



Dave Yost • Auditor of State

VILLAGE OF ROCKFORD
MERCER COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Rockford
Mercer County
151 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 and related notes of Village of Rockford, Mercer County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 presumed 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 permitted 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, 2014 and 2013, or changes in financial position 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 combined cash balances of the Village of Rockford, Mercer County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 September 21, 2015, 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

September 21, 2015

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$49,488				\$49,488
Municipal Income Tax	268,528				268,528
Intergovernmental	29,431	\$60,483			89,914
Special Assessments			\$18,603		18,603
Fines, Licenses and Permits	16,270	778			17,048
Earnings on Investments	887	408			1,295
Miscellaneous	19,375	142			19,517
Total Cash Receipts	<u>383,979</u>	<u>61,811</u>	<u>18,603</u>		<u>464,393</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	170,609	10,251			180,860
Public Health Services	4,191				4,191
Leisure Time Activities	5,975				5,975
Community Environment	3,564				3,564
Basic Utility Services	5,758				5,758
Transportation	56,659	49,267			105,926
General Government	85,706	1,097	1,112		87,915
Capital Outlay	7,136				7,136
Debt Service:					
Principal Retirement			65,521		65,521
Interest and Fiscal Charges			1,530		1,530
Total Cash Disbursements	<u>339,598</u>	<u>60,615</u>	<u>68,163</u>		<u>468,376</u>
Excess of Receipts Over (Under) Disbursements	<u>44,381</u>	<u>1,196</u>	<u>(49,560)</u>		<u>(3,983)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes			47,541		47,541
Transfers In			5,000		5,000
Transfers Out	(5,000)				(5,000)
Total Other Financing Receipts (Disbursements)	<u>(5,000)</u>		<u>52,541</u>		<u>47,541</u>
Net Change in Fund Cash Balances	39,381	1,196	2,981		43,558
Fund Cash Balances, January 1	<u>103,921</u>	<u>94,451</u>	<u>74,480</u>	<u>\$249</u>	<u>273,101</u>
Fund Cash Balances, December 31:					
Restricted		95,647	77,461	249	173,357
Assigned	14,192				14,192
Unassigned (Deficit)	129,110				129,110
Fund Cash Balances, December 31	<u>\$143,302</u>	<u>\$95,647</u>	<u>\$77,461</u>	<u>\$249</u>	<u>\$316,659</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$585,100		\$585,100
Miscellaneous	3,440		3,440
Total Operating Cash Receipts	<u>588,540</u>		<u>588,540</u>
Operating Cash Disbursements:			
Personal Services	143,827		143,827
Employee Fringe Benefits	65,122		65,122
Contractual Services	60,167		60,167
Supplies and Materials	71,675		71,675
Other	2,762		2,762
Total Operating Cash Disbursements	<u>343,553</u>		<u>343,553</u>
Operating Income (Loss)	<u>244,987</u>		<u>244,987</u>
Non-Operating Receipts (Disbursements):			
Sale of Notes	40,000		40,000
Capital Outlay	(34,099)		(34,099)
Principal Retirement	(243,476)		(243,476)
Interest and Other Fiscal Charges	(21,757)		(21,757)
Other Financing Sources		\$8,167	8,167
Other Financing Uses		(8,044)	(8,044)
Total Non-Operating Receipts (Disbursements)	<u>(259,332)</u>	<u>123</u>	<u>(259,209)</u>
