive Motor Vehicle License Tax fund for loan payments on the police cruiser and should have been paid from the General fund;

**FINDING NUMBER 2016-001
(Continued)**

- In 2016 and 2015, principal payments in the amount of \$21,206 from the Subdivision Development capital projects fund for a land acquisition lease were incorrectly classified as capital outlay disbursements;
- In 2015, all of the Village's debt service funds were improperly classified as capital projects funds and required adjustments to show the activity as debt service funds. Additionally, in 2015, the principal and interest payments were incorrectly classified as capital outlay disbursements and note proceeds were incorrectly classified as special assessment receipts;
- In 2016 and 2015, the Wastewater Treatment Plant fund was improperly classified as a capital projects fund and should have been reported as an enterprise fund. Additionally, the fund's debt proceeds in the amount of \$9,700 and \$81,900 were incorrectly classified as special assessment receipts in 2016 and 2015;
- In 2016 and 2015, the entire General fund balance was incorrectly classified as assigned. In each year, reclassifications were necessary to report \$4,089 as nonspendable for unclaimed monies and \$849 and \$234, in 2016 and 2015, respectively, as committed for Tree City funds. Finally, reclassifications in the amounts of \$88,142 and \$33,814 to unassigned fund balance for 2016 and 2015, respectively, were necessary to show the portion of fund balance that was not nonspendable, committed, or assigned for subsequent year appropriations;
- In 2016 and 2015, the Subdivision Development capital projects fund balance of \$7,955 and \$3,794, respectively, was classified as restricted and should have been classified as assigned as there was no ordinance or resolution by Council that identified a specific purpose for the fund;
- In 2016 and 2015, intrafund transfers totaling \$158,018 and \$134,585, respectively, were eliminated between various enterprise funds that roll up together for financial reporting purposes;
- In 2016 and 2015, the beginning balance, receipts, disbursements, and ending balance of the Mayor's Court Computer fund was improperly reported as part of the General fund and required an adjustment to show the activity as a Special Revenue fund;
- In 2015, the beginning balance, receipts, disbursements, and ending balance of the Mayor's Court fund was not properly recorded and required an adjustment to show the activity as an Agency fund. In 2016, the beginning and ending balances of the Mayor's Court fund was not included on the Village's accounting records or financial statements; and
- In 2016, the balances of the Unclaimed Monies (\$4,089) and Pool Trust (\$1,115) funds were improperly classified as agency and private purpose trust funds, respectively. These funds should have been reported as part of the general fund for financial reporting purposes.

The misstatements noted above have been corrected on the accompanying financial statements and have been posted to the Village's accounting records. In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$429 to \$5,883, which we have brought to the Village's attention.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the users' understanding of the financial operations, the Village Council's and management's ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

**FINDING NUMBER 2016-001
(Continued)**

The Village should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

Finding for Recovery

The Village operates a low power FM broadcast station, as approved by the Federal Communications Commission (FCC). The Village of Rockford was listed as the official licensee on the FCC low power FM station license granted January 12, 2015. Mr. James Crocker volunteered to act as the General Manager of the radio station since its inception in 2014 and until January 2018; Mr. Crocker was not a Village employee. A bank account was opened May 2, 2014, in the name of "Village of Rockford WRKD-LP Radio" with Lisa Kuhn, Village Fiscal Officer, and Mr. Crocker, Volunteer, as authorized signers on the account.

There were no Village Council approved policies governing the operation of the radio station; however, the station utilized the WRKD 101.3fm Station Handbook & On-Air training Manual, which states in part the General Manager has oversight of the station's finances and the ultimate decision of the station needs. Furthermore, there was no evidence of any formal agreement approved by Council addressing compensation or expense reimbursement to Mr. Crocker.

