



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF ROCKFORD
MERCER COUNTY

DECEMBER 31, 2020 AND 2019

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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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Rockford, Mercer County, Ohio (the Village).

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 2 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, 2020 and 2019, 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2021, 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

May 5, 2021

**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, 2020**

	<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	\$58,869	\$11,312			\$70,181
Municipal Income Tax	334,953				334,953
Intergovernmental	39,844	196,883			236,727
Special Assessments			\$9,029		9,029
Charges for Services		18,850		\$1,274	20,124
Fines, Licenses and Permits	16,085	7,875			23,960
Earnings on Investments	3,802	1,776			5,578
Miscellaneous	21,332	3,693			25,025
Total Cash Receipts	<u>474,885</u>	<u>240,389</u>	<u>9,029</u>	<u>1,274</u>	<u>725,577</u>
Cash Disbursements					
Current:					
Security of Persons and Property	222,792	3,528			226,320
Public Health Services	1,715				1,715
Leisure Time Activities	37,151	13,236			50,387
Community Environment	2,166				2,166
Basic Utility Services	3,767				3,767
Transportation	22,131	39,548			61,679
General Government	120,422	111,676	344		232,442
Capital Outlay	2,711			4,396	7,107
Debt Service:					
Principal Retirement	10,894	8,487	4,385	41,021	64,787
Interest and Fiscal Charges	697			4,654	5,351
Total Cash Disbursements	<u>424,446</u>	<u>176,475</u>	<u>4,729</u>	<u>50,071</u>	<u>655,721</u>
Excess of Receipts Over (Under) Disbursements	<u>50,439</u>	<u>63,914</u>	<u>4,300</u>	<u>(48,797)</u>	<u>69,856</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	29,187				29,187
Sale of Capital Assets	15,000			70,844	85,844
Transfers In				21,206	21,206
Transfers Out	(21,206)				(21,206)
Total Other Financing Receipts (Disbursements)	<u>22,981</u>			<u>92,050</u>	<u>115,031</u>
Net Change in Fund Cash Balances	73,420	63,914	4,300	43,253	184,887
Fund Cash Balances, January 1	<u>205,879</u>	<u>146,269</u>	<u>47,307</u>	<u>21,137</u>	<u>420,592</u>
Fund Cash Balances, December 31	<u>279,299</u>	<u>210,183</u>	<u>51,607</u>	<u>64,390</u>	<u>605,479</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$749,450
Miscellaneous	43,525
Total Operating Cash Receipts	792,975
Operating Cash Disbursements	
Personal Services	151,253
Employee Fringe Benefits	89,163
Contractual Services	66,705
Supplies and Materials	132,387
Other	23,755
Total Operating Cash Disbursements	463,263
Operating Income	329,712
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	205,258
Capital Outlay	(110,001)
Principal Retirement	(320,045)
Interest and Other Fiscal Charges	(8,471)
Total Non-Operating Receipts (Disbursements)	(233,259)
Net Change in Fund Cash Balances	96,453
Fund Cash Balances, January 1	520,412
Fund Cash Balances, December 31	\$616,865

.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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Fiduciary Fund Types</u>
	<u>Other Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	\$7,675
Total Operating Cash Receipts	<u>7,675</u>
Deductions	
Distributions to Other Governments	7,595
Total Operating Cash Disbursements	<u>7,595</u>
Net Change in Fund Cash Balances	80
Fund Cash Balances, January 1	<u>1,784</u>
Fund Cash Balances, December 31	<u><u>\$1,864</u></u>

See accompanying notes to the basic financial statements.

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Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Rockford (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in Ohio Plan Risk Management a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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

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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Radio Station Communications This fund receives underwriting and donations to keep the Village radio station WRKD – 101.3 on the air. The station is operated by a Board of Directors approved by the Village Council.

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

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

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

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 project funds:

Sub Division Development Project This fund accounts for and reports monies for the acquisition and payments for land for the development of a new subdivision.

