



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ROCKFORD
MERCER COUNTY
DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Village of Rockford
Mercer County
151 E. Columbia Street
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, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Rockford, Mercer County as of December 31, 2018 and 2017, 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 February 13, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2020

**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, 2018**

	<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	\$61,750	\$11,414			\$73,164
Municipal Income Tax	319,276				319,276
Intergovernmental	31,838	67,171			99,009
Special Assessments			\$16,961		16,961
Charges for Services	4,529			\$1,275	5,804
Fines, Licenses and Permits	20,220	930			21,150
Earnings on Investments	5,800	2,106			7,906
Miscellaneous	16,603	4,035			20,638
Total Cash Receipts	<u>460,016</u>	<u>85,656</u>	<u>16,961</u>	<u>1,275</u>	<u>563,908</u>
Cash Disbursements					
Current:					
Security of Persons and Property	195,561	225			195,786
Public Health Services	112				112
Leisure Time Activities	5,467				5,467
Community Environment	2,529				2,529
Basic Utility Services	4,446				4,446
Transportation	64,839	51,109			115,948
General Government	112,518	960	972		114,450
Capital Outlay	3,003	10,141		6,562	19,706
Debt Service:					
Principal Retirement	6,429		49,801	21,206	77,436
Interest and Fiscal Charges	479		129		608
Total Cash Disbursements	<u>395,383</u>	<u>62,435</u>	<u>50,902</u>	<u>27,768</u>	<u>536,488</u>
Excess of Receipts Over (Under) Disbursements	<u>64,633</u>	<u>23,221</u>	<u>(33,941)</u>	<u>(26,493)</u>	<u>27,420</u>
Other Financing Receipts (Disbursements)					
Transfers In		1,000	10,000	20,000	31,000
Transfers Out	(31,000)				(31,000)
Total Other Financing Receipts (Disbursements)	<u>(31,000)</u>	<u>1,000</u>	<u>10,000</u>	<u>20,000</u>	<u>0</u>
Net Change in Fund Cash Balances	33,633	24,221	(23,941)	(6,493)	27,420
Fund Cash Balances, January 1	<u>159,267</u>	<u>111,450</u>	<u>77,314</u>	<u>19,919</u>	<u>367,950</u>
Fund Cash Balances, December 31					
Nonspendable	4,089				4,089
Restricted		135,671	53,373	13,426	202,470
Committed	1,800				1,800
Assigned	63,230				63,230
Unassigned	123,781				123,781
Fund Cash Balances, December 31	<u>\$192,900</u>	<u>\$135,671</u>	<u>\$53,373</u>	<u>\$13,426</u>	<u>\$395,370</u>

See accompanying notes to the basic financial statements. 3

**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, 2018**

	<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	\$568,721		\$568,721
Fines, Licenses and Permits		\$12,586	12,586
Miscellaneous	7,566		7,566
Total Operating Cash Receipts	<u>576,287</u>	<u>12,586</u>	<u>588,873</u>
Operating Cash Disbursements			
Personal Services	155,291		155,291
Employee Fringe Benefits	87,723		87,723
Contractual Services	46,142		46,142
Supplies and Materials	80,964		80,964
Other	3,075	12,468	15,543
Total Operating Cash Disbursements	<u>373,195</u>	<u>12,468</u>	<u>385,663</u>
Operating Income	<u>203,092</u>	<u>118</u>	<u>203,210</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	274,704		274,704
Other Debt Proceeds	771,499		771,499
Capital Outlay	(978,631)		(978,631)
Principal Retirement	(122,557)		(122,557)
Interest and Other Fiscal Charges	(11,796)		(11,796)
Total Non-Operating Receipts (Disbursements)	<u>(66,781)</u>		<u>(66,781)</u>
Net Change in Fund Cash Balances	136,311	118	136,429
Fund Cash Balances, January 1	<u>403,526</u>	<u>1,588</u>	<u>405,114</u>
Fund Cash Balances, December 31	<u>\$539,837</u>	<u>\$1,706</u>	<u>\$541,543</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018**

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 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 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.

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
YEAR ENDING DECEMBER 31, 2018
(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 constructing, maintaining, and repairing Village streets.

State Highway – This fund receives a percentage of state highway, gasoline tax, and auto registration fees for maintaining and repairing the state highway that is located in the village.