During the period of May 12, 2014 through January 12, 2018, there were 93 disbursements totaling \$3,529 made by the former General Manager of the station, not related to operations of the radio station or authorized by Council. These purchases consisted of the following:

- Thirteen transactions totaling \$204 for food purchases;
- Twenty-eight transactions totaling \$1,326 for auto expenses;
- Thirty-seven transactions totaling \$637 for gasoline;
- Eight transactions totaling \$341 for liquid nicotine inhalant;
- Two transactions totaling \$455 for a string trimmer and water heater for personal use;
- One transaction in the amount of \$100 for a station laptop still in the possession of Mr. Crocker;
- Two transactions totaling \$138 for fees related to the filing of Mr. Crocker's personal business with the Secretary of State;
- One transaction in the amount of \$60 for a donation to a non-profit organization promoting alcohol; and
- One transaction in the amount of \$268 for a payment to a stock transfer company.

Additionally, 73 transactions totaling \$3,002 lacked supporting documentation and it could not be reasonably determined based on the goods/services provided by the vendor that the disbursements were for a proper public purpose.

**FINDING NUMBER 2016-002
(Continued)**

In addition to the purchases above, the General Manager made 22 cash withdrawals from the bank account totaling \$1,730, received \$20 cash back on a purchase at Wal-Mart, and held cash back from deposits on four separate occasions in the amount of \$184. There was no documentation to support that the cash was used for a proper public purpose.

The General Manager also wrote 11 checks totaling \$1,220 to himself, his wife, and their business Crocker Media Group, LLC without authorization from Council or other supporting documentation as to the purpose of the payments.

Due to the Village radio station being a non-profit, low power station, FCC restrictions do not allow them to advertise. Instead, contributions made by local businesses can be acknowledged on air in a non-promotional means known as underwriting. The radio station offered various underwriting packages to local businesses.

During 2015, a \$75 check made payable to the radio station from a local business for underwriting was endorsed by Mr. Crocker and deposited into his personal bank account. During 2017, two checks totaling \$850 made payable to the radio station for underwriting were deposited into the bank account of Mr. Crocker's personal business, Crocker Media Group, LLC.

Additionally, from 2015 to 2017, Mr. Crocker accepted trades from the following businesses as payment for underwriting agreements, as evidenced on the underwriting invoices:

- Mojo Vapes, for liquid inhalant in the amount of \$500;
- Summit City Vapes, for liquid inhalant in the amount of \$75;
- Epic Vapes, for liquid inhalant in the amount \$500;
- CJ's Highmarks restaurant, for a gift card in the amount of \$200; and
- West Bank Inn for lodging in the amount of \$400.

The above items do not benefit the Village Radio Station, and as such are not for a proper public purpose.

From July 2015 to January 2018, Mr. Crocker wrote five checks totaling \$555 to WRKD Radio from his personal bank account and his personal business bank account and deposited them in the Village of Rockford WRKD-LP Radio bank account. We will accept these deposits as a form of restitution.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states in part the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a finding for recovery for public monies converted or misappropriated totaling \$11,730 is hereby issued against James Crocker, and in favor of the Village of Rockford's General fund.

**FINDING NUMBER 2016-002
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

James Crocker's Response:

Mr. Crocker contends that the radio station was a separate entity which operated under a license held by the Village of Rockford and that at the inception of the radio station, an arrangement was proposed in which his radio management business would provide all equipment, manage sponsorships and underwriting support, and ensure compliance with FCC requirements. All donations, underwriting funds, and sponsorships were delivered to WRKD Radio and placed in a special fund account that the Village established to maintain the funds in a secure manner. Further, Mr. Crocker asserts that the operation of the radio station by his radio management business was similar to that of an independent contractor relationship and that he was entitled to periodic distributions as he saw fit, in lieu of receiving commission for obtaining underwriting support or sponsorships.