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

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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 Villages own programs.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village’s custodial fund accounts for the Village Mayor’s Court.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Basis of Accounting

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.

Budgetary Process

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

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.

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.

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 reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

Deposits

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village funds are maintained in an interest bearing checking account.

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.

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. Beginning in 2021 we created line items that will begin to save funds for unpaid leave balances for retirement purposes in the future.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Note 3 – Compliance

Contrary to Ohio law, Ohio Rev. Code § 5705.36(A)(1), the Village did not obtain the proper amended certificates of resources for the receipt of Coronavirus Funds in 2020.

Contrary to Ohio law, Ohio Rev. Code § 5705.39, the Village had appropriations exceeding estimated resources in 2020. Total appropriations in the Corona Virus Fund exceeded estimated resources by \$58,292.

Contrary to Ohio law, Ohio Rev. Code § 5705.41(B), The Villages' Corona Virus Fund also had expenditures in excess of appropriations of \$53,384 as of December 31, 2020.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$367,621	\$519,072	\$151,451
Special Revenue	138,691	240,389	101,698
Debt Service	8,000	9,029	1,029
Capital Projects	115,000	93,324	(21,676)
Enterprise	736,000	998,233	262,233
Total	\$1,365,312	\$1,860,047	\$494,735

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$525,386	\$445,652	\$79,734
Special Revenue	225,588	176,475	49,113
Debt Service	24,000	4,729	19,271
Capital Projects	54,996	50,071	4,925
Enterprise	950,237	901,780	48,457
Total	\$1,780,207	\$1,578,707	\$201,500

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. A summary of the Village's deposit accounts are as follows:

	2020
Demand deposits - Primary Checking	\$1,222,344
Demand deposits - Mayors Court Checking	1,864
Total Deposits and Investments	\$1,224,208

Deposits

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

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Income Taxes

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.

Note 7 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management, (the “Plan”), a non-assessable, unincorporated nonprofit 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, 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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. 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. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	\$ 4,591,493

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's full time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Roger Property - Subdivision	\$84,824	0%
Peoples Bank - Police SUV	25,249	3.25%
Peoples Holding - Shanes Crossing Infrastructure	137,244	2.75%
OPWC Franklin/Water St Water Improvement	2,452	0%
OPWC Front Street	40,000	0%
OPWC South Main Street	54,538	0%
OPWC Market Street	41,463	0%
OPWC Columbia Street	303,300	0%
OPWC Wastewater Improvements	1,673,184	0%
OWDA Force Main Replacement	8,286	0%
OWDA WTP & Water Meters	631,882	0%
OWDA Distribution System	549,037	1.5%
Total	<u>\$3,551,459</u>	

Due to the Corona Virus the Village was only required to pay one half of the street payments for 2020.

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

The Ohio Water Development Authority 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 \$33,257 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 \$672,602. The loan will be repaid in semiannual installments of \$14,696 over 30 years.

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.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. This was paid off in 2020.

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. This loan was renewed with Peoples Bank in April 2020 and the Village is currently making monthly payments of \$2,789.

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. Payments of \$5,617 will be made semiannually for 30 years.

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 funding of \$48,204 was received in 2020. The loan will be repaid in semiannual installments of \$35,917 with no interest, the final payment due in 2049.

During 2020, The Village purchased a 2020 Police SUV. The Village Received a 3.25% loan from Peoples Bank Co for \$29,352 (including \$165 to lender and the Title Department). Payments of \$1,596.10 will be made on a quarterly basis beginning in 2020 for 5 years.

