



City of Rockford, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014



Vredeveld Haefner LLC

CITY OF ROCKFORD

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Enterprise Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds	17
Statement of Cash Flows - Enterprise Funds	18
Statement of Assets and Liabilities - Agency Funds	19
Notes to the Financial Statements	21-35
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	37
Defined Benefit Pension Plan - Schedule of Funding Progress	38
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	40-41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42-43
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Arts Commission Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Cemetery Fund	47
Fiduciary Funds	
Combining Balance Sheet - Agency Funds	48
Downtown Development Authority	
Balance Sheet/Statement of Net Position	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	50
Continuing Disclosure Filing	51-59



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INDEPENDENT AUDITORS' REPORT

October 3, 2014

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford, Michigan's basic financial statements. The combining and individual fund financial statements and 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 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.

Wendell 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, 2014. 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

- Completed the second year of a five year water meter replacement program.
- Completed a \$1.1 million reconstruction of the Wolverine Addition.
- Began SCADA system upgrade.
- Reconstructed multiple downtown parking lots.
- Completed various cape seal and repaving projects.

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains 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 capital improvements funds, each of which is considered a major fund.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockford, assets exceeded liabilities by \$17,518,354 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$3,065,556	\$3,201,129	\$2,482,281	\$2,873,641	\$ 5,547,837	\$ 6,074,770
Capital assets	7,910,909	7,858,715	8,104,561	7,747,747	16,015,470	15,606,462
Total assets	10,976,465	11,059,844	10,586,842	10,621,388	21,563,307	21,681,232
Long-term liabilities	1,698,624	1,994,772	2,032,334	2,270,056	3,730,958	4,264,828
Other liabilities	174,002	209,128	139,993	291,123	313,995	500,251
Total liabilities	1,872,626	2,203,900	2,172,327	2,561,179	4,044,953	4,765,079
Net position						
Net investment in						
Capital assets	6,384,918	6,075,278	6,136,561	5,992,043	12,521,479	12,067,321
Restricted	1,169,112	1,407,055	-	-	1,169,112	1,407,055
Unrestricted	1,549,809	1,373,611	2,277,954	2,068,166	3,827,763	3,441,777
Total net position	\$9,103,839	\$8,855,944	\$8,414,515	\$8,060,209	\$17,518,354	\$16,916,153

Net position of the City increased by \$602,201 with the governmental and business type activities showing additions to prior balances. The business-type activities increase in net position of \$354,306 was the result of increased rates, additional connection fees and consistent expenses. The governmental activities increase in net position of \$247,895 is primarily due to budgeted cost saving measures.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue						
Program revenue						
Charges for services	\$ 433,886	\$ 402,047	\$2,821,678	\$2,719,820	\$3,255,564	\$3,121,867
Operating grants and contributions	475,410	448,768	-	-	475,410	448,768
Capital grants and contributions	94,177	144,771	-	-	94,177	144,771
General revenue						
Property taxes	2,158,236	2,154,321	-	-	2,158,236	2,154,321
Other governmental sources	464,208	447,992	-	-	464,208	447,992
Other	28,110	22,522	7,884	36,262	35,994	58,784
Transfers	7,500	7,500	(7,500)	(7,500)	-	-
Total revenue	3,661,527	3,627,921	2,822,062	2,748,582	6,483,589	6,376,503
Expenses						
General government	560,029	534,829	-	-	560,029	534,829
Public safety	1,548,107	1,491,761	-	-	1,548,107	1,491,761
Public works	931,991	902,585	-	-	931,991	902,585
Culture and recreation	304,962	219,893	-	-	304,962	219,893
Interest	68,543	80,210	-	-	68,543	80,210
Sewer	-	-	1,559,426	1,531,158	1,559,426	1,531,158
Water	-	-	908,330	890,010	908,330	890,010
Total expenses	3,413,632	3,229,278	2,467,756	2,421,168	5,881,388	5,650,446
Increase in net position	247,895	398,643	354,306	327,414	602,201	726,057
Net position-beginning of year	8,855,944	8,457,301	8,060,209	7,732,795	16,916,153	16,190,096
Net position end of year	\$9,103,839	\$8,855,944	\$8,414,515	\$8,060,209	\$17,518,354	\$16,916,153

Governmental Activities. During the year the City invested \$1,548,107 or 45% of governmental activities expenses in public safety. Public works, which includes major and local streets was \$931,991 or 27% 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 \$354,306 for the current year. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$327,414.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,906,198, a decrease of \$104,054 in comparison with the prior year. Of the \$2,906,198, \$1,711,624 is reported in the general fund as unassigned. The remaining amount of fund balance is reported in various funds as assigned or restricted for certain uses such as street construction and maintenance, cemetery operations, and various capital projects.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,711,624. 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 59.2% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$133,889 during the current fiscal year.

The capital improvements fund is used to account for the accumulation of resources for, and purchase of, capital assets. The fund balance at the end of the year amounted to \$443,689, an increase of \$15,580 from the previous year. The increase is primarily the result of timing of capital expenditures.

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

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$1,079,119 and \$1,198,835, respectively. The sewer fund had an increase in net position for the year of \$163,860 while the water fund had an increase of \$190,446. 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, 2014, amounted to \$16,015,470 (net of accumulated depreciation).

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

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$2,643,270	\$ 96,621	\$ 2,739,891
Buildings, Equipment and Infrastructure	5,267,639	8,007,940	13,275,579
Total	\$7,910,909	\$8,104,561	\$16,015,470

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

Debt. At the end of the current fiscal year, the City had total debt outstanding of \$3,730,958 summarized as follows:

	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 162,633	\$ 64,334	\$ 226,967
Installment purchases and notes	578,991	-	578,991
Bonds payable	957,000	1,968,000	2,925,000
Total	\$1,698,624	\$2,032,334	\$3,730,958

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

Budgetary Highlights

- Replaced Media #2 at the Water Treatment Plant.
- Rates for the Water and Sewer Funds were increased by 2%.
- Demolished the old museum building and replaced with park space.
- Applied for and was awarded a SAW grant for Stormwater and Wastewater Asset Management Plans.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2014-15 fiscal year:

- The City of Rockford maintained its millage at 10.9 mills, which is one of the lowest rates among local Cities which do not levy an income tax.
- A 2% salary increase was budgeted for all departments, including unionized staff.
- Property tax revenue increased 2.45%.
- Health insurance premiums were budgeted to increase 15%. Pension costs increased 3.5%.
- Replacement of three Public Safety vehicles and two Public Services pickup trucks.
- First year of a three year SAW grant to develop Stormwater and Wastewater Asset Management Plans.
- Projects budgeted for next fiscal year include the installation of a pre-chlorination system at the water treatment plant and the 3rd year of the water meter replacement program, as well as various preventative maintenance programs in the street, water and sewer funds.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF ROCKFORD
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>		<u>Total</u>	<u>Downtown</u>	<u>Economic</u>
	<u>Activities</u>	<u>Business-Type</u> <u>Activities</u>		<u>Development</u>	<u>Development</u>
				<u>Authority</u>	<u>Corporation</u>
Assets					
Cash and pooled investments	\$ 2,861,407	\$ 1,991,247	\$ 4,852,654	\$ 20,373	\$ 3,587
Accounts receivable	43,204	422,936	466,140	35	2
Special assessments receivable	3,801	-	3,801	-	-
Due from other governments	140,746	-	140,746	-	-
Inventory	16,169	-	16,169	-	-
Prepaid items	229	98	327	-	-
Restricted cash and pooled investments	-	68,000	68,000	-	-
Capital assets					
Land	2,643,270	96,621	2,739,891	-	-
Depreciable capital assets, net	<u>5,267,639</u>	<u>8,007,940</u>	<u>13,275,579</u>	<u>1,279,104</u>	<u>-</u>
Total assets	<u>10,976,465</u>	<u>10,586,842</u>	<u>21,563,307</u>	<u>1,299,512</u>	<u>3,589</u>
Liabilities					
Accounts payable	92,768	106,252	199,020	129	-
Accrued liabilities	81,234	33,741	114,975	-	-
Noncurrent liabilities					
Compensated absences	162,633	64,334	226,967	-	-
Due within one year	306,017	259,500	565,517	-	-
Due in more than one year	<u>1,229,974</u>	<u>1,708,500</u>	<u>2,938,474</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,872,626</u>	<u>2,172,327</u>	<u>4,044,953</u>	<u>129</u>	<u>-</u>
Net position					
Net investment in capital assets	6,384,918	6,136,561	12,521,479	-	-
Restricted for					
Major streets	168,239	-	168,239	-	-
Local streets	83,405	-	83,405	-	-
Arts Commission	55,696	-	55,696	-	-
Cemetery	378,620	-	378,620	-	-
Capital projects and debt service	483,152	-	483,152	-	-
Unrestricted	<u>1,549,809</u>	<u>2,277,954</u>	<u>3,827,763</u>	<u>1,299,383</u>	<u>3,589</u>
Total net position	<u>\$ 9,103,839</u>	<u>\$ 8,414,515</u>	<u>\$ 17,518,354</u>	<u>\$ 1,299,383</u>	<u>\$ 3,589</u>

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

CITY OF ROCKFORD

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities					
General government	\$ 560,029	\$ 134,395	\$ -	\$ 76,250	\$ (349,384)
Public safety	1,548,107	13,197	80,632	12,470	(1,441,808)
Public works	931,991	226,014	348,343	-	(357,634)
Culture and recreation	304,962	60,280	46,435	5,457	(192,790)
Interest on long-term debt	68,543	-	-	-	(68,543)
Total governmental activities	<u>3,413,632</u>	<u>433,886</u>	<u>475,410</u>	<u>94,177</u>	<u>(2,410,159)</u>
Business-type activities					
Sewer	1,559,426	1,719,785	-	-	160,359
Water	908,330	1,101,893	-	-	193,563
Total business-type activities	<u>2,467,756</u>	<u>2,821,678</u>	<u>-</u>	<u>-</u>	<u>353,922</u>
Total primary government	<u>\$ 5,881,388</u>	<u>\$ 3,255,564</u>	<u>\$ 475,410</u>	<u>\$ 94,177</u>	<u>\$ (2,056,237)</u>
Component units					
Downtown Development Authority	\$ 151,177	\$ -	\$ -	\$ -	\$ (151,177)
Economic Development Corporation	582	500	-	-	(82)
Total component units	<u>\$ 151,759</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (151,259)</u>

(Continued)

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

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>
Changes in net position					
Net (expense) revenue	<u>\$ (2,410,159)</u>	<u>\$ 353,922</u>	<u>\$ (2,056,237)</u>	<u>\$ (151,177)</u>	<u>\$ (82)</u>
General revenues					
Property taxes					
General operating	2,158,236	-	2,158,236	194,043	-
State shared revenues	464,208	-	464,208	-	-
Interest	5,990	3,273	9,263	171	7
Other revenue	22,120	4,611	26,731	-	-
Transfers - internal activities	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>2,658,054</u>	<u>384</u>	<u>2,658,438</u>	<u>194,214</u>	<u>7</u>
Changes in net position	247,895	354,306	602,201	43,037	(75)
Net position, beginning of year, as restated	<u>8,855,944</u>	<u>8,060,209</u>	<u>16,916,153</u>	<u>1,256,346</u>	<u>3,664</u>
Net position, end of year	<u>\$ 9,103,839</u>	<u>\$ 8,414,515</u>	<u>\$ 17,518,354</u>	<u>\$ 1,299,383</u>	<u>\$ 3,589</u>

(Concluded)

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

CITY OF ROCKFORD
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,698,887	\$ 456,994	\$ 705,526	\$ 2,861,407
Accounts receivable	39,812	138	3,254	43,204
Special assessment receivable	1,570	2,231	-	3,801
Due from other governments	86,425	-	54,321	140,746
Prepaid items	229	-	-	229
Inventory	16,169	-	-	16,169
Total assets	<u>\$ 1,843,092</u>	<u>\$ 459,363</u>	<u>\$ 763,101</u>	<u>\$ 3,065,556</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 44,849	\$ 13,443	\$ 34,476	\$ 92,768
Accrued liabilities	61,157	-	3,202	64,359
Total liabilities	<u>106,006</u>	<u>13,443</u>	<u>37,678</u>	<u>157,127</u>
Deferred inflows of resources				
Unavailable revenue	-	2,231	-	2,231
Fund balances				
Non-spendable				
Prepaid items	229	-	-	229
Inventory	16,169	-	-	16,169
Restricted				
Streets	-	-	251,644	251,644
Arts Commission	-	-	55,696	55,696
Cemetery	-	-	378,620	378,620
Assigned				
Debt service and capital projects	-	443,689	39,463	483,152
Subsequent year expenditures	9,064	-	-	9,064
Unassigned	1,711,624	-	-	1,711,624
Total fund balances	<u>1,737,086</u>	<u>443,689</u>	<u>725,423</u>	<u>2,906,198</u>
Total liabilities and fund balances	<u>\$ 1,843,092</u>	<u>\$ 459,363</u>	<u>\$ 763,101</u>	<u>\$ 3,065,556</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, 2014

Fund balances - total governmental funds	\$ 2,906,198
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,643,270
Add - capital assets (net of accumulated depreciation)	5,267,639
Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - special assessments deferred inflows	2,231
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(162,633)
Deduct - bonds and loans payable	(1,535,991)
Deduct - accrued interest on long-term debt	<u>(16,875)</u>
Net position of governmental activities	<u>\$ 9,103,839</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, 2014

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 2,158,236	\$ -	\$ -	\$ 2,158,236
Intergovernmental revenues				
Federal	29,926	-	-	29,926
State	470,906	5,457	363,343	839,706
Local	69,500	94,389	31,435	195,324
Licenses and permits	84,829	-	-	84,829
Charges for services	62,813	-	-	62,813
Fines	4,132	-	5,842	9,974
Interest	4,286	677	1,027	5,990
Rents and easements	107,433	115,920	-	223,353
Miscellaneous	<u>32,620</u>	<u>-</u>	<u>12,161</u>	<u>44,781</u>
Total revenues	<u>3,024,681</u>	<u>216,443</u>	<u>413,808</u>	<u>3,654,932</u>
Expenditures				
Current				
General government	499,972	-	-	499,972
Public safety	1,366,220	-	-	1,366,220
Public works	540,849	-	324,328	865,177
Culture and recreation	170,868	-	70,991	241,859
Debt service				
Principal	-	178,814	118,000	296,814
Interest	-	31,673	41,382	73,055
Capital outlay	<u>-</u>	<u>175,103</u>	<u>248,286</u>	<u>423,389</u>
Total expenditures	<u>2,577,909</u>	<u>385,590</u>	<u>802,987</u>	<u>3,766,486</u>
Revenues over (under) expenditures	<u>446,772</u>	<u>(169,147)</u>	<u>(389,179)</u>	<u>(111,554)</u>
Other financing sources (uses)				
Transfers in	688	184,727	288,226	473,641
Transfers out	<u>(313,571)</u>	<u>-</u>	<u>(152,570)</u>	<u>(466,141)</u>
Total other financing sources (uses)	<u>(312,883)</u>	<u>184,727</u>	<u>135,656</u>	<u>7,500</u>
Net changes in fund balances	133,889	15,580	(253,523)	(104,054)
Fund balances, beginning of year, as restated	<u>1,603,197</u>	<u>428,109</u>	<u>978,946</u>	<u>3,010,252</u>
Fund balances, end of year	<u>\$ 1,737,086</u>	<u>\$ 443,689</u>	<u>\$ 725,423</u>	<u>\$ 2,906,198</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, 2014

Net changes in fund balances - total governmental funds \$ (104,054)

Amounts reported for *governmental activities* 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 362,022
Deduct - depreciation expense (309,828)

Special assessments receivable are long-term in nature and are collectable over several years. They are recognized when issued in the government-wide financial statements, however the assessments are reflected as deferred inflows on the fund statements.

Deduct - payments on special assessment (905)

Bond or debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt 296,814

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 (666)
Add - decrease in accrued interest 4,512

Change in net position of governmental activities \$ 247,895

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

CITY OF ROCKFORD
ENTERPRISE FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

Assets	Sewer	Water	Total
Current assets			
Cash and pooled investments	\$ 934,275	\$ 1,056,972	\$ 1,991,247
Accounts receivable	240,471	182,465	422,936
Prepaid items	<u>33</u>	<u>65</u>	<u>98</u>
Total current assets	<u>1,174,779</u>	<u>1,239,502</u>	<u>2,414,281</u>
Restricted cash and pooled investments	<u>-</u>	<u>68,000</u>	<u>68,000</u>
Capital assets			
Land	2,500	94,121	96,621
Capital assets	5,512,387	8,066,977	13,579,364
Less accumulated depreciation	<u>(3,044,305)</u>	<u>(2,527,119)</u>	<u>(5,571,424)</u>
Net capital assets	<u>2,470,582</u>	<u>5,633,979</u>	<u>8,104,561</u>
Total assets	<u>3,645,361</u>	<u>6,941,481</u>	<u>10,586,842</u>
Liabilities			
Current liabilities			
Accounts payable	60,380	45,872	106,252
Accrued liabilities	10,018	23,723	33,741
Current portion of long-term debt	<u>63,000</u>	<u>196,500</u>	<u>259,500</u>
Total current liabilities	<u>133,398</u>	<u>266,095</u>	<u>399,493</u>
Long-term liabilities			
Compensated absences	25,262	39,072	64,334
long-term debt, net of current portion	<u>549,000</u>	<u>1,159,500</u>	<u>1,708,500</u>
Total long-term liabilities	<u>574,262</u>	<u>1,198,572</u>	<u>1,772,834</u>
Total liabilities	<u>707,660</u>	<u>1,464,667</u>	<u>2,172,327</u>
Net position			
Net investment in capital assets	1,858,582	4,277,979	6,136,561
Unrestricted	<u>1,079,119</u>	<u>1,198,835</u>	<u>2,277,954</u>
Total net position	<u>\$ 2,937,701</u>	<u>\$ 5,476,814</u>	<u>\$ 8,414,515</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, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 1,688,716	\$ 1,101,893	\$ 2,790,609
Other	<u>2,050</u>	<u>2,561</u>	<u>4,611</u>
Total operating revenue	<u>1,690,766</u>	<u>1,104,454</u>	<u>2,795,220</u>
Operating expense			
Personnel services	247,769	394,610	642,379
Professional and contractual services	1,041,899	87,297	1,129,196
Materials and supplies	62,014	19,761	81,775
Utilities	29,869	86,480	116,349
Repair and maintenance	34,823	66,558	101,381
Insurance and bonds	10,851	11,890	22,741
Equipment rentals	3,400	11,338	14,738
Depreciation	118,157	185,019	303,176
Miscellaneous	<u>837</u>	<u>6,344</u>	<u>7,181</u>
Total operating expense	<u>1,549,619</u>	<u>869,297</u>	<u>2,418,916</u>
Operating income (loss)	<u>141,147</u>	<u>235,157</u>	<u>376,304</u>
Non-operating revenue (expense)			
Rental income	31,069	-	31,069
Interest income	1,451	1,822	3,273
Interest expense	<u>(9,807)</u>	<u>(39,033)</u>	<u>(48,840)</u>
Total non-operating revenue (expense)	<u>22,713</u>	<u>(37,211)</u>	<u>(14,498)</u>
Income (loss) before transfers	163,860	197,946	361,806
Transfers			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Total transfers	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Changes in net position	163,860	190,446	354,306
Net position, beginning of year	<u>2,773,841</u>	<u>5,286,368</u>	<u>8,060,209</u>
Net position, end of year	<u>\$ 2,937,701</u>	<u>\$ 5,476,814</u>	<u>\$ 8,414,515</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, 2014

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 1,741,845	\$ 1,135,997	\$ 2,877,842
Rental income	31,069	-	31,069
Payments to employees	(244,951)	(405,457)	(650,408)
Payments to suppliers	<u>(1,286,425)</u>	<u>(330,519)</u>	<u>(1,616,944)</u>
Net cash provided by (used in) operating activities	<u>241,538</u>	<u>400,021</u>	<u>641,559</u>
Cash flows from non-capital financing activities			
Transfers out	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Cash flows from capital and related financing activities			
Interest expense	(10,752)	(37,554)	(48,306)
Principal paid on bonds	(48,000)	(184,000)	(232,000)
Acquisitions of capital assets	<u>(386,268)</u>	<u>(273,722)</u>	<u>(659,990)</u>
Net cash provided by (used in) capital and related financing activities	<u>(445,020)</u>	<u>(495,276)</u>	<u>(940,296)</u>
Cash flows from investing activities			
Interest income	<u>1,451</u>	<u>1,822</u>	<u>3,273</u>
Net increase (decrease) in cash and pooled investments	(202,031)	(100,933)	(302,964)
Cash and pooled investments, beginning of year	<u>1,136,306</u>	<u>1,225,905</u>	<u>2,362,211</u>
Cash and pooled investments, end of year	<u>\$ 934,275</u>	<u>\$ 1,124,972</u>	<u>\$ 2,059,247</u>
Cash flows from operating activities			
Operating income (loss)	\$ 141,147	\$ 235,157	\$ 376,304
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	118,157	185,019	303,176
Rental income	31,069	-	31,069
Change in operating assets and liabilities which provided (used) cash:			
Accounts receivable	51,079	31,543	82,622
Prepaid items	2,035	3,739	5,774
Accounts payable	(104,767)	(44,590)	(149,357)
Accrued liabilities	489	(2,796)	(2,307)
Compensated absences	<u>2,329</u>	<u>(8,051)</u>	<u>(5,722)</u>
Net cash provided by (used in) operating activities	<u>\$ 241,538</u>	<u>\$ 400,021</u>	<u>\$ 641,559</u>

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

CITY OF ROCKFORD
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2014

	Agency Funds
Assets	
Cash and pooled investments	\$ 37,224
Accounts receivable	<u>41</u>
Total assets	<u>\$ 37,265</u>
Liabilities	
Payroll taxes and withholdings	\$ 20,336
Due to other governmental units	<u>16,929</u>
Total liabilities	<u>\$ 37,265</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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Discretely Presented Component Units

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

Joint Venture

The City of Rockford is a participant in the North Kent Sewer Authority (Authority) (a joint venture). The purpose of the Authority is to develop and maintain sanitary sewer infrastructure. The City utilizes the Authority for its sewage transportation and disposal. The City pays for these services based on its share of sewage flow through the system to cover debt service, maintenance and administration of the Authority. For the year ended June 30, 2014, the City paid \$970,005 to the Authority and received \$28,500 from the Authority for the provision of administrative services; \$46,515 was owed to the Authority at June 30, 2014. At December 31, 2013, the date of the most recent Authority audited financial statements, the Authority's outstanding insured municipal bonds amounted to \$58,919,275. 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, 2014

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

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

Cash and Pooled Investments

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

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Inventory

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Due to and Due from Other Funds

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

Capital Assets

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

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

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

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

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

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

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received, but not yet earned.

Compensated Absences

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. The government has no items that qualify for reporting in this category.

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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. 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, 2014, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Expended</u>
Arts Commission fund			
Culture and recreation	\$26,333	\$40,237	\$13,904

3. DEPOSITS AND INVESTMENTS

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

Governmental activities	\$2,861,407
Business-type activities	2,059,247
Component units	23,960
Fiduciary funds	37,224
	\$4,981,838

Cash and pooled investments consist of the following at June 30, 2014:

Petty cash	\$ 1,450
Deposits	
Checking accounts and other	1,202,655
Certificates of deposit	807,591
Money market accounts	2,928,004
Investments	
Federate Gov Obligation fund	42,138
	\$4,981,838

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, \$3,078,666 of the City's bank balance of \$4,874,759 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund accounts				
Federate Gov Obligation fund	N/A	\$42,138	AAAm	S&P

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 \$42,138 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, 2014

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,629,034	\$ 14,236	\$ -	\$2,643,270
Capital assets, being depreciated				
Building and improvements	3,792,589	-	2,500	3,790,089
Vehicles and equipment	1,558,876	82,067	-	1,640,943
Infrastructure	2,583,005	265,719	-	2,848,724
Total capital assets, being depreciated	7,934,470	347,786	2,500	8,279,756
Less accumulated depreciation				
Building and improvements	1,344,231	128,307	2,500	1,470,038
Vehicles and equipment	969,964	79,866	-	1,049,830
Infrastructure	390,594	101,655	-	492,249
Total accumulated depreciation	2,704,789	309,828	2,500	3,012,117
Net capital assets, being depreciated	5,229,681	37,958	-	5,267,639
Governmental Activities capital assets, net	\$7,858,715	\$52,194	\$ -	\$7,910,909
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 96,621	\$ -	\$ -	\$ 96,621
Capital assets, being depreciated				
Mains and infrastructure	10,695,369	522,436	-	11,217,805
Storage tanks	1,483,264	-	-	1,483,264
Meters	313,006	49,513	-	362,519
Equipment	427,735	88,041	-	515,776
Total capital assets, being depreciated	12,919,374	659,990	-	13,579,364
Less accumulated depreciation				
Mains and infrastructure	4,324,855	204,814	-	4,529,669
Storage tanks	462,773	30,651	-	493,424
Meters	155,691	28,036	-	183,727
Equipment	324,929	39,675	-	364,604
Total accumulated depreciation	5,268,248	303,176	-	5,571,424
Net capital assets, being depreciated	7,651,126	356,814	-	8,007,940
Business-type Activities capital assets, net	\$7,747,747	\$356,814	\$ -	\$8,104,561
Component Unit				
Downtown Development Authority				
Capital assets, being depreciated				
Buildings	\$1,804,371	\$107,201	\$ -	\$1,911,572
Less accumulated depreciation				
Buildings	589,228	43,240	-	632,468
Downtown Development Authority capital assets, net	\$1,215,143	\$ 63,961	\$ -	\$1,279,104

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

Governmental Activities	
General government	\$ 49,572
Public safety	151,817
Public works	55,768
Culture and recreation	52,671
Total depreciation expense - governmental activities	\$309,828
 Business-type Activities	
Sewer	\$118,157
Water	185,019
Total depreciation expense - business- type activities	\$303,176

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2014 are as follows:

Transfers out:	Transfers in			
	General Fund	Capital Improvements	Non-Major Funds	Total
General	\$ -	\$184,727	\$128,844	\$313,571
Water Enterprise Fund	-	-	7,500	7,500
Non-major Funds	688	-	151,882	152,570
	\$688	\$184,727	\$288,226	\$473,641

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

6. DEFINED BENEFIT PENSION PLAN

Plan Description

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

The City is required to contribute at a predetermined rate because the plans were closed into hybrid plans. The predetermined contributions vary based on employment division. Employees are required to contribute between 0 and 2.4% of annual covered payroll to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the Authority.

For the year ended June 30, 2014, the City's annual pension cost of \$256,776 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions based on the December 31, 2013 valuation included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus from 0% to 13% percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10-year period as the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 25 years.

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

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	\$188,477	100%	\$ -
2013	196,717	100%	-
2014	256,776	100%	-

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>Total</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/13	\$5,315,622	\$6,933,578	\$1,617,956	77%	\$1,540,361	105%

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities					
1999 Transportation Bonds, payable in annual installments of \$45,000 to \$90,000 through 2015, plus interest at 5.05%	\$ 175,000	\$ -	\$ 85,000	\$ 90,000	\$ 90,000
2006 Community cabin installment purchase, payable in semi-annual installments of \$8,575 to \$11,849 through 2016, plus interest at 3.84%	67,827	-	21,755	46,072	22,598
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%	790,000	-	25,000	765,000	25,000
2009 Act 99 installment purchase, payable in annual installments of \$125,000 from 2012 through 2018 plus interest at 4.4%	625,000	-	125,000	500,000	125,000
2010 Act 99 installment purchase, payable in annual installments of \$33,834 through 2015 including interest at 2.7%	64,978	-	32,059	32,919	32,919
2013 Capital Improvement bonds, payable in annual installments of \$8,000 to \$12,500 through November 2022, plus interest at 0.8% to 2.2%	110,000	-	8,000	102,000	10,500
Total bonds/notes	1,832,805	-	296,814	1,535,991	306,017
Accrued employee benefits	161,967	666	-	162,633	-
Total Governmental Activities	\$1,994,772	\$666	\$296,814	\$1,698,624	\$306,017

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Business-type Activities					
1999 Drinking Water Revolving Fund Loan, payable in annual installments of \$110,000 to \$150,000 through 2019, plus interest at 2.5%	\$860,000	-	135,000	725,000	140,000
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	350,000	-	25,000	325,000	25,000
2013 Capital Improvement bonds, payable in annual installments of \$48,000 to \$75,000 through November 2022, plus interest at 0.8% to 2.2%	660,000	-	48,000	612,000	63,000
2013 Capital Improvement bonds, payable in annual installments of \$24,000 to \$37,500 through November 2022, plus interest at 0.8% to 2.2%	330,000	-	24,000	306,000	31,500
Total bonds	2,200,000	-	232,000	1,968,000	259,500
Accrued employee benefits	70,056	2,329	8,051	64,334	-
Total Business-type Activities	<u>\$2,270,056</u>	<u>\$2,329</u>	<u>\$240,051</u>	<u>\$2,032,334</u>	<u>\$259,500</u>

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

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2014 are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 306,017	\$ 59,688	\$ 259,500	\$ 44,731
2016	228,974	48,160	259,500	39,226
2017	206,000	39,015	274,000	33,499
2018	211,000	30,338	279,000	27,397
2019	91,500	21,423	283,500	20,987
2020-2024	492,500	50,799	612,500	37,166
Total	<u>\$1,535,991</u>	<u>\$249,423</u>	<u>\$1,968,000</u>	<u>\$203,006</u>

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

8. DEFERRED COMPENSATION PLAN

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

9. PRIOR PERIOD ADJUSTMENTS

The Arts Commission special revenue fund was previously reported as a trust and agency fund. As a result the governmental activities fund balance was increased by \$58,123.

10. CONTINGENCIES

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. 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.

11. UPCOMING ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for the fiscal years beginning after June 15, 2014. This Statement requires governments providing defined benefit pensions to recognize their net pension liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability using specific parameters set forth by the GASB. The impact this Statement will have on the financial statements when adopted is currently not determinable.

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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, 2014

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,159,671	\$ 2,158,971	\$ 2,158,236	\$ (735)
Intergovernmental revenues				
Federal	20,000	30,000	29,926	(74)
State	457,600	473,604	470,906	(2,698)
Local	69,500	69,500	69,500	-
Licenses and permits	73,200	81,200	84,829	3,629
Charges for services	64,000	64,000	62,813	(1,187)
Fines	2,300	2,300	4,132	1,832
Interest	6,000	6,000	4,286	(1,714)
Rents and easements	84,500	84,500	107,433	22,933
Miscellaneous	22,850	31,890	32,620	730
Total revenues	<u>2,959,621</u>	<u>3,001,965</u>	<u>3,024,681</u>	<u>22,716</u>
Expenditures				
Current				
General government	524,825	529,325	499,972	29,353
Public safety	1,413,250	1,398,650	1,366,220	32,430
Public works	554,150	574,650	540,849	33,801
Culture and recreation	189,015	209,715	170,868	38,847
Total expenditures	<u>2,681,240</u>	<u>2,712,340</u>	<u>2,577,909</u>	<u>134,431</u>
Revenues over (under) expenditures	<u>278,381</u>	<u>289,625</u>	<u>446,772</u>	<u>(111,715)</u>
Other financing sources (uses)				
Transfers in	500	500	688	188
Transfers out	(302,327)	(313,571)	(313,571)	-
Total other financing sources (uses)	<u>(301,827)</u>	<u>(313,071)</u>	<u>(312,883)</u>	<u>188</u>
Net changes in fund balance	<u>(23,446)</u>	<u>(23,446)</u>	<u>133,889</u>	<u>157,335</u>
Fund balance, beginning of year	<u>1,603,197</u>	<u>1,603,197</u>	<u>1,603,197</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,579,751</u>	<u>\$ 1,579,751</u>	<u>\$ 1,737,086</u>	<u>\$ 157,335</u>

CITY OF ROCKFORD

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

MERS DEFINED BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 4,880,305	\$ 6,507,018	\$ 1,626,713	75.00%	\$ 1,466,822	110.90%
12/31/2012	5,056,011	6,562,762	1,506,751	77.04%	1,488,937	101.20%
12/31/2013	5,315,622	6,933,578	1,617,956	76.66%	1,540,361	105.04%

Note to required supplementary information

Budgets and Budgetary Accounting

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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CITY OF ROCKFORD

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2014

	Special Revenue			
	Major Streets	Local Streets	Arts Commission	Cemetery
Assets				
Cash and pooled investments	\$ 148,942	\$ 72,632	\$ 54,550	\$ 378,457
Accounts receivable	53	3	3,026	163
Due from other governments	<u>38,541</u>	<u>15,780</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 187,536</u>	<u>\$ 88,415</u>	<u>\$ 57,576</u>	<u>\$ 378,620</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 17,777	\$ 3,490	\$ 1,880	\$ -
Accrued liabilities	<u>1,520</u>	<u>1,520</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,297</u>	<u>5,010</u>	<u>1,880</u>	<u>-</u>
Fund balances				
Restricted				
Streets	168,239	83,405	-	-
Arts Commission	-	-	55,696	-
Cemetery	-	-	-	378,620
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>168,239</u>	<u>83,405</u>	<u>55,696</u>	<u>378,620</u>
Total liabilities and fund balances	<u>\$ 187,536</u>	<u>\$ 88,415</u>	<u>\$ 57,576</u>	<u>\$ 378,620</u>

**Capital
Projects**

<u>Debt Service</u>	<u>Library Improvement</u>	<u>Street Construction</u>	<u>Drug law Enforcement</u>	<u>Library Projects</u>	<u>Total</u>
\$ -	\$ 1,434	\$ 10,003	\$ 9,901	\$ 29,607	\$ 705,526
-	-	-	-	9	3,254
-	-	-	-	-	54,321
<u>\$ -</u>	<u>\$ 1,434</u>	<u>\$ 10,003</u>	<u>\$ 9,901</u>	<u>\$ 29,616</u>	<u>\$ 763,101</u>
\$ -	\$ -	\$ 10,000	\$ -	\$ 1,329	\$ 34,476
-	-	-	-	162	3,202
-	-	10,000	-	1,491	37,678
-	-	-	-	-	251,644
-	-	-	-	-	55,696
-	-	-	-	-	378,620
-	1,434	3	9,901	28,125	39,463
-	1,434	3	9,901	28,125	725,423
<u>\$ -</u>	<u>\$ 1,434</u>	<u>\$ 10,003</u>	<u>\$ 9,901</u>	<u>\$ 29,616</u>	<u>\$ 763,101</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Arts Commission</u>	<u>Cemetery</u>
Revenues				
Intergovernmental revenues				
State	\$ 253,081	\$ 95,262	\$ 15,000	\$ -
Local	-	-	22,880	-
Fines			-	
Interest	179	21	95	688
Miscellaneous	-	-	-	12,000
Total revenues	<u>253,260</u>	<u>95,283</u>	<u>37,975</u>	<u>12,688</u>
Expenditures				
Current				
Public works	211,416	112,912	-	-
Culture and recreation	-	-	40,402	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>211,416</u>	<u>112,912</u>	<u>40,402</u>	<u>-</u>
Revenues over (under) expenditures	<u>41,844</u>	<u>(17,629)</u>	<u>(2,427)</u>	<u>12,688</u>
Other financing sources (uses)				
Transfers in	-	99,600	-	-
Transfers out	(71,045)	(80,837)	-	(688)
Total other financing sources (uses)	<u>(71,045)</u>	<u>18,763</u>	<u>-</u>	<u>(688)</u>
Net changes in fund balances	(29,201)	1,134	(2,427)	12,000
Fund balances, beginning of year as restated	<u>197,440</u>	<u>82,271</u>	<u>58,123</u>	<u>366,620</u>
Fund balances, end of year	<u>\$ 168,239</u>	<u>\$ 83,405</u>	<u>\$ 55,696</u>	<u>\$ 378,620</u>

Capital Projects					
<u>Debt Service</u>	<u>Library Improvement</u>	<u>Street Construction</u>	<u>Drug law Enforcement</u>	<u>Library Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,343
-	-	-	-	8,555	31,435
-	-	-	5,842	-	5,842
-	2	-	7	35	1,027
-	-	-	-	161	12,161
-	2	-	5,849	8,751	413,808
-	-	-	-	-	324,328
-	-	-	-	30,589	70,991
118,000	-	-	-	-	118,000
41,382	-	-	-	-	41,382
-	-	248,246	40	-	248,286
159,382	-	248,246	40	30,589	802,987
(159,382)	2	(248,246)	5,809	(21,838)	(389,179)
159,382	-	11,244	-	18,000	288,226
-	-	-	-	-	(152,570)
159,382	-	11,244	-	18,000	135,656
-	2	(237,002)	5,809	(3,838)	(253,523)
-	1,432	237,005	4,092	31,963	978,946
\$ -	\$ 1,434	\$ 3	\$ 9,901	\$ 28,125	\$ 725,423

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 226,000	\$ 246,300	\$ 253,081	\$ 6,781
Interest	125	125	179	54
Total revenues	<u>226,125</u>	<u>246,425</u>	<u>253,260</u>	<u>6,835</u>
Expenditures				
Public works				
Construction	67,500	67,500	67,307	193
Routine maintenance	75,350	84,350	83,269	1,081
Traffic control	11,955	11,955	9,529	2,426
Winter maintenance	27,610	38,910	38,769	141
Administration	13,030	13,030	12,542	488
Total expenditures	<u>195,445</u>	<u>215,745</u>	<u>211,416</u>	<u>4,329</u>
Revenues over (under) expenditures	<u>30,680</u>	<u>30,680</u>	<u>41,844</u>	<u>11,164</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(71,075)</u>	<u>(71,075)</u>	<u>(71,045)</u>	<u>30</u>
Total other financing sources (uses)	<u>(71,075)</u>	<u>(71,075)</u>	<u>(71,045)</u>	<u>30</u>
Net changes in fund balance	(40,395)	(40,395)	(29,201)	11,194
Fund balance, beginning of year	<u>197,440</u>	<u>197,440</u>	<u>197,440</u>	<u>-</u>
Fund balance, end of year	<u>\$ 157,045</u>	<u>\$ 157,045</u>	<u>\$ 168,239</u>	<u>\$ 11,194</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, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 93,000	\$ 95,375	\$ 95,262	\$ (113)
Interest	50	50	21	(29)
Total revenues	<u>93,050</u>	<u>95,425</u>	<u>95,283</u>	<u>(142)</u>
Expenditures				
Public works				
Routine maintenance	75,350	68,350	64,699	3,651
Traffic control	3,455	3,455	3,142	313
Winter maintenance	24,710	32,322	32,208	114
Administration	13,030	13,030	12,863	167
Total expenditures	<u>116,545</u>	<u>117,157</u>	<u>112,912</u>	<u>4,245</u>
Revenues over (under) expenditures	<u>(23,495)</u>	<u>(21,732)</u>	<u>(17,629)</u>	<u>4,103</u>
Other financing sources (uses)				
Transfers in	99,600	99,600	99,600	-
Transfers out	(71,075)	(80,838)	(80,837)	1
Total other financing sources (uses)	<u>28,525</u>	<u>18,762</u>	<u>18,763</u>	<u>1</u>
Net changes in fund balance	5,030	(2,970)	1,134	4,104
Fund balance, beginning of year	<u>82,271</u>	<u>82,271</u>	<u>82,271</u>	<u>-</u>
Fund balance, end of year	<u>\$ 87,301</u>	<u>\$ 79,301</u>	<u>\$ 83,405</u>	<u>\$ 4,104</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ -	\$ -	\$ 15,000	\$ 15,000
Local	28,140	28,140	22,880	(5,260)
Interest	300	300	95	(205)
Total revenues	28,440	28,440	37,975	9,535
Expenditures				
Current				
Culture and recreation	26,333	26,333	40,402	(14,069)
Net changes in fund balance	2,107	2,107	(2,427)	(4,534)
Fund balance, beginning of year	58,123	58,123	58,123	-
Fund balance, end of year	<u>\$ 60,230</u>	<u>\$ 60,230</u>	<u>\$ 55,696</u>	<u>\$ (4,534)</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 688	\$ (312)
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total revenues	13,000	13,000	12,688	(312)
Expenditures				
Current				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	13,000	13,000	12,688	(312)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(688)</u>	<u>312</u>
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(688)</u>	<u>312</u>
Net changes in fund balance	12,000	12,000	12,000	-
Fund balance, beginning of year	<u>366,620</u>	<u>366,620</u>	<u>366,620</u>	<u>-</u>
Fund balance, end of year	<u>\$ 378,620</u>	<u>\$ 378,620</u>	<u>\$ 378,620</u>	<u>\$ -</u>

CITY OF ROCKFORD
FIDUCIARY FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2014

	<u>Agency Funds</u>		
	<u>Trust and Agency</u>	<u>Imprest Payroll</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 16,895	\$ 20,329	\$ 37,224
Accounts receivable	<u>34</u>	<u>7</u>	<u>41</u>
Total assets	<u>\$ 16,929</u>	<u>\$ 20,336</u>	<u>\$ 37,265</u>
Liabilities			
Payroll taxes and withholdings	\$ -	\$ 20,336	\$ 20,336
Due to other governmental units	<u>16,929</u>	<u>-</u>	<u>16,929</u>
Total liabilities	<u>\$ 16,929</u>	<u>\$ 20,336</u>	<u>\$ 37,265</u>

CITY OF ROCKFORD

DOWNTOWN DEVELOPMENT AUTHORITY COMBINING BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Fund Types		Statement of Net Position
	General Fund	Adjustments	
Assets			
Cash and pooled investments	\$ 20,373	\$ -	\$ 20,373
Accounts receivable	35	-	35
Capital assets, net	-	1,279,104	1,279,104
Total assets	\$ 20,408	1,279,104	1,299,512
 Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 129	-	129
 Fund balances			
Unassigned	20,279		
Total liabilities and fund balances	\$ 20,408		
 Net position			
Unrestricted			\$ 1,299,383

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, 2014

	Governmental Fund Types		Statement of Activities
	General Fund	Adjustments	Activities
Revenues			
Taxes	\$ 194,043	\$ -	\$ 194,043
Interest	171	-	171
	194,214	-	194,214
 Expenditures			
Current			
General government	215,138	(63,961)	151,177
Net changes in fund balances	(20,924)	20,924	
Change in net position		(43,037)	43,037
Fund balances/net position, beginning of year	41,203		1,256,346
Fund balances/net position, end of year	\$ 20,279		\$ 1,299,383

Continuing Disclosure Filing

City of Rockford, Michigan

*Fiscal Year Ended
June 30, 2014*

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, 2013 – June 30, 2014

*Financial information **should not** be filed with the MSRB

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

Signature: Linda Lehman

Name: Linda Lehman Title: Finance Director

Employer: City of Rockford, Michigan

Address: 7 South Monroe Street

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

Voice Telephone Number: 616-866-1537

**City of Rockford
Taxable Value
Fiscal Years Ended or Ending June 30, 2010 Through 2015**

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
2009	2010	2011	\$218,984,209	\$3,813,931	\$222,798,140	(1.71)%
2010	2011	2012	212,926,329	1,634,500	214,560,829	(3.70)
2011	2012	2013	207,524,596	1,313,950	208,838,546	(2.67)
2012	2013	2014	209,307,034	1,053,950	210,360,984	.72
2013	2014	2015	214,917,639	497,103	215,414,742	2.40

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2015 (2)..... \$37,666.50

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

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

Source: City of Rockford

**City of Rockford
Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2010 Through 2015**

Use	Fiscal Years Ended or Ending June 30				
	2011	2012	2013	2014	2015
Agriculture/DNR	\$ 99,437	\$ 101,126	\$	\$	\$
Commercial	44,675,863	42,686,834	40,598,373	39,254,646	37,630,506
Industrial.....	49,818,638	43,107,454	41,983,373	42,091,888	43,620,772
Residential	126,162,702	126,640,215	124,230,200	127,008,150	131,685,764
Utility.....	2,041,500	2,025,200	2,026,600	2,006,300	2,477,700
	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>	<u>\$ 210,360,984</u>	<u>\$ 215,414,742</u>
Class	2011	2012	2013	2014	2015
Real Property	\$ 192,881,240	\$ 191,074,255	\$ 184,302,546	\$ 184,342,934	\$ 187,844,542
Personal Property	29,916,900	23,486,574	24,536,000	26,018,050	27,570,200
	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>	<u>\$ 210,360,984</u>	<u>\$ 215,414,742</u>

Source: City of Rockford

**City of Rockford
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2010 Through 2015**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending <u>June 30</u>	Ad Valorem <u>SEV</u>	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total <u>SEV</u>	Percent Increase Over Prior Year
2009	2010	2011	225,476,900	7,627,900	233,104,800	(3.90)%
2010	2011	2012	220,716,700	3,269,000	223,985,700	(3.90)
2011	2012	2013	211,331,800	2,627,900	213,959,700	(4.48)
2012	2013	2014	213,305,800	2,107,900	215,413,700	.6
2013	2014	2015	222,906,600	995,800	223,902,400	3.9

Per Capita Total SEV for the Fiscal Year Ending June 30, 2015 (2)\$39,150.62

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

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

Source: City of Rockford

**City of Rockford
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2010 Through 2015**

<u>Use</u>	<u>Fiscal Years Ended or Ending June 30</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Agriculture/DNR	\$ 102,700	\$ 102,400	\$	\$	\$
Commercial	47,675,700	44,868,200	41,618,500	39,871,900	38,382,800
Industrial.....	52,168,100	45,325,000	42,864,700	43,291,300	44,246,500
Residential	131,116,800	131,664,900	127,449,900	130,244,200	138,795,400
Utility.....	<u>2,041,500</u>	<u>2,025,200</u>	<u>2,026,600</u>	<u>2,006,300</u>	<u>2,477,700</u>
	<u>\$ 233,104,800</u>	<u>\$ 223,985,700</u>	<u>\$ 213,959,700</u>	<u>\$ 215,413,700</u>	<u>\$ 223,902,400</u>
<u>Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Real Property	\$ 203,194,800	\$ 203,194,800	\$ 189,435,500	\$ 188,919,600	\$ 196,023,200
Personal Property.....	<u>29,910,000</u>	<u>29,910,000</u>	<u>24,524,200</u>	<u>26,494,100</u>	<u>27,879,200</u>
	<u>\$ 233,104,800</u>	<u>\$ 233,104,800</u>	<u>\$ 213,959,700</u>	<u>\$ 215,413,700</u>	<u>\$ 223,902,400</u>

Source: City of Rockford

Tax Abatement

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

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

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$995,800 for the fiscal year ending June 30, 2015. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$497,103 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Rockford
Maximum Property Tax Rates
Fiscal Year Ending June 30, 2015**

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

(1) Cumulative.
Source: City of Rockford

**City of Rockford
Property Tax Rates (1)
Fiscal Years Ended or Ending June 30, 2011 Through 2015**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating</u>
2010	2011	10.9000
2011	2012	10.9000
2012	2013	10.9000
2013	2014	10.9000
2014	2015	10.9000

Source: City of Rockford

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

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Rockford	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County	5.3940	5.3940	5.3940	5.3940	5.3940
Kent County Intermediate Schools	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools	9.4881	9.4881	9.4881	9.4881	9.4881
Kent County District Library	0.8800	0.8800	0.8800	0.8800	0.8800
State Education Levy	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total	<u>\$39.1389</u>	<u>\$39.1389</u>	<u>\$39.1389</u>	<u>\$39.1389</u>	<u>\$39.1389</u>

City of Rockford
Non-Principal Residence (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended or Ending June 30, 2009 Through 2014

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Rockford.....	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County.....	5.3940	5.3940	5.3940	5.3940	5.3940
Kent County Intermediate Schools	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
Rockford Public Schools	27.4881	27.4881	27.4881	27.4881	27.4881
Kent County District Library	0.8800	0.8800	0.8800	0.8800	0.8800
State Education Levy.....	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>	<u>6.0000</u>
Total.....	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>	<u>\$57.1389</u>

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

Source: City of Rockford

City of Rockford
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2010 Through 2014

<u>July 1</u>	<u>Fiscal Years</u>	<u>Tax Levy(1)</u>	<u>Collections</u>	<u>Percent</u>
<u>Levy</u>	<u>Ended or Ending</u>		<u>to March 1</u>	<u>Collected</u>
	<u>June 30</u>		<u>Following Levy</u>	
2009	2010	\$2,330,000	\$2,235,703	95.95%
2010	2011	2,315,000	2,279,361	98.46
2011	2012	2,301,452	2,249,322	97.73
2012	2013	2,241,318	2,216,574	98.89
2013	2014	2,254,306	2,222,900	98.61

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

Source: City of Rockford

**City of Rockford
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2015**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>Percent of Total (2)</u>
Wolverine World Wide, Inc.....	Industrial Mfg - Shoes.....	\$21,448,314	9.95%
Jade Pig Ventures	Shopping Center	3,112,700	1.44
Byrne Electrical Spec.	Electrical Services.....	3,788,807	1.75
ITW Dahti Seating	Industrial Mfg. - Furniture	3,110,059	1.44
MVP Athletic Club.....	Health Club, Medical Offices & Retail.....	2,510,840	1.16
Klein Plastics Company LLC	Plastics	3,352,900	1.55
Koetje Investors	Apartments	1,953,200	0.90
Rockford Center Holdings.....	New Home Development.....	1,365,808	0.63
Consumers Energy.....	Utility	1,253,292	0.58
DTE Gas Company	Utility	<u>1,242,200</u>	<u>0.57</u>
		<u>\$43,138,120</u>	19.07%

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

(2)Based on \$215,414,742 which is the City's Total Taxable Value for its fiscal year ending June 30, 2015. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: City of Rockford

**City of Rockford
State Shared Revenues
Fiscal Years Ended or Ending June 30, 2010 Through 2015**

	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015 (2)</u>
Constitutional Revenue Sharing	\$ 385,832	\$ 420,070	\$ 417,835	\$ 432,606	\$ 444,000
Statutory Revenue Sharing/EVIP ..	<u>-0-</u>	<u>24,420</u>	<u>30,156</u>	<u>31,602</u>	<u>40,000</u>
Total State Shared Revenues	<u>\$ 385,832</u>	<u>\$ 444,490</u>	<u>\$ 447,991</u>	<u>\$ 464,208</u>	<u>\$ 484,000</u>

(1) Preliminary, unaudited.

(2) Budgeted.

Source: City of Rockford

CITY DEBT

Legal Debt Margin

Pursuant to statutory and constitutional debt provisions, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2014.

Debt Limit (1)		\$22,390,240
Debt Outstanding (2)	\$12,341,684	
Less: Exempt Debt (3)	<u>8,187,430</u>	<u>3,789,978</u>
Legal Debt Margin.....		<u><u>\$17,751,392</u></u>

(1) 10% of \$223,902,400 which is the City's Total SEV for the fiscal year ending June 30, 2015. Includes the SEV of property granted tax abatement under Act 198.

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

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2014. Direct debt which is shown as self-supporting is paid from sources other than the City's General Fund.

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

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Share of North Kent Sewer Authority Bonds:			
Dated September 25, 2012 (Limited Tax) (5) ..	\$ 644,245	\$ 644,245	\$ -0-
Dated January 30, 2007 (Limited Tax) (4)	783,695	783,695	-0-
Dated November 21, 2006 (Limited Tax) (1)...	5,788,419	5,788,419	-0-
Dated December 22, 2005 (Limited Tax) (2) ...	822,024	822,024	-0-
Dated June 1, 1998 (Limited Tax) (3)	<u>59,047</u>	<u>59,047</u>	<u>-0-</u>
Subtotal	<u>8,097,430</u>	<u>8,097,430</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated July 8, 2008 (Limited Tax).....	\$ 765,000	\$ 765,000	\$ -0-
Dated April 1, 2003 (Limited Tax).....	325,000	-0-	325,000
Dated March 27, 2013 (Limited Tax).....	<u>102,000</u>	<u>-0-</u>	<u>102,000</u>
Subtotal	<u>\$ 1,192,000</u>	<u>\$ 765,000</u>	<u>\$ 427,000</u>
Michigan Transportation Fund:			
Dated August 1, 1999 (Limited Tax).....	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ -0-</u>
Water Revenue Bonds:			
Dated September 29, 1998 (Limited Tax)	\$ 725,000	\$ 725,000	\$ -0-
Dated March 27, 2013 (Limited Tax).....	<u>306,000</u>	<u>306,000</u>	<u>-0-</u>
Subtotal	<u>\$ 1,031,000</u>	<u>\$ 1,031,000</u>	<u>\$ -0-</u>
Sewer Revenue Bonds:			
Dated March 27, 2013 (Limited Tax).....	<u>\$ 612,000</u>	<u>\$ 612,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 612,000</u>	<u>\$ 612,000</u>	<u>\$ -0-</u>
Installment Purchase Obligations:			
2010 Installment Note	\$ 32,919	\$ -0-	\$ 32,919

2009 Installment Purchase Contract	<u>500,000</u>	<u>-0-</u>	<u>500,000</u>
Subtotal	\$ <u>532,919</u>	\$ <u>-0-</u>	\$ <u>532,919</u>
Total	\$ <u>11,555,349</u>	\$ <u>10,595,430</u>	\$ <u>959,919</u>

Per Capita Net City Direct Debt (6) \$167.85
Percent of Net Direct Debt to Total SEV (7) 0.43%

<u>Overlapping Debt (8)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Kent County.....	\$ 123,225,000	1.04%	\$ 1,281,540
Grand Rapids Community College.....	61,295,000	1.01	619,080
Rockford School District.....	<u>118,570,000</u>	13.65	<u>16,184,805</u>
Totals.....	<u>\$ 303,090,000</u>		<u>\$18,085,425</u>

Per Capita Net Overlapping Debt (6) \$3,162.34
Percent of Net Overlapping Debt to Total SEV (7)..... 8.08%

Per Capita Net Direct and Overlapping Debt (6)..... \$3,330.19
Percent of Net Direct and Overlapping Debt to Total SEV (7)..... 8.51%

- (1) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated November 21, 2006.
- (2) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated December 22, 2005.
- (3) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated June 1, 1998.
- (4) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated January 30, 2007.
- (5) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated September 25, 2012.
- (6) Based on the City's 2010 census population of 5,719.
- (7) Based on \$223,902,400 which is the City's Total SEV for the fiscal year ending June 30, 2015. Includes the SEV of property granted tax abatement under Act 198.
- (8) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

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

LABOR CONTRACTS

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

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

Source: City of Rockford.