Permissive Motor Vehicle – This fund receives Vehicle Registration Permissive Tax money to maintain village streets.

Mayors Court Computer Fund – This fund receives a portion of the Mayors Court pay in each month.

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 Debt Service Funds:

Front Street Improvement Debt Service - This fund receives Special Assessments to pay an Ohio Public Works Commission loan and the People's Holding Bank Note.

South Main Street Debt Service – This fund receives special assessments to pay an Ohio Public Works Commission loan.

Parkway Utility Debt Service – This fund receives a transfer from the General Fund each year to pay a Peoples Holding Co Note.

Market Street Debt Service – This fund receives special assessments to pay Ohio Public Works Commission loan.

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 funds:

Columbia Street Reconstruction Project - This fund accounts for and reports monies from a Community Development Block Grant to pay for a street reconstruction project.

Sub Division Development Project - 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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Wastewater Treatment Plant Improvement - This fund accounts for and reports monies from an Ohio Water Development Authority project to pay for wastewater treatment plant improvements.

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 has a Mayor's Court Agency Fund.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2018 budgetary activity appears in Note 3.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at year ending December 31, 2018 was as follows:

Demand Deposits – \$936,913

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 year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$394,816	\$460,016	\$65,200
Special Revenue	78,650	86,656	8,006
Debt Service	29,000	26,961	(2,039)
Capital Projects	892,080	21,275	(870,805)
Enterprise	1,301,233	1,622,490	321,257
Total	<u>\$2,695,779</u>	<u>\$2,217,398</u>	<u>(\$478,381)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$483,266	\$426,383	\$56,883
Special Revenue	282,290	62,435	219,855
Debt Service	111,430	50,902	60,528
Capital Projects	150,000	27,768	122,232
Enterprise	1,034,362	1,486,179	(451,817)
Total	<u>\$2,061,348</u>	<u>\$2,053,667</u>	<u>\$7,681</u>

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

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% 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.

6. DEBT

Debt Outstanding December 31, 2018

	Principal	Interest Rate
OPWC Franklin/Market Street	\$3,678	0%
OWDA Force Main	\$14,914	0%
OPWC Front Street	\$47,500	0%
OPWC South Main Street	\$63,149	0%
OWDA WTP / Meters	\$764,910	0%
OPWC Market St. Improvement	\$47,117	0%
OWDA Distribution System Improvement	\$590,570	1.5%
Rogers Property	\$127,236	0%
People's Bank Police SUV	\$13,398	2.75%
People's Holding Co. Shanes Crossing Infrastructure	\$188,250	2.75%
OPWC Columbia Street Reconstruction	\$320,150	0%
OWDA WWTP Improvements NRD	\$760,349	0%
Total	<u>\$2,941,221</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 \$6849 through 2018. An additional interest free loan from the Ohio Public Works Commission of \$16,348 for the Market Street Project was obtained in 2004 and requires semi-annual payments of \$408 through 2023. The Village received an additional interest free loan from the Ohio Public Works Commission for Front Street water and sewer construction in 2008 for \$100,000 with semi-annual payments of \$2,500 through 2028. The Village received an additional interest free loan from Ohio Public Works Commission for South Main Street Reconstruction in 2010 for \$114,817 with semi-annual payments of \$2,870 through 2030. The Village received an additional interest free loan from the Ohio Public Works Commission for Market Street improvements in 2011 for \$75,387 with semi-annual payments of \$1,885 through 2031.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

6. 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 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. The Village received \$679,602. The loan will be repaid in semi-annual installments of \$14,696 over 30 years.

During 2017, the Village issued a Front Street / Parkway Utility Note to retire the 2016 note. The balance of this was paid in 2018.

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.

During 2017, the Village received a 2.75% loan from Peoples Bank in the amount of \$200,000 to pay for the Shanes Crossing Infrastructure – Phase 1. Payments will be made in April and October beginning in 2018.

During 2017, the Village received a 0% loan from OPWC in the amount of \$337,000 for the Columbia Street reconstruction. Additional funds for this project were grant monies and local funds.