Net Change in Fund Cash Balances	(14,345)	123	(14,222)
Fund Cash Balances, January 1	<u>503,686</u>	<u>963</u>	<u>504,649</u>
Fund Cash Balances, December 31	<u>\$489,341</u>	<u>\$1,086</u>	<u>\$490,427</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$49,848				\$49,848
Municipal Income Tax	255,932				255,932
Intergovernmental	30,870	\$56,944			87,814
Special Assessments			\$16,884		16,884
Fines, Licenses and Permits	21,244	939			22,183
Earnings on Investments	886	419			1,305
Miscellaneous	13,139	110			13,249
Total Cash Receipts	<u>371,919</u>	<u>58,412</u>	<u>16,884</u>		<u>447,215</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	180,344	3,174			183,518
Public Health Services	5,074				5,074
Leisure Time Activities	5,370				5,370
Community Environment	3,007				3,007
Basic Utility Services	5,461				5,461
Transportation	56,101	44,716			100,817
General Government	114,601	12	\$959		115,572
Capital Outlay				\$157	157
Debt Service:					
Principal Retirement			78,591		78,591
Interest and Fiscal Charges			1,926		1,926
Total Cash Disbursements	<u>369,958</u>	<u>47,902</u>	<u>81,476</u>	<u>157</u>	<u>499,493</u>
Excess of Receipts Over (Under) Disbursements	<u>1,961</u>	<u>10,510</u>	<u>(64,592)</u>	<u>(157)</u>	<u>(52,278)</u>
Other Financing Receipts (Disbursements):					
Sale of Notes			51,011		51,011
Transfers In			5,000		5,000
Transfers Out	(5,000)				(5,000)
Total Other Financing Receipts (Disbursements)	<u>(5,000)</u>		<u>56,011</u>		<u>51,011</u>
Net Change in Fund Cash Balances	(3,039)	10,510	(8,581)	(157)	(1,267)
Fund Cash Balances, January 1	<u>106,960</u>	<u>83,941</u>	<u>83,061</u>	<u>406</u>	<u>274,368</u>
Fund Cash Balances, December 31:					
Restricted		94,451	74,480	249	169,180
Assigned	97,697				97,697
Unassigned (Deficit)	6,224				6,224
Fund Cash Balances, December 31	<u>\$103,921</u>	<u>\$94,451</u>	<u>\$74,480</u>	<u>\$249</u>	<u>\$273,101</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$599,961		\$599,961
Miscellaneous	1,579		1,579
Total Operating Cash Receipts	<u>601,540</u>		<u>601,540</u>
Operating Cash Disbursements:			
Personal Services	147,390		147,390
Employee Fringe Benefits	61,696		61,696
Contractual Services	62,163		62,163
Supplies and Materials	117,824		117,824
Total Operating Cash Disbursements	<u>389,073</u>		<u>389,073</u>
Operating Income (Loss)	<u>212,467</u>		<u>212,467</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	45,462		45,462
Special Assessments	870		870
Sale of Notes	60,000		60,000
Other Debt Proceeds	32,084		32,084
Capital Outlay	(178,645)		(178,645)
Principal Retirement	(180,492)		(180,492)
Interest and Other Fiscal Charges	(22,925)		(22,925)
Other Financing Sources	12,516	\$11,110	23,626
Other Financing Uses		(10,197)	(10,197)
Total Non-Operating Receipts (Disbursements)	<u>(231,130)</u>	<u>913</u>	<u>(230,217)</u>
Net Change in Fund Cash Balances	(18,663)	913	(17,750)
Fund Cash Balances, January 1	<u>522,349</u>	<u>50</u>	<u>522,399</u>
Fund Cash Balances, December 31	<u><u>\$503,686</u></u>	<u><u>\$963</u></u>	<u><u>\$504,649</u></u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rockford, Mercer County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including public safety, health, recreation, street maintenance, water and sewer facilities, park operations, and police services.