Amortization

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

Year Ending December 31:	People's Holding/Peoples Bank	OWDA Loan	Ohio Public Works Commission	Rogers Property	Total
2021	\$35,989	\$91,065	\$26,561	\$21,206	\$174,821
2022	36,948	91,384	26,561	21,206	176,099
2023	37,933	90,052	26,561	21,206	175,752
2024	38,942	88,724	25,744	21,206	174,616
2025	12,681	89,059	25,744		127,484
2026-2030		417,231	115,847		533,078
2031-2035		127,067	59,936		187,003
2036-2040		136,925	56,167		193,092
2041-2045		57,699	56,167		113,866
2046-2048			28,083		28,083
Total	\$162,493	\$1,189,206	\$447,371	\$84,824	\$1,883,894

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2020

During 2020, the Village received CARES Act funding. The Village received \$111,676 in Coronavirus Relief Funds to help local governments from the CARES Act. The funds were spent by the end of 2020. The amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>
Nonspendable:	
Unclaimed Monies	\$4,089
<i>Total</i>	<u><u>\$4,089</u></u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**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, 2019**

	<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	\$59,404	\$11,226			\$70,630
Municipal Income Tax	326,698				326,698
Intergovernmental	40,304	72,089			112,393
Special Assessments			\$8,970		8,970
Charges for Services		3,270		\$1,095	4,365
Fines, Licenses and Permits	15,736	3,108			18,844
Earnings on Investments	7,386	3,002			10,388
Miscellaneous	8,716	269			8,985
Total Cash Receipts	<u>458,244</u>	<u>92,964</u>	<u>8,970</u>	<u>1,095</u>	<u>561,273</u>
Cash Disbursements					
Current:					
Security of Persons and Property	213,471	3,438			216,909
Leisure Time Activities	13,316	4,101			17,417
Community Environment	3,651				3,651
Basic Utility Services	5,479				5,479
Transportation	49,834	62,786			112,620
General Government	116,610	1,200			117,810
Capital Outlay	7,859	3,723		2,999	14,581
Debt Service:					
Principal Retirement	6,607	11,233	15,036	52,402	85,278
Interest and Fiscal Charges	301			5,160	5,461
Total Cash Disbursements	<u>417,128</u>	<u>86,481</u>	<u>15,036</u>	<u>60,561</u>	<u>579,206</u>
Excess of Receipts Over (Under) Disbursements	<u>41,116</u>	<u>6,483</u>	<u>(6,066)</u>	<u>(59,466)</u>	<u>(17,933)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets				45,971	45,971
Transfers In		4,115		21,206	25,321
Transfers Out	(25,321)				(25,321)
Other Financing Uses	(2,816)				(2,816)
Total Other Financing Receipts (Disbursements)	<u>(28,137)</u>	<u>4,115</u>		<u>67,177</u>	<u>43,155</u>
Net Change in Fund Cash Balances	12,979	10,598	(6,066)	7,711	25,222
Fund Cash Balances, January 1	<u>192,900</u>	<u>135,671</u>	<u>53,373</u>	<u>13,426</u>	<u>395,370</u>
Fund Cash Balances, December 31					
Nonspendable	4,089				4,089
Restricted		146,269	47,307	108	193,684
Committed	1,460				1,460
Assigned	157,540			21,029	178,569
Unassigned	42,790				42,790
Fund Cash Balances, December 31	<u>\$205,879</u>	<u>\$146,269</u>	<u>\$47,307</u>	<u>\$21,137</u>	<u>\$420,592</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, 2019**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Custodial</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$688,396		\$688,396
Fines, Licenses and Permits		\$6,663	6,663
Miscellaneous	1,430		1,430
Total Operating Cash Receipts	<u>689,826</u>	<u>6,663</u>	<u>696,489</u>
Operating Cash Disbursements			
Personal Services	174,434		174,434
Employee Fringe Benefits	79,650		79,650
Contractual Services	53,399		53,399
Supplies and Materials	104,040		104,040
Other	2,472	6,585	9,057
Total Operating Cash Disbursements	<u>413,995</u>	<u>6,585</u>	<u>420,580</u>
Operating Income	<u>275,831</u>	<u>78</u>	<u>275,909</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	205,296		205,296
Other Debt Proceeds	1,008,297		1,008,297
Capital Outlay	(1,336,975)		(1,336,975)
Principal Retirement	(163,170)		(163,170)
Interest and Other Fiscal Charges	(8,704)		(8,704)
Total Non-Operating Receipts (Disbursements)	<u>(295,256)</u>		<u>(295,256)</u>
Net Change in Fund Cash Balances	(19,425)	78	(19,347)
Fund Cash Balances, January 1	<u>539,837</u>	<u>1,706</u>	<u>541,543</u>
Fund Cash Balances, December 31	<u>\$520,412</u>	<u>\$1,784</u>	<u>\$522,196</u>