During 2018, the Village received a 0% loan from OWDA in the amount of \$2,155,000 for the Waste Water Treatment plant project. Additional funds for this project will be Grant money and local funds. Payments will begin in 2019.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	People's Holding / People's Bank	OWDA Loan	Ohio Public Works Commission	Rogers Property	Total
2019	\$6,607	\$90,439	\$26,561	\$21,206	\$144,813
2020	6,791	90,750	26,561	21,206	145,308
2021		91,065	26,561	21,206	138,832
2022		91,384	26,561	21,206	139,151
2023		90,052	26,152	21,206	137,410
2024-2028		447,015	126,218	21,206	594,439
2029-2033		223,096	71,331		294,427
2034-2038		132,893	56,167		189,060
2039-2043		113,700	56,167		169,867
2044-2047		0	39,315		39,315
Total	<u>\$13,398</u>	<u>\$1,370,394</u>	<u>\$481,594</u>	<u>\$127,236</u>	<u>\$1,992,622</u>

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

7. 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 2018 OP&F participants contributed 12.25%. For 2018 the Village contributed to OP&F an amount equal to 19.5% for full time police members' wages. For 2018, 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 2018.

8. 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current selfinsured death care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

9. 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. 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2018
(Continued)**

9. RISK MANAGEMENT (Continued)

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

10. COMPLIANCE

Contrary to Ohio law, The Village had appropriations exceeding estimated resources in 2018. In 2018, appropriations exceeded estimated resources in the Mayor's Court Computer Fund by \$141,145 and in the Market Street Debt Fund by \$20,693. The Village had expenditures and contract commitments exceeding appropriations in 2018. For 2018, the amounts in the following funds were \$10,141 in Parks in Recreation, \$275 in Law Enforcement Drug, \$12,157 in South Main Street Debt, \$2,978 in Front Street Debt, and \$841,402 in 2nd Mtg OWDA. Also, the appropriations recorded in the Village's accounting system did not agree to those approved by Council and certified by the budget commission as the system reported more than amounts approved. In 2018, appropriations varied in the following funds: \$12,892 in General, \$3,692 in Street Construction, \$13,000 in Parks and Recreation, \$1,500 in Law Enforcement Drug, (\$141,645) in Mayor's Court Computer, \$200 in South Main Street Debt, \$510 in Front Street Debt, \$30,715 in Market Street Debt, \$847,603 in Wastewater Treatment, \$300 in Sewer, \$5,000 in 1st Mtg Sinking Sewer Reserve and \$6,000 in 2nd Mtg OWDA.

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**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, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$63,404	\$11,994			\$75,398
Municipal Income Tax	310,177				310,177
Intergovernmental	33,554	169,092		\$613,000	815,646
Special Assessments			\$17,825		17,825
Charges for Services				1,275	1,275
Fines, Licenses and Permits	24,927	1,715			26,642
Earnings on Investments	3,484	1,151			4,635
Miscellaneous	11,904	0			11,904
Total Cash Receipts	<u>447,450</u>	<u>183,952</u>	<u>17,825</u>	<u>614,275</u>	<u>1,263,502</u>
Cash Disbursements					
Current:					
Security of Persons and Property	190,199	3,807			194,006
Leisure Time Activities	10,142	40,000			50,142
Community Environment	3,429				3,429
Basic Utility Services	5,798				5,798
Transportation	62,237	72,994			135,231
General Government	105,548	4,016	1,022		110,586
Capital Outlay	2,703	122,541		942,213	1,067,457
Debt Service:					
Principal Retirement	6,253		32,156	21,206	59,615
Interest and Fiscal Charges	655		685		1,340
Total Cash Disbursements	<u>386,964</u>	<u>243,358</u>	<u>33,863</u>	<u>963,419</u>	<u>1,627,604</u>
Excess of Receipts Over (Under) Disbursements	<u>60,486</u>	<u>(59,406)</u>	<u>(16,038)</u>	<u>(349,144)</u>	<u>(364,102)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			11,186		11,186
Other Debt Proceeds				337,000	337,000
Transfers In	2,800	65,258	10,000	24,000	102,058
Transfers Out	(102,058)				(102,058)
Total Other Financing Receipts (Disbursements)	<u>(99,258)</u>	<u>65,258</u>	<u>21,186</u>	<u>361,000</u>	<u>348,186</u>
Net Change in Fund Cash Balances	(38,772)	5,852	5,148	11,856	(15,916)
Fund Cash Balances, January 1	<u>198,039</u>	<u>105,598</u>	<u>72,166</u>	<u>8,063</u>	<u>383,866</u>
Fund Cash Balances, December 31					
Nonspendable	4,089				4,089
Restricted		111,450	77,314	19,919	208,683
Committed	750				750
Assigned	100,942				100,942
Unassigned	53,486				53,486
Fund Cash Balances, December 31	<u>\$159,267</u>	<u>\$111,450</u>	<u>\$77,314</u>	<u>\$19,919</u>	<u>\$367,950</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, 2017**