The Village participates in the Ohio Plan Risk Management, a public entity risk pool and is associated with a related organization.

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

B. Accounting Basis

These financial statements follow the accounting basis 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.

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 Fund:

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

4. Capital Project Funds

These funds account for 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 Capital Project Equipment Fund for the purpose of Capital Equipment.

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 receives charges for services from residents to cover the cost of providing this utility.

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

6. Fiduciary Funds

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

VILLAGE OF ROCKFORD
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2014 and 2013 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. Non-spendable

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

2. Restricted

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

3. Committed

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

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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. 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 was as follows:

	2014	2013
Demand deposits	\$807,086	\$777,750

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$268,308	\$383,979	\$115,671
Special Revenue	25,446	61,811	36,365
Debt Service	67,704	71,144	3,440
Enterprise	717,442	628,540	(88,902)
Total	\$1,078,900	\$1,145,474	\$66,574

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$363,205	\$344,598	\$18,607
Special Revenue	114,365	60,615	53,750
Debt Service	182,000	68,163	113,837
Enterprise	948,305	642,885	305,420
Total	<u>\$1,607,875</u>	<u>\$1,116,261</u>	<u>\$491,614</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$348,260	\$371,919	\$23,659
Special Revenue	49,180	58,412	9,232
Debt Service	78,000	72,895	(5,105)
Enterprise	871,200	752,472	(118,728)
Total	<u>\$1,346,640</u>	<u>\$1,255,698</u>	<u>(\$90,942)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$382,475	\$374,958	\$7,517
Special Revenue	95,021	47,902	47,119
Debt Service	132,000	81,476	50,524
Capital Projects	400	157	243
Enterprise	714,672	771,135	(56,463)
Total	<u>\$1,324,568</u>	<u>\$1,275,628</u>	<u>\$48,940</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water and Sewer funds by \$35,676 and \$42,391 respectively for the year ended December 31, 2013.

4. PROPERTY TAX

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

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 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. LOCAL INCOME TAX (Continued)

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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission - Sewer Separation	\$41,091	0%
Ohio Public Works Commission - Franklin / Market Street	6,947	0%
Ohio Public Works Commission - Front Street	67,500	0%
Ohio Public Works Commission - South Main Street	86,113	0%
Ohio Public Works Commission - Market Street Improvements	62,195	0%
Ohio Water Developmental Loan Authority - Sewer Separation	212,741	4%
Ohio Water Developmental Loan Authority - Force Main	28,170	0%
Ohio Water Developmental Loan Authority - WWTP / Meters	1,030,966	0%
Ohio Water Developmental Loan Authority - Dist. System Improv.	670,003	2%
People's Holding Co. Note - Front Street	47,541	3%
People's Holding Co. Note - Wastewater Treatment Plant Improv.	40,000	4%
Total	<u>\$2,293,267</u>	

The Village received an interest free loan from the Ohio Public Works Commission for a sewer separation project. The loan was issued in 1998 and requires semi-annual payments of \$6,849 through 2018. An additional interest free loan from the Ohio Public Works Commission of \$16,348 for the Market Street Project was obtained in 2004 and requires semi-annual payments of \$408 through 2023. The Village received an additional interest free loan from the Ohio Public Works Commission for Front Street water and sewer construction in 2008 for \$100,000 with semi-annual payments of \$2,500 through 2028. The Village received an additional interest free loan from Ohio Public Works Commission for South Main Street Reconstruction in 2010 for \$114,817 with semi-annual payments of \$2,870 through 2030. The Village received an additional interest free loan from the Ohio Public Works Commission for Market Street Improvements in 2011 for \$75,387 with semi-annual payments of \$1,885 through 2031.

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

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

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

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

During 2013, the Village issued a Wastewater Treatment Plant Note for \$60,000 to retire the 2012 note.

During 2013, the Village issued a Front Street Bond Anticipation Note for \$51,011 to retire the 2012 Front Street and Public Infrastructure Bond Anticipation Note.

During 2014, the Village issued a Wastewater Treatment Plant Bond Anticipation Note for \$40,000 to retire the 2013 note.

During 2014, the Village issued a Front Street Bond Anticipation Note for \$47,547 to retire the 2013 Front Street and Public Infrastructure Bond Anticipation Note.

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

<u>Year ending December 31:</u>	<u>People's Holding</u>	<u>OWDA Loan</u>	<u>Ohio Public Works Commission</u>
2015	\$90,567	\$188,889	\$29,025
2016		188,889	29,025
2017		144,054	29,025
2018		99,221	15,328
2019		99,221	15,328
2020-2024		491,133	75,412
2025-2029		479,533	65,051
2030-2034		180,221	5,652
2035-2039		146,964	
2040-2042		88,178	
Total	<u>\$90,567</u>	<u>\$2,106,303</u>	<u>\$263,846</u>

7. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System & Ohio Police & Fire Retirement System

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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10.75 and 10% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employee Retirement System or Ohio Police and Fire System have an option to choose Social Security. As of December 31, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

8. RISK MANAGEMENT

Risk Pool Membership

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 and 774 members as of December 31, 2014 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,304
Liabilities	<u>(8,942,504)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$5,887,681</u>	<u>\$5,805,909</u>

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. SUBSEQUENT EVENTS

On January 20, 2015, Village Council approved a renewal note with People's Bank Holding Company for Parkway Utility Project /Front Street Improvements for \$33,967 with a 2.75% interest rate and a maturity of 1 year (renewable).