See accompanying notes to the basic financial statements.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Rockford (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in Ohio Plan Risk Management a public entity risk pool. Note 6 to the Financial Statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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

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:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Radio Station Communications This fund receives underwriting and donations to keep the Village radio station WRKD – 101.3 on the air. The station is operated by a Board of Directors approved by the Village Council.

Parks and Recreation Project The Village was awarded an \$80,000 grant from the State for playground equipment in 2017. The Village paid the expenses up front with reimbursement coming from the State.

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

Front Street Debt Service This fund receives Special Assessments to pay an Ohio Public Works Commission loan. The Peoples bank note has been paid off.

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

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

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 project funds:

Sub Division Development Project This fund accounts for and reports monies for the acquisition and payments for land for the development of a new subdivision.

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

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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 Villages own programs.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village’s custodial fund accounts for the Village Mayor’s Court.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

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.

Budgetary Process

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

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.

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.

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 reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Deposits

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village funds are maintained in an interest bearing checking account.

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.

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.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$391,727	\$458,244	\$66,517
Special Revenue	81,450	97,079	15,629
Debt Service	19,000	8,970	(10,030)
Capital Projects	175,000	68,272	(106,728)
Enterprise	2,236,000	1,903,419	(332,581)
Total	\$2,903,177	\$2,535,984	(\$367,193)

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$486,651	\$445,265	\$41,386
Special Revenue	143,660	86,481	57,179
Debt Service	20,800	15,036	5,764
Capital Projects	80,890	60,561	20,329
Enterprise	2,528,029	1,922,844	605,185
Total	\$3,260,030	\$2,530,187	\$729,843

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. A summary of the Village’s deposit accounts are as follows:

	2019
Demand deposits - Primary Checking	\$941,004
Demand deposits - Mayors Court Checking	1,784
Total Deposits and Investments	\$942,788

Deposits

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

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Income Taxes

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.

Note 6 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management, (the “Plan”), a non-assessable, unincorporated nonprofit 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. Members are only responsible for their deductible amounts, which vary from member to member. OPRM had 776 members as of December 31, 2019.

	<u>2019 (in thousands)</u>
Cash and investments	\$15,920
Actuarial liabilities	\$11,329

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Ohio Police and Fire Retirement System

The Village’s full time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2019.

Note 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Roger Property - Subdivision	\$106,030	0%
Peoples Bank - Police SUV	\$6,791	2.75%
Peoples Holding - Shanes Crossing Infrastructure	\$157,054	2.75%
OPWC Franklin/Water St Water Improvement	\$2,861	0%
OPWC Front Street	\$42,500	0%
OPWC South Main Street	\$57,408	0%
OPWC Market Street	\$43,348	0%
OPWC Columbia Street	\$308,917	0%
OPWC Wastewater Improvements	\$1,696,813	0%
OWDA Force Main Replacement	\$11,600	0%
OWDA WTP & Water Meters	\$698,396	0%
OWDA Distribution System	\$569,959	1.5%
Total	<u>\$3,701,677</u>	

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

The Ohio Water Development Authority 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 \$33,257 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 \$672,602. The loan will be repaid in semiannual installments of \$14,696 over 30 years.

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. This will be paid off in April 2020.

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. Payments of \$5,616.67 will be made semiannually for 30 years.