	<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	\$594,250		\$594,250
Fines, Licenses and Permits		\$21,828	21,828
Miscellaneous	0		0
Total Operating Cash Receipts	<u>594,250</u>	<u>21,828</u>	<u>616,078</u>
Operating Cash Disbursements			
Personal Services	149,274		149,274
Employee Fringe Benefits	77,512		77,512
Contractual Services	60,315		60,315
Supplies and Materials	79,652		79,652
Other	5,584	21,580	27,164
Total Operating Cash Disbursements	<u>372,337</u>	<u>21,580</u>	<u>393,917</u>
Operating Income	<u>221,913</u>	<u>248</u>	<u>222,161</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	204,850		204,850
Capital Outlay	(286,659)		(286,659)
Principal Retirement	(166,343)		(166,343)
Interest and Other Fiscal Charges	(12,800)		(12,800)
Total Non-Operating Receipts (Disbursements)	<u>(260,952)</u>		<u>(260,952)</u>
Net Change in Fund Cash Balances	(39,039)	248	(38,791)
Fund Cash Balances, January 1	<u>442,565</u>	<u>1,340</u>	<u>443,905</u>
Fund Cash Balances, December 31	<u>\$403,526</u>	<u>\$1,588</u>	<u>\$405,114</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017**

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 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 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.

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
YEAR ENDING DECEMBER 31, 2017
(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 constructing, maintaining, and repairing Village streets.

State Highway – This fund receives a percentage of state highway, gasoline tax, and auto registration fees for maintaining and repairing the state highway that is located in the village.

Permissive Motor Vehicle – This fund receives Vehicle Registration Permissive Tax money to maintain village streets.

Mayors Court Computer Fund – This fund receives a portion of the Mayors Court pay in each month.

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 Debt Service Funds:

Front Street Improvement Debt Service - This fund receives Special Assessments to pay an Ohio Public Works Commission loan and the People's Holding Bank Note.

South Main Street Debt Service – This fund receives special assessments to pay an Ohio Public Works Commission loan.

Parkway Utility Debt Service – This fund receives a transfer from the General Fund each year to pay a Peoples Holding Co Note.

Market Street Debt Service – This fund receives special assessments to pay Ohio Public Works Commission loan.

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:

Columbia Street Reconstruction Project - This fund accounts for and reports monies from a Community Development Block Grant to pay for a street construction project.

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

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Wastewater Treatment Plant Improvement - This fund accounts for and reports monies from Ohio Water Development Authority project to pay for wastewater treatment plant improvements.

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 has a Mayor's Court Agency Fund.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2017 budgetary activity appears in Note 3.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at year ending December 31, 2017 was as follows:

Demand Deposits \$773,064

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 year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$428,500	\$450,250	\$21,750
Special Revenue	272,753	249,210	(23,543)
Debt Service	86,902	39,011	(47,891)
Capital Projects	1,328,000	975,275	(352,725)
Enterprise	855,200	799,100	(56,100)
Total	\$2,971,355	\$2,512,846	(\$458,509)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$492,060	\$489,022	\$3,038
Special Revenue	280,745	243,358	37,387
Debt Service	84,400	33,863	50,537
Capital Projects	80,100	963,419	(883,319)
Enterprise	1,035,123	838,139	196,984
Total	\$1,972,428	\$2,567,801	(\$595,373)

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

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% 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.

6. DEBT

Debt Outstanding December 31, 2017

	Principal	Interest Rate
OPWC Sewer Separation Project	\$6,849	0%
OPWC Franklin/Market Street	\$4,904	0%
OWDA Force Main	\$18,228	0%
OPWC Front Street	\$55,000	0%
OPWC South Main Street	\$71,761	0%
OWDA WTP / Meters	\$831,424	0%
OPWC Market St. Improvement	\$52,771	0%
OWDA Distribution System Improvement	\$610,876	1.5%
People's Holding Note / Front Street	\$11,186	3%
Rogers Property	\$148,442	0%
People's Bank Police SUV	\$19,827	2.75%
People's Holding Co. Shanes Crossing Infrastructure	\$200,000	2.75%
OPWC Columbia Street Reconstruction	\$337,000	0%
OWDA WWTP Improvements NRD Planning and Design	\$4,850	0%
OWDA WWTP Upgrade	\$28,600	0%
Total	<u>\$2,401,718</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 \$6849 through 2018. An additional interest free loan from the Ohio Public Works Commission of \$16,348 for the Market Street Project was obtained in 2004 and requires semi-annual payments of \$408 through 2023. The Village received an additional interest free loan from the Ohio Public Works Commission for Front Street water and sewer construction in 2008 for \$100,000 with semi-annual payments of \$2,500 through 2028. The Village received an additional interest free loan from Ohio Public Works Commission for South Main Street Reconstruction in 2010 for \$114,817 with semi-annual payments of \$2,870 through 2030. The Village received an additional interest free loan from the Ohio Public Works Commission for Market Street improvements in 2011 for \$75,387 with semi-annual payments of \$1,885 through 2031.

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

6. DEBT (Continued)

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 was repaid in semi-annual installments of \$44,833, including interest, over 20 years with the final payment 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 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. The Village received \$679,602. The loan will be repaid in semi-annual installments of \$14,696 over 30 years.

During 2017, the Village issued a Front Street / Parkway Utility Note to retire the 2016 note. The balance of this will be paid in 2018.

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.

During 2017, the Village received a 2.75% loan from Peoples Bank in the amount of \$200,000 to pay for the Shanes Crossing Infrastructure – Phase 1. Payments will be made in April and October beginning in 2018.

During 2017, the Village received a 0% loan from OPWC in the amount of \$337,000 for the Columbia Street reconstruction. Additional funds for this project were grant monies and local funds.

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 amortization schedule for this loan is not available until the completion of the project.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	People's Holding / People's Bank	OWDA Loan	Ohio Public Works Commission	Rogers Property	Total
2018	\$17,615	\$90,134	\$41,074	\$21,206	\$170,029
2019	6,607	90,439	26,561	21,206	144,813
2020	6,791	90,750	26,561	21,206	145,308
2021		91,065	26,561	21,206	138,832
2022		91,384	26,561	63,618	181,563
2023-2027		446,975	129,126		576,101
2028-2032		287,781	83,341		371,122
2033-2037		130,922	56,167		187,089
2038-2042		141,078	56,167		197,245
2043-2047		0	56,166		56,166
Total	<u>\$31,013</u>	<u>\$1,460,528</u>	<u>\$528,285</u>	<u>\$148,442</u>	<u>\$2,168,268</u>

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2017
(Continued)**

7. 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 2017 OP&F participants contributed 12.25%. For 2017 the Village contributed to OP&F an amount equal to 19.5% for full time police members' wages. For 2017, 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 2017.

8. 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.

9. 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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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
YEAR ENDING DECEMBER 31, 2017
(Continued)**

9. 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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

10. COMPLIANCE

Contrary to Ohio law, the Village had appropriations exceeding estimated resources in 2017. In 2017, appropriations exceeded estimated resources in the Park and Recreation fund by \$22,916.

The Village had expenditures and contract commitments exceeding appropriations in 2017. The amounts in the following funds were \$22,541 in Parks and Recreation, \$2,821 in Light Poles, \$515 in Mayor's Court Computer, \$14,297 in Front Street Debt, \$900,000 in Columbia Street Reconstruction, \$177,515 in the 2nd Mortgage OWDA, and \$24,975 in Sewer. Also, the appropriations recorded in the Village's accounting system did not agree to those approved by Council and certified by the budget commission as the system reported more than amounts approved. In 2017, the accounting system varied in the following funds by \$68,921 in the General Fund, \$26,258 in Parks and Recreation, \$2,821 in Light Poles, \$900 in Mayor's Court Computer, \$99 in South Main Street Debt, \$16,172 in Front Street Debt, \$183 in Market Street Debt, \$200,000 in Sub Division Development, \$900,000 in Columbia Street Reconstruction, \$5,200 in Water, and \$37,244 in 1st Mgt Sinking Sewer Reserve.