On February 3, 2015, Council approved a new fund for the purpose of designing and constructing a Wastewater Treatment Plant Improvement Project estimated total of roughly \$2 million total cost.

On March 7, 2015, Village Council approved a new note with People's Bank Holding Company for the Wastewater Improvement Project for \$14,200 with a 2.75% interest rate with a maturity of 1 year (renewable). Council also approved at the same meeting, additional tax allowable under ORC 4504.172 and 4504.06 of \$5 for each section for registrations of motor vehicles.

On April 21, 2015, Village Council approved to apply for CDBG funding for Columbia Street improvements. On September 15, 2015 Council was made aware that a Critical Infrastructure grant has been awarded to the project for \$250,000 as well as a CDBG Formula allocation grant of \$80,000. This fall they will apply for OPWC District allocation grant of \$250,000 and 0% interest loan for approximately \$100,000. If approved for OPWC, design will happen this winter with a project bid date of June 2016 and construction following.

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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 Village of Rockford, Mercer County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 21, 2015 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2015

VILLAGE OF ROCKFORD
MERCER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness and Noncompliance

Posting of Receipts and Expenditures

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

Additionally, 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.

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

- The Village did not record court revenue and expenditures as Agency Fund activity in either 2013 or 2014. This resulted in an increase in 2013 and 2014 revenues of \$11,110 and \$8,167, expenditures of \$10,197 and \$8,044, and beginning fund balance of \$50 and \$963, respectively.
- The Mayor's Court Computer Fund had unallowable expenses during 2013 and 2014. These expenditures should have been recorded in the General Fund of \$627 and \$354, Water fund expenditures of \$283 and \$294, Sewer fund expenditures of \$284 and \$293 causing Mayor's Court Computer Fund expenditures to decrease by \$1,194 and \$941, respectively.
- In 2013, Front Street Improvement Fund tax anticipation notes were incorrectly recorded to Capital Outlay expenditures and Special Assessment revenue instead of Sale of Notes and Principal Retirement in the amount of \$51,011.
- In 2014, Front Street Improvement Fund tax anticipation note was incorrectly recorded in the Parkway Utility project. Revenue increased for Sale of Notes by \$47,541 and expenditures for principal and interest increased by \$46,975 and \$566 respectively in the Front Street Improvement Fund and decreased sale of notes revenue and principal and interest payments for the Parkway Utility project.
- In 2013, the taxable anticipation note revenue for the Sewer fund was incorrectly posted as Other Financing Sources but should have been recorded as Sale of Notes for \$60,000.
- In 2013, OWDA loan activity was recorded in Water Repair & Replace fund as Special Assessment and Supplies and Material but should be recorded as Debt Proceeds and Capital Outlay in the amount of \$7,605.
- In 2013, the Water Fund OPWC loan activity was recorded as Capital Contributions instead of Intergovernmental revenue in the amount of \$45,462.
- In 2013, the Water Fund OWDA loan activity was incorrectly recorded as Capital Contributions instead of Debt Proceeds in the amount of \$24,479.

In 2014, the 1st Mortgage Sinking Sewer Reserve fund incorrectly posted debt proceeds as Special Assessment revenue instead of Sale of Notes for \$40,000.

In 2014, the Market Street Project Fund recorded \$14,511 in Capital Outlay instead of Principal Retirement.

FINDING NUMBER 2014-001
(Continued)

The following errors were noted as a result of the Village not properly implementing GASB Statement No 54:

- The Pool Trust fund was not properly shown as part of the General Fund in 2013 or 2014 which resulted in an increase to the General Fund balance and a decrease to the Private Purpose Trust fund balance of \$1,115 for both 2013 and 2014.
- The Unclaimed Money Fund was not properly reflected as part of the General fund instead was shown as an agency fund in 2014 which resulted in an adjustment of \$2,055 to decrease the agency fund balance and increase the General fund balance.
- In 2013 the South Main Street project fund was originally included as a Special Revenue Fund but it should have been reflected as a Debt Service Fund. This resulted in adjustments to Special Revenue funds of \$3,371 decrease in revenue, \$3,061 decrease in expenditures, and a decrease of \$26,701 in beginning fund balance. Also, this resulted in a beginning fund balance increase of \$26,701; an increase in expenditures of \$3,061 and an increase in special assessment revenue of \$3,371 in the Debt Services funds.
- In 2013, there were two Capital Project funds that should have been classified as Debt Service. Front Street improvement and Market Street Project which results in increase of Debt Service revenues of \$59,136 and \$5,394, increase in expenditures of \$63,977 and \$2,190, and beginning fund balance of \$12,937 and \$43,424 respectively.
- In 2013, the Parkway Utility Project was incorrectly reported as an Enterprise Fund instead of a Debt Service fund which resulted in an increase of revenues and expenditures of \$5,000 for the Debt Service fund and a corresponding decrease to Enterprise funds.
- In 2014, there were 4 Capital Project funds that should have been shown as Debt Service Funds on the statements. South Main Street, Parkway Utility Project, Front Street Improvement, and Market Street Project were all moved to Debt Service funds and resulted in the following increases in revenues of \$3,675, \$52,541, \$8,787, and \$5,958, expenditures \$5,778, \$52,541, \$5,162, and \$4,698, and beginning fund balance of \$27,011, \$0, \$8,096, and \$46,628 respectively. Corresponding decreases in the capital projects funds also applied.
- In 2013 and 2014, General Fund intrafund transfers in and out were not properly eliminated for funds that rolled into the General fund for proper presentation. Intrafund transfers in and out for 2013 and 2014 of \$2,800 and \$3,400, respectively were eliminated for activity of the funds rolling into the General fund.
- In 2013 and 2014, Enterprise Fund intrafund transfers in and out were not properly eliminated for funds that roll together for proper presentation. Intrafund transfers in and out for 2013 and 2014 of \$145,727 and \$156,131, respectively, were eliminated in various enterprise funds due to funds rolling into other funds for proper financial statement presentation.
- In 2013, the entire General Fund balance was incorrectly classified as unassigned. A portion of the fund balance was reclassified from unassigned to assigned in the amount of \$97,697 to properly reflect 2014 appropriations made that exceeded 2014 estimated receipts per GASB 54 guidance. In 2014, the entire General Fund balance was incorrectly classified as unassigned. A reclassification from unassigned to assigned in the amount of \$14,192 was made to properly reflect 2015 appropriations that exceeded 2015 estimated receipts per GASB 54 guidance.

Other less significant adjustments were also noted. The adjustments are reflected on the audited financial statements and have been posted to the Village records.

The 2014 and 2013 annual reports required numerous audit adjustments and reclassification for proper presentation. The Village fiscal officer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

**FINDING NUMBER 2014-001
(Continued)**

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The Fiscal Officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do could result in incorrect classification of funds and inaccurate financial statements.

Official's Response:

I will contact UAN and Local Government Services to get some help to figure out these issues.

FINDING NUMBER 2014-002

Noncompliance

Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41 (B) prohibits expenditures from exceeding appropriations unless the funds have been properly appropriated. For the year ended December 31, 2013, the Water Fund expenses exceeded appropriations by \$35,676 and the Sewer fund expenses exceeded appropriations by \$42,391.

Spending in excess of appropriation could result in unallowable expenditures and could result in negative fund balances.

Procedures should be implemented to ensure that budgetary data is monitored closely to ensure that expense do not exceed appropriations for any fund.

Official's Response:

I will contact UAN and Local Government Services to get some help to figure out these issues.

VILLAGE OF ROCKFORD
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Posting of Receipts and Expenditures	No	Not Corrected – Repeated as Finding 2014-001