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

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

Village of Rockford, Ohio
Mercer County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Year Ending December 31:	People's Holding/Peoples Bank	OWDA Loan	Ohio Public Works Commission	Rogers Property	Total
2020	\$26,601	\$90,750	\$13,281	\$21,206	\$151,838
2021	30,357	91,065	26,561	21,206	169,189
2022	31,131	91,384	26,561	21,206	170,282
2023	31,924	90,052	26,561	21,206	169,743
2024	32,735	88,724	25,744	21,206	168,409
2025-2029	11,097	448,739	123,718		583,554
2030-2034		158,439	66,576		225,015
2035-2039		134,894	56,167		191,061
2040-2044		85,909	56,167		142,076
2045-2048			39,316		39,316
Total	<u>\$163,845</u>	<u>\$1,279,956</u>	<u>\$460,652</u>	<u>\$106,030</u>	<u>\$2,010,483</u>

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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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2020 and 2019 and related notes of the Village of Rockford, Mercer County, (the Village) and have issued our report thereon dated May 5, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 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 financial statement. 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 2020-001 and 2020-002.

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

May 5, 2021

**VILLAGE OF ROCKFORD
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

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

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

As of December 31, 2019:

- Principal retirement in the 2nd Mtg OPWC Sewer Debt Svc fund in the amount of \$31,268 was recorded incorrectly as capital outlay;
- Principal of \$31,196 and interest of \$5,160 in the Subdivision Development capital projects fund was recorded incorrectly as capital outlay;
- A charges for services receipt for the Sewer fund in the amount of \$36,125 was recorded incorrectly as charges for services in the Water fund;
- An interest payment in the amount of \$1,704 from the Water fund was recorded incorrectly as principal retirement;
- A property and other local taxes receipt in the amount of \$21,155 in the General fund was recorded incorrectly as an income tax receipt;
- Principal of \$6,607 and interest of \$301 in the General fund for the police cruiser debt was recorded incorrectly as security of persons and property;
- Principal of \$409 to be recorded in the Water Note Debt Retirement fund was recorded incorrectly as principal retirement in the Market Street Debt Service fund;
- Debt payment for the OWDA #5934 was improperly overpaid from the 2nd Mtg OWDA Sup Debt Svc fund and subsequent OWDA reimbursement was incorrectly recorded in the Water fund, instead of a reduction of the principal retirement disbursement in the amount of \$14,696;
- Fund balance in the General fund was improperly recorded as \$6,664 in nonspendable fund balance and \$150,876 in unassigned fund balance and should have been assigned fund balance.

FINDING NUMBER 2020-001
(Continued)

- OWDA #8107 debt payments were posted to the Water fund instead of the 2nd Mtg OWDA fund in the amount of \$5,093;
- OWDA #5191 debt payments were posted to the 2nd Mtg OWDA fund instead of the Water fund in the amount of \$33,257;
- \$2,816 of the Radio fund balance was brought on in 2016 but was never added to the UAN system balance.

As of December 31, 2020:

- Debt proceeds and principal retirement of \$157,054 related to the re-financing of debt was not properly recorded in the 2nd Mtg OWDA Sup Debt Svc fund;
- The sale of property was misclassified as miscellaneous revenue in the amount of \$15,000, but should have been recorded as a sale of capital assets in the General fund;
- Police cruiser debt payments of \$1,367 were improperly posted to Sub Division Debt fund instead of the General fund;
- Homestead and rollback in the amount of \$5,018 in the General fund was improperly classified as property and other local tax receipts instead of intergovernmental receipts;
- Principal of \$6,791 and interest of \$12 in the General fund for the police cruiser debt was recorded incorrectly as security of persons and property;
- A check cleared the bank at an amount greater than what was written in UAN for \$156 in the Radio fund;
- Special assessments in the Market Street Debt fund of \$557 was not recorded in UAN.