11. SUBSEQUENT EVENTS

During 2018, the Village received a 0% loan from OWDA in the amount of \$2,155,000 for the Waste Water Treatment plant project, of which \$760,349 was drawn down in 2018. Additional funds for this project will be grant money and local funds.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Rockford
Mercer County
151 E. Columbia Street
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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 13, 2020 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 2018-001 and 2018-002 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 2018-001 and 2018-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2020

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

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) requires 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 (GASB Codification 1800.168-1800.179) - *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

The following misstatements occurred on the Village's financial statements and accounting records for 2018:

Fund Type	Amount Increase / (Decrease) in classification	Classification
General	\$(6,908)	Security of Persons & Property
General	150	Miscellaneous Revenue
General	1,900	Community Environment
General	45	General Government
General	(5,617)	Transportation
General	6,429	Principal Retirement
General	479	Interest
General	(2,800)	Transfers Out
General	(2,915)	Non-spendable Fund Balance
General	1,800	Committed Fund Balance
General	63,230	Assigned Fund Balance
General	(60,315)	Unassigned Fund Balance
General	138	Beginning Fund Balance
Special Revenue	11,414	Property Taxes
Special Revenue	(11,414)	Intergovernmental
Special Revenue	(150)	Miscellaneous
Special Revenue	(1,900)	Community Environment
Special Revenue	(18,000)	Principal Retirement

**FINDING NUMBER 2018-001
(Continued)**

Fund Type	Amount Increase / (Decrease) in classification	Classification
Special Revenue	(2,800)	Transfer In
Special Revenue	21,454	Restricted Fund Balance
Special Revenue	(1,800)	Committed Fund Balance
Special Revenue	2,704	Beginning Fund Balance
Special Revenue	749 (749)	Beginning balance decreased in Street Fund and increased in St. Hwy Fund
Debt Service	972	General Government
Debt Service	14,979	Principal Retirement
Debt Service	(61)	Beginning Fund Balance
Debt Service	(16,012)	Restricted Fund Balance
Capital Projects	(1,014,203)	Special Assessments
Capital Projects	(918,009)	Capital Outlay
Capital Projects	21,206	Principal Retirement
Capital Projects	(13,318)	Assigned Fund Balance
Capital Projects	(114,650)	Restricted Fund Balance
Capital Projects	2,750	Beginning Fund Balance
Enterprise	(409)	Supplies and Materials
Enterprise	771,499	Other Debt Proceeds
Enterprise	968,548	Capital Outlay
Enterprise	(25,906)	Principal Retirement
Enterprise	(6,337)	Interest
Enterprise	(3,243)	Beginning Fund Balance
Enterprise	274,704	Intergovernmental Revenue
Enterprise	(150,000)	Both Transfers in and out
Enterprise	107,064	Unrestricted fund Balance
Agency	3,453	Fines, Licenses and Permits
Agency	3,335	Other
Agency	1,588	Beginning Fund Balance
Agency	1,706	Ending Fund Balance

**FINDING NUMBER 2018-001
(Continued)**

The following misstatements occurred on the Village's financial statements and accounting records for 2017:

Fund Type	Amount Increase / (Decrease) in classification	Classification
General	\$(3,942)	General Government
General	6,253	Principal Retirement
General	655	Interest
General	4,089	Non-spendable Fund Balance
General	750	Committed Fund Balance
General	(59,350)	Assigned Fund Balance
General	52,461	Unassigned Fund Balance
General	1,959	Beginning Fund Balance
Special Revenue	11,994	Property Taxes
Special Revenue	(11,994)	Intergovernmental
Special Revenue	(3,105)	Principal Retirement
Special Revenue	(349)	Interest
Special Revenue	10,181	Restricted Fund Balance
Special Revenue	6,727	Beginning Fund Balance
Special Revenue	749 (749)	Beginning balance decreased in Street Fund and increased in St. Hwy Fund
Debt Service	1,022	General Government
Debt Service	(961)	Principal Retirement
Debt Service	(666)	Beginning Fund Balance
Debt Service	(727)	Restricted Fund Balance
Capital Projects	(337,000)	Intergovernmental
Capital Projects	(204,851)	Special Assessments
Capital Projects	(228,807)	Capital Outlay
Capital Projects	21,206	Principal Retirement
Capital Projects	337,000	Other Debt Proceeds
Capital Projects	2,750	Restricted Fund Balance
Enterprise	204,850	Other Debt Proceeds
Enterprise	204,850	Capital Outlay
Enterprise	409	Principal Retirement
Enterprise	2,750	Interest
Enterprise	(154,060)	Both Transfers in and out
Enterprise	62,244	Capital Outlay –Sewer operating
Enterprise	(62,244)	Capital Outlay – debt service fund
Enterprise	(3,159)	Unrestricted fund balance
Agency	6,608	Fines, Licenses and Permits
Agency	6,360	Other
Agency	(2,749)	Beginning Fund Balance
Agency	(2,501)	Ending fund balance
Private Purpose Trust	(1,115)	Beginning Fund Balance- resulting in no fund balance at year end

**FINDING NUMBER 2018-001
(Continued)**

The misstatements noted above were due to misclassifications of debt payments and proceeds, permissive tax, equity, special assessment fees, capital outlay expenditures, and posting of Mayor's Court activity.

The misstatements noted above are reflected 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 immaterial misstatements in the amount of \$5,192 for 2018 and amounts ranging from \$194 to \$5,538 in 2017 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.

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.

Official's Response:

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

FINDING NUMBER 2018-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.39, states, in part, that "the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals."

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The Village had appropriations exceeding estimated resources in 2018 and 2017. In 2018, appropriations exceeded estimated resources in the Mayors Court Computer fund by \$141,145 and in the Market Street Debt fund by \$20,693. In 2017, appropriations exceeded estimated resources in the Park and Recreation fund by \$22,916.

The Village had expenditures and contract commitments exceeding appropriations in both 2018 and 2017. For 2018, the amounts in the following funds were \$10,141 in Parks in Recreation, \$275 in Law Enforcement Drug, \$12,157 in South Main Street Debt, \$2,978 in Front Street Debt, and \$841,402 in 2nd Mtg OWDA. In 2017, the amounts in the following funds were \$22,541 in Parks and Recreation, \$2,821 in Light Poles, \$515 in Mayors Court Computer, \$14,297 in Front Street Debt, \$900,000 in Columbia Street Reconstruction, \$177,515 in the 2nd Mortgage OWDA, and \$24,975 in Sewer.

**FINDING NUMBER 2018-002
(Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. The appropriations recorded in the Village's accounting system did not agree to those approved by Council and certified by the budget commission as the system reported more than amounts approved.

In 2018, appropriations varied in the following funds: \$12,892 in General, \$3,692 in Street Construction, \$13,000 in Parks and Recreation, \$1,500 in Law Enforcement Drug, (\$141,645) in Mayors Court Computer, \$200 in South Main Street Debt, \$510 in Front Street Debt, \$30,715 in Market Street Debt, \$847,603 in Wastewater Treatment, \$300 in Sewer, \$5,000 in 1st Mtg Sinking Sewer Reserve and \$6,000 in 2nd Mtg OWDA. In 2017, the accounting system varied in the following funds by \$68,921 in the General Fund, \$26,258 in Parks and Recreation, \$2,821 in Light Poles, \$900 in Mayors Court Computer, \$99 in South Main Street Debt, \$16,172 in Front Street Debt, \$183 in Market Street Debt, \$200,000 in Sub Division Development, \$900,000 in Columbia Street Reconstruction, \$5,200 in Water, and \$37,244 in 1st Mgt Sinking Sewer Reserve.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the note disclosures.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response:

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

**VILLAGE OF ROCKFORD
MERCER, COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance and Material Weakness - Ohio Rev. Code 733.28	Not Corrected	Finding Number 2018-001
2016-002	Finding for Recovery – Radio Station	Corrected	
2016-003	Noncompliance - Auditor of State Bulletin 2003-005	Corrected	
2016-004	Noncompliance / Material Weakness - Ohio Admin. Code 117—2-01 (A)	Corrected	

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
MARCH 19, 2020**