FINDING NUMBER 2016-003

Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, **Ohio Attorney General Opinion 82-006** indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states in part, that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

In 2015, the General Manager of the Village's Radio Station made payments from the Radio Station's bank account to an auto dealership totaling \$2,228 to purchase a car. In addition, the General Manager provided underwriting to the dealership in the amount of \$1,650 as a trade for the purchase of the car. Council did not approve the purchase of the car, and as such, it is not considered a proper public purpose. Additionally, Council did not authorize the General Manager to accept trades as payment for underwriting agreements.

The Village should implement procedures to verify that all purchases are for proper public purpose items for the operations of the Village. Failure to do so could result in additional non-compliant disbursements in future years as well as potential findings for recovery being issued in future audits.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-004

Noncompliance / Material Weakness

Ohio Admin. Code §117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of control objectives for their respective public offices in certain categories.

Ohio Admin. Code §117-2-01(D) states in part that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- 1) Ensure that all transactions are properly authorized in accordance with management's policies
- 2) Ensure that accounting records are properly designed
- 3) Ensure adequate security of assets and records
- 4) Plan for adequate segregation of duties or compensating controls

In 2014, the Village established a checking account for the financial activity of the Village's low power FM broadcast station. The authorized signers on the account included the Village Fiscal Officer and the General Manager of the radio station. Although the Council did not establish any policies for the radio station, the General Manager had oversight of the station's finances, as stated in the WRKD 101.3fm Station Handbook & On-Air training manual. The General Manager did not maintain any records detailing receipts and disbursements of the radio station and no bank reconciliations were completed. The financial activity of the radio station was not included in the Village's accounting system and as a result, the following misstatements occurred on the Village's financial statements and accounting records:

- In 2015, General fund miscellaneous receipts, leisure time activities disbursements, and ending balance were understated by \$11,691, \$11,378, and \$313, respectively; and
- In 2016, General fund miscellaneous receipts, leisure time activities disbursements, and ending balance were understated by \$10,600, \$8,097, and \$2,816, respectively.

The above misstatements have been adjusted in the Village's accompanying financial statements and within the accounting records.

Council did not approve any formal policies to govern the operation of the radio station, including allowable purchases/payments or a fee structure for underwriting. In 2016 and 2015, radio station disbursements included items such as food/meals, gasoline and auto expenses, the purchase of a car, and compensation of radio station personnel. There was no evidence to determine that these payments were authorized by Council. There were additional disbursements and cash withdrawals that lacked supporting documentation and it could not be determined that the items were for a proper public purpose. The General Manager accepted trades from businesses as payment for underwriting agreements without Council's authorization. Some of the trades were for items that were not a proper public purpose or for the benefit of the radio station.

Furthermore, Council did not receive or review bank reconciliations or reports on the financial activity of the radio station and did not budget for the financial activity. The failure to review detailed financial reports allowed the General Manager to misappropriate Village funds for personal use and resulted in disbursements that were not for a proper public purpose.

Lack of controls and monitoring of the radio station activity could lead to improper spending and possible theft or abuse. In addition, failure to maintain records for the financial activity could lead to materially misstated financial reports.

**FINDING NUMBER 2016-004
(Continued)**

Council should establish internal controls to govern the operation of the radio station. Formal policies should be created and implemented to address allowable disbursements and the required authorization. Financial records should be maintained that support the receipts and disbursements of the radio station and bank reconciliations should also be completed on a monthly basis. The Council should adopt a fee schedule for underwriting agreements and any deviation from the approved schedule should be approved by Council. Financial reports and bank reconciliations should be provided to and reviewed by Council on a regular basis.

Officials' Response:

We did not receive a response from Officials to this finding.

Village of Rockford

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419-363-3032 419-363-2395 (fax)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Posting of Receipts and Expenditures	Not Corrected	Repeated as Finding 2016-001
2014-002	ORC 5705.41(B) - Expenditures Exceeding Appropriations	Partially Corrected	Noncompliance issued in Management Letter

OHIO AUDITOR OF STATE KEITH FABER



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
JANUARY 22, 2019**