



# City of Rockford, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013



*Vredeveld Haefner LLC*

# CITY OF ROCKFORD

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## INDEPENDENT AUDITORS' REPORT

October 25, 2013

Honorable Mayor and Members of the City Council  
City of Rockford, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockford, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockford, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and other information on pages 3–8 and 35–36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford, Michigan’s basic financial statements. The combining and individual fund financial statements and the continuing disclosure filing are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Wendyold Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Rockford, we offer readers of the City of Rockford's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The City sold \$1.1 million in Capital Improvement bonds for infrastructure improvements.
- Completed the first year of a five year water meter replacement program.
- Began a \$1.1 million reconstruction of the Wolverine Addition.
- Purchased Kent County's portion of 105 Maple Street.
- Repaved the parking lot at City Hall.
- Completed the first full year of the Public Safety consolidation.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rockford's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Rockford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include the City of Rockford (the *primary government*) as well as the legally separate Downtown Development Authority and Economic Development Corporation component units for which the City is financially accountable. Financial information for the component units is reported separately from the financial information for the primary government.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-

related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and capital improvements funds, each of which is considered a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, each of which is considered to be a major fund of the City.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis, budget and actual comparisons for major funds and the pension plan schedule of funding progress.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockford, assets exceeded liabilities by \$16,858,030 at the close of the most recent fiscal year.

A portion of the City's net position reflects unrestricted net position which is available for future operations while a significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$3,140,333	\$2,962,680	\$2,873,641	\$2,115,038	\$ 6,013,974	\$ 5,077,718
Capital assets	7,858,715	7,786,737	7,747,747	7,415,297	15,606,462	15,202,034
<b>Total assets</b>	<b>10,999,048</b>	<b>10,749,417</b>	<b>10,621,388</b>	<b>9,530,335</b>	<b>21,620,436</b>	<b>20,279,752</b>
Long-term liabilities	1,994,772	2,190,278	2,270,056	1,684,344	4,264,828	3,874,622
Other liabilities	206,455	158,197	291,123	113,196	497,578	271,393
<b>Total liabilities</b>	<b>2,201,227</b>	<b>2,348,475</b>	<b>2,561,179</b>	<b>1,797,540</b>	<b>4,762,406</b>	<b>4,146,015</b>
Net position						
Invested in capital assets, net						
of related debt	6,075,278	5,761,149	5,992,043	5,798,076	12,067,321	11,559,225
Restricted	1,348,932	1,023,935	-	-	1,348,932	1,023,935
Unrestricted	1,373,611	1,615,858	2,068,166	1,934,719	3,441,777	3,550,577
<b>Total net position</b>	<b>\$8,797,821</b>	<b>\$8,400,942</b>	<b>\$8,060,209</b>	<b>\$7,732,795</b>	<b>\$16,858,030</b>	<b>\$16,133,737</b>

Net position of the City increased by \$724,293 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net position of \$327,414 was primarily the result of increased charges for services in both water and sewer operations. The governmental activities increase in net position of \$396,879 is primarily due to budgeted cost saving measures to offset decreasing property tax revenue.



## Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 243,896	\$ 200,696	\$2,719,820	\$2,681,885	\$2,963,716	\$2,882,581
Operating grants and contributions	421,956	427,392	-	-	421,956	427,392
Capital grants and contributions	144,771	194,359	-	-	144,771	194,359
General revenue						
Property taxes	2,154,321	2,206,380	-	-	2,154,321	2,206,380
Other governmental sources	447,992	444,490	-	-	447,992	444,490
Other	180,673	178,084	36,262	37,373	216,935	215,457
Transfers	7,500	7,500	(7,500)	(7,500)	-	-
<b>Total revenue</b>	<b>3,601,109</b>	<b>3,658,901</b>	<b>2,748,582</b>	<b>2,711,758</b>	<b>6,349,691</b>	<b>6,370,659</b>
<b>Expenses</b>						
General government	534,829	507,165	-	-	534,829	507,165
Public safety	1,491,761	1,407,499	-	-	1,491,761	1,407,499
Public works	902,585	818,546	-	-	902,585	818,546
Culture and recreation	194,846	365,619	-	-	194,846	365,619
Interest	80,209	93,234	-	-	80,209	93,234
Sewer	-	-	1,531,158	1,534,292	1,531,158	1,534,292
Water	-	-	890,010	837,006	890,010	837,006
<b>Total expenses</b>	<b>3,204,230</b>	<b>3,192,063</b>	<b>2,421,168</b>	<b>2,371,298</b>	<b>5,625,398</b>	<b>5,563,361</b>
Increase in net position	396,879	466,838	327,414	340,460	724,293	807,298
<b>Net position-beginning of year</b>	<b>8,400,942</b>	<b>7,934,104</b>	<b>7,732,795</b>	<b>7,392,335</b>	<b>16,133,737</b>	<b>15,326,439</b>
<b>Net position end of year</b>	<b>\$8,797,821</b>	<b>\$8,400,942</b>	<b>\$8,060,209</b>	<b>\$7,732,795</b>	<b>\$16,858,030</b>	<b>\$16,133,737</b>

**Governmental Activities.** During the year the City invested \$1,491,761 or 47% of governmental activities expenses in public safety. Public Works, which includes major and local streets was \$902,585 or 28% of governmental activities expenses while general government, culture and recreation and interest on long-term debt made up the remaining 25% of governmental activities expenses.

**Business-type Activities.** Business-type activities increased the City's net position by \$327,414, accounting for 45% of the total growth in the government's net position for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$340,460.

## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,952,129, an increase of \$127,420 in comparison with the prior year. Of the \$2,952,129, \$1,525,283 is reported in the general fund as unassigned. The remaining amount of fund balance is reported in various funds as assigned or restricted for certain uses such as street construction and maintenance, cemetery operations, and various capital projects.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,525,283. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49.3% of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$143,795 during the current fiscal year.

The capital improvements fund is used to account for the accumulation of resources for, and purchase of, capital assets. The fund balance at the end of the year amounted to \$428,109, a decrease of \$25,563 from the previous year. The decrease is primarily the result of capital expenditures.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$935,173 and \$1,132,993, respectively. The sewer fund had an increase in net position for the year of \$129,006 while the water fund had an increase of \$198,408. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounted to \$15,606,462 (net of accumulated depreciation).

The City's Capital Assets (net of depreciation) are summarized as follows:

<b>Capital Assets</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$2,629,034	\$ 96,621	\$ 2,725,655
Buildings, Equipment and Infrastructure	5,229,681	7,651,126	12,880,807
<b>Total</b>	<b>\$7,858,715</b>	<b>\$7,747,747</b>	<b>\$15,606,462</b>

Additional information on the City of Rockford capital assets can be found in Note 4 of these financial statements.

**Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$4,264,828 summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Accrued employee benefits	\$ 161,967	\$ 70,056	\$ 232,023
Notes payable	965,000	-	965,000
Bonds payable	867,805	2,200,000	3,067,805
<b>Total</b>	<b>\$1,994,772</b>	<b>\$2,270,056</b>	<b>\$4,264,828</b>

Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

### **Budgetary Highlights**

- The City sold \$1.1 million in Capital Improvement bonds to finance the reconstruction of the Wolverine Addition. The project was approximately 58% complete at fiscal year-end.
- Rates for the Water and Sewer Funds were increased by 2%.
- Installed sidewalks on Oak Street.
- Transferred \$200,000 from the General Fund to the Construction Fund for street maintenance.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2013-14 fiscal year:

- The City of Rockford maintained its millage at 10.9 mills, which is one of the lowest rates among local Cities which do not levy an income tax.
- A 2% salary increase was budgeted for all departments, including unionized staff.
- Property values saw their first increase in 5 years.
- Health insurance premiums were budgeted to increase 15%. Pension costs increased 3%.
- Employee contributions to health care costs increased to 10% this year and will increase to 12% July 1, 2013 then 13% January 1, 2014.
- Projects budgeted for next fiscal year include the completion of the Wolverine Addition reconstruction project and the 2nd year of the water meter replacement program, as well as various preventative maintenance programs in the street, water and sewer funds.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 7 South Monroe St., Rockford, Michigan, 49341.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ROCKFORD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental</b>		<b>Business-Type</b>	<b>Downtown</b>	<b>Economic</b>
	<b>Activities</b>	<b>Activities</b>			
			<b>Total</b>	<b>Authority</b>	<b>Corporation</b>
<b>Assets</b>					
Cash and pooled investments	\$ 2,908,336	\$ 2,294,211	\$ 5,202,547	\$ 41,514	\$ 3,714
Accounts receivable	33,337	505,558	538,895	16	-
Special assessments receivable	5,546	-	5,546	-	-
Due from other governments	137,417	-	137,417	-	-
Inventory	36,848	-	36,848	-	-
Prepaid items	18,849	5,872	24,721	-	-
Restricted cash and pooled investments	-	68,000	68,000	-	-
Capital assets					
Land	2,629,034	96,621	2,725,655	-	-
Depreciable capital assets, net	<u>5,229,681</u>	<u>7,651,126</u>	<u>12,880,807</u>	<u>1,215,143</u>	<u>-</u>
<b>Total assets</b>	<u>10,999,048</u>	<u>10,621,388</u>	<u>21,620,436</u>	<u>1,256,673</u>	<u>3,714</u>
<b>Liabilities</b>					
Accounts payable	119,998	255,609	375,607	327	50
Accrued liabilities	86,457	35,514	121,971	-	-
Noncurrent liabilities					
Compensated absences	161,967	70,056	232,023	-	-
Due within one year	296,812	232,000	528,812	-	-
Due in more than one year	<u>1,535,993</u>	<u>1,968,000</u>	<u>3,503,993</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>2,201,227</u>	<u>2,561,179</u>	<u>4,762,406</u>	<u>327</u>	<u>50</u>
<b>Net position</b>					
Invested in capital assets, net of related debt	6,075,278	5,992,043	12,067,321	-	-
Restricted for					
Major streets	197,440	-	197,440	-	-
Local streets	82,271	-	82,271	-	-
Cemetery	366,620	-	366,620	-	-
Unrestricted	<u>2,076,212</u>	<u>2,068,166</u>	<u>4,144,378</u>	<u>1,256,346</u>	<u>3,664</u>
<b>Total net position</b>	<u>\$ 8,797,821</u>	<u>\$ 8,060,209</u>	<u>\$ 16,858,030</u>	<u>\$ 1,256,346</u>	<u>\$ 3,664</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities					
General government	\$ 534,829	\$ 115,979	\$ -	\$ 79,000	\$ (339,850)
Public safety	1,491,761	30,300	89,867	18,185	(1,353,409)
Public works	902,585	199,322	323,534	19,225	(360,504)
Culture and recreation	194,846	56,446	8,555	28,361	(101,484)
Interest on long-term debt	80,209	-	-	-	(80,209)
Total governmental activities	<u>3,204,230</u>	<u>402,047</u>	<u>421,956</u>	<u>144,771</u>	<u>(2,235,456)</u>
Business-type activities					
Sewer	1,531,158	1,657,394	-	-	126,236
Water	890,010	1,091,855	-	-	201,845
Total business-type activities	<u>2,421,168</u>	<u>2,749,249</u>	<u>-</u>	<u>-</u>	<u>328,081</u>
<b>Total primary government</b>	<u>\$ 5,625,398</u>	<u>\$ 3,151,296</u>	<u>\$ 421,956</u>	<u>\$ 144,771</u>	<u>\$ (1,907,375)</u>
<b>Component units</b>					
Downtown Development Authority	\$ 154,911	\$ -	\$ -	\$ -	\$ (154,911)
Economic Development Corporation	227	500	-	-	273
<b>Total component units</b>	<u>\$ 155,138</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (154,638)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>
<b>Changes in net position</b>					
<b>Net (expense) revenue</b>	<u>\$ (2,235,456)</u>	<u>\$ 328,081</u>	<u>\$ (1,907,375)</u>	<u>\$ (154,911)</u>	<u>\$ 273</u>
General revenues					
Property taxes					
General operating	2,154,321	-	2,154,321	197,447	-
State shared revenues	447,992	-	447,992	-	-
Interest	8,542	3,482	12,024	365	7
Other revenue	13,980	3,351	17,331	-	-
Transfers - internal activities	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>2,632,335</u>	<u>(667)</u>	<u>2,631,668</u>	<u>197,812</u>	<u>7</u>
Changes in net position	396,879	327,414	724,293	42,901	280
<b>Net position, beginning of year, as restated</b>	<u>8,400,942</u>	<u>7,732,795</u>	<u>16,133,737</u>	<u>1,213,445</u>	<u>3,384</u>
<b>Net position, end of year</b>	<u>\$ 8,797,821</u>	<u>\$ 8,060,209</u>	<u>\$ 16,858,030</u>	<u>\$ 1,256,346</u>	<u>\$ 3,664</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

**JUNE 30, 2013**

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 1,568,720	\$ 436,821	\$ 902,795	\$ 2,908,336
Accounts receivable	28,491	4,535	311	33,337
Special assessment receivable	2,410	3,136	-	5,546
Due from other governments	82,472	-	54,945	137,417
Prepaid items	17,620	-	1,229	18,849
Inventory	36,848	-	-	36,848
<b>Total assets</b>	<u>\$ 1,736,561</u>	<u>\$ 444,492</u>	<u>\$ 959,280</u>	<u>\$ 3,140,333</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 71,186	\$ 13,247	\$ 35,565	\$ 119,998
Accrued liabilities	62,178	-	2,892	65,070
Deferred revenue	-	3,136	-	3,136
<b>Total liabilities</b>	<u>133,364</u>	<u>16,383</u>	<u>38,457</u>	<u>188,204</u>
<b>Fund balances</b>				
Non-spendable				
Prepaid items	17,620	-	1,229	18,849
Inventory	36,848	-	-	36,848
Restricted				
Unspent bond proceeds	-	-	49,366	49,366
Streets	-	-	278,547	278,547
Cemetery	-	-	366,620	366,620
Assigned				
Debt service and capital projects	-	428,109	225,061	653,170
Subsequent year expenditures	23,446	-	-	23,446
Unassigned	1,525,283	-	-	1,525,283
<b>Total fund balances</b>	<u>1,603,197</u>	<u>428,109</u>	<u>920,823</u>	<u>2,952,129</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,736,561</u>	<u>\$ 444,492</u>	<u>\$ 959,280</u>	<u>\$ 3,140,333</u>

The accompanying notes are an integral part of these financial statements.



# CITY OF ROCKFORD

## RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2013

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<b>Fund balances - total governmental funds</b>	<b>\$ 2,952,129</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,629,034
Add - capital assets (net of accumulated depreciation)	5,229,681
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred revenue	3,136
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(161,967)
Deduct - bonds and loans payable	(1,832,805)
Deduct - accrued interest on bonds and loans payable	<u>(21,387)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 8,797,821</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 2,154,321	\$ -	\$ -	\$ 2,154,321
Intergovernmental revenues				
Federal	21,125	-	19,225	40,350
State	454,671	26,496	323,534	804,701
Local	60,250	123,548	8,555	192,353
Licenses and permits	76,590	-	-	76,590
Charges for services	66,288	-	-	66,288
Fines	2,889	-	20,356	23,245
Interest	5,258	1,675	1,609	8,542
Rents and easements	86,595	107,427	-	194,022
Miscellaneous	21,545	1,075	13,065	35,685
<b>Total revenues</b>	<u>2,949,532</u>	<u>260,221</u>	<u>386,344</u>	<u>3,596,097</u>
<b>Expenditures</b>				
Current				
General government	486,294	-	-	486,294
Public safety	1,342,993	-	-	1,342,993
Public works	517,208	-	330,994	848,202
Culture and recreation	115,525	-	27,599	143,124
Debt service				
Principal	-	192,783	110,000	302,783
Interest	-	39,883	44,789	84,672
Capital outlay	-	267,018	111,091	378,109
<b>Total expenditures</b>	<u>2,462,020</u>	<u>499,684</u>	<u>624,473</u>	<u>3,586,177</u>
Revenues over (under) expenditures	<u>487,512</u>	<u>(239,463)</u>	<u>(238,129)</u>	<u>9,920</u>
Other financing sources (uses)				
Issuance of debt	-	-	110,000	110,000
Transfers in	593	213,900	572,787	787,280
Transfers out	(631,900)	-	(147,880)	(779,780)
Total other financing sources (uses)	<u>(631,307)</u>	<u>213,900</u>	<u>534,907</u>	<u>117,500</u>
Net changes in fund balances	(143,795)	(25,563)	296,778	127,420
<b>Fund balances, beginning of year, as restated</b>	<u>1,746,992</u>	<u>453,672</u>	<u>624,045</u>	<u>2,824,709</u>
<b>Fund balances, end of year</b>	<u>\$ 1,603,197</u>	<u>\$ 428,109</u>	<u>\$ 920,823</u>	<u>\$ 2,952,129</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF ROCKFORD

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 127,420</b>
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	368,623
Deduct - depreciation expense	(296,645)
Special assessments receivable are long-term in nature and are collectable over several years. They are recognized when issued in the government-wide financial statements, however the assessments are reflected as deferred revenue on the fund statements.	
Deduct - payments on special assessment	(2,488)
Bond or debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Deduct - issuance of debt	(110,000)
Add - principal payments on debt	302,783
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	2,723
Add - decrease in accrued interest	<u>4,463</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 396,879</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

<b>Assets</b>	<b><u>Sewer</u></b>	<b><u>Water</u></b>	<b><u>Total</u></b>
Current assets			
Cash and pooled investments	\$ 1,136,306	\$ 1,157,905	\$ 2,294,211
Accounts receivable	291,550	214,008	505,558
Prepaid items	<u>2,068</u>	<u>3,804</u>	<u>5,872</u>
Total current assets	<u>1,429,924</u>	<u>1,375,717</u>	<u>2,805,641</u>
Restricted cash and pooled investments	<u>-</u>	<u>68,000</u>	<u>68,000</u>
Capital assets			
Land	2,500	94,121	96,621
Capital assets	5,126,119	7,793,255	12,919,374
Less accumulated depreciation	<u>(2,926,148)</u>	<u>(2,342,100)</u>	<u>(5,268,248)</u>
Net capital assets	<u>2,202,471</u>	<u>5,545,276</u>	<u>7,747,747</u>
<b>Total assets</b>	<u>3,632,395</u>	<u>6,988,993</u>	<u>10,621,388</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	165,147	90,462	255,609
Accrued liabilities	10,474	25,040	35,514
Current portion of bonds payable	<u>48,000</u>	<u>184,000</u>	<u>232,000</u>
Total current liabilities	<u>223,621</u>	<u>299,502</u>	<u>523,123</u>
Long-term liabilities			
Compensated absences	22,933	47,123	70,056
Bonds payable, net of current portion	<u>612,000</u>	<u>1,356,000</u>	<u>1,968,000</u>
Total long-term liabilities	<u>634,933</u>	<u>1,403,123</u>	<u>2,038,056</u>
<b>Total liabilities</b>	<u>858,554</u>	<u>1,702,625</u>	<u>2,561,179</u>
<b>Net position</b>			
Investment in capital assets, net of related debt	1,838,668	4,153,375	5,992,043
Unrestricted	<u>935,173</u>	<u>1,132,993</u>	<u>2,068,166</u>
<b>Total net position</b>	<u>\$ 2,773,841</u>	<u>\$ 5,286,368</u>	<u>\$ 8,060,209</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**

**ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 1,627,965	\$ 1,091,855	\$ 2,719,820
Other	<u>1,240</u>	<u>2,111</u>	<u>3,351</u>
<b>Total operating revenue</b>	<u>1,629,205</u>	<u>1,093,966</u>	<u>2,723,171</u>
<b>Operating expense</b>			
Personnel services	223,694	413,170	636,864
Professional and contractual services	1,003,238	43,629	1,046,867
Materials and supplies	61,757	63,384	125,141
Utilities	27,654	77,839	105,493
Repair and maintenance	26,749	41,669	68,418
Insurance and bonds	10,872	11,796	22,668
Equipment rentals	10,970	10,970	21,940
Depreciation	149,365	171,267	320,632
Miscellaneous	<u>944</u>	<u>13,354</u>	<u>14,298</u>
<b>Total operating expense</b>	<u>1,515,243</u>	<u>847,078</u>	<u>2,362,321</u>
Operating income (loss)	<u>113,962</u>	<u>246,888</u>	<u>360,850</u>
Non-operating revenue (expense)			
Rental income	29,429	-	29,429
Interest income	1,530	1,952	3,482
Interest expense	<u>(15,915)</u>	<u>(42,932)</u>	<u>(58,847)</u>
Total non-operating revenue (expense)	<u>15,044</u>	<u>(40,980)</u>	<u>(25,936)</u>
Income (loss) before transfers	129,006	205,908	334,914
Transfers			
Transfers out	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Changes in net position	129,006	198,408	327,414
<b>Net position, beginning of year</b>	<u>2,644,835</u>	<u>5,087,960</u>	<u>7,732,795</u>
<b>Net position, end of year</b>	<u>\$ 2,773,841</u>	<u>\$ 5,286,368</u>	<u>\$ 8,060,209</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 1,627,952	\$ 1,150,231	\$ 2,778,183
Rental income	29,429	-	29,429
Payments to employees	(221,524)	(410,411)	(631,935)
Payments to suppliers	(1,016,490)	(211,509)	(1,227,999)
<b>Net cash provided by (used in) operating activities</b>	<u>419,367</u>	<u>528,311</u>	<u>947,678</u>
<b>Cash flows from non-capital financing activities</b>			
Transfers out	-	(7,500)	(7,500)
<b>Cash flows from capital and related financing activities</b>			
Proceeds of debt issuance	660,000	330,000	990,000
Interest expense	(8,136)	(43,665)	(51,801)
Principal paid on bonds	(185,000)	(230,000)	(415,000)
Acquisitions of capital assets	(363,803)	(289,279)	(653,082)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>103,061</u>	<u>(232,944)</u>	<u>(129,883)</u>
<b>Cash flows from investing activities</b>			
Interest income	1,530	1,952	3,482
Net increase (decrease) in cash and pooled investments	523,958	289,819	813,777
<b>Cash and pooled investments, beginning of year</b>	<u>612,348</u>	<u>936,086</u>	<u>1,548,434</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 1,136,306</u>	<u>\$ 1,225,905</u>	<u>\$ 2,362,211</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 113,962	\$ 246,888	\$ 360,850
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	149,365	171,267	320,632
Rental income	29,429	-	29,429
Change in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(1,253)	56,265	55,012
Prepaid items	20	142	162
Accounts payable	125,674	50,990	176,664
Accrued liabilities	2,255	(259)	1,996
Compensated absences	(85)	3,018	2,933
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 419,367</u>	<u>\$ 528,311</u>	<u>\$ 947,678</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF ROCKFORD**  
**AGENCY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**JUNE 30, 2013**

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	<b>Agency Funds</b>
<b>Assets</b>	
Cash and pooled investments	\$ 68,702
Accounts receivable	<u>16</u>
<b>Total assets</b>	<u>\$ 68,718</u>
<b>Liabilities</b>	
Payroll taxes and withholdings	\$ 1,154
Due to other governmental units	6,767
Due to other entities	<u>60,797</u>
<b>Total liabilities</b>	<u>\$ 68,718</u>

The accompanying notes are an integral part of these financial statements.

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# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockford, Michigan (the "City") was incorporated June 17, 1935, under the provisions of Act 279, P.A.1909, as amended (the Home Rule City Act). The City operates under a Council-Manager form of government and provides police and fire, major and local streets, culture and recreation, public improvements, planning and zoning, and general and administrative services as authorized by its charter.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the financial statements provides detailed financial information on the discretely presented component units.

#### ***Discretely Presented Component Units***

The component unit columns in the basic financial statements include the financial data of the Downtown Development Authority and the Economic Development Corporation. These entity's are reported in separate columns and rows to emphasize that they are legally separate from the City. The members of the governing boards of these organizations are appointed by the City Council. The budgets of these organizations must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

#### ***Joint Venture***

The City of Rockford is a participant in the North Kent Sewer Authority (Authority) (a joint venture). The purpose of the Authority is to develop and maintain sanitary sewer infrastructure. The City utilizes the Authority for its sewage transportation and disposal. The City pays for these services based on its share of sewage flow through the system to cover debt service, maintenance and administration of the Authority. For the year ended June 30, 2013, the City paid \$930,839 to the Authority and received \$19,250 from the Authority for the provision of administrative services; \$35,170 was owed to the Authority at June 30, 2013. At December 31, 2012, the date of the most recent Authority audited financial statements, the Authority's outstanding insured municipal bonds amounted to \$59,691,056. The City has pledged its limited faith and credit for the bonds based on City sewage flow through the system. Financial statements of the Authority can be obtained by contacting the North Kent Sewer Authority, PO Box 561, Rockford, MI 49341.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, state shared revenue is recognized in the month in which taxes are collected, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Capital Improvements Fund* accounts for the accumulation of resources for, and purchase of, capital assets.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs. The City maintains one Debt Service Fund.

The *Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of various capital items.

The *Agency Funds* are used to account for assets held in an agency capacity on behalf of outside parties, including other governments.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the current year. Any revisions that alter the total expenditures of any activity must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted and amended by the City Council.

### ***Cash and Pooled Investments***

The City's cash and pooled investments are considered to be cash and cash equivalents because the balances are readily available similar to demand deposits. All investments are recorded at fair value.

### ***Statutory Authority***

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

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- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

#### ***Inventory***

Inventory is valued at the lower of cost or market, on the first in/first out basis.

#### ***Due to and Due from Other Funds***

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	25
Buildings	25-30
Furniture and Equipment	5-20
Vehicles	3-10
Public Domain Infrastructure	50
System Infrastructure	30

#### ***Deferred Revenue***

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue consisted of special assessments receivable which do not meet the government's revenue recognition criteria.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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### ***Compensated Absences***

Under contracts and employment policy, employees are granted sick leave in varying amounts. At the end of each fiscal year, employees are paid for 50% of unused sick leave in excess of the amount allowed to be accumulated which is 72 days with the exception of police who have a limit of 720 hours. Upon retirement or death, 50% of accumulated sick leave is paid. Vacation time must be utilized by each employee's anniversary date and is not allowed to be carried over. Amounts accumulated in governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Current portions of unpaid sick leave are undeterminable.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Net Position and Fund Balance Reporting***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal action of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Council. The City Council has delegated the authority to assign fund balance to the City Manager.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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### ***Net Position and Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

### ***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 10. Real property taxes not collected as of March 1 are turned over to Kent County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

### ***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

### ***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

### ***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

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#### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level. During the year, the City did not incur expenditures in excess of the amounts appropriated.

#### 3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments are as follows:

Governmental activities	\$2,908,336
Business-type activities	2,362,211
Component units	45,228
Fiduciary funds	68,702
	<hr/>
	<b>\$5,384,477</b>

Cash and pooled investments consist of the following at June 30, 2013:

Checking accounts and other	\$ 813,441
Certificates of deposit	805,480
Money market accounts	3,765,556
	<hr/>
	<b>\$5,384,477</b>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$3,513,505 of the City's bank balance of \$5,548,232 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### ***Investment and deposit risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk.



# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2013**

### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$2,580,081	\$ 48,953	\$ -	\$2,629,034
<b>Capital assets, being depreciated</b>				
Building and improvements	3,783,007	9,581	-	3,792,588
Vehicles and equipment	1,490,804	68,072	-	1,558,876
Infrastructure	2,340,989	242,017	-	2,583,006
Total capital assets, being depreciated	7,614,800	319,670	-	7,934,470
Less accumulated depreciation				
Building and improvements	1,216,039	128,192	-	1,344,231
Vehicles and equipment	880,991	88,973	-	969,964
Infrastructure	311,114	79,480	-	390,594
Total accumulated depreciation	2,408,144	296,645	-	2,704,789
<b>Net capital assets, being depreciated</b>	<b>5,206,656</b>	<b>23,025</b>	<b>-</b>	<b>5,229,681</b>
<b>Governmental Activities capital assets, net</b>	<b>\$7,786,737</b>	<b>\$71,978</b>	<b>\$ -</b>	<b>\$7,858,715</b>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 96,621	\$ -	\$ -	\$ 96,621
<b>Capital assets, being depreciated</b>				
Mains and infrastructure	10,149,663	545,704	-	10,695,367
Storage tanks	1,483,264	-	-	1,483,264
Meters	205,628	107,378	-	313,006
Equipment	427,737	-	-	427,737
Total capital assets, being depreciated	12,266,292	653,082	-	12,919,374
Less accumulated depreciation				
Mains and infrastructure	4,088,867	235,989	-	4,324,856
Storage tanks	431,654	31,119	-	462,773
Meters	132,607	23,084	-	155,691
Equipment	294,488	30,440	-	324,928
Total accumulated depreciation	4,947,616	320,632	-	5,268,248
<b>Net capital assets, being depreciated</b>	<b>7,318,676</b>	<b>332,450</b>	<b>-</b>	<b>7,651,126</b>
<b>Business-type Activities capital assets, net</b>	<b>\$7,415,297</b>	<b>\$332,450</b>	<b>\$ -</b>	<b>\$7,747,747</b>
<b>Component Unit</b>				
<b>Downtown Development Authority</b>				
Capital assets, being depreciated				
Buildings	\$1,804,371	\$ -	\$ -	\$1,804,371
Less accumulated depreciation				
Buildings	551,347	37,881	-	589,228
<b>Downtown Development Authority capital assets, net</b>	<b>\$1,253,024</b>	<b>\$ (37,881)</b>	<b>\$ -</b>	<b>\$1,215,143</b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 47,463
Public safety	145,357
Public works	53,395
Culture and recreation	50,430
<b>Total depreciation expense - governmental activities</b>	<b>\$296,645</b>
 <b>Business-type Activities</b>	
Sewer	\$149,365
Water	171,267
<b>Total depreciation expense - business- type activities</b>	<b>\$320,632</b>

#### 5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2013 are as follows:

	Transfers in			
	General Fund	Capital Improvements	Non-Major Funds	Total
<b>Transfers out:</b>				
General	\$ -	\$213,900	\$418,000	\$631,900
Water Enterprise Fund	-	-	7,500	7,500
Non-major Funds	593	-	147,287	147,880
	<b>\$593</b>	<b>\$213,900</b>	<b>\$572,787</b>	<b>\$787,280</b>

Transfers are used to contribute budgeted amounts to the capital improvements fund and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

#### 6. DEFINED BENEFIT PENSION PLAN

##### *Plan Description*

The various bargaining and non-bargaining unit employees of the City participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

The City is required to contribute at an actuarially determined rate, which for the current year was from 9% to 14% of annual covered payroll based on the employee's division within MERS. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by the City depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2013, the City's annual pension cost of \$196,717 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year (1% per year for 2011 through 2014) compounded annually based on inflation, plus from 0 to 8.4% percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10 year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 26 years.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

#### Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2011	\$250,587	100%	\$ -
2012	188,477	100%	-
2013	196,717	100%	-

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/12	\$5,056,011	\$6,562,762	\$1,506,751	77%	\$1,488,937	101%

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

#### 7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
1999 Transportation Bonds, payable in annual installments of \$45,000 to \$90,000 through 2015, plus interest at 5.05%	\$ 260,000	\$ -	\$ 85,000	\$ 175,000	\$ 85,000
2006 Community cabin installment note, payable in semi-annual installments of \$8,575 to \$11,849 through 2016, plus interest at 3.84%	88,770	-	20,943	67,827	21,755
2009 Capital Improvement bonds, payable in annual installments of \$25,000 to \$95,000 from 2013 through 2023, plus interest at 3.50% to 4.25%	815,000	-	25,000	790,000	25,000
2009 Act 99 installment purchase, payable in annual installments of \$125,000 from 2012 through 2018 plus interest at 4.4%	750,000	-	125,000	625,000	125,000
2010 Act 99 installment note, payable in annual installments of \$33,834 through 2015 including interest at 2.7%	96,194	-	31,216	64,978	32,057
2010 Police Vehicle installment purchase agreement, payable in annual installments of \$16,679 through 2013 including interest at 6.75%	15,624	-	15,624	-	-
2013 Capital Improvement bonds, payable in annual installments of \$8,000 to \$12,500 through November 2022, plus interest at 0.8% to 2.2%	-	110,000	-	110,000	8,000
Total bonds/notes	2,025,588	110,000	302,783	1,832,805	296,812
Accrued employee benefits	164,690	-	2,723	161,967	-
<b>Total Governmental Activities</b>	<b>\$2,190,278</b>	<b>\$110,000</b>	<b>\$305,506</b>	<b>\$1,994,772</b>	<b>\$296,812</b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
1997 Water Supply System Revenue Bonds, payable in annual installments of \$35,000 to \$75,000 through 2013, plus interest at 5.25%-7.0%	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
1999 Drinking Water Revolving Fund Loan, payable in annual installments of \$110,000 to \$150,000 through 2019, plus interest at 2.5%	990,000	-	130,000	860,000	135,000
Local Government Loan Program Revenue Refunding Bonds Series 2002B, payable in annual installments of \$115,000 to \$185,000 through 2013, plus interest at 2.0% to 3.625%	185,000	-	185,000	-	-
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	375,000	-	25,000	350,000	25,000
2013 Capital Improvement bonds, payable in annual installments of \$48,000 to \$75,000 through November 2022, plus interest at 0.8% to 2.2%	-	660,000	-	660,000	48,000
2013 Capital Improvement bonds, payable in annual installments of \$24,000 to \$37,500 through November 2022, plus interest at 0.8% to 2.2%	-	330,000	-	330,000	24,000
Total bonds	1,625,000	990,000	415,000	2,200,000	232,000
Unamortized discounts	(7,779)	-	(7,779)	-	-
Total bonds net of unamortized discount	1,617,221	990,000	407,221	2,200,000	232,000
Accrued employee benefits	67,123	2,933	-	70,056	-
<b>Total Business-type Activities</b>	<b><u>\$1,684,344</u></b>	<b><u>\$992,933</u></b>	<b><u>\$407,221</u></b>	<b><u>\$2,270,056</u></b>	<b><u>\$232,000</u></b>
<b>Component Unit</b>					
Downtown Development Authority					
1997 Limited Tax Development Bonds, payable in annual installments of \$60,000 to \$95,000 through 2013, plus interest at 5%-5.25%	<b><u>\$95,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$95,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

Compensated absences of governmental funds are generally liquidated with general fund resources.

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2013 are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 296,812	\$ 72,505	\$ 232,000	\$ 51,290
2015	306,019	59,688	259,500	44,731
2016	228,974	48,160	259,500	39,226
2017	206,000	39,015	274,000	33,499
2018	211,000	30,338	279,000	27,397
2019-2023	489,000	70,203	856,000	57,345
2024	95,000	2,019	40,000	808
<b>Total</b>	<b>\$1,832,805</b>	<b>\$321,928</b>	<b>\$2,200,000</b>	<b>\$254,296</b>

#### 8. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all City employees and allows them to defer a portion of their salary until future years. The deferred compensation is generally not available to employees until termination, retirement, or death. All assets of the Plan are held in trust for employees and the related assets and liabilities are not included in this report.

#### 9. PRIOR PERIOD ADJUSTMENTS

The beginning Capital improvement fund balance and net position of the governmental activities were increased by \$19,727 to properly report the balance of City funds held for the DARE program.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ROCKFORD**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,166,450	\$ 2,166,450	\$ 2,154,321	\$ (12,129)
Intergovernmental revenues				
Federal	20,000	20,000	21,125	1,125
State	429,275	429,275	454,671	25,396
Local	51,000	51,000	60,250	9,250
Licenses and permits	67,200	67,200	76,590	9,390
Charges for services	62,500	62,500	66,288	3,788
Fines	2,300	2,300	2,889	589
Interest	12,000	12,000	5,258	(6,742)
Rents and easements	75,000	75,000	86,595	11,595
Miscellaneous	23,200	23,200	21,545	(1,655)
<b>Total revenues</b>	<u>2,908,925</u>	<u>2,908,925</u>	<u>2,949,532</u>	<u>40,607</u>
<b>Expenditures</b>				
Current				
General government	509,610	507,610	486,294	21,316
Public safety	1,343,125	1,343,125	1,342,993	132
Public works	536,950	536,950	517,208	19,742
Culture and recreation	144,850	146,850	115,525	31,325
<b>Total expenditures</b>	<u>2,534,535</u>	<u>2,534,535</u>	<u>2,462,020</u>	<u>72,515</u>
<b>Revenues over (under) expenditures</b>	<u>374,390</u>	<u>374,390</u>	<u>487,512</u>	<u>(31,908)</u>
Other financing sources (uses)				
Transfers in	1,500	1,500	593	(907)
Transfers out	(431,900)	(631,900)	(631,900)	-
<b>Total other financing sources (uses)</b>	<u>(430,400)</u>	<u>(630,400)</u>	<u>(631,307)</u>	<u>(907)</u>
Net changes in fund balance	(56,010)	(256,010)	(143,795)	112,215
<b>Fund balance, beginning of year</b>	<u>1,746,992</u>	<u>1,746,992</u>	<u>1,746,992</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,690,982</u>	<u>\$ 1,490,982</u>	<u>\$ 1,603,197</u>	<u>\$ 112,215</u>



# CITY OF ROCKFORD

## REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2013

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### MERS DEFINED BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010	\$ 4,502,640	\$ 5,691,528	\$ 1,188,888	79.11%	\$ 1,667,839	71.28%
12/31/2011	4,880,305	6,507,018	1,626,713	75.00%	1,466,822	110.90%
12/31/2012	5,056,011	6,562,762	1,506,751	77.04%	1,488,937	101.20%

#### Note to required supplementary information

##### Budgets and Budgetary Accounting

The City adopts an annual budget for the general and each special revenue fund following the GAAP basis of accounting. Unexpended appropriations lapse at year end.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**CITY OF ROCKFORD**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

**JUNE 30, 2013**

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemetery</u>	<u>Debt Service</u>
<b>Assets</b>				
Cash and pooled investments	\$ 165,997	\$ 74,743	\$ 366,620	\$ -
Accounts receivable	34	9	-	-
Due from other governments	38,976	15,969	-	-
Prepaid items	<u>582</u>	<u>582</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 205,589</u>	<u>\$ 91,303</u>	<u>\$ 366,620</u>	<u>\$ -</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,771	\$ 7,654	\$ -	\$ -
Accrued liabilities	<u>1,378</u>	<u>1,378</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>8,149</u>	<u>9,032</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Non-spendable				
Prepaid items	582	582	-	-
Restricted				
Unspent bond proceeds	-	-	-	-
Streets	196,858	81,689	-	-
Cemetery	-	-	366,620	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<u>197,440</u>	<u>82,271</u>	<u>366,620</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 205,589</u>	<u>\$ 91,303</u>	<u>\$ 366,620</u>	<u>\$ -</u>

**Capital  
Projects**

<u>Library Improvement</u>	<u>Street Construction</u>	<u>Drug law Enforcement</u>	<u>Library Projects</u>	<u>Total</u>
\$ 1,432	\$ 256,173	\$ 4,092	\$ 33,738	\$ 902,795
-	261	-	7	311
-	-	-	-	54,945
-	-	-	65	1,229
<u>\$ 1,432</u>	<u>\$ 256,434</u>	<u>\$ 4,092</u>	<u>\$ 33,810</u>	<u>\$ 959,280</u>
\$ -	\$ 19,429	\$ -	\$ 1,711	\$ 35,565
-	-	-	136	2,892
-	19,429	-	1,847	38,457
-	-	-	65	1,229
-	49,366	-	-	49,366
-	-	-	-	278,547
-	-	-	-	366,620
1,432	187,639	4,092	31,898	225,061
<u>1,432</u>	<u>237,005</u>	<u>4,092</u>	<u>31,963</u>	<u>920,823</u>
<u>\$ 1,432</u>	<u>\$ 256,434</u>	<u>\$ 4,092</u>	<u>\$ 33,810</u>	<u>\$ 959,280</u>

# CITY OF ROCKFORD

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemetery</u>	<u>Debt Service</u>
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ -	\$ -
State	229,596	93,938	-	-
Local	-	-	-	-
Fines	-	-	-	-
Interest	163	52	593	2
Miscellaneous	-	-	11,100	-
<b>Total revenues</b>	<u>229,759</u>	<u>93,990</u>	<u>11,693</u>	<u>2</u>
<b>Expenditures</b>				
Current				
Public works	164,491	166,503	-	-
Culture and recreation	-	-	-	-
Debt Service				
Principal	-	-	-	110,000
Interest	-	-	-	44,789
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>164,491</u>	<u>166,503</u>	<u>-</u>	<u>154,789</u>
Revenues over (under) expenditures	<u>65,268</u>	<u>(72,513)</u>	<u>11,693</u>	<u>(154,787)</u>
Other financing sources (uses)				
Issuance of debt	-	-	-	-
Transfers in	60,000	140,000	-	154,787
Transfers out	(73,643)	(73,644)	(593)	-
<b>Total other financing sources (uses)</b>	<u>(13,643)</u>	<u>66,356</u>	<u>(593)</u>	<u>154,787</u>
Net changes in fund balances	51,625	(6,157)	11,100	-
<b>Fund balances, beginning of year</b>	<u>145,815</u>	<u>88,428</u>	<u>355,520</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 197,440</u>	<u>\$ 82,271</u>	<u>\$ 366,620</u>	<u>\$ -</u>

**Capital  
Projects**

<u>Library Improvement</u>	<u>Street Construction</u>	<u>Drug law Enforcement</u>	<u>Library Projects</u>	<u>Total</u>
\$ -	\$ 19,225	\$ -	\$ -	\$ 19,225
-	-	-	-	323,534
-	-	-	8,555	8,555
-	-	20,356	-	20,356
3	740	2	54	1,609
<u>1,865</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>13,065</u>
<u>1,868</u>	<u>19,965</u>	<u>20,358</u>	<u>8,709</u>	<u>386,344</u>
-	-	-	-	330,994
-	-	-	27,599	27,599
-	-	-	-	110,000
-	-	-	-	44,789
<u>1,865</u>	<u>92,960</u>	<u>16,266</u>	<u>-</u>	<u>111,091</u>
<u>1,865</u>	<u>92,960</u>	<u>16,266</u>	<u>27,599</u>	<u>624,473</u>
<u>3</u>	<u>(72,995)</u>	<u>4,092</u>	<u>(18,890)</u>	<u>(238,129)</u>
-	110,000	-	-	110,000
-	200,000	-	18,000	572,787
-	-	-	-	(147,880)
-	<u>310,000</u>	<u>-</u>	<u>18,000</u>	<u>534,907</u>
3	237,005	4,092	(890)	296,778
<u>1,429</u>	<u>-</u>	<u>-</u>	<u>32,853</u>	<u>624,045</u>
<u>\$ 1,432</u>	<u>\$ 237,005</u>	<u>\$ 4,092</u>	<u>\$ 31,963</u>	<u>\$ 920,823</u>

**CITY OF ROCKFORD**

**MAJOR STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 200,000	\$ 200,000	\$ 229,596	\$ 29,596
Interest	200	200	163	(37)
<b>Total revenues</b>	<u>200,200</u>	<u>200,200</u>	<u>229,759</u>	<u>29,559</u>
<b>Expenditures</b>				
Public works				
Construction	75,000	75,000	67,307	7,693
Routine maintenance	86,650	86,650	50,884	35,766
Traffic control	10,105	12,105	10,320	1,785
Winter maintenance	23,610	25,610	24,316	1,294
Administration	12,830	12,830	11,664	1,166
<b>Total expenditures</b>	<u>208,195</u>	<u>212,195</u>	<u>164,491</u>	<u>47,704</u>
Revenues over (under) expenditures	<u>(7,995)</u>	<u>(11,995)</u>	<u>65,268</u>	<u>77,263</u>
Other financing sources (uses)				
Transfers in	60,000	60,000	60,000	-
Transfers out	<u>(73,650)</u>	<u>(73,650)</u>	<u>(73,643)</u>	<u>7</u>
Total other financing sources (uses)	<u>(13,650)</u>	<u>(13,650)</u>	<u>(13,643)</u>	<u>7</u>
Net changes in fund balance	(21,645)	(25,645)	51,625	77,270
<b>Fund balance, beginning of year</b>	<u>145,815</u>	<u>145,815</u>	<u>145,815</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 124,170</u>	<u>\$ 120,170</u>	<u>\$ 197,440</u>	<u>\$ 77,270</u>



**CITY OF ROCKFORD**

**LOCAL STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 85,000	\$ 85,000	\$ 93,938	\$ 8,938
Interest	200	200	52	(148)
<b>Total revenues</b>	<u>85,200</u>	<u>85,200</u>	<u>93,990</u>	<u>8,790</u>
<b>Expenditures</b>				
Public works				
Construction	52,000	52,000	51,993	7
Routine maintenance	76,850	76,850	76,214	636
Traffic control	4,005	4,005	2,994	1,011
Winter maintenance	24,825	24,825	23,973	852
Administration	12,845	12,845	11,329	1,516
<b>Total expenditures</b>	<u>170,525</u>	<u>170,525</u>	<u>166,503</u>	<u>4,022</u>
Revenues over (under) expenditures	<u>(85,325)</u>	<u>(85,325)</u>	<u>(72,513)</u>	<u>12,812</u>
Other financing sources (uses)				
Transfers in	140,000	140,000	140,000	-
Transfers out	<u>(73,650)</u>	<u>(73,650)</u>	<u>(73,644)</u>	<u>6</u>
Total other financing sources (uses)	<u>66,350</u>	<u>66,350</u>	<u>66,356</u>	<u>6</u>
Net changes in fund balance	(18,975)	(18,975)	(6,157)	12,818
<b>Fund balance, beginning of year</b>	<u>88,428</u>	<u>88,428</u>	<u>88,428</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 69,453</u>	<u>\$ 69,453</u>	<u>\$ 82,271</u>	<u>\$ 12,818</u>

**CITY OF ROCKFORD**

**CEMETERY FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$ 1,500	\$ 1,500	\$ 593	\$ (907)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>11,100</u>	<u>(3,900)</u>
<b>Total revenues</b>	16,500	16,500	11,693	(4,807)
Other financing sources (uses)				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(593)</u>	<u>907</u>
Net changes in fund balance	15,000	15,000	11,100	(3,900)
<b>Fund balance, beginning of year</b>	<u>355,520</u>	<u>355,520</u>	<u>355,520</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 370,520</u>	<u>\$ 370,520</u>	<u>\$ 366,620</u>	<u>\$ (3,900)</u>

**CITY OF ROCKFORD**  
**FIDUCIARY FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2013**

	<u>Agency Funds</u>			<u>Total</u>
	<u>Arts Commission</u>	<u>Trust and Agency</u>	<u>Imprest Payroll</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 60,781	\$ 6,767	\$ 1,154	\$ 68,702
Accounts receivable	<u>16</u>	<u>-</u>	<u>-</u>	<u>16</u>
<b>Total assets</b>	<u>\$ 60,797</u>	<u>\$ 6,767</u>	<u>\$ 1,154</u>	<u>\$ 68,718</u>
<b>Liabilities</b>				
Payroll taxes and withholdings	\$ -	\$ -	\$ 1,154	\$ 1,154
Due to other governmental units	-	6,767	-	6,767
Due to other entities	<u>60,797</u>	<u>-</u>	<u>-</u>	<u>60,797</u>
<b>Total liabilities</b>	<u>\$ 60,797</u>	<u>\$ 6,767</u>	<u>\$ 1,154</u>	<u>\$ 68,718</u>

**CITY OF ROCKFORD**

**DOWNTOWN DEVELOPMENT AUTHORITY  
COMBINING BALANCE SHEET/STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	<u>Governmental Fund Types</u>			<u>Adjustments</u>	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>		
<b>Assets</b>					
Cash and pooled investments	\$ 41,514	\$ -	\$ 41,514	\$ -	\$ 41,514
Accounts receivable	16	-	16	-	16
Capital assets, net	-	-	-	1,215,143	1,215,143
<b>Total assets</b>	<u>\$ 41,530</u>	<u>\$ -</u>	<u>\$ 41,530</u>	<u>1,215,143</u>	<u>1,256,673</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 327	\$ -	\$ 327	-	<u>327</u>
<b>Fund balances</b>					
Unassigned	<u>41,203</u>	<u>-</u>	<u>41,203</u>		
<b>Total liabilities and fund balances</b>	<u>\$ 41,530</u>	<u>\$ -</u>	<u>\$ 41,530</u>		
<b>Net position</b>					
Unrestricted					<u>\$ 1,256,346</u>

**CITY OF ROCKFORD**

**DOWNTOWN DEVELOPMENT AUTHORITY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES/STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Governmental Fund Types</u>			<u>Adjustments</u>	<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>		
<b>Revenues</b>					
Taxes	\$ 197,447	\$ -	\$ 197,447	\$ -	\$ 197,447
Interest	361	4	365	-	365
	<u>197,808</u>	<u>4</u>	<u>197,812</u>	<u>-</u>	<u>197,812</u>
<b>Expenditures</b>					
Current					
General government	113,786	-	113,786	37,881	151,667
Debt service					
Principal	-	95,000	95,000	(95,000)	-
Interest	-	5,288	5,288	(2,044)	3,244
<b>Total expenditures</b>	<u>113,786</u>	<u>100,288</u>	<u>214,074</u>	<u>(59,163)</u>	<u>154,911</u>
Revenues over (under) expenditures	<u>84,022</u>	<u>(100,284)</u>	<u>(16,262)</u>	<u>(59,163)</u>	<u>42,901</u>
Other financing sources (uses)					
Transfers in	-	100,284	100,284	-	100,284
Transfers out	(100,284)	-	(100,284)	-	(100,284)
Total other financing sources (uses)	<u>(100,284)</u>	<u>100,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(16,262)	-	(16,262)	16,262	
Change in net position				(42,901)	42,901
<b>Fund balances/net position, beginning of year</b>	<u>57,465</u>	<u>-</u>	<u>57,465</u>		<u>1,213,445</u>
<b>Fund balances/net position, end of year</b>	<u>\$ 41,203</u>	<u>\$ -</u>	<u>\$ 41,203</u>		<u>\$ 1,256,346</u>

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# **Continuing Disclosure Filing**

City of Rockford, Michigan

*Fiscal Year Ended  
June 30, 2013*

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of Rockford, Michigan

CUSIP Numbers (attach additional sheet if necessary):

- Nine-digit number(s) to which the information relates:  
 Information relates to all securities issued by the issuer having the following six-digit number(s): 660294, 773301  
\* \* \*

Number of pages of attached information: \_\_\_\_\_

Description of Material Event Notice / Financial Information (Check One):

1. \_\_\_\_\_ Principal and interest payment delinquencies
2. \_\_\_\_\_ Non-Payment related defaults
3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
5. \_\_\_\_\_ Substitution of credit or liquidity providers, or their failure to perform
6. \_\_\_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
7. \_\_\_\_\_ Modifications to rights of securities holders
8. \_\_\_\_\_ Bond calls
9. \_\_\_\_\_ Defeasances
10. \_\_\_\_\_ Release, substitution, or sale of property securing repayment of the securities
11. \_\_\_\_\_ Rating changes
12. \_\_\_\_\_ Failure to provide annual financial information.
13. \_\_\_\_\_ Other material event notice (specify)
14.  Financial information\*: Please check all appropriate boxes:

CAFR: (a)  includes  does not include Annual Financial Information

(b) Audited? Yes  No

Annual Financial Information: Audited? Yes  No

Operating Data

Fiscal Period Covered: July 1, 2012 – June 30, 2013

\*Financial information should not be filed with the MSRB

\* \* \*

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: Linda Lehman

Name: Linda Lehman Title: Finance Director

Employer: City of Rockford, Michigan

Address: 7 South Monroe Street

City, State, Zip Code: Rockford, Michigan 49341-0561

Voice Telephone Number: 616-866-1537



**City of Rockford  
Taxable Value  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 And 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
2008	2009	2010	\$214,238,518	\$8,188,991	\$222,427,509	(.09)%
2009	2010	2011	218,984,209	3,813,931	222,798,140	(1.71)
2010	2011	2012	212,926,329	1,634,500	214,560,829	(3.70)
2011	2012	2013	207,524,596	1,313,950	208,838,546	(2.67)
2012	2013	2014	209,307,034	1,053,950	210,360,984	.72

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2014 (2)..... \$36,782.83

(1) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(2) Based on the City's 2010 census population of 5,719.

Source: City of Rockford

**City of Rockford  
Total Taxable Value by Use and Class  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

Use	Fiscal Years Ended or Ending June 30				
	2010	2011	2012	2013	2014
Agriculture/DNR .....	\$	\$ 99,437	\$ 101,126	\$	\$
Commercial .....	46,153,983	44,675,863	42,686,834	40,598,373	39,254,646
Industrial.....	43,476,382	49,818,638	43,107,454	41,983,373	42,091,888
Residential .....	130,746,844	126,162,702	126,640,215	124,230,200	127,008,150
Utility.....	2,050,300	2,041,500	2,025,200	2,026,600	2,006,300
	<u>\$ 222,427,509</u>	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>	<u>\$ 210,360,984</u>
<b>Class</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Real Property .....	\$ 193,337,359	\$ 192,881,240	\$ 191,074,255	\$ 184,302,546	\$ 184,342,934
Personal Property .....	29,090,150	29,916,900	23,486,574	24,536,000	26,018,050
	<u>\$ 222,427,509</u>	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>	<u>\$ 210,360,984</u>

Source: City of Rockford

**City of Rockford  
State Equalized Valuation  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
2008	2009	2010	226,151,600	16,407,100	242,558,700	(3.89)%
2009	2010	2011	225,476,900	7,627,900	233,104,800	(3.90)
2010	2011	2012	220,716,700	3,269,000	223,985,700	(3.90)
2011	2012	2013	211,331,800	2,627,900	213,959,700	(4.48)
2012	2013	2014	213,305,800	2,107,900	215,413,700	.6

Per Capita Total SEV for the Fiscal Year Ending June 30, 2014 (2) .....\$37,666.32

(1) See "CITY TAXATION AND LIMITATIONS – Tax Abatement", herein.

(2) Based on the City's 2010 census population of 5,719

Source: City of Rockford

**City of Rockford  
Total SEV by Use and Class  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

Use	Fiscal Years Ended or Ending June 30				
	2010	2011	2012	2013	2014
Agriculture/DNR .....	\$ 102,700	\$ 102,700	\$ 102,400	\$	\$
Commercial .....	49,543,600	47,675,700	44,868,200	41,618,500	39,871,900
Industrial.....	54,160,400	52,168,100	45,325,000	42,864,700	43,291,300
Residential .....	136,804,400	131,116,800	131,664,900	127,449,900	130,244,200
Utility.....	2,050,300	2,041,500	2,025,200	2,026,600	2,006,300
	<u>\$ 242,558,700</u>	<u>\$ 233,104,800</u>	<u>\$ 223,985,700</u>	<u>\$ 213,959,700</u>	<u>\$ 215,413,700</u>
<b>Class</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Real Property .....	\$ 211,329,700	\$ 203,194,800	\$ 198,875,600	\$ 189,435,500	\$ 188,919,600
Personal Property.....	31,229,000	29,910,000	25,110,100	24,524,200	26,494,100
	<u>\$ 242,558,700</u>	<u>\$ 233,104,800</u>	<u>\$ 223,985,700</u>	<u>\$ 213,959,700</u>	<u>\$ 215,413,700</u>

Source: City of Rockford

## **Tax Abatement**

The City's Ad Valorem Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of Act 198, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district plus none, 1/2 or the entire State tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$2,107,900 for the fiscal year ending June 30, 2014. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$1,053,950 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Rockford  
Maximum Property Tax Rates  
Fiscal Year Ending June 30, 2014**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating .....	16.0000	0.8769	14.0311

(1) Cumulative.  
Source: City of Rockford

**City of Rockford  
Property Tax Rates (1)  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating</u>
2009	2010	10.9000
2010	2011	10.9000
2011	2012	10.9000
2012	2013	10.9000
2013	2014	10.9000

Source: City of Rockford

**City of Rockford  
Principal Residence (1) Property Tax Rates by Governmental Unit  
Fiscal Years Ended or Ending June 30, 2009 Through 2013**

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Rockford .....	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County .....	5.3940	5.3940	5.3940	5.3940	5.3940
Kent County Intermediate Schools .....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools .....	9.4817	9.4881	9.4881	9.4881	9.4881
Kent County District Library .....	0.8800	0.8800	0.8800	0.8800	0.8800
State Education Levy .....	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total .....	<u>\$39.1325</u>	<u>\$39.1389</u>	<u>\$39.1389</u>	<u>\$39.1389</u>	<u>\$39.1389</u>

**City of Rockford**  
**Non-Principal Residence (1) Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended or Ending June 30, 2009 Through 2013**

<u>Governmental Unit</u>	Fiscal Year Ended or Ending June 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Rockford.....	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County.....	5.3940	5.3940	5.3940	5.3940	5.3940
Kent County Intermediate Schools .....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools .....	27.4881	27.4881	27.4881	27.4881	27.4881
Kent County District Library .....	0.8800	0.8800	0.8800	0.8800	0.8800
State Education Levy .....	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total.....	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>

(1) *Principal Residence* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal Residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Principal Residence includes a life care facility registered under the Living Care Disclosure Act, Act 440 of the Public Acts of Michigan of 1976. Principal Residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-Principal Residence* is property not included in the above definition.

Source: City of Rockford

**City of Rockford**  
**Property Tax Collections**  
**Fiscal Years Ended or Ending June 30, 2009 Through 2013**

July 1	Fiscal Years		Collections	Percent
<u>Levy</u>	Ended or Ending	<u>Tax Levy(1)</u>	to March 1	<u>Collected</u>
	<u>June 30</u>		<u>Following Levy</u>	
2008	2009	\$2,340,000	\$2,270,812	97.04%
2009	2010	2,330,000	2,235,703	95.95
2010	2011	2,315,000	2,279,361	98.46
2011	2012	2,301,452	2,249,322	97.73
2012	2013	2,241,318	2,216,574	98.89

(1) City taxes only. Does not include taxes on properties granted tax abatement under Act 198.

Source: City of Rockford

**City of Rockford  
Ten Largest Taxpayers  
Fiscal Year Ending June 30, 2014**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>Percent of Total (2)</u>
Wolverine World Wide, Inc.....	Industrial Mfg - Shoes.....	\$20,424,620	9.70%
Jade Pig Ventures .....	Shopping Center .....	3,112,700	1.40
Byrne Electrical Spec. ....	Electrical Services.....	3,739,600	1.70
ITW Dahti Seating .....	Industrial Mfg. - Furniture .....	3,360,210	1.50
MVP Athletic Club.....	Health Club, Medical Offices & Retail.....	2,471,300	1.10
Klein Plastics Company LLC .....	Plastics .....	3,964,000	1.80
Koetje Investors .....	Apartments .....	1,984,100	0.90
Rockford Center Holdings.....	New Home Development.....	1,344,300	0.60
Consumers Energy.....	Utility .....	1,239,412	0.50
DJG Properties .....	Real Estate Development.....	<u>1,064,900</u>	<u>0.50</u>
		<u>\$42,705,142</u>	19.70%

(1). Includes the Taxable Value of property granted tax abatement under Act 198.

(2)Based on \$210,360,984 which is the City's Total Taxable Value for its fiscal year ending June 30, 2014. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: City of Rockford

**City of Rockford  
State Shared Revenues  
Fiscal Years Ended or Ending June 30, 2010 Through 2014**

	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014 (2)</u>
Constitutional Revenue Sharing ....	\$ 293,846	\$ 385,832	\$ 420,070	\$ 417,835	\$ 431,000
Statutory Revenue Sharing/EVIP ..	<u>41,483</u>	<u>-0-</u>	<u>24,420</u>	<u>30,156</u>	<u>20,100</u>
Total State Shared Revenues .....	<u>\$ 335,329</u>	<u>\$ 385,832</u>	<u>\$ 444,490</u>	<u>\$ 447,991</u>	<u>\$ 451,100</u>

(1) Preliminary, unaudited.

(2) Budgeted.

Source: City of Rockford

## CITY DEBT

### Legal Debt Margin

Pursuant to statutory and constitutional debt provisions, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2013.

Debt Limit (1) .....		\$21,541,370
Debt Outstanding (2) .....	\$12,341,684	
Less: Exempt Debt (3) .....	<u>8,551,706</u>	<u>3,789,978</u>
Legal Debt Margin .....		<u><u>\$17,751,392</u></u>

(1) 10% of \$215,413,700 which is the City's Total SEV for the fiscal year ending June 30, 2014. Includes the SEV of property granted tax abatement under Act 198.

Source: Municipal Advisory Council of Michigan and the City of Rockford

### Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2013. Direct debt which is shown as self-supporting is paid from sources other than the City's General Fund.

The City's ability to levy tax to pay the debt service on the bonds which are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>Share of North Kent Sewer Authority Bonds:</b>			
Dated September 25, 2012 (Limited Tax) (5) ..	\$ 683,389	\$ 683,389	\$ -0-
Dated January 30, 2007 (Limited Tax) (4) .....	833,441	833,441	-0-
Dated November 21, 2006 (Limited Tax) (1)...	5,932,763	5,932,763	-0-
Dated December 22, 2005 (Limited Tax) (2) ...	855,460	855,460	-0-
Dated June 1, 1998 (Limited Tax) (3) .....	<u>71,653</u>	<u>71,653</u>	<u>-0-</u>
Subtotal .....	<u>8,376,706</u>	<u>8,376,706</u>	<u>-0-</u>
<b>Capital Improvement Bonds:</b>			
Dated July 8, 2008 (Limited Tax).....	\$ 790,000	\$ 790,000	\$ -0-
Dated April 1, 2003 (Limited Tax).....	350,000	-0-	350,000
Dated March 27, 2013 (Limited Tax).....	<u>110,000</u>	<u>-0-</u>	<u>110,000</u>
Subtotal .....	<u>\$ 1,250,000</u>	<u>\$ 790,000</u>	<u>\$ 460,000</u>
<b>Michigan Transportation Fund:</b>			
Dated August 1, 1999 (Limited Tax).....	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ -0-</u>
Subtotal .....	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ -0-</u>
<b>Water Revenue Bonds:</b>			
Dated September 29, 1998 (Limited Tax) .....	\$ 860,000	\$ 860,000	\$ -0-
Dated March 27, 2013 (Limited Tax).....	<u>330,000</u>	<u>330,000</u>	<u>-0-</u>
Subtotal .....	<u>\$ 1,190,000</u>	<u>\$ 1,190,000</u>	<u>\$ -0-</u>
<b>Sewer Revenue Bonds:</b>			
Dated March 27, 2013 (Limited Tax).....	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ -0-</u>
Subtotal .....	<u>\$ 660,000</u>	<u>\$ 660,000</u>	<u>\$ -0-</u>
<b>Installment Purchase Obligations:</b>			
2010 Installment Note .....	\$ 64,978	\$ -0-	\$ 64,978

2009 Installment Purchase Contract .....	<u>625,000</u>	<u>-0-</u>	<u>625,000</u>
Subtotal .....	<u>\$ 689,978</u>	<u>\$ -0-</u>	<u>\$ 689,978</u>
 Total .....	 <u>\$ 12,341,684</u>	 <u>\$ 11,191,706</u>	 <u>\$1,149,978</u>

Per Capita Net City Direct Debt (6) ..... \$201.08  
Percent of Net Direct Debt to Total SEV (7) ..... 0.53%

<u>Overlapping Debt (8)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Kent County.....	\$ 130,045,000	1.04%	\$ 1,352,468
Grand Rapids Community College.....	66,515,000	1.01	671,802
Rockford School District.....	<u>98,220,000</u>	13.65	<u>13,407,030</u>
Totals.....	<u>\$ 294,780,000</u>		<u>\$15,431,300</u>

Per Capita Net Overlapping Debt (6) ..... \$2,698.25  
Percent of Net Overlapping Debt to Total SEV (7)..... 7.16%

Per Capita Net Direct and Overlapping Debt (6)..... \$2,899.33  
Percent of Net Direct and Overlapping Debt to Total SEV (7)..... 7.69%

- (1) Represents Rockford’s portion of the North Kent Sewer Authority Bonds dated November 21, 2006.  
(2) Represents Rockford’s portion of the North Kent Sewer Authority Bonds dated December 22, 2005.  
(3) Represents Rockford’s portion of the North Kent Sewer Authority Bonds dated June 1, 1998.  
(4) Represents Rockford’s portion of the North Kent Sewer Authority Bonds dated January 30, 2007.  
(5) Represents Rockford’s portion of the North Kent Sewer Authority Bonds dated September 25, 2012.  
(6) Based on the City’s 2010 census population of 5,719.  
(7) Based on \$215,413,700 which is the City’s Total SEV for the fiscal year ending June 30, 2014. Includes the SEV of property granted tax abatement under Act 198.  
(8) Overlapping debt is the portion of another taxing unit’s debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: Municipal Advisory Council of Michigan and the City of Rockford

### LABOR CONTRACTS

Approximately 25% of the City’s 28 full-time employees are represented by labor organizations. The following table illustrates the labor organizations which represent the City employees, the number of members and the expiration date of the present contracts.

	<u>Membership</u>	<u>Contract Expiration Date</u>
Rockford Police Officers Association .....	7	June 30, 2016
Non-Union Employees .....	<u>21</u>	Not Applicable
Total City Employees.....	<u>28</u>	

Source: City of Rockford.