The following errors occurred in both 2020 and 2019:

- In 2020 and 2019, permissive license taxes levied by the Village in the amounts of \$6,144 and \$11,226, respectively in the Permissive Motor Vehicle License Tax fund, were incorrectly classified as intergovernmental receipts instead of property and other local tax receipts;
- In 2020 and 2019, the balances of the Unclaimed Monies (\$4,089) and Pool Trust (\$1,115) funds were improperly classified as custodial and private purpose trust funds, respectively. These funds should have been reported as part of the General fund for financial reporting purposes;
- In 2020 and 2019, the beginning balance of \$1,784 and \$1,706, receipts of \$2,120 and \$1,989, disbursements of \$2,040 and \$1,911, and ending balance of \$1,864 and \$1,784, respectively of the Mayor's Court fund was not properly recorded and required an adjustment to show the correct amount of financial activity as a Custodial fund;
- In 2020 and 2019, the activity for the OWDA WWTP Improvements NRD activity was improperly classified as capital projects funds and required adjustments to show the activity as Enterprise of \$43,565 and \$117,400 in beginning balance, \$48,204 and \$1,243,506 in revenues, \$91,769 and \$1,317,341 in disbursements and ending fund balance of \$0 and \$43,565, respectively;
- In 2020 and 2019, the activity for the Tree fund was improperly classified as special revenue and required adjustments to show the activity as General fund in the amount of \$1,460 and \$1,800 in beginning fund balance, \$2,800 and \$285 in revenues, \$2,166 and \$625 in disbursements and ending fund balance of \$2,094 and \$1,460, respectively;
- In 2020 and 2019, principal payments in the amount of \$21,206 from the Subdivision Development capital projects fund for a land acquisition lease were incorrectly classified as capital outlay disbursements;
- In 2020 and 2019, proceeds from the sale of capital assets in the amount of \$70,844 and \$45,971 respectively, in the Subdivision Development capital projects fund were incorrectly classified as charges for services;
- In 2020 and 2019, homestead and rollback receipts were incorrectly reported as property and other local taxes in the amount of \$5,018 and \$5,295, respectively, in the General fund and should have been reported as intergovernmental.

**FINDING NUMBER 2020-001
(Continued)**

The misstatements noted above have been corrected on the accompanying financial statements and have been posted to the Village's accounting records. In addition to the adjustments and reclassifications listed above, we also identified additional misstatements, which we have brought to the Village's attention but were not material to the financial statements.

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 to this finding.

FINDING NUMBER 2020-002

NONCOMPLIANCE

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

The Fiscal Officer did not obtain a revised certificate of estimated resources from the Budget Commission in 2019 and 2020.

Because the Fiscal Officer did not obtain the proper amended certificates the total appropriations in 2020 for the Coronavirus fund exceeded estimated resources by \$58,292.

The Village had appropriations in the accounting system that exceeded what was approved by the Council's resolution and supplemental adjustments (\$3,239 in the Water fund and \$2,956 in the Sewer fund in 2019

**FINDING NUMBER 2020-002
(Continued)**

and \$53,384 in the Coronavirus fund in 2020). This resulted in the Coronavirus fund 2020 expenditures to exceed appropriations by \$53,384.

The Village had resources in the accounting system not included on the Final Amended Certificate of Estimated Resources and resources included on the Final Amended Certificate of Resources that were not updated in the accounting system. Variances for 2019 include \$2,473 in the General fund and \$70,000 in the Water fund. Variances in 2020 include \$11,029 in General fund and \$111,676 in the Coronavirus fund.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and amendments thereof) approved by Council were not properly posted to the accounting system along with the estimated resources. 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.

Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring. Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

Failure to accurately post the appropriations and estimated resources 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 financial statements.

The Fiscal Officer should, when necessary, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

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, estimated resources as certified by the budget commission 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 accurately and properly posted to the ledgers.

Official's Response:

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



151 East Columbia Street * P.O. Box 282
 Rockford, OH 45882

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 December 31, 2020 and 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Misstatements noted due to misclassifications	Corrected prior year audit adjustments after last audit. – repeated finding in current audit period	See Schedule of Findings for repeat finding number 2020-001
2018-002	Failure to accurately post the appropriations	Working on better Procedures- not fully corrected repeat finding in current audit period	See Schedule of Findings for repeat finding number 2020-002

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ROCKFORD

MERCER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/1/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov