



City of Rockford, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF ROCKFORD

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INDEPENDENT AUDITORS' REPORT

October 14, 2020

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, 2020, 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, 2020, 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 on pages 3 through 8 and the other information on pages 39 through 42 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 schedules 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 and schedules 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 and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure filing section 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.

Uredexold 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, 2020. 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

- Resurfaced N. Main St from Northland to Lewis.
- Began the Courtland St sidewalk project in partnership with Kent County.
- Purchased and outfitted a new Chevrolet Tahoe for the Fire Chief/DPS Director.
- Purchased a CAT backhoe and two Ford F250 work trucks that were at the end of their lease.
- Upgraded the Welcome Center and Pepler Park downtown.
- Completed the Rogue River Trail Phase IV.
- Replaced the Rockview lift station.

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, net pension liability, 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 eleven 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 major street 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 two different types of proprietary funds. 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. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 the general fund and the pension schedules.

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 \$21,082,187 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$3,974,373	\$4,011,743	\$ 4,377,788	\$4,006,128	\$ 8,352,161	\$ 8,017,871
Capital assets	10,562,414	10,547,045	9,477,549	9,216,396	20,039,963	19,763,441
Total assets	14,536,787	14,558,788	13,855,337	13,222,524	28,392,124	27,781,312
Deferred outflows	482,867	679,320	182,031	217,235	664,898	896,555
Long-term liabilities	4,276,593	5,162,531	2,571,934	2,932,602	6,848,527	8,095,133
Other liabilities	550,467	443,565	486,618	171,384	1,037,085	614,949
Total liabilities	4,827,060	5,606,096	3,058,552	3,103,986	7,885,612	8,710,082
Deferred inflows	64,796	-	24,427	-	89,223	-
Net position						
Net investment in						
capital assets	8,838,782	8,486,597	7,776,549	7,448,896	16,615,331	15,935,493
Restricted	1,791,209	1,882,981	-	-	1,791,209	1,882,981
Unrestricted	(502,193)	(737,566)	3,177,840	2,886,877	2,675,647	2,149,311
Total net position	\$10,127,798	\$9,632,012	\$10,954,389	\$10,335,773	\$21,082,187	\$19,967,785

Net position of the City increased by \$1,114,402. The business-type activities increased its net position by \$618,616, which was primarily the result of revenue levels set to meet future needs. The governmental activities increased its net position by \$495,786, which was primarily due to expense monitoring and limited grant funded projects.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue						
Program revenue						
Charges for services	\$ 377,115	\$ 426,584	\$3,525,437	\$3,446,057	\$3,902,552	\$3,872,641
Operating grants and contributions	751,719	679,065	-	-	751,719	679,065
Capital grants and contributions	78,634	157,663	51,827	-	130,461	157,663
General revenue						
Property taxes	3,147,699	3,061,476	-	-	3,147,699	3,061,476
Other governmental sources	515,298	531,130	-	-	515,298	531,130
Other	100,819	157,792	46,047	28,668	146,866	186,460
Transfers	7,500	7,406	(7,500)	(7,406)	-	-
Total revenue	4,978,784	5,021,116	3,615,811	3,467,319	8,594,595	8,488,435
Expenses						
General government	807,106	928,904	-	-	807,106	928,904
Public safety	1,841,646	2,032,001	-	-	1,841,646	2,032,001
Public works	1,379,199	1,359,736	-	-	1,379,199	1,359,736
Culture and recreation	395,877	364,255	-	-	395,877	364,255
Interest	59,170	67,287	-	-	59,170	67,287
Sewer	-	-	1,802,169	1,680,920	1,802,169	1,680,920
Water	-	-	1,195,026	1,021,175	1,195,026	1,021,175
Total expenses	4,482,998	4,752,183	2,997,195	2,702,095	7,480,193	7,454,278
Increase in net position	495,786	268,933	618,616	765,224	1,114,402	1,034,157
Net position-beginning of year	9,632,012	9,363,079	10,335,773	9,570,549	19,967,785	18,933,628
Net position-end of year	\$10,127,798	\$9,632,012	\$10,954,389	\$10,335,773	\$21,082,187	\$19,967,785

Governmental Activities. During the year the City invested \$1,841,646 or 41% of governmental activities expenses in public safety. Public works, which includes major and local streets was \$1,379,199 or 31% of governmental activities expenses while general government, culture and recreation and interest on long-term debt made up the remaining 28% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net position by \$618,616 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$765,224.

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 \$3,688,224, an increase of \$177,375 in comparison with the prior year. Of the \$3,688,224, \$1,797,015 is reported in the general fund. 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 \$1,487,615. 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 39% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$169,227 during the current fiscal year.

The major streets fund is used to account for Act 51 gas and weight taxes and major street repair and maintenance. The fund balance at the end of the year amounted to \$430,860, an increase of \$27,624 from the previous year.

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 \$1,332,651 and \$1,845,189 respectively. The sewer fund had an increase in net position for the year of \$257,359 while the water fund had an increase of \$361,257. 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, 2020, amounted to \$20,039,963 (net of accumulated depreciation). Significant additions are identified in the financial highlights.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,824,270	\$ 96,621	\$ 2,920,891
Buildings, Equipment and Infrastructure	7,738,144	9,380,928	17,119,072
Total	\$10,562,414	\$9,477,549	\$20,039,963

Capital asset additions included building and infrastructure improvements in governmental activities and sewer system main and lift station improvements in business activities. Additional information on the City of Rockford capital assets can be found in Note 5 of these financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,572,843 excluding the net pension liability and accrued employee benefits. Long-term liabilities including the net pension liability and accrued employee benefits are as follows:

	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 216,519	\$ 74,487	\$ 291,006
Net pension liability	2,578,258	971,947	3,550,205
Long-term debt	1,823,632	1,749,000	3,572,632
Total	<u>\$4,618,409</u>	<u>\$2,795,434</u>	<u>\$7,413,843</u>

Governmental activities repaid \$336,816 of long-term debt. Business-type activities repaid \$218,500 of long-term debt. Additional information on the City’s long-term debt can be found in Note 8 of these financial statements.

Budgetary Highlights

- Professional fees for the Garden Club and Memorial Parks master plans were increased by \$24,840.
- The Courtland Street sidewalk project was reduced by \$43,354.
- Local Community Stabilization Share Tax revenue was increased \$22,725.

Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the City’s budget for the 2020-2021 fiscal year:

- Reduced Revenue Sharing and ACT 51 street funding by 20% due to COVID.
- A 2.5% salary increase was budgeted for all departments, including unionized staff.
- Property taxable values increased 4.6%.
- Maintained increased pension contributions to address unfunded pension liability.
- Budgeted \$190,000 to continue researching a location and drill a test well.
- Budgeted to replace two Public Services work trucks.
- Budgeted \$325,000 for storm water improvements.
- Other projects budgeted for next fiscal year includes numerous parks and trail upgrades, multiple equipment purchases 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, 2020

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Downtown	Economic
	Activities	Activities		Development	Development
				Authority	Corporation
Assets					
Cash and pooled investments	\$ 3,588,782	\$ 3,808,707	\$ 7,397,489	\$ 46,303	\$ 21,518
Accounts receivable	86,996	568,229	655,225	52	9
Advance to DDA	152,000	-	152,000	-	-
Due from other governments	138,027	-	138,027	-	-
Prepaid items	8,568	852	9,420	-	-
Capital assets					
Land	2,824,270	96,621	2,920,891	-	-
Depreciable capital assets, net	<u>7,738,144</u>	<u>9,380,928</u>	<u>17,119,072</u>	<u>1,520,582</u>	<u>-</u>
Total assets	<u>14,536,787</u>	<u>13,855,337</u>	<u>28,392,124</u>	<u>1,566,937</u>	<u>21,527</u>
Deferred outflow for pension plan	<u>482,867</u>	<u>182,031</u>	<u>664,898</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts payable	139,796	235,026	374,822	10,723	4,000
Accrued liabilities	68,855	28,092	96,947	2,490	-
Due within one year	341,816	223,500	565,316	38,000	-
Noncurrent liabilities					
Compensated absences	216,519	74,487	291,006	-	-
Net pension liability	2,578,258	971,947	3,550,205	-	-
Due in more than one year	<u>1,481,816</u>	<u>1,525,500</u>	<u>3,007,316</u>	<u>114,000</u>	<u>-</u>
Total liabilities	<u>4,827,060</u>	<u>3,058,552</u>	<u>7,885,612</u>	<u>165,213</u>	<u>4,000</u>
Deferred inflow for pension plan	<u>64,796</u>	<u>24,427</u>	<u>89,223</u>	<u>-</u>	<u>-</u>
Net position					
Net investment in capital assets	8,838,782	7,776,549	16,615,331	1,368,582	-
Restricted for					
Major streets	430,860	-	430,860	-	-
Local streets	344,701	-	344,701	-	-
Cemetery	412,653	-	412,653	-	-
Law enforcement	14,081	-	14,081	-	-
Capital projects and debt service	588,914	-	588,914	-	-
Unrestricted (deficit)	<u>(502,193)</u>	<u>3,177,840</u>	<u>2,675,647</u>	<u>33,142</u>	<u>17,527</u>
Total net position	<u>\$ 10,127,798</u>	<u>\$ 10,954,389</u>	<u>\$ 21,082,187</u>	<u>\$ 1,401,724</u>	<u>\$ 17,527</u>

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

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 807,106	\$ 154,266	\$ -	\$ -	\$ (652,840)
Public safety	1,841,646	7,888	64,983	-	(1,768,775)
Public works	1,379,199	161,850	673,903	-	(543,446)
Culture and recreation	395,877	53,111	12,833	78,634	(251,299)
Interest on long-term debt	59,170	-	-	-	(59,170)
Total governmental activities	4,482,998	377,115	751,719	78,634	(3,275,530)
Business-type activities					
Sewer	1,802,169	2,037,698	-	-	235,529
Water	1,195,026	1,487,739	-	51,827	344,540
Total business-type activities	2,997,195	3,525,437	-	51,827	580,069
Total primary government	\$ 7,480,193	\$ 3,902,552	\$ 751,719	\$ 130,461	\$ (2,695,461)
Component units					
Downtown Development Authority	\$ 239,191	\$ -	\$ -	\$ -	\$ (239,191)
Economic Development Corporation	21,190	-	-	-	(21,190)
Total component units	\$ 260,381	\$ -	\$ -	\$ -	\$ (260,381)

(Continued)

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

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Economic Development Corporation
Changes in net position					
Net (expense) revenue	\$ (3,275,530)	\$ 580,069	\$ (2,695,461)	\$ (239,191)	\$ (21,190)
General revenues					
Property taxes	3,147,699	-	3,147,699	241,875	-
State shared revenues	515,298	-	515,298	-	-
Interest	47,183	39,752	86,935	835	69
Other revenue	53,636	6,295	59,931	-	22,500
Transfers - internal activities	7,500	(7,500)	-	-	-
Total general revenues	<u>3,771,316</u>	<u>38,547</u>	<u>3,809,863</u>	<u>242,710</u>	<u>22,569</u>
Changes in net position	495,786	618,616	1,114,402	3,519	1,379
Net position, beginning of year	<u>9,632,012</u>	<u>10,335,773</u>	<u>19,967,785</u>	<u>1,398,205</u>	<u>16,148</u>
Net position, end of year	<u>\$ 10,127,798</u>	<u>\$ 10,954,389</u>	<u>\$ 21,082,187</u>	<u>\$ 1,401,724</u>	<u>\$ 17,527</u>

(Concluded)

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

CITY OF ROCKFORD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Current assets				
Cash and pooled investments	\$ 1,625,646	\$ 382,443	\$ 1,485,963	\$ 3,494,052
Accounts receivable	53,911	704	32,293	86,908
Advance to DDA	152,000	-	-	152,000
Due from other governments	61,849	53,990	22,188	138,027
Prepaid items	7,910	302	303	8,515
Total assets	<u>\$ 1,901,316</u>	<u>\$ 437,439</u>	<u>\$ 1,540,747</u>	<u>\$ 3,879,502</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 55,180	\$ 4,844	\$ 78,689	\$ 138,713
Accrued liabilities	49,121	1,735	1,709	52,565
Total liabilities	<u>104,301</u>	<u>6,579</u>	<u>80,398</u>	<u>191,278</u>
Fund balances				
Non-spendable				
Prepaid items	7,910	302	303	8,515
Advance receivable	152,000	-	-	152,000
Restricted				
Unspent bond proceeds	-	-	100,000	100,000
Streets	-	430,558	344,398	774,956
Cemetery	-	-	412,653	412,653
Law enforcement	-	-	14,081	14,081
Assigned				
Debt service and capital projects	-	-	588,914	588,914
Subsequent year expenditures	149,490	-	-	149,490
Unassigned	1,487,615	-	-	1,487,615
Total fund balances	<u>1,797,015</u>	<u>430,860</u>	<u>1,460,349</u>	<u>3,688,224</u>
Total liabilities and fund balances	<u>\$ 1,901,316</u>	<u>\$ 437,439</u>	<u>\$ 1,540,747</u>	<u>\$ 3,879,502</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, 2020

Fund balances - total governmental funds	\$ 3,688,224
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>	
Add - land	2,824,270
Add - capital assets (net of accumulated depreciation)	7,172,718
<p>Deferred pension items are not reported in the funds.</p>	
Add - deferred outflows	482,867
Deduct - deferred inflows	(64,796)
<p>Internal service funds are used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.</p>	
Add - net position of governmental activities accounted for in the internal service funds	578,060
<p>Certain balances are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct - compensated absences payable	(209,362)
Deduct - net pension liability	(2,578,258)
Deduct - bonds and installment purchases payable	(1,750,632)
Deduct - accrued interest on long-term debt	<u>(15,293)</u>
Net position of governmental activities	<u>\$ 10,127,798</u>

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, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 3,147,699	\$ -	\$ -	\$ 3,147,699
Intergovernmental revenues				
Federal	313	108,359	-	108,672
State	522,468	406,141	238,037	1,166,646
Local	80,250	-	29,333	109,583
Licenses and permits	85,781	-	-	85,781
Charges for services	66,478	-	-	66,478
Fines	4,704	-	1,472	6,176
Interest	33,767	3,406	10,010	47,183
Rents and easements	6,000	-	155,850	161,850
Miscellaneous	39,616	-	31,600	71,216
Total revenues	<u>3,987,076</u>	<u>517,906</u>	<u>466,302</u>	<u>4,971,284</u>
Expenditures				
Current				
General government	832,901	-	-	832,901
Public safety	1,730,585	-	-	1,730,585
Public works	545,354	345,113	261,026	1,151,493
Culture and recreation	262,913	-	42,930	305,843
Debt service				
Principal	-	-	263,816	263,816
Interest	-	-	61,090	61,090
Capital outlay	-	-	420,681	420,681
Total expenditures	<u>3,371,753</u>	<u>345,113</u>	<u>1,049,543</u>	<u>4,766,409</u>
Revenues over (under) expenditures	<u>615,323</u>	<u>172,793</u>	<u>(583,241)</u>	<u>204,875</u>
Other financing sources (uses)				
Transfers in	3,404	15,000	809,410	827,814
Transfers out	(449,500)	(160,169)	(245,645)	(855,314)
Total other financing sources (uses)	<u>(446,096)</u>	<u>(145,169)</u>	<u>563,765</u>	<u>(27,500)</u>
Net changes in fund balances	169,227	27,624	(19,476)	177,375
Fund balances, beginning of year	<u>1,627,788</u>	<u>403,236</u>	<u>1,479,825</u>	<u>3,510,849</u>
Fund balances, end of year	<u>\$ 1,797,015</u>	<u>\$ 430,860</u>	<u>\$ 1,460,349</u>	<u>\$ 3,688,224</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, 2020

Net changes in fund balances - total governmental funds	\$ 177,375
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 & capital donations	601,448
Deduct - depreciation expense	(577,089)
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.	
Add - principal payments on debt	263,816
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Add - net income from the internal service funds	80,253
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.	
Deduct - increase in compensated absences	(16,961)
Deduct - decrease in deferred outflows related to pensions	(196,453)
Deduct - increase in deferred inflows related to pensions	(64,796)
Add - decrease in net pension liability	226,273
Add - decrease in accrued interest	1,920
Change in net position of governmental activities	<u>\$ 495,786</u>

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

CITY OF ROCKFORD
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Enterprise Funds</u>		<u>Enterprise Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>
Assets				
Current assets				
Cash and pooled investments	\$ 1,586,192	\$ 2,222,515	\$ 3,808,707	\$ 94,730
Accounts receivable	297,111	271,118	568,229	88
Prepaid items	118	734	852	53
Total current assets	<u>1,883,421</u>	<u>2,494,367</u>	<u>4,377,788</u>	<u>94,871</u>
Capital assets				
Land	2,500	94,121	96,621	-
Capital assets	7,325,878	9,622,596	16,948,474	1,194,571
Less accumulated depreciation	<u>(3,853,283)</u>	<u>(3,714,263)</u>	<u>(7,567,546)</u>	<u>(629,145)</u>
Net capital assets	<u>3,475,095</u>	<u>6,002,454</u>	<u>9,477,549</u>	<u>565,426</u>
Total assets	<u>5,358,516</u>	<u>8,496,821</u>	<u>13,855,337</u>	<u>660,297</u>
Deferred outflow for pension plan	<u>69,073</u>	<u>112,958</u>	<u>182,031</u>	<u>-</u>
Liabilities				
Current liabilities				
Accounts payable	205,082	29,944	235,026	1,083
Accrued liabilities	11,576	16,516	28,092	997
Current portion of long-term debt	<u>114,000</u>	<u>109,500</u>	<u>223,500</u>	<u>73,000</u>
Total current liabilities	<u>330,658</u>	<u>155,960</u>	<u>486,618</u>	<u>75,080</u>
Long-term liabilities				
Compensated absences	25,105	49,382	74,487	7,157
Net pension liability	368,811	603,136	971,947	-
Long-term debt, net of current portion	<u>767,000</u>	<u>758,500</u>	<u>1,525,500</u>	<u>-</u>
Total long-term liabilities	<u>1,160,916</u>	<u>1,411,018</u>	<u>2,571,934</u>	<u>7,157</u>
Total liabilities	<u>1,491,574</u>	<u>1,566,978</u>	<u>3,058,552</u>	<u>82,237</u>
Deferred inflow for pension plan	<u>9,269</u>	<u>15,158</u>	<u>24,427</u>	<u>-</u>
Net position				
Net investment in capital assets	2,594,095	5,182,454	7,776,549	492,426
Unrestricted	<u>1,332,651</u>	<u>1,845,189</u>	<u>3,177,840</u>	<u>85,634</u>
Total net position	<u>\$ 3,926,746</u>	<u>\$ 7,027,643</u>	<u>\$ 10,954,389</u>	<u>\$ 578,060</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, 2020

	Enterprise Funds		Enterprise Fund Total	Governmental Activities
	Sewer	Water		Motor Pool
Operating revenue				
Charges for services	\$ 2,037,698	\$ 1,487,739	\$ 3,525,437	\$ 322,971
Other	1,380	4,915	6,295	-
Total operating revenue	<u>2,039,078</u>	<u>1,492,654</u>	<u>3,531,732</u>	<u>322,971</u>
Operating expense				
Personnel services	337,764	561,047	898,811	60,990
Professional and contractual services	1,086,902	54,086	1,140,988	83,757
Materials and supplies	48,512	19,219	67,731	33,637
Utilities	35,779	104,176	139,955	-
Repair and maintenance	73,323	96,757	170,080	(2,321)
Insurance and bonds	11,886	13,886	25,772	10,441
Equipment rentals	8,228	55,535	63,763	136
Depreciation	175,906	225,377	401,283	90,050
Miscellaneous	30	37,797	37,827	41
Total operating expense	<u>1,778,330</u>	<u>1,167,880</u>	<u>2,946,210</u>	<u>276,731</u>
Operating income (loss)	<u>260,748</u>	<u>324,774</u>	<u>585,522</u>	<u>46,240</u>
Non-operating revenue (expense)				
Interest income	20,450	19,302	39,752	399
Interest expense	(23,839)	(27,146)	(50,985)	(1,386)
Total non-operating revenue (expense)	<u>(3,389)</u>	<u>(7,844)</u>	<u>(11,233)</u>	<u>(987)</u>
Income (loss) before transfers	257,359	316,930	574,289	45,253
Transfers				
Transfers in	-	-	-	35,000
Transfers out	-	(7,500)	(7,500)	-
Total transfers	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>35,000</u>
Capital contributions	<u>-</u>	<u>51,827</u>	<u>51,827</u>	<u>-</u>
Changes in net position	257,359	361,257	618,616	80,253
Net position, beginning of year	<u>3,669,387</u>	<u>6,666,386</u>	<u>10,335,773</u>	<u>497,807</u>
Net position, end of year	<u>\$ 3,926,746</u>	<u>\$ 7,027,643</u>	<u>\$ 10,954,389</u>	<u>\$ 578,060</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, 2020

	Enterprise Funds		Enterprise Fund Total	Governmental Activities
	Sewer	Water		Motor Pool
Cash flows from operating activities				
Receipts from customers and users	\$ 2,072,215	\$ 1,469,994	\$ 3,542,209	\$ 322,967
Payments to employees	(281,735)	(473,774)	(755,509)	(59,135)
Payments to suppliers	(1,172,995)	(384,578)	(1,557,573)	(125,180)
	-	-	-	-
Net cash provided by (used in) operating activities	<u>617,485</u>	<u>611,642</u>	<u>1,229,127</u>	<u>138,652</u>
Cash flows from non-capital financing activities				
Transfers in	-	-	-	35,000
Transfers out	-	(7,500)	(7,500)	-
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>	<u>35,000</u>
Cash flows from capital and related financing activities				
Interest expense	(23,839)	(27,146)	(50,985)	(1,386)
Principal paid on bonds	(109,000)	(109,500)	(218,500)	(73,000)
Capital contributions	-	51,827	51,827	-
Acquisitions of capital assets	(585,708)	(76,728)	(662,436)	(81,060)
Net cash provided by (used in) capital and related financing activities	<u>(718,547)</u>	<u>(161,547)</u>	<u>(880,094)</u>	<u>(155,446)</u>
Cash flows from investing activities				
Interest income	<u>20,450</u>	<u>19,302</u>	<u>39,752</u>	<u>399</u>
Net cash provided by (used in) investing activities	<u>20,450</u>	<u>19,302</u>	<u>39,752</u>	<u>399</u>
Net increase (decrease) in cash and pooled investments	(80,612)	461,897	381,285	18,605
Cash and pooled investments, beginning of year	<u>1,666,804</u>	<u>1,760,618</u>	<u>3,427,422</u>	<u>76,125</u>
Cash and pooled investments, end of year	<u>\$ 1,586,192</u>	<u>\$ 2,222,515</u>	<u>\$ 3,808,707</u>	<u>\$ 94,730</u>
Cash flows from operating activities				
Operating income (loss)	\$ 260,748	\$ 324,774	\$ 585,522	\$ 46,240
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	175,906	225,377	401,283	90,050
Net pension liability	33,466	41,637	75,103	-
Deferred outflows for pensions	12,156	23,048	35,204	-
Deferred inflows for pensions	9,269	15,158	24,427	-
Change in operating assets and liabilities which provided (used) cash:				
Accounts receivable	33,137	(22,660)	10,477	(4)
Prepaid items	(118)	(734)	(852)	(53)
Accounts payable	91,783	(2,388)	89,395	564
Accrued liabilities	874	1,465	2,339	(151)
Compensated absences	264	5,965	6,229	2,006
Net cash provided by (used in) operating activities	<u>\$ 617,485</u>	<u>\$ 611,642</u>	<u>\$ 1,229,127</u>	<u>\$ 138,652</u>

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

CITY OF ROCKFORD
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ <u>1,261</u>
Total assets	\$ <u>1,261</u>
Liabilities	
Payroll taxes and withholdings	\$ 548
Due to other governmental units	<u>713</u>
Total liabilities	\$ <u>1,261</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, 2020

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 entities are reported in separate columns and rows to emphasize that they are legally separate from the City. The City also has established a Brownfield Redevelopment Authority component unit which had no financial assets or financial activity during the year. 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, 2020, the City paid \$108,352 to the Authority and received \$39,250 from the Authority for the provision of administrative services; \$71,900 was owed to the Authority at June 30, 2020. At December 31, 2019, the date of the most recent Authority audited financial statements, the Authority's outstanding insured municipal bonds amounted to \$41,762,061. 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, 2020

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, pension expense, 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, 2020

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 *Major Streets Fund* accounts for Act 51 gas and weight taxes that are restricted for repair and maintenance cost of major streets.

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.

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. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5. 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Statutory Authority

City policy and 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.
- 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.

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.

Receivables/Due from Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) 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	5-175
Furniture and Equipment	5-30
Vehicles	3-25
Public Domain Infrastructure	5-40
System Infrastructure	5-40

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and sick time benefits under formulas and conditions specified in the contracts. Accumulated vacation and sick time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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, are deferred and amortized over the life of the bonds using 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 in all funds and activities are reported as expenditures/expenses.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Any items that qualify for reporting in this category related to the net pension liability are discussed in note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Any items that qualify for reporting in this category related to the net pension liability are discussed in note 7.

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 resolution 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.

The City Council has delegated the authority to assign fund balance to the City Manager.

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.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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, 2020, 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.

2. STATUTORY COMPLIANCE

Excess of expenditures over appropriations

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 or activity level. The approved budgets of the City for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2020, the City incurred no expenditures which were in excess of the amounts appropriated.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

3. DEFICIT NET POSITION

At June 30, 2020, the City reported a deficit unrestricted net position in its governmental activities of \$502,193.

4. DEPOSITS AND INVESTMENTS

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

Governmental activities	\$3,588,782
Business-type activities	3,808,707
Component units	67,821
Fiduciary funds	1,261
	<u>\$7,466,571</u>

Cash and pooled investments consist of the following at June 30, 2020:

Deposits, certificates of deposits, petty cash	\$7,422,455
Investments	
Federated Gov. Obligation fund	44,116
	<u>\$7,466,571</u>

Deposits

The 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, \$4,614,131 of the City's bank balance of \$7,364,131 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The City chooses to disclose its investments by type. As of year-end, the City had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Money market accounts			
Federated Gov't. Obligation fund	N/A	\$44,116	AAAm S&P

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end:

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- The City does not have any investments that are valued using quoted market prices (Level 1 inputs).
- The Federated fund is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determine the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, 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. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$44,116 of investments the City's custodial credit risk exposure cannot be determined because the invested funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 2,823,770	\$ 500	\$ -	\$ 2,824,270
Capital assets, being depreciated				
Building and improvements	4,118,479	270,049	-	4,388,528
Vehicles and equipment	2,815,411	156,750	-	2,972,161
Infrastructure	6,081,280	255,209	-	6,336,489
Total capital assets, being depreciated	13,015,170	682,008	-	13,697,178
Less accumulated depreciation				
Building and improvements	2,051,285	118,398	-	2,169,683
Vehicles and equipment	1,746,177	200,768	-	1,946,945
Infrastructure	1,494,433	347,973	-	1,842,406
Total accumulated depreciation	5,291,895	667,139	-	5,959,034
Net capital assets, being depreciated	7,723,275	14,869	-	7,738,144
Governmental Activities capital assets, net	\$10,547,045	\$ 15,369	\$ -	\$10,562,414
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 96,621	\$ -	\$ -	\$ 96,621
Capital assets, being depreciated				
Mains and infrastructure	13,109,002	584,236	-	13,693,238
Storage tanks	1,705,195	-	-	1,705,195
Meters	598,122	22,746	-	620,868
Equipment	873,719	55,454	-	929,173
Total capital assets, being depreciated	16,286,038	662,436	-	16,948,474
Less accumulated depreciation				
Mains and infrastructure	5,661,829	266,055	-	5,927,884
Storage tanks	665,947	36,443	-	702,390
Meters	391,004	43,428	-	434,432
Equipment	447,483	55,357	-	502,840
Total accumulated depreciation	7,166,263	401,283	-	7,567,546
Net capital assets, being depreciated	9,119,775	261,153	-	9,380,928
Business-type Activities capital assets, net	\$9,216,396	\$261,153	\$ -	\$9,477,549
Component Unit				
Downtown Development Authority				
Capital assets, being depreciated				
Buildings	\$2,542,311	\$ 51,343	\$ -	\$2,593,654
Less accumulated depreciation				
Buildings	970,349	102,723	-	1,073,072
Downtown Development Authority capital assets, net	\$1,571,962	\$ (51,380)	\$ -	\$1,520,582

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Governmental Activities	
General government	\$ 35,256
Public safety	83,728
Public works	331,959
Culture and recreation	126,146
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	90,050
Total depreciation expense - governmental activities	\$667,139
 Business-type Activities	
Sewer	\$175,906
Water	225,377
Total depreciation expense - business- type activities	\$401,283

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2020 are as follows:

Transfers out:	Transfers in				
	General Fund	Major Streets	Non-Major Funds	Internal Service	Total
General	\$ -	\$15,000	\$399,500	\$35,000	\$449,500
Major Streets	-	-	160,169	-	160,169
Water Enterprise Fund	-	-	7,500	-	7,500
Non-major Funds	3,404	-	242,241	-	245,645
	\$3,404	\$15,000	\$809,410	\$35,000	\$862,814

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.

7. DEFINED BENEFIT PENSION PLAN

Defined Benefit Traditional and Hybrid Plan

Plan Description

The employer's defined benefit traditional and hybrid pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Benefits Provided

Benefits provided include a multiplier of 1.5 to 2.5 times final average compensation. Vesting period from 6 to 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Final average compensation is calculated based on 3 to 5 years depending on division.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2019):

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled but not yet receiving benefits	13
Active plan members	<u>32</u>
Total	<u>74</u>

Contributions

The City is required to contribute at an actuarially determined rate, which for the current year was \$390,492. Participating employees are required to contribute from 0 to 2.4% percent of gross wages to the plan based on position and classification. 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 labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.35%, net of investment expense, including inflation (7.75% for 2018)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent (2020) actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private Investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.60% which decreased from the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at December 31, 2018	\$ 9,547,157	\$5,845,782	\$3,701,375
Changes for the Year:			
Service cost	159,009	-	159,009
Interest	750,178	-	750,178
Change in benefits	-	-	-
Differences between expected and actual experience	(84,816)	-	(84,816)
Change in assumptions	321,099	-	321,099
Contributions: employer	-	499,305	(499,305)
Contributions: employee	-	11,101	(11,101)
Net investment income	-	800,027	(800,027)
Benefit payments, including refunds	(498,875)	(498,875)	-
Administrative expense	-	(13,793)	13,793
Other changes	-	-	-
Net changes	646,595	797,765	(151,170)
Balance at December 31, 2019	\$10,193,752	\$6,643,547	\$3,550,205

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.6%) or higher (8.6%) than the current rate.

	1% Decrease	Current Discount rate	1% Increase
Total Pension Liability	\$11,365,751	\$10,193,752	\$9,209,753
Fiduciary Net Position	6,643,547	6,643,547	6,643,547
Net Pension Liability	<u>\$ 4,722,204</u>	<u>\$ 3,550,205</u>	<u>\$2,566,206</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the employer recognized pension expense of \$719,293. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences in experience	\$99,709	\$(89,223)
Differences in assumptions	240,824	-
Deficit (excess) investment returns	47,983	-
Contributions subsequent to the measurement date*	<u>276,382</u>	-
Total	<u>\$664,898</u>	<u>\$(89,223)</u>

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$134,676
2022	91,963
2023	136,221
2024	<u>(63,567)</u>
Total	<u>\$299,293</u>

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

8. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
Public Placement Debt:					
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%	\$ 445,000	\$ -	\$ 80,000	\$ 365,000	\$ 85,000
Direct Placement Debt:					
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%	47,500	-	11,500	36,000	11,500
2016 Capital Improvement Bonds, payable in annual installments of \$73,000 through November 2020, plus interest at .7% to 1.45%	146,000	-	73,000	73,000	73,000
2018 Capital Improvement Bonds – Street portion, payable in annual installments of \$140,000 to \$175,000 through April 2028, plus interest at 2.76%.	1,440,000	-	145,000	1,295,000	145,000
2018 Act 99 instalment purchase, payable in annual installments of \$29,996 through August 2021, including interest at 3.6%.	81,948	-	27,316	54,632	27,316
Total Direct Placement:	1,715,448	-	256,816	1,463,632	256,816
Total Direct & Public Placements:	2,160,448	-	336,816	1,823,632	341,816
Accrued employee benefits	197,552	18,967	-	216,519	-
Total Governmental Activities	\$2,358,000	\$18,967	\$336,816	\$2,040,151	\$341,816

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Business-type Activities					
Public Placement Debt					
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	\$ 185,000	\$ -	\$ 35,000	\$ 150,000	\$ 35,000
Private Placement Debt					
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%	285,000	-	69,000	216,000	69,000
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%	142,500	-	34,500	108,000	34,500
2018 Capital Improvement Bonds – Water portion, payable in annual installments of \$40,000 to \$55,000 through April 2033, plus interest at 2.76%.	650,000	-	40,000	610,000	40,000
2018 Capital Improvement Bonds – Sewer portion, payable in annual installments of \$45,000 to \$60,000 through April 2033, plus interest at 2.76%.	705,000	-	40,000	665,000	45,000
Total Private placement debt	1,782,500	-	183,500	1,599,000	188,500
Total Public and Private placement debt	1,967,500	-	218,500	1,749,000	223,500
Accrued employee benefits	68,258	6,229	-	74,487	-
Total Business-type Activities	\$2,035,758	\$6,229	\$218,500	\$1,823,487	\$223,500
Component Units					
2019 Note payable, payable in annual installments of \$38,000 through 2024	\$190,000	\$ -	\$ 38,000	\$152,000	\$38,000

Compensated absences and the pension liability of governmental activities are generally liquidated with general fund resources.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2020 are as follows:

Year Ended June 30	Governmental Activities			
	Public		Private	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 85,000	\$ 13,664	\$ 256,816	\$ 38,860
2022	90,000	9,988	189,316	33,118
2023	95,000	6,057	167,500	27,737
2024	95,000	2,019	160,000	23,322
2025	-	-	165,000	18,906
2026-2029	-	-	520,000	28,842
Total	\$365,000	\$31,728	\$1,458,632	\$170,785

Year Ended June 30	Business-type Activities			
	Public		Private	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 35,000	\$ 5,367	\$ 188,500	\$ 40,782
2022	35,000	3,944	193,000	36,399
2023	40,000	2,423	197,500	31,736
2024	40,000	808	90,000	28,152
2025	-	-	95,000	25,668
2026-2030	-	-	500,000	88,458
2031-2033	-	-	335,000	18,768
Total	\$150,000	\$12,542	\$1,599,000	\$269,963

Year Ended June 30	Component Units			
	Public		Private	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ -	\$ -	\$ 38,000	\$3,420
2022	-	-	38,000	2,565
2023	-	-	38,000	1,710
2024	-	-	38,000	855
Total	\$ -	\$ -	\$152,000	\$8,550

The outstanding direct borrowings contain a provision that in the event of default, the entity shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

9. 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.

10. TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFTE) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The IFTE is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement.

For the year ended June 30, 2020 the City abated property tax revenues of approximately \$9,000.

11. CONTINGENCIES

In the normal course of its activities, the City has become a party in various legal actions. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

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, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,133,925	\$ 3,155,925	\$ 3,147,699	\$ (8,226)
Intergovernmental revenues				
Federal	1,000	1,000	313	(687)
State	562,400	562,400	522,468	(39,932)
Local	79,500	79,500	80,250	750
Licenses and permits	98,000	98,000	85,781	(12,219)
Charges for services	83,500	83,500	66,478	(17,022)
Fines	4,100	4,100	4,704	604
Interest	20,000	20,000	33,767	13,767
Rents and easements	6,000	6,000	6,000	-
Miscellaneous	85,050	85,050	39,616	(45,434)
Total revenues	<u>4,073,475</u>	<u>4,095,475</u>	<u>3,987,076</u>	<u>(108,399)</u>
Expenditures				
Current				
General government	900,655	941,655	832,901	108,754
Public safety	1,881,190	1,881,190	1,730,585	150,605
Public works	523,400	579,400	545,354	34,046
Culture and recreation	294,050	309,050	262,913	46,137
Total expenditures	<u>3,599,295</u>	<u>3,711,295</u>	<u>3,371,753</u>	<u>339,542</u>
Revenues over (under) expenditures	<u>474,180</u>	<u>384,180</u>	<u>615,323</u>	<u>(447,941)</u>
Other financing sources (uses)				
Transfers in	1,000	1,000	3,404	2,404
Transfers out	(539,500)	(449,500)	(449,500)	-
Total other financing sources (uses)	<u>(538,500)</u>	<u>(448,500)</u>	<u>(446,096)</u>	<u>2,404</u>
Net changes in fund balance	(64,320)	(64,320)	169,227	233,547
Fund balance, beginning of year	<u>1,627,788</u>	<u>1,627,788</u>	<u>1,627,788</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,563,468</u>	<u>\$ 1,563,468</u>	<u>\$ 1,797,015</u>	<u>\$ 233,547</u>

Basis of 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.

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 108,359	\$ 108,359	\$ -
State	427,500	427,500	406,141	(21,359)
Interest	2,000	2,000	3,406	1,406
Total revenues	<u>429,500</u>	<u>537,859</u>	<u>517,906</u>	<u>(19,953)</u>
Expenditures				
Public works				
Routine maintenance	134,725	309,320	261,684	47,636
Traffic control	4,500	7,500	7,406	94
Winter maintenance	68,625	65,125	27,588	37,537
Administration	50,275	50,275	48,435	1,840
Total expenditures	<u>258,125</u>	<u>432,220</u>	<u>345,113</u>	<u>87,107</u>
Revenues over (under) expenditures	<u>171,375</u>	<u>105,639</u>	<u>172,793</u>	<u>67,154</u>
Other financing sources (uses)				
Transfers in	-	15,000	15,000	-
Transfers out	(159,850)	(160,350)	(160,169)	181
Total other financing sources (uses)	<u>(159,850)</u>	<u>(145,350)</u>	<u>(145,169)</u>	<u>181</u>
Net changes in fund balance	11,525	(39,711)	27,624	67,335
Fund balance, beginning of year	<u>403,236</u>	<u>403,236</u>	<u>403,236</u>	<u>-</u>
Fund balance, end of year	<u>\$ 414,761</u>	<u>\$ 363,525</u>	<u>\$ 430,860</u>	<u>\$ 67,335</u>

CITY OF ROCKFORD

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED JUNE 30, 2020

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 151,898	\$ 147,383	\$ 132,340	\$ 152,354	\$ 159,793	\$ 159,009
Interest on liability	567,025	580,306	631,680	689,104	722,488	750,178
Difference between expected and actual experience	-	(66,069)	389,701	54,420	(42,685)	(84,816)
Changes in assumptions	-	346,907	-	-	-	321,099
Benefit payments including employee refunds	(332,276)	(339,465)	(414,481)	(477,344)	(487,283)	(498,875)
Other	-	18,136	-	-	-	-
Net change in total pension liability	<u>386,647</u>	<u>687,198</u>	<u>739,240</u>	<u>418,534</u>	<u>352,313</u>	<u>646,595</u>
Total pension liability, beginning of year	<u>6,963,225</u>	<u>7,349,872</u>	<u>8,037,070</u>	<u>8,776,310</u>	<u>9,194,844</u>	<u>9,547,157</u>
Total pension liability, end of year	<u>\$ 7,349,872</u>	<u>\$ 8,037,070</u>	<u>\$ 8,776,310</u>	<u>\$ 9,194,844</u>	<u>\$ 9,547,157</u>	<u>10,193,752</u>
Plan Fiduciary Net Position						
Contributions-employer	\$ 250,986	\$ 232,462	289,455	362,357	461,159	499,305
Contributions-employee	12,354	11,902	10,482	10,262	10,411	11,101
Net Investment income	317,143	(78,620)	575,688	725,274	(242,838)	800,027
Benefit payments including employee refunds	(332,276)	(339,465)	(414,481)	(477,344)	(487,283)	(498,875)
Administrative expense	(11,655)	(11,469)	(11,355)	(11,482)	(11,931)	(13,792)
Net change in plan fiduciary net position	<u>236,552</u>	<u>(185,190)</u>	<u>449,789</u>	<u>609,067</u>	<u>(270,482)</u>	<u>797,766</u>
Plan fiduciary net position, beginning of year	<u>5,006,046</u>	<u>5,242,598</u>	<u>5,057,408</u>	<u>5,507,197</u>	<u>6,116,264</u>	<u>5,845,782</u>
Plan fiduciary net position, end of year	<u>\$ 5,242,598</u>	<u>\$ 5,057,408</u>	<u>\$ 5,507,197</u>	<u>\$ 6,116,264</u>	<u>\$ 5,845,782</u>	<u>\$ 6,643,548</u>
Employer net pension liability	<u>\$ 2,107,274</u>	<u>\$ 2,979,662</u>	<u>\$ 3,269,113</u>	<u>\$ 3,078,580</u>	<u>\$ 3,701,375</u>	<u>\$ 3,550,204</u>
Plan fiduciary net position as a percentage of the total pension liability	71%	63%	63%	67%	61%	65%
Covered employee payroll	\$ 1,643,053	\$ 1,617,945	\$ 1,584,261	\$ 1,723,329	\$ 1,809,933	1,817,591
Employer's net pension liability as a percentage of covered employee payroll	128%	184%	206%	179%	205%	195%

Notes to schedule:

This schedule is being accumulated prospectively until ten years of data is presented. Above data is based on a December 31 measurement date.

CITY OF ROCKFORD

DEFINED BENEFIT PENSION PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$ 259,269	\$ 259,269	\$ -	\$ 1,643,053	16%
2016	253,286	253,286	-	1,617,945	16%
2017	289,808	289,808	-	1,584,261	18%
2018	349,781	456,197	(106,416)	1,723,329	26%
2019	388,783	463,651	(74,868)	1,809,933	26%
2020	390,492	549,584	(159,092)	1,817,591	30%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.00% (4.5 for 2014)
Investment rate of return	7.35% (8.00 for 2014)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Note to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF ROCKFORD
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

	<u>Special Revenue</u>		<u>Act 51 Debt Service</u>	<u>2018 Capital Debt Service</u>
	<u>Local Streets</u>	<u>Cemetery</u>		
Assets				
Current assets				
Cash and pooled investments	\$ 360,216	\$ 411,988	\$ -	\$ -
Accounts receivable	97	665	-	-
Due from other governments	22,188	-	-	-
Prepaid items	303	-	-	-
Total assets	<u>\$ 382,804</u>	<u>\$ 412,653</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 36,709	\$ -	\$ -	\$ -
Accrued liabilities	1,394	-	-	-
Total liabilities	<u>38,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Non-spendable				
Prepaid items	303	-	-	-
Restricted				
Unspent bond proceeds	-	-	-	-
Streets	344,398	-	-	-
Cemetery	-	412,653	-	-
Law enforcement	-	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>344,701</u>	<u>412,653</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 382,804</u>	<u>\$ 412,653</u>	<u>\$ -</u>	<u>\$ -</u>

**Capital
Projects**

<u>Library Improvement</u>	<u>Drug law Enforcement</u>	<u>Capital Improvements</u>	<u>Street Construction</u>	<u>Library Projects</u>	<u>Total</u>
\$ 2,247	\$ 14,059	\$ 525,044	\$ 118,375	\$ 54,034	\$ 1,485,963
-	22	31,256	190	63	32,293
-	-	-	-	-	22,188
-	-	-	-	-	303
<u>\$ 2,247</u>	<u>\$ 14,081</u>	<u>\$ 556,300</u>	<u>\$ 118,565</u>	<u>\$ 54,097</u>	<u>\$ 1,540,747</u>
\$ -	\$ -	\$ 41,939	\$ -	\$ 41	\$ 78,689
-	-	-	-	315	1,709
-	-	41,939	-	356	80,398
-	-	-	-	-	303
-	-	-	100,000	-	100,000
-	-	-	-	-	344,398
-	-	-	-	-	412,653
-	14,081	-	-	-	14,081
<u>2,247</u>	<u>-</u>	<u>514,361</u>	<u>18,565</u>	<u>53,741</u>	<u>588,914</u>
<u>2,247</u>	<u>14,081</u>	<u>514,361</u>	<u>118,565</u>	<u>53,741</u>	<u>1,460,349</u>
<u>\$ 2,247</u>	<u>\$ 14,081</u>	<u>\$ 556,300</u>	<u>\$ 118,565</u>	<u>\$ 54,097</u>	<u>\$ 1,540,747</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue		Act 51	2018 Capital
	Local		Debt	Debt
	Streets	Cemetery	Service	Service
Revenues				
Intergovernmental revenues				
State	\$ 159,403	\$ -	\$ -	\$ -
Local	-	-	-	-
Fines			-	-
Interest	1,270	3,404	-	-
Rents and easements	-	-	-	-
Miscellaneous	-	4,400	-	-
	<u>160,673</u>	<u>7,804</u>	<u>-</u>	<u>-</u>
Total revenues				
Expenditures				
Current				
Public works	261,026	-	-	-
Culture and recreation	-	-	-	-
Debt Service				
Principal	-	-	91,500	145,000
Interest	-	-	18,666	39,744
Capital outlay	-	-	-	-
	<u>261,026</u>	<u>-</u>	<u>110,166</u>	<u>184,744</u>
Total expenditures				
Revenues over (under) expenditures	<u>(100,353)</u>	<u>7,804</u>	<u>(110,166)</u>	<u>(184,744)</u>
Other financing sources (uses)				
Transfers in	415,000	-	110,166	184,744
Transfers out	<u>(242,241)</u>	<u>(3,404)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>172,759</u>	<u>(3,404)</u>	<u>110,166</u>	<u>184,744</u>
Net changes in fund balances	72,406	4,400	-	-
Fund balances, beginning of year	<u>272,295</u>	<u>408,253</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 344,701</u>	<u>\$ 412,653</u>	<u>\$ -</u>	<u>\$ -</u>

**Capital
Projects**

<u>Library Improvement</u>	<u>Drug law Enforcement</u>	<u>Capital Improvements</u>	<u>Street Construction</u>	<u>Library Projects</u>	<u>Total</u>
\$ -	\$ -	\$ 78,634	\$ -	\$ -	\$ 238,037
-	-	16,500	-	12,833	29,333
-	1,472	-	-	-	1,472
15	106	3,601	1,239	375	10,010
-	-	155,850	-	-	155,850
-	-	27,000	-	200	31,600
<u>15</u>	<u>1,578</u>	<u>281,585</u>	<u>1,239</u>	<u>13,408</u>	<u>466,302</u>
-	-	-	-	-	261,026
-	-	-	-	42,930	42,930
-	-	27,316	-	-	263,816
-	-	2,680	-	-	61,090
-	-	417,400	3,281	-	420,681
<u>-</u>	<u>-</u>	<u>447,396</u>	<u>3,281</u>	<u>42,930</u>	<u>1,049,543</u>
<u>15</u>	<u>1,578</u>	<u>(165,811)</u>	<u>(2,042)</u>	<u>(29,522)</u>	<u>(583,241)</u>
-	-	74,500	-	25,000	809,410
-	-	-	-	-	(245,645)
<u>-</u>	<u>-</u>	<u>74,500</u>	<u>-</u>	<u>25,000</u>	<u>563,765</u>
15	1,578	(91,311)	(2,042)	(4,522)	(19,476)
<u>2,232</u>	<u>12,503</u>	<u>605,672</u>	<u>120,607</u>	<u>58,263</u>	<u>1,479,825</u>
<u>\$ 2,247</u>	<u>\$ 14,081</u>	<u>\$ 514,361</u>	<u>\$ 118,565</u>	<u>\$ 53,741</u>	<u>\$ 1,460,349</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, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 187,800	\$ 187,800	\$ 159,403	\$ (28,397)
Interest	1,000	1,000	1,270	270
Total revenues	<u>188,800</u>	<u>188,800</u>	<u>160,673</u>	<u>(28,127)</u>
Expenditures				
Public works				
Routine maintenance	475,725	475,725	209,451	266,274
Traffic control	800	800	669	131
Winter maintenance	74,625	74,625	32,808	41,817
Administration	20,725	20,725	18,098	2,627
Total expenditures	<u>571,875</u>	<u>571,875</u>	<u>261,026</u>	<u>310,849</u>
Revenues over (under) expenditures	<u>(383,075)</u>	<u>(383,075)</u>	<u>(100,353)</u>	<u>282,722</u>
Other financing sources (uses)				
Transfers in	415,000	415,000	415,000	-
Transfers out	(243,000)	(243,000)	(242,241)	759
Total other financing sources (uses)	<u>172,000</u>	<u>172,000</u>	<u>172,759</u>	<u>759</u>
Net changes in fund balance	(211,075)	(211,075)	72,406	283,481
Fund balance, beginning of year	<u>272,295</u>	<u>272,295</u>	<u>272,295</u>	<u>-</u>
Fund balance, end of year	<u>\$ 61,220</u>	<u>\$ 61,220</u>	<u>\$ 344,701</u>	<u>\$ 283,481</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 1,200	\$ 1,200	\$ 3,404	\$ 2,204
Miscellaneous	<u>8,000</u>	<u>8,000</u>	<u>4,400</u>	<u>(3,600)</u>
Total revenues	9,200	9,200	7,804	(1,396)
Expenditures				
Current				
Culture and recreation	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Revenues over (under) expenditures	4,200	4,200	7,804	3,604
Other financing sources (uses)				
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(3,404)</u>	<u>(2,204)</u>
Net changes in fund balance	3,000	3,000	4,400	1,400
Fund balance, beginning of year	<u>408,253</u>	<u>408,253</u>	<u>408,253</u>	<u>-</u>
Fund balance, end of year	<u>\$ 411,253</u>	<u>\$ 411,253</u>	<u>\$ 412,653</u>	<u>\$ 1,400</u>

CITY OF ROCKFORD

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

JUNE 30, 2020

	Governmental Fund Types		Statement of Net Position
	General Fund	Adjustments	Net Position
Assets			
Cash and pooled investments	\$ 46,303	\$ -	\$ 46,303
Accounts receivable	52	-	52
Capital assets, net	-	1,520,582	1,520,582
Total assets	\$ 46,355	1,520,582	1,566,937
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 10,723	-	10,723
Accrued liabilities	2,490	-	2,490
Due within one year	-	38,000	38,000
Noncurrent liabilities			
Due in more than one year	-	114,000	114,000
Total liabilities	13,213	152,000	165,213
 Fund balances			
Unassigned	33,142		
Total liabilities and fund balances	\$ 46,355		
 Net position			
Net investment in capital assets			1,368,582
Unrestricted			33,142
Total net position			\$ 1,401,724

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, 2020

	Governmental Fund Types		Statement of Activities
	General Fund	Adjustments	Activities
Revenues			
Taxes	\$ 241,875	\$ -	\$ 241,875
Interest	835	-	835
Total revenue	242,710	-	242,710
Expenditures			
Current			
General government	183,763	51,380	235,143
Debt service			
Principal	38,000	(38,000)	-
Interest	4,048	-	4,048
Total expenditures	225,811	13,380	239,191
Net changes in fund balances	16,899	(16,899)	
Change in net position		3,519	3,519
Fund balances/net position, beginning of year	16,243		1,398,205
Fund balances/net position, end of year	\$ 33,142		\$ 1,401,724

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Continuing Disclosure Filing

City of Rockford, Michigan

*Fiscal Year Ended
June 30, 2020*

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. X 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, 2019 – June 30, 2020

*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:  _____

Name: Thad Beard Title: City Manager

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

Population

1970 Census.....	2,428
1980 Census.....	3,324
1990 Census.....	3,750
2000 Census.....	4,626
2010 Census.....	5,719
Current Estimate	6,299

Source: U.S. Department of Commerce-Bureau of Census and the City of Rockford.

**City of Rockford
Total Taxable Value
Fiscal Years Ended or Ending June 30, 2017 Through 2021**

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
2015	2016	2017	\$219,044,737	\$227,200	\$219,271,937	(2.10)%
2016	2017	2018	225,285,037	545,663	225,830,700	2.99
2017	2018	2019	231,525,987	661,900	232,187,887	2.81
2018	2019	2020	245,577,148	699,328	246,278,476	6.06
2019	2020	2021	256,813,313	699,485	257,512,798	4.56

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2021 (2) \$45,027.59

(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, 2017 Through 2021**

Use	Fiscal Years Ended or Ending June 30				
	2017	2018	2019	2020	2021
Commercial	\$38,778,426	\$ 39,100,546	\$ 39,334,265	\$ 41,070,514	\$ 41,198,604
Industrial.....	34,863,833	33,002,593	30,260,211	32,126,940	30,971,548
Residential.....	142,842,678	151,004,761	159,116,811	169,151,294	181,126,861
Utility	<u>2,787,000</u>	<u>2,722,800</u>	<u>2,814,700</u>	<u>3,228,400</u>	<u>3,516,300</u>
	<u>\$ 219,271,937</u>	<u>\$ 225,830,700</u>	<u>\$ 231,525,987</u>	<u>\$ 245,577,148</u>	<u>\$ 256,813,313</u>

Class	Fiscal Years Ended or Ending June 30				
	2017	2018	2019	2020	2021
Real Property	\$ 199,672,987	\$ 207,884,650	\$ 216,644,187	\$ 228,968,848	\$ 243,220,013
Personal Property	<u>19,598,950</u>	<u>17,946,050</u>	<u>14,881,800</u>	<u>16,608,300</u>	<u>13,593,300</u>
	<u>\$ 219,271,937</u>	<u>\$ 225,830,700</u>	<u>\$ 231,525,987</u>	<u>\$ 245,577,148</u>	<u>\$ 256,813,313</u>

Source: City of Rockford

City of Rockford
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2017 Through 2021

Use	Fiscal Year Ended or Ending December 31				
	2017	2018	2019	2020	2021
Commercial.....	17.69%	17.31%	16.98%	16.72%	16.04%
Industrial.....	16.90	14.61	13.07	13.08	12.06
Residential.....	65.14	66.87	68.73	68.88	70.53
Utility.....	1.27	1.21	1.22	1.32	1.37
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Class	Fiscal Year Ended or Ending December 31				
	2017	2018	2019	2020	2021
Real Property.....	91.06	92.05%	93.57%	93.24%	94.71%
Personal Property.....	8.94	7.95	6.43	6.76	5.29
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Rockford

City of Rockford
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2017 Through 2021

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
2015	2016	2017	243,099,200	\$227,200	\$243,326,400	1.76%
2016	2017	2018	253,867,900	598,300	254,466,200	4.58
2017	2018	2019	263,880,100	753,250	264,633,350	3.99
2018	2019	2020	288,374,200	743,950	289,118,150	9.25
2019	2020	2021	309,841,300	783,200	310,624,500	7.43

Per Capita Total SEV for the Fiscal Year Ending June 30, 2021 (2)\$54,314.48

(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, 2017 Through 2021

Use	Fiscal Years Ended or Ending June 30				
	2017	2018	2019	2020	2021
Commercial.....	\$ 41,403,300	\$ 34,421,100	\$ 42,751,100	\$ 46,484,000	\$ 49,367,200
Industrial.....	35,706,000	40,920,100	31,643,100	33,924,000	34,239,000
Residential.....	163,430,100	176,402,200	186,671,200	204,737,800	222,718,800
Utility.....	2,787,000	2,722,800	2,814,700	3,228,400	3,516,300
	<u>\$ 243,326,400</u>	<u>\$ 254,466,200</u>	<u>\$ 263,880,100</u>	<u>\$ 288,374,200</u>	<u>\$ 309,841,300</u>

Class	Fiscal Years Ended or Ending June 30				
	2017	2018	2019	2020	2021
Real Property.....	\$ 223,760,950	\$ 236,553,650	\$ 249,031,800	\$ 271,799,400	\$ 296,281,500
Personal Property.....	19,565,450	17,912,550	14,848,300	16,574,800	13,559,800
	<u>\$ 243,326,400</u>	<u>\$ 254,466,200</u>	<u>\$ 263,880,100</u>	<u>\$ 288,374,200</u>	<u>\$ 309,841,300</u>

Source:
City of Rockford

City of Rockford
Percent of Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2017 Through 2021

<u>Use</u>	<u>Fiscal Year Ended or Ending December 31</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Commercial.....	17.02%	13.53%	16.20%	16.12%	15.93%
Industrial.....	14.67	16.08	11.99	11.76	11.05
Residential.....	67.16	69.32	70.74	71.00	71.88
Utility.....	<u>1.15</u>	<u>1.07</u>	<u>1.07</u>	<u>1.12</u>	<u>1.13</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>Class</u>	<u>Fiscal Year Ended or Ending December 31</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Real Property.....	91.96%	92.96%	94.37%	94.25%	95.62%
Personal Property.....	<u>8.04</u>	<u>7.04</u>	<u>5.63</u>	<u>5.75</u>	<u>4.38</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Rockford

City of Rockford
Maximum Operating Property Tax Rates
Fiscal Year Ending June 30, 2021

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating.....	16.0000	0.9911	13.5568

(1) Cumulative.
Source: City of Rockford

City of Rockford
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2017 Through 2021

<u>Levy</u>	<u>Fiscal Year Ended or Ending</u>	
	<u>July 1</u>	<u>June 30</u>
2016	2017	<u>Operating</u> 10.9000
2017	2018	12.9000
2018	2019	12.9000
2019	2020	12.9000
2020	2021	12.9000

Source: City of Rockford

City of Rockford
Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2016 Through 2020

<u>Governmental Unit</u>	Fiscal Year Ended or Ending June 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Rockford.....	\$10.9000	\$10.9000	\$12.9000	\$12.9000	\$12.9000
Kent County	5.6196	6.0596	6.0518	6.2584	6.2100
Kent County Intermediate Schools.....	4.7903	4.7903	5.6694	5.6113	5.5684
Grand Rapids Community College.....	1.7865	1.7865	1.7788	1.7606	1.7472
Rockford Public Schools	9.4881	9.4805	9.4689	8.4517	8.4338
Kent County District Library.....	1.2800	1.2800	1.2774	1.2733	1.2581
State Education Levy (2)	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total.....	<u>\$39.8645</u>	<u>\$40.2969</u>	<u>\$43.1463</u>	<u>\$42.2553</u>	<u>\$42.1175</u>

City of Rockford
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2016 Through 2020

<u>Governmental Unit</u>	Fiscal Year Ended or Ending June 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Rockford.....	\$10.9000	\$10.9000	\$12.9000	\$12.9000	\$12.9000
Kent County	5.6196	6.0596	6.0518	6.2584	6.2100
Kent County Intermediate Schools.....	4.7903	4.7903	5.6694	5.6113	5.5684
Grand Rapids Community College.....	1.7865	1.7865	1.7788	1.7606	1.7472
Rockford Public Schools	27.4881	27.2339	26.8583	26.1654	25.7842
Kent County District Library.....	1.2800	1.2800	1.2774	1.2733	1.2581
State Education Levy (2)	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total.....	<u>\$57.8645</u>	<u>\$58.0503</u>	<u>\$60.5357</u>	<u>\$59.9690</u>	<u>\$59.4679</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 principal residence 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 No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. 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.
- (2) Industrial personal property is exempt from the State Education Tax and up to 18 mills of the school operating millage. Commercial personal property is exempt from 12 of the 18 mills of school operating millage.

Source: City of Rockford

**City of Rockford
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2016 Through 2020**

July 1 <u>Levy</u>	Fiscal Years Ended or Ending <u>June 30</u>	<u>Tax Levy(1)</u>	Collections to March 1 <u>Following Levy</u>	Percent <u>Collected</u>
2015	2016	\$2,395,073	\$2,376,080	99.21%
2016	2017	2,366,643	2,338,986	98.83
2017	2018	2,907,040	2,881,507	99.12
2018	2019	3,033,724	3,005,318	99.06
2019	2020	3,164,013	3,142,060	99.31

(1) City taxes only.
Source: City of Rockford

**City of Rockford
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2021**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	Percent <u>of Total (2)</u>
Wolverine World Wide, Inc.....	Industrial Mfg - Shoes	\$18,915,569	7.67%
Jade Pig Ventures.....	Shopping Center	2,638,540	1.07
MVP Athletic Club	Health Club, Medical Offices & Retail	2,615,905	1.06
Koetje Investors	Apartments	2,139,596	0.87
Consumers Energy	Utility.....	2,102,688	0.85
UPI Holdings LLC.....	Plastics.....	1,566,531	0.64
Rockford Center Holdings	New Home Development	1,535,459	0.62
ITW Dahti Seating.	Industrial Mfg.- Furniture.....	1,532,477	0.62
Cronkright Ventures LLC	Real Estate.....	1,513,265	0.61
DTE Gas Company	Utility.....	<u>1,433,100</u>	<u>0.58</u>
		<u>\$35,993,130</u>	<u>14.60%</u>

(1) Includes the Taxable Value of property granted tax abatement under Act 198.
(2) Based on \$257,512,798 which is the City's Total Taxable Value for its fiscal year ending June 30, 2021. See "CITY TAXATION AND LIMITATIONS" herein.
Source: City of Rockford

**City of Rockford
State Shared Revenues
Fiscal Years Ended or Ending June 30, 2016 Through 2020**

	Fiscal Year Ended or Ending June 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Constitutional Revenue Sharing	\$ 435,329	\$460,021	\$ 475,206	\$ 493,941	\$ 483,598
Statutory/CVTRS	<u>32,568</u>	<u>32,568</u>	<u>37,212</u>	<u>37,189</u>	<u>31,700</u>
Total State Shared Revenues	<u>\$ 467,897</u>	<u>\$ 492,989</u>	<u>\$ 512,418</u>	<u>\$ 531,130</u>	<u>\$ 515,298</u>

Source: City of Rockford, Michigan Department of Treasury

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, 2020.

Debt Limit (1)		\$31,062,450
Debt Outstanding	\$8,892,805	
Less: Exempt Debt	5,374,805	<u>3,518,000</u>
Legal Debt Margin		<u>\$27,544,450</u>

(1) 10% of \$310,624,500 which is the City's Total SEV for the fiscal year ending June 30, 2021. Includes the SEV of property granted tax abatement under Act 198.

(2) See "Statutory and Constitutional Debt Provisions" herein.

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, 2020. To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds in the following table which are designated as "Unlimited Tax". However, 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. See "CITY TAXATION AND LIMITATIONS" herein.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Share of North Kent Sewer Authority Bonds:			
Dated March 23, 2017 (Limited Tax) (1).....	\$ 425,334	\$ 425,334	\$ -0-
Dated May 18, 2016 (Limited Tax) (2).....	4,008,459	4,008,459	-0-
Dated August 19, 2015 (Limited Tax) (3)	574,041	574,041	-0-
Dated September 12, 2012 (Limited Tax) (4)...	<u>366,971</u>	<u>366,971</u>	<u>-0-</u>
Subtotal.....	<u>\$ 5,374,805</u>	<u>\$ 5,374,805</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated May 2, 2018 (Limited Tax)	\$ 2,570,000	\$	\$2,570,000
Dated June 1, 2016 (Limited Tax)	73,000	-0-	73,000
Dated March 27, 2013 (Limited Tax)	360,000	324,000	36,000
Dated July 8, 2008 (Limited Tax).....	365,000	-0-	365,000
Dated April 1, 2003 (Limited Tax)	<u>150,000</u>	<u>150,000</u>	<u>-0-</u>
Subtotal.....	<u>\$ 3,518,000</u>	<u>\$ 474,000</u>	<u>\$3,044,000</u>
Total.....	<u>\$ 8,892,805</u>	<u>\$ 5,848,805</u>	<u>\$3,044,000</u>
Per Capita Net City Direct Debt (5)			\$532.26
Percent of Net Direct Debt to Total SEV (6).....			0.98%

<u>Overlapping Debt (7)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 126,915,000	1.01%	\$ 1,281,842
Grand Rapids Community College	29,600,000	0.98	290,080
Rockford School District.....	<u>144,740,000</u>	12.38	<u>17,918,812</u>
Totals	<u>\$ 301,255,000</u>		<u>\$19,490,734</u>

Per Capita Net Overlapping Debt (5) \$3,408.07
Percent of Net Overlapping Debt to Total SEV (6)..... 6.27%

Per Capita Net Direct and Overlapping Debt (5)..... \$3,940.33
Percent of Net Direct and Overlapping Debt to Total SEV (6)..... 7.25%

- (1) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated March 23, 2017.
- (2) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated May 18, 2016.
- (3) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated August 19, 2015.
- (4) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated September 25, 2012.
- (5) Based on the City's 2010 census population of 5,719.
- (6) Based on \$310,624,500 which is the City's Total SEV for the fiscal year ending June 30, 2021. Includes the SEV of property granted tax abatement under Act 198.
- (7) 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 57% of the City's 35 full-time and part-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>
The Michigan Fraternal Order of Police Rockford Police Officers Association	6	June 30, 2021
The Michigan Fraternal Order of Police Rockford Police Lieutenants	2	June 30, 2021
The Firefighter's Association of Michigan Rockford Firefighter's Association	12	June 30, 2023
Non-Union Employees.....	<u>15</u>	
Total City Employees	<u>35</u>	

Source: City of Rockford.