



City of Rockford, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012



Vredeveld Haefner LLC

CPA's

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 Assets	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 Assets of Governmental Activities on the Statement of Net Assets	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 Assets - Enterprise Funds	16
Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds	17
Statement of Cash Flows - Enterprise Funds	18
Statement of Net Assets - Agency Funds	19
Notes to the Financial Statements	21-34
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	35
Defined Benefit Pension Plan - Schedule of Funding Progress	36
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	38-39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	40-41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	43
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget Stabilization Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Cemetery Fund	45
Fiduciary Funds	
Combining Balance Sheet - Agency Funds	46
Downtown Development Authority	
Balance Sheet/Statement of Net Assets	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	48
Continuing Disclosure Filing	49-57



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INDEPENDENT AUDITORS' REPORT

September 26, 2012

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rockford, Michigan. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 for the City of Rockford, Michigan as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Uredaxeld 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, 2012. 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 Phase III of the Rogue River Nature Trail utilizing a grant from the Department of Natural Resources.
- Received a partial grant and purchased a new records management system for the Public Safety Department.
- Installed new sidewalks along 10 Mile Road.
- Purchased 179 W Division for park and recreational use.
- Completed major storm sewer upgrades on Gaylord Street.
- Completed major water main upgrades on 10 Mile Road.
- Painted the exterior of the water tank located at the Middle School.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital improvements funds, each of which is considered a major fund.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockford, assets exceeded liabilities by \$16,114,010 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operations while a significant portion of net assets 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 Assets

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$2,942,953	\$2,710,685	\$2,115,038	\$2,019,220	\$ 5,057,991	\$ 4,729,905
Capital assets	7,786,737	7,800,472	7,415,297	7,539,524	15,202,034	15,339,996
Total assets	10,729,690	10,511,157	9,530,335	9,558,744	20,260,025	20,069,901
Long-term liabilities	2,190,278	2,441,679	1,684,344	2,104,151	3,874,622	4,545,830
Other liabilities	158,197	135,374	113,196	62,258	271,393	197,632
Total liabilities	2,348,475	2,577,053	1,797,540	2,166,409	4,146,015	4,743,462
Net assets						
Invested in capital assets, net						
of related debt	5,761,149	5,503,283	5,798,076	5,513,503	11,559,225	11,016,786
Restricted	1,023,935	1,093,425	-	-	1,023,935	1,093,425
Unrestricted	1,596,131	1,337,396	1,934,719	1,878,832	3,530,850	3,216,228
Total net assets	\$8,381,215	\$7,934,104	\$7,732,795	\$7,392,335	\$16,114,010	\$15,326,439

Net assets of the City increased by \$787,571 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$340,460 was primarily the result of increased charges for services in both water and sewer operations. The governmental activities increase in net assets of \$447,111 is primarily due to budgeted cost saving measures to offset decreasing revenues in state shared revenues.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue						
Program revenue						
Charges for services	\$ 200,696	\$ 196,552	\$2,681,885	\$2,528,405	\$2,882,581	\$2,724,957
Operating grants and contributions	407,665	331,814	-	-	407,665	331,814
Capital grants and contributions	194,359	38,219	-	-	194,359	38,219
General revenue						
Property taxes	2,206,380	2,266,135	-	-	2,206,380	2,266,135
Other governmental sources	444,490	379,317	-	-	444,490	379,317
Other	178,084	316,334	37,373	38,752	215,457	355,086
Transfers	7,500	7,500	(7,500)	(7,500)	-	-
Total revenue	3,639,174	3,535,871	2,711,758	2,559,657	6,350,932	6,095,528
Expenses						
General government	507,165	555,775	-	-	507,165	555,775
Public safety	1,407,499	1,639,137	-	-	1,407,499	1,639,137
Public works	818,546	789,469	-	-	818,546	789,469
Culture and recreation	365,619	234,218	-	-	365,619	234,218
Interest	93,234	101,271	-	-	93,234	101,271
Sewer	-	-	1,534,292	1,571,334	1,534,292	1,571,334
Water	-	-	837,006	809,827	837,006	809,827
Total expenses	3,192,063	3,319,870	2,371,298	2,381,161	5,563,361	5,701,031
Increase in net assets	447,111	216,001	340,460	178,496	787,571	394,497
Net assets-beginning of year	7,934,104	7,718,103	7,392,335	7,213,839	15,326,439	14,931,942
Net assets end of year	\$8,381,215	\$7,934,104	\$7,732,795	\$7,392,335	\$16,114,010	\$15,326,439

Governmental Activities. During the year the City invested \$1,407,499 or 44% of governmental activities expenses in public safety. Public Works, which includes major and local streets was \$818,546 or 26% of governmental activities expenses while general government, culture and recreation and interest on long-term debt made up the remaining 30% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net assets by \$340,460, accounting for 43% of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$178,496.

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 \$2,804,982, an increase of \$226,971 in comparison with the prior year. Of the \$2,804,982, \$1,642,600 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, library operations, and non-expendable permanent fund corpus.

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 \$1,642,600. 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 60.9% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$297,552 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 \$433,945, an increase of \$12,842 from the previous year. The increase is primarily the result of accumulating resources for future 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 assets of the sewer and water funds at the end of the year amounted to \$834,023 and \$1,100,696, respectively. The sewer fund had an increase in net assets for the year of \$97,509 while the water fund had an increase of \$242,951. 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, 2012, amounted to \$15,202,034 (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	\$2,580,081	\$ 96,621	\$ 2,676,702
Buildings, Equipment and Infrastructure	5,206,656	7,318,676	12,525,332
Total	\$7,786,737	\$7,415,297	\$15,202,034

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 \$3,874,422 summarized as follows:

	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 164,690	\$ 67,123	\$ 231,813
Notes payable	1,075,000	-	1,075,000
Bonds payable	950,588	1,617,221	2,567,809
Total	\$2,190,278	\$1,684,344	\$3,874,622

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

Budgetary Highlights

- The City began the 18 month process of consolidating its police and fire departments into a comprehensive Public Safety Department. The first phase included elimination of one full time firefighter position and the cross training of police and fire personnel. The City eliminated full time staffing at the fire station and began responding to medical calls with Medical First Responder (MFR) trained police officers. The General Fund and Capital Improvement Fund saw significant changes during the year due to the merger. While the Fire Department saw significant savings the Capital Improvement Fund had significant startup costs for the Public Safety Department. The majority of these startup costs were paid for with grant funds.
- The General Fund increased its contribution to the Local Street Fund to help cover the cost of repaving Monroe and Spring Streets.
- The Sewer Fund saw a large budget amendment for significant storm sewer upgrades on Gaylord Street after heavy rains caused a large amount of damage to resident's homes.
- The remaining funds had minor budget amendments which were not significant.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2012-13 fiscal year:

- The City of Rockford maintained its millage at 10.9 mills, which is one of the lowest rates among local Cities which do not levy an income tax.
- A 2% salary increase was budgeted for all departments, including unionized staff.
- Property values continued to decline but new housing startups have seen an increase in the last six months.
- Health insurance premiums were budgeted to increase 15%. Pension costs remained relatively flat.
- Employee contributions to health care costs increased to 8% this year and will increase to 10% January 1, 2013 then 12% June 30, 2013.
- Projects budgeted for next fiscal year include the completion of the 10 Mile Road repaving project and begin the 5 year 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 ASSETS
JUNE 30, 2012

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Downtown	Economic
	Activities	Activities		Development	Development
				Authority	Corporation
Assets					
Cash and pooled investments	\$ 2,642,158	\$ 1,480,434	\$ 4,122,592	\$ 57,458	\$ 3,382
Investments	-	-	-	-	-
Accounts receivable	52,566	559,523	612,089	-	-
Special assessments receivable	7,148	-	7,148	-	-
Accrued interest receivable	1,936	1,047	2,983	40	2
Due from other governments	189,293	-	189,293	-	-
Inventory	25,535	-	25,535	-	-
Prepaid items	24,317	6,034	30,351	-	-
Restricted cash and pooled investments	-	68,000	68,000	-	-
Capital assets					
Land	2,580,081	96,621	2,676,702	-	-
Depreciable capital assets, ne	5,206,656	7,318,676	12,525,332	1,253,024	-
Total assets	10,729,690	9,530,335	20,260,025	1,310,522	3,384
Liabilities					
Accounts payable	68,692	78,945	147,637	33	-
Accrued liabilities	89,505	34,251	123,756	2,044	-
Noncurrent liabilities					
Compensated absences	164,690	67,123	231,813	-	-
Due within one year	302,771	415,000	717,771	95,000	-
Due in more than one year	1,722,817	1,210,000	2,932,817	-	-
Unamortized bond discoun	-	(7,779)	(7,779)	-	-
Total liabilities	2,348,475	1,797,540	4,146,015	97,077	-
Net assets					
Invested in capital assets, net of related debt	5,761,149	5,798,076	11,559,225	-	-
Restricted for					
Capital improvements	435,374	-	435,374	-	-
Major streets	145,214	-	145,214	-	-
Local streets	87,827	-	87,827	-	-
Cemetery	355,520	-	355,520	-	-
Unrestricted	1,596,131	1,934,719	3,530,850	1,213,445	3,384
Total net assets	\$ 8,381,215	\$ 7,732,795	\$ 16,114,010	\$ 1,213,445	\$ 3,384

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

CITY OF ROCKFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<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	\$ 507,165	\$ 92,605	\$ -	\$ 81,750	\$ (332,810)
Public safety	1,407,499	7,064	90,630	39,244	(1,270,561)
Public works	818,546	49,682	308,475	-	(460,389)
Culture and recreation	365,619	51,345	8,560	73,365	(232,349)
Interest on long-term deb	93,234	-	-	-	(93,234)
Total governmental activities:	<u>3,192,063</u>	<u>200,696</u>	<u>407,665</u>	<u>194,359</u>	<u>(2,389,343)</u>
Business-type activities					
Sewer	1,534,292	1,602,151	-	-	67,859
Water	837,006	1,079,734	-	-	242,728
Total business-type activities:	<u>2,371,298</u>	<u>2,681,885</u>	<u>-</u>	<u>-</u>	<u>310,587</u>
Total primary government	<u>\$ 5,563,361</u>	<u>\$ 2,882,581</u>	<u>\$ 407,665</u>	<u>\$ 194,359</u>	<u>\$ (2,078,756)</u>
Component units					
Downtown Development Authority	\$ 154,267	\$ -	\$ -	\$ -	\$ (154,267)
Economic Development Corporatio	226	500	-	-	274
Total component units	<u>\$ 154,493</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (153,993)</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, 2012

	<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 assets					
Net (expense) revenue	\$ (2,389,343)	\$ 310,587	\$ (2,078,756)	\$ (154,267)	\$ 274
General revenues					
Property taxes					
General operating	2,206,380	-	2,206,380	206,382	-
State shared revenues	444,490	-	444,490	-	-
Interest	14,107	5,288	19,395	592	9
Other revenue	163,977	32,085	196,062	-	-
Transfers - internal activities	7,500	(7,500)	-	-	-
Total general revenue:	<u>2,836,454</u>	<u>29,873</u>	<u>2,866,327</u>	<u>206,974</u>	<u>9</u>
Change in net assets	447,111	340,460	787,571	52,707	283
Net assets, beginning of year	<u>7,934,104</u>	<u>7,392,335</u>	<u>15,326,439</u>	<u>1,160,738</u>	<u>3,101</u>
Net assets, end of year	<u>\$ 8,381,215</u>	<u>\$ 7,732,795</u>	<u>\$ 16,114,010</u>	<u>\$ 1,213,445</u>	<u>\$ 3,384</u>

(Concluded)

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

CITY OF ROCKFORD
GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,708,710	\$ 355,888	\$ 577,560	\$ 2,642,158
Investments	-	-	-	-
Accounts receivable	32,566	20,000	-	52,566
Special assessment receivable	1,524	5,624	-	7,148
Accrued interest receivable	1,473	122	341	1,936
Due from other governments	76,793	61,665	50,835	189,293
Prepaid items	22,847	200	1,270	24,317
Inventory	25,535	-	-	25,535
	<u>1,869,448</u>	<u>443,499</u>	<u>630,006</u>	<u>2,942,953</u>
Total assets	\$ 1,869,448	\$ 443,499	\$ 630,006	\$ 2,942,953
 Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 61,550	\$ 3,930	\$ 3,212	\$ 68,692
Accrued liabilities	60,906	-	2,749	63,655
Deferred revenue	-	5,624	-	5,624
	<u>122,456</u>	<u>9,554</u>	<u>5,961</u>	<u>137,971</u>
Total liabilities	122,456	9,554	5,961	137,971
 Fund balances				
Non-spendable				
Prepaid items	22,847	200	1,270	24,317
Inventory	25,535	-	-	25,535
Restricted				
Streets	-	-	233,041	233,041
Cemetery	-	-	355,520	355,520
Assigned				
Debt service and capital projects	-	433,745	34,214	467,959
Subsequent year expenditures	56,010	-	-	56,010
Unassigned	1,642,600	-	-	1,642,600
	<u>1,746,992</u>	<u>433,945</u>	<u>624,045</u>	<u>2,804,982</u>
Total fund balances	1,746,992	433,945	624,045	2,804,982
Total liabilities and fund balances:	\$ 1,869,448	\$ 443,499	\$ 630,006	\$ 2,942,953

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 ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Fund balances - total governmental funds	\$ 2,804,982
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,580,081
Add - capital assets (net of accumulated depreciation)	5,206,656
Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred revenue	5,624
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(164,690)
Deduct - bonds and loans payable	(2,025,588)
Deduct - accrued interest on bonds and loans payable	<u>(25,850)</u>
Net assets of governmental activities	<u>\$ 8,381,215</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, 2012

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 2,206,380	\$ -	\$ -	\$ 2,206,380
Intergovernmental revenues				
Federal	19,405	-	-	19,405
State	461,770	73,365	308,475	843,610
Local	51,000	151,375	8,560	210,935
Licenses and permits	71,559	-	-	71,559
Charges for services	75,860	-	-	75,860
Fines	2,143	-	-	2,143
Interest	8,628	3,686	1,793	14,107
Rents and easements	73,153	99,955	-	173,108
Miscellaneous	22,041	825	11,949	34,815
Total revenues	<u>2,991,939</u>	<u>329,206</u>	<u>330,777</u>	<u>3,651,922</u>
Expenditures				
Current				
General government	460,559	-	-	460,559
Public safety	1,264,142	-	-	1,264,142
Public works	473,188	-	292,275	765,463
Culture and recreation	127,597	-	188,934	316,531
Debt service				
Principal	-	191,601	80,000	271,601
Interest	-	46,564	49,392	95,956
Capital outlay	-	258,199	-	258,199
Total expenditures	<u>2,325,486</u>	<u>496,364</u>	<u>610,601</u>	<u>3,432,451</u>
Revenues over (under) expenditures	<u>666,453</u>	<u>(167,158)</u>	<u>(279,824)</u>	<u>219,471</u>
Other financing sources (uses)				
Transfers in	1,099	180,000	319,392	500,491
Transfers out	(370,000)	-	(122,991)	(492,991)
Total other financing sources (uses)	<u>(368,901)</u>	<u>180,000</u>	<u>196,401</u>	<u>7,500</u>
Net changes in fund balances	297,552	12,842	(83,423)	226,971
Fund balances, beginning of year	<u>1,449,440</u>	<u>421,103</u>	<u>707,468</u>	<u>2,578,011</u>
Fund balances, end of year	<u>\$ 1,746,992</u>	<u>\$ 433,945</u>	<u>\$ 624,045</u>	<u>\$ 2,804,982</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, 2012

Net changes in fund balances - total governmental funds	\$ 226,971
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	272,504
Deduct - depreciation expense	(286,239)
Special assessments receivable are long-term in nature and are collectable over several years. They are recognized when issued in the government-wide financial statements, however the assessments are reflected as deferred revenue on the fund statements.	
Deduct - payments on special assessment	(20,248)
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 assets. 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 assets.	
Add - principal payments on debt	271,601
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	(20,200)
Add - decrease in accrued interest	<u>2,722</u>
Change in net assets of governmental activities:	<u>\$ 447,111</u>

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

CITY OF ROCKFORD
ENTERPRISE FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets	Sewer	Water	Total
Current assets			
Cash and pooled investments	\$ 612,348	\$ 868,086	\$ 1,480,434
Accounts receivable	289,905	269,618	559,523
Accrued interest receivable	392	655	1,047
Prepaid items	<u>2,088</u>	<u>3,946</u>	<u>6,034</u>
Total current assets	<u>904,733</u>	<u>1,142,305</u>	<u>2,047,038</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	4,762,316	7,503,976	12,266,292
Less accumulated depreciation	<u>(2,776,783)</u>	<u>(2,170,833)</u>	<u>(4,947,616)</u>
Net capital assets	<u>1,988,033</u>	<u>5,427,264</u>	<u>7,415,297</u>
Total assets	<u>2,892,766</u>	<u>6,637,569</u>	<u>9,530,335</u>
Liabilities			
Current liabilities			
Accounts payable	39,473	39,472	78,945
Accrued liabilities	8,219	26,032	34,251
Current portion of bonds payable	<u>185,000</u>	<u>230,000</u>	<u>415,000</u>
Total current liabilities	<u>232,692</u>	<u>295,504</u>	<u>528,196</u>
Long-term liabilities			
Compensated absences	23,018	44,105	67,123
Bonds payable, net of current portion	-	1,210,000	1,210,000
Unamortized bond discount	<u>(7,779)</u>	<u>-</u>	<u>(7,779)</u>
Total long-term liabilities	<u>15,239</u>	<u>1,254,105</u>	<u>1,269,344</u>
Total liabilities	<u>247,931</u>	<u>1,549,609</u>	<u>1,797,540</u>
Net assets			
Investment in capital assets, net of related debt	1,810,812	3,987,264	5,798,076
Unrestricted	<u>834,023</u>	<u>1,100,696</u>	<u>1,934,719</u>
Total net assets	<u>\$ 2,644,835</u>	<u>\$ 5,087,960</u>	<u>\$ 7,732,795</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 ASSETS**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 1,602,151	\$ 1,079,734	\$ 2,681,885
Other	<u>1,148</u>	<u>4,632</u>	<u>5,780</u>
Total operating revenue	<u>1,603,299</u>	<u>1,084,366</u>	<u>2,687,665</u>
Operating expense			
Personnel services	194,973	362,058	557,031
Professional and contractual services	1,107,535	42,447	1,149,982
Materials and supplies	30,876	51,202	82,078
Utilities	23,694	72,996	96,690
Repair and maintenance	1,139	76,298	77,437
Insurance and bonds	11,240	9,911	21,151
Equipment rentals	10,219	10,545	20,764
Depreciation	141,065	158,665	299,730
Miscellaneous	<u>545</u>	<u>7,553</u>	<u>8,098</u>
Total operating expense	<u>1,521,286</u>	<u>791,675</u>	<u>2,312,961</u>
Operating income (loss)	<u>82,013</u>	<u>292,691</u>	<u>374,704</u>
Non-operating revenue (expense)			
Rental income	26,305	-	26,305
Interest income	2,197	3,091	5,288
Interest expense	<u>(13,006)</u>	<u>(45,331)</u>	<u>(58,337)</u>
Total non-operating revenue (expense)	<u>15,496</u>	<u>(42,240)</u>	<u>(26,744)</u>
Income (loss) before transfers	97,509	250,451	347,960
Transfers			
Transfers out	<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
Changes in net assets	97,509	242,951	340,460
Net assets, beginning of year	<u>2,547,326</u>	<u>4,845,009</u>	<u>7,392,335</u>
Net assets, end of year	<u>\$ 2,644,835</u>	<u>\$ 5,087,960</u>	<u>\$ 7,732,795</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, 2012

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 1,538,556	\$ 987,594	\$ 2,526,150
Rental income	26,305	-	26,305
Payments to employees	(199,659)	(371,102)	(570,761)
Payments to suppliers	(1,154,391)	(254,182)	(1,408,573)
Net cash provided by (used in) operating activities	<u>210,811</u>	<u>362,310</u>	<u>573,121</u>
Cash flows from non-capital financing activities			
Transfers out	-	(7,500)	(7,500)
Cash flows from capital and related financing activities			
Interest expense	(11,806)	(45,331)	(57,137)
Principal on bonds	(180,000)	(230,000)	(410,000)
Acquisitions of capital assets	(42,012)	(133,491)	(175,503)
Net cash provided by (used in) capital and related financing activities	<u>(233,818)</u>	<u>(408,822)</u>	<u>(642,640)</u>
Cash flows from investing activities			
Interest income	2,377	3,328	5,705
Net increase (decrease) in cash and pooled investments	(20,630)	(50,684)	(71,314)
Cash and pooled investments, beginning of year	<u>632,978</u>	<u>986,770</u>	<u>1,619,748</u>
Cash and pooled investments, end of year	<u>\$ 612,348</u>	<u>\$ 936,086</u>	<u>\$ 1,548,434</u>
Cash flows from operating activities			
Operating income (loss)	\$ 82,013	\$ 292,691	\$ 374,704
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	141,065	158,665	299,730
Rental income	26,305	-	26,305
Change in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(64,743)	(96,772)	(161,515)
Prepaid items	(2,088)	(3,946)	(6,034)
Accounts payable	32,945	20,716	53,661
Accrued liabilities	(1,183)	(1,540)	(2,723)
Compensated absences	(3,503)	(7,504)	(11,007)
Net cash provided by (used in) operating activities	<u>\$ 210,811</u>	<u>\$ 362,310</u>	<u>\$ 573,121</u>

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

CITY OF ROCKFORD
AGENCY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 57,343
Interest receivable	<u>96</u>
Total assets	<u>\$ 57,439</u>
Liabilities	
Payroll taxes and withholdings	\$ 619
Due to other governmental units	61
Due to other entities	<u>56,759</u>
Total liabilities	<u>\$ 57,439</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, 2012

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, 2012, the City paid \$940,757 to the Authority and received \$10,000 from the Authority for the provision of administrative services, there were no outstanding amounts owed to the Authority. At December 31, 2011, the date of the most recent Authority audited financial statements, the Authority's outstanding insured municipal bonds amounted to \$55,235,725. 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, 2012

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 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, 2012

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 *Permanent Fund* is used to record account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Budgets and Budgetary Accounting

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

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
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.

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- 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.

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Deferred Revenue

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

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 assets 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 assets of the individual enterprise funds. Current portions of unpaid sick leave are undeterminable.

Long-Term Obligations

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

Net Assets and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

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

When multiple net asset/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed.

Property Taxes

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

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

Grants and Other Intergovernmental Revenues

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

Interfund Transactions

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2012, 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, 2012

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

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

3. DEPOSITS AND INVESTMENTS

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

Governmental activities	\$2,642,158
Business-type activities	1,548,434
Component units	60,840
Fiduciary funds	57,343
	<hr/>
	\$4,308,775

Cash and pooled investments consist of the following at June 30, 2012:

Checking accounts and other	\$ 363,972
Certificates of deposit	1,052,550
Money market accounts	2,892,253
	<hr/>
	\$4,308,775

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$2,236,933 of the City's bank balance of \$4,390,223 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment and deposit risk

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

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,573,094	\$ 6,987	\$ -	\$2,580,081
Capital assets, being depreciated				
Building and improvements	3,659,086	123,931	-	3,783,017
Vehicles and equipment	1,454,709	36,085	-	1,490,794
Infrastructure	2,235,488	105,501	-	2,340,989
Total capital assets, being depreciated	7,349,283	265,517	-	7,614,800
Less accumulated depreciation				
Building and improvements	1,087,281	128,758	-	1,216,039
Vehicles and equipment	791,505	89,486	-	880,991
Infrastructure	243,119	67,995	-	311,114
Total accumulated depreciation	2,121,905	286,239	-	2,408,144
Net capital assets, being depreciated	5,227,378	(20,722)	-	5,206,656
Governmental Activities capital assets, net	\$7,800,472	\$(13,735)	\$ -	\$7,786,737
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 96,621	\$ -	\$ -	\$ 96,621
Capital assets, being depreciated				
Mains and infrastructure	10,046,936	102,727	-	10,149,663
Storage tanks	1,410,488	72,776	-	1,483,264
Meters	205,628	-	-	205,628
Equipment	427,737	-	-	427,737
Total capital assets, being depreciated	12,090,789	175,503	-	12,266,292
Less accumulated depreciation				
Mains and infrastructure	3,864,800	224,067	-	4,088,867
Storage tanks	400,105	31,549	-	431,654
Meters	118,933	13,674	-	132,607
Equipment	264,048	30,440	-	294,488
Total accumulated depreciation	4,647,886	299,730	-	4,947,616
Net capital assets, being depreciated	7,442,903	(124,227)	-	7,318,676
Business-type Activities capital assets, net	\$7,539,524	\$(124,227)	\$ -	\$7,415,297
Component Unit				
Downtown Development Authority				
Capital assets, being depreciated				
Buildings	\$1,804,371	\$ -	\$ -	\$1,804,371
Less accumulated depreciation				
Buildings	513,466	37,881	-	551,347
Downtown Development Authority capital assets, net	\$1,290,905	\$ (37,881)	\$ -	\$1,253,024

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Governmental Activities	
General government	\$ 45,798
Public safety	140,258
Public works	51,522
Culture and recreation	48,661
	48,661
Total depreciation expense - governmental activities	\$286,239
 Business-type Activities	
Sewer	\$141,065
Water	158,665
	158,665
Total depreciation expense - business- type activities	\$299,730

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2012 are as follows:

Transfers out:	Transfers in			
	General Fund	Capital Improvements	Non-Major Funds	Total
General	\$ -	\$180,000	\$190,000	\$370,000
Water Enterprise Fund	-	-	7,500	7,500
Non-major Funds	1,099	-	121,892	122,991
	\$1,099	\$180,000	\$319,392	\$500,491

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

6. DEFINED BENEFIT PENSION PLAN

Plan Description

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

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

For the year ended June 30, 2012, the City's annual pension cost of \$188,477 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year (1% per year for 2011 through 2014) compounded annually based on inflation, plus from 0 to 8.4% percent based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a 10 year period at the rate of 10% per year. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the latest actuarial valuation, was 28 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>
2010	\$207,508	100%	\$ -
2011	250,587	100%	-
2012	188,477	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>
12/31/10	\$4,502,640	\$5,691,528	\$1,188,888	79%	\$1,667,839	71%

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2012.

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</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%	\$ 340,000	\$ -	\$ 80,000	\$ 260,000	\$ 85,000
2006 Community cabin installment note, payable in semi-annual installments of \$8,575 to \$11,849 through 2016, plus interest at 3.84%	108,931	-	20,161	88,770	20,943
2009 Capital Improvement bonds, payable in annual installments of \$25,000 to \$95,000 from 2013 through 2023, plus interest at 3.50% to 4.25%	815,000	-	-	815,000	25,000
2009 Act 99 installment purchase, payable in annual installments of \$125,000 from 2012 through 2018 plus interest at 4.4%	875,000	-	125,000	750,000	125,000
2010 Act 99 installment note, payable in annual installments of \$33,834 through 2015 including interest at 2.7%	127,998	-	31,804	96,194	31,204
2010 Police Vehicle installment purchase agreement, payable in annual installments of \$16,679 through 2013 including interest at 6.75%	30,260	-	14,636	15,624	15,624
Total bonds/notes	2,297,189	-	271,601	2,025,588	302,771
Accrued employee benefits	144,490	20,200	-	164,690	-
Total Governmental Activities	\$2,441,679	\$ 20,200	\$271,601	\$2,190,278	\$302,771

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Business-type Activities					
1997 Water Supply System Revenue Bonds, payable in annual installments of \$35,000 to \$75,000 through 2013, plus interest at 5.25%- 7.0%	\$ 150,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
1999 Drinking Water Revolving Fund Loan, payable in annual installments of \$110,000 to \$150,000 through 2019, plus interest at 2.5%	1,120,000	-	130,000	990,000	130,000
Local Government Loan Program Revenue Refunding Bonds Series 2002B, payable in annual installments of \$115,000 to \$185,000 through 2013, plus interest at 2.0% to 3.625%	365,000	-	180,000	185,000	185,000
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	400,000	-	25,000	375,000	25,000
Total bonds	2,035,000	-	410,000	1,625,000	415,000
Unamortized discounts	(8,979)	-	(1,200)	(7,779)	-
Total bonds net of unamortized discount	2,026,021	-	408,800	1,617,221	415,000
Accrued employee benefits	78,130	-	11,007	67,123	-
Total Business-type Activities	\$2,104,151	\$ -	\$419,807	\$1,684,344	\$415,000
Component Unit					
Downtown Development Authority					
1997 Limited Tax Development Bonds, payable in annual installments of \$60,000 to \$95,000 through 2013, plus interest at 5%- 5.25%	\$185,000	\$ -	\$90,000	\$95,000	\$95,000

CITY OF ROCKFORD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 are as follows:

Year Ended <u>June 30</u>	Governmental Activities		Business-type Activities		Component Unit	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 302,771	\$ 84,133	\$ 415,000	\$ 50,056	\$ 95,000	\$ 4,988
2014	288,812	70,714	160,000	35,162	-	-
2015	295,531	58,138	165,000	30,781	-	-
2016	218,474	46,720	165,000	26,269	-	-
2017	195,000	37,699	175,000	21,655	-	-
2018-2022	535,000	90,310	465,000	44,760	-	-
2023-2024	190,000	8,076	80,000	3,231	-	-
Total	\$2,025,588	\$395,790	\$1,625,000	\$211,914	\$95,000	\$4,988

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.

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, 2012

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,226,000	\$ 2,226,000	\$ 2,206,380	\$ (19,620)
Intergovernmental revenues				
Federal	-	-	19,405	19,405
State	316,500	316,500	461,770	145,270
Local	71,000	71,000	51,000	(20,000)
Licenses and permits	60,700	60,700	71,559	10,859
Charges for services	59,300	59,300	75,860	16,560
Fines	2,400	2,400	2,143	(257)
Interest	15,000	15,000	8,628	(6,372)
Rents and easements	85,000	85,000	73,153	(11,847)
Miscellaneous	12,700	12,700	22,041	9,341
Total revenues	<u>2,848,600</u>	<u>2,848,600</u>	<u>2,991,939</u>	<u>143,339</u>
Expenditures				
Current				
General government	492,245	492,245	460,559	31,686
Public safety	1,344,800	1,344,800	1,264,142	80,658
Public works	463,300	498,300	473,188	25,112
Culture and recreation	144,125	146,125	127,597	18,528
Total expenditures	<u>2,444,470</u>	<u>2,481,470</u>	<u>2,325,486</u>	<u>155,984</u>
Revenues over (under) expenditure:	<u>404,130</u>	<u>367,130</u>	<u>666,453</u>	<u>(12,645)</u>
Other financing sources (uses)				
Transfers in	2,000	2,000	1,099	(901)
Transfers out	(330,000)	(370,000)	(370,000)	-
Total other financing sources (uses)	<u>(328,000)</u>	<u>(368,000)</u>	<u>(368,901)</u>	<u>(901)</u>
Net changes in fund balance	76,130	(870)	297,552	298,422
Fund balance, beginning of year	<u>1,449,440</u>	<u>1,449,440</u>	<u>1,449,440</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,525,570</u>	<u>\$ 1,448,570</u>	<u>\$ 1,746,992</u>	<u>\$ 298,422</u>

CITY OF ROCKFORD

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2012

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>
12/31/2008	\$ 3,838,197	\$ 5,289,205	\$ 1,451,008	72.57%	\$ 1,697,428	85.48%
12/31/2009	4,151,384	5,334,586	1,183,202	77.82%	1,693,915	69.85%
12/31/2010	4,502,640	5,691,528	1,188,888	79.11%	1,667,839	71.28%

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, 2012

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemetery</u>	<u>Debt Service</u>
Assets				
Cash and pooled investments	\$ 112,746	\$ 75,163	\$ 355,280	\$ -
Accrued interest receivable	88	-	240	-
Due from other governments	36,079	14,756	-	-
Prepaid items	<u>601</u>	<u>601</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 149,514</u>	<u>\$ 90,520</u>	<u>\$ 355,520</u>	<u>\$ -</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 2,389	\$ 782	\$ -	\$ -
Accrued liabilities	<u>1,310</u>	<u>1,310</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,699</u>	<u>2,092</u>	<u>-</u>	<u>-</u>
Fund balances				
Non-spendable				
Prepaid items	601	601	-	-
Restricted				
Streets	145,214	87,827	-	-
Cemetery	-	-	355,520	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>145,815</u>	<u>88,428</u>	<u>355,520</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 149,514</u>	<u>\$ 90,520</u>	<u>\$ 355,520</u>	<u>\$ -</u>

Capital Projects		Permanent	
Library Improvement	Library Projects	Library Endowment	Total
\$ 1,428	\$ 32,943	\$ -	\$ 577,560
1	12	-	341
-	-	-	50,835
-	68	-	1,270
<u>\$ 1,429</u>	<u>\$ 33,023</u>	<u>\$ -</u>	<u>\$ 630,006</u>
\$ -	\$ 41	\$ -	\$ 3,212
-	129	-	2,749
-	170	-	5,961
-	68	-	1,270
-	-	-	233,041
-	-	-	355,520
1,429	32,785	-	34,214
<u>1,429</u>	<u>32,853</u>	<u>-</u>	<u>624,045</u>
<u>\$ 1,429</u>	<u>\$ 33,023</u>	<u>\$ -</u>	<u>\$ 630,006</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Cemetery</u>	<u>Debt Service</u>
Revenues				
Intergovernmental revenues				
State	\$ 218,506	\$ 89,969	\$ -	\$ -
Local	-	-	-	-
Interest	197	12	1,099	-
Miscellaneous	-	-	11,700	-
Total revenues	<u>218,703</u>	<u>89,981</u>	<u>12,799</u>	<u>-</u>
Expenditures				
Current				
Public works	79,349	212,926	-	-
Culture and recreation	-	-	-	-
Debt Service				
Principal	-	-	-	80,000
Interest	-	-	-	49,392
Total expenditures	<u>79,349</u>	<u>212,926</u>	<u>-</u>	<u>129,392</u>
Revenues over (under) expenditures	<u>139,354</u>	<u>(122,945)</u>	<u>12,799</u>	<u>(129,392)</u>
Other financing sources (uses)				
Transfers in	-	175,000	-	129,392
Transfers out	(60,946)	(60,946)	(1,099)	-
Total other financing sources (uses)	<u>(60,946)</u>	<u>114,054</u>	<u>(1,099)</u>	<u>129,392</u>
Net changes in fund balances	78,408	(8,891)	11,700	-
Fund balances, beginning of year	<u>67,407</u>	<u>97,319</u>	<u>343,820</u>	<u>-</u>
Fund balances, end of year	<u>\$ 145,815</u>	<u>\$ 88,428</u>	<u>\$ 355,520</u>	<u>\$ -</u>

Capital Projects		Permanent	
Library Improvement	Library Projects	Library Endowment	Total
\$ -	\$ -	\$ -	\$ 308,475
-	8,560	-	8,560
5	73	407	1,793
-	249	-	11,949
<u>5</u>	<u>8,882</u>	<u>407</u>	<u>330,777</u>
-	-	-	292,275
-	26,175	162,759	188,934
-	-	-	80,000
-	-	-	49,392
-	26,175	162,759	610,601
<u>5</u>	<u>(17,293)</u>	<u>(162,352)</u>	<u>(279,824)</u>
-	15,000	-	319,392
-	-	-	(122,991)
-	15,000	-	196,401
5	(2,293)	(162,352)	(83,423)
<u>1,424</u>	<u>35,146</u>	<u>162,352</u>	<u>707,468</u>
<u>\$ 1,429</u>	<u>\$ 32,853</u>	<u>\$ -</u>	<u>\$ 624,045</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 175,000	\$ 175,000	\$ 218,506	\$ 43,506
Interest	500	500	197	(303)
Total revenues	<u>175,500</u>	<u>175,500</u>	<u>218,703</u>	<u>43,203</u>
Expenditures				
Public works				
Routine maintenance	70,920	70,920	44,659	26,261
Traffic control	8,765	8,765	8,712	53
Winter maintenance	21,410	21,410	13,389	8,021
Administration	12,530	14,530	12,589	1,941
Total expenditures	<u>113,625</u>	<u>115,625</u>	<u>79,349</u>	<u>36,276</u>
Revenues over (under) expenditures	61,875	59,875	139,354	79,479
Other financing sources (uses)				
Transfers out	(65,000)	(65,000)	(60,946)	4,054
Net changes in fund balance	(3,125)	(5,125)	78,408	83,533
Fund balance, beginning of year	<u>67,407</u>	<u>67,407</u>	<u>67,407</u>	<u>-</u>
Fund balance, end of year	<u>\$ 64,282</u>	<u>\$ 62,282</u>	<u>\$ 145,815</u>	<u>\$ 83,533</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 70,000	\$ 70,000	\$ 89,969	\$ 19,969
Interest	400	400	12	(388)
Total revenues	<u>70,400</u>	<u>70,400</u>	<u>89,981</u>	<u>19,581</u>
Expenditures				
Public works				
Construction	40,000	130,000	126,786	3,214
Routine maintenance	67,620	67,620	55,919	11,701
Traffic control	3,887	5,887	4,373	1,514
Winter maintenance	22,760	22,760	13,258	9,502
Administration	12,650	14,650	12,590	2,060
Total expenditures	<u>146,917</u>	<u>240,917</u>	<u>212,926</u>	<u>27,991</u>
Revenues over (under) expenditures	<u>(76,517)</u>	<u>(170,517)</u>	<u>(122,945)</u>	<u>47,572</u>
Other financing sources (uses)				
Transfers in	135,000	175,000	175,000	-
Transfers out	<u>(61,000)</u>	<u>(61,000)</u>	<u>(60,946)</u>	<u>54</u>
Total other financing sources (uses)	<u>74,000</u>	<u>114,000</u>	<u>114,054</u>	<u>54</u>
Net changes in fund balance	(2,517)	(56,517)	(8,891)	47,626
Fund balance, beginning of year	<u>97,319</u>	<u>97,319</u>	<u>97,319</u>	<u>-</u>
Fund balance, end of year	<u>\$ 94,802</u>	<u>\$ 40,802</u>	<u>\$ 88,428</u>	<u>\$ 47,626</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 1,500	\$ 1,500	\$ 1,099	\$ (401)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>11,700</u>	<u>(3,300)</u>
Total revenues	16,500	16,500	12,799	(3,701)
Expenditures				
Current				
General government	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Revenues over (under) expenditures	6,500	6,500	12,799	6,299
Other financing sources (uses)				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,099)</u>	<u>401</u>
Net changes in fund balance	5,000	5,000	11,700	6,700
Fund balance, beginning of year	<u>343,820</u>	<u>343,820</u>	<u>343,820</u>	<u>-</u>
Fund balance, end of year	<u>\$ 348,820</u>	<u>\$ 348,820</u>	<u>\$ 355,520</u>	<u>\$ 6,700</u>

CITY OF ROCKFORD
FIDUCIARY FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Agency Funds</u>			<u>Total</u>
	<u>Arts Commission</u>	<u>Trust and Agency</u>	<u>Imprest Payroll</u>	
Assets				
Cash and pooled investments	\$ 56,720	\$ 57	\$ 566	\$ 57,343
Interest receivable	<u>39</u>	<u>4</u>	<u>53</u>	<u>96</u>
Total assets	<u>\$ 56,759</u>	<u>\$ 61</u>	<u>\$ 619</u>	<u>\$ 57,439</u>
Liabilities				
Payroll taxes and withholdings	\$ -	\$ -	\$ 619	\$ 619
Due to other governmental units	-	61	-	61
Due to other entities	<u>56,759</u>	<u>-</u>	<u>-</u>	<u>56,759</u>
Total liabilities	<u>\$ 56,759</u>	<u>\$ 61</u>	<u>\$ 619</u>	<u>\$ 57,439</u>

CITY OF ROCKFORD

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

JUNE 30, 2012

	<u>Governmental Fund Types</u>			<u>Adjustments</u>	<u>Statement of Net Assets</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>		
Assets					
Cash and pooled investments	\$ 57,458	\$ -	\$ 57,458	\$ -	\$ 57,458
Accrued interest receivable	40	-	40	-	40
Capital assets, net	-	-	-	1,253,024	1,253,024
Total assets	<u>\$ 57,498</u>	<u>\$ -</u>	<u>\$ 57,498</u>	<u>1,253,024</u>	<u>1,310,522</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 33	\$ -	\$ 33	-	33
Accrued liabilities	-	-	-	2,044	2,044
Noncurrent liabilities					
Due within one year	-	-	-	95,000	95,000
Due in more than one year	-	-	-	-	-
Total liabilities	33	-	33	<u>97,044</u>	<u>97,077</u>
Fund balances					
Unreserved					
Undesignated	<u>57,465</u>	<u>-</u>	<u>57,465</u>		
Total liabilities and fund balances	<u>\$ 57,498</u>	<u>\$ -</u>	<u>\$ 57,498</u>		
Net assets					
Unrestricted					<u>\$ 1,213,445</u>

CITY OF ROCKFORD

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

FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
Revenues					
Taxes	\$ 206,382	\$ -	\$ 206,382	\$ -	\$ 206,382
Interest	592	-	592	-	592
	<u>206,974</u>	<u>-</u>	<u>206,974</u>	<u>-</u>	<u>206,974</u>
Expenditures					
Current					
General government	108,310	-	108,310	37,881	146,191
Debt service					
Principal	-	90,000	90,000	(90,000)	-
Interest	-	10,013	10,013	(1,937)	8,076
	<u>108,310</u>	<u>100,013</u>	<u>208,323</u>	<u>(54,056)</u>	<u>154,267</u>
Revenues over (under) expenditures	<u>98,664</u>	<u>(100,013)</u>	<u>(1,349)</u>	<u>(54,056)</u>	<u>52,707</u>
Other financing sources (uses)					
Transfers in	-	100,013	100,013	-	100,013
Transfers out	(100,013)	-	(100,013)	-	(100,013)
Total other financing sources (uses)	<u>(100,013)</u>	<u>100,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(1,349)	-	(1,349)	1,349	
Change in net assets				(52,707)	52,707
Fund balances/net assets, beginning of year	<u>58,814</u>	<u>-</u>	<u>58,814</u>		<u>1,160,738</u>
Fund balances/net assets, end of year	<u>\$ 57,465</u>	<u>\$ -</u>	<u>\$ 57,465</u>		<u>\$ 1,213,445</u>

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Continuing Disclosure Filing

City of Rockford, Michigan

Fiscal Year Ended
June 30, 2012

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, 2011 – June 30, 2012

*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, 2009 Through 2013

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
2007	2008	2009	\$216,057,264	\$8,894,962	\$224,952,226	1.10%
2008	2009	2010	214,238,518	8,188,991	222,427,509	(.09)
2009	2010	2011	218,984,209	3,813,931	222,798,140	(1.71)
2010	2011	2012	212,926,329	1,634,500	214,560,829	(3.70)
2011	2012	2013	207,524,596	1,313,950	208,838,546	(2.67)

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2013 (2)..... \$36,516.62

(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, 2009 Through 2013

Use	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Agriculture/DNR	\$	\$	\$ 99,437	\$ 101,126	\$
Commercial	46,513,996	46,153,983	44,675,863	42,686,834	40,598,373
Industrial.....	42,415,145	43,476,382	49,818,638	43,107,454	41,983,373
Residential	134,078,585	130,746,844	126,162,702	126,640,215	124,230,200
Utility.....	1,944,500	2,050,300	2,041,500	2,025,200	2,026,600
	<u>\$ 224,952,226</u>	<u>\$ 222,427,509</u>	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>
Class	2009	2010	2011	2012	2013
Real Property	\$ 196,547,726	\$ 193,337,359	\$ 192,881,240	\$ 191,074,255	\$ 184,302,546
Personal Property	28,404,500	29,090,150	29,916,900	23,486,574	24,536,000
	<u>\$ 224,952,226</u>	<u>\$ 222,427,509</u>	<u>\$ 222,798,140</u>	<u>\$ 214,560,829</u>	<u>\$ 208,838,546</u>

Source: City of Rockford

City of Rockford
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2009 Through 2013

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
2007	2008	2009	234,411,300	17,976,700	252,388,000	(0.05)%
2008	2009	2010	226,151,600	16,407,100	242,558,700	(3.89)
2009	2010	2011	225,476,900	7,627,900	233,104,800	(3.90)
2010	2011	2012	220,716,700	3,269,000	223,985,700	(3.90)
2011	2012	2013	211,331,800	2,627,900	213,959,700	(4.48)

Per Capita Total SEV for the Fiscal Year Ending June 30, 2013 (2)\$37,412.09

(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, 2009 Through 2013

Use	Fiscal Years Ended or Ending June 30				
	2009	2010	2011	2012	2013
Agriculture/DNR	\$ 102,700	\$ 102,400	\$ 102,700	\$ 102,400	\$ 102,700
Commercial	51,053,400	49,543,600	47,675,700	44,868,200	41,618,500
Industrial	54,547,400	54,160,400	52,168,100	45,325,000	42,864,700
Residential	144,842,700	136,804,400	131,116,800	131,664,900	127,449,900
Utility.....	1,944,500	2,050,300	2,041,500	2,025,200	2,026,600
	<u>\$ 252,388,000</u>	<u>\$ 242,558,700</u>	<u>\$ 233,104,800</u>	<u>\$ 223,985,700</u>	<u>\$ 213,959,700</u>
Class	2009	2010	2011	2012	2013
Real Property	\$ 221,530,200	\$ 211,329,700	\$ 203,194,800	\$ 198,875,600	\$ 189,435,500
Personal Property.....	30,857,800	31,229,000	29,910,000	25,110,100	24,524,200
	<u>\$ 252,388,000</u>	<u>\$ 242,558,700</u>	<u>\$ 233,104,800</u>	<u>\$ 223,985,700</u>	<u>\$ 213,959,700</u>

Source: City of Rockford

Tax Abatement

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

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

The City has established goals, objectives and procedures to provide the opportunity for industrial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$2,627,900 for the fiscal year ending June 30, 2013. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$1,313,950 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Rockford
Maximum Property Tax Rates
Fiscal Year Ending June 30, 2013**

<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, 2009 Through 2013**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating</u>
2008	2009	10.9000
2009	2010	10.9000
2010	2011	10.9000
2011	2012	10.9000
2012	2013	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, 2008 Through 2012**

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Rockford	\$10.9000	\$10.9000	\$10.9000	\$10.9000	\$10.9000
Kent County	5.3537	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	9.4949	9.4817	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>\$39.1054</u>	<u>\$39.1325</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, 2008 Through 2012

<u>Governmental Unit</u>	Fiscal Year Ended or Ending June 30				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	27.4817	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>\$57.1325</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, 2008 Through 2012

July 1	Fiscal Years		Collections	Percent
<u>Levy</u>	Ended or Ending	<u>Tax Levy(1)</u>	to March 1	<u>Collected</u>
	<u>June 30</u>		<u>Following Levy</u>	
2007	2008	\$2,300,000	\$2,229,041	96.91%
2008	2009	2,340,000	2,270,812	97.04
2009	2010	2,330,000	2,235,703	95.95
2010	2011	2,315,000	2,279,361	98.46
2011	2012	2,301,452	2,249,322	97.73

(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, 2013**

<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.....	\$19,424,999	9.30%
Jade Pig Ventures	Shopping Center	3,276,500	1.57
Byrne Electrical Spec.	Electrical Services.....	4,209,000	2.02
ITW Dahti Seating	Industrial Mfg. - Furniture	3,672,918	1.76
MVP Athletic Club.....	Health Club, Medical Offices & Retail.....	2,933,500	1.40
Klein Plastics Company LLC	Plastics	2,504,100	1.20
Koetje Investors	Apartments	2,111,700	1.01
Rockford Center Holdings.....	New Home Development.....	1,470,400	0.70
Consumers Energy.....	Utility	1,193,853	0.57
DJG Properties	Real Estate Development.....	<u>1,160,000</u>	<u>0.56</u>
		<u>\$41,956,970</u>	20.09%

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

(2)Based on \$208,838,546 which is the City's Total Taxable Value for its fiscal year ending June 30, 2013. 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, 2009 Through 2013**

	<u>Fiscal Year Ended or Ending June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 (1)</u>	<u>2013 (2)</u>
Constitutional Revenue Sharing	\$303,133	\$ 293,846	\$ 385,832	\$ 404,870	\$ 412,776
Statutory Revenue Sharing/EVIP ..	<u>73,895</u>	<u>41,483</u>	<u>-0-</u>	<u>28,141</u>	<u>28,141</u>
Total State Shared Revenues	<u>\$ 377,028</u>	<u>\$ 335,329</u>	<u>\$ 385,832</u>	<u>\$ 433,011</u>	<u>\$ 440,917</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, 2012.

Debt Limit (1)		\$21,395,970
Debt Outstanding (2)	\$12,344,065	
Less: Exempt Debt (3)	<u>9,232,247</u>	<u>3,111,818</u>
Legal Debt Margin		<u>\$18,284,152</u>

(1) 10% of \$213,959,700 which is the City's Total SEV for the fiscal year ending June 30, 2013. 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, 2012. 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 August __, 2012 (Limited Tax) (5)	\$ 744,279	\$ 744,279	\$ -0-
Dated January 30, 2007 (Limited Tax) (4)	888,863	888,863	-0-
Dated November 21, 2006 (Limited Tax) (1) ...	6,116,889	6,116,889	-0-
Dated December 22, 2005 (Limited Tax) (2) ...	894,613	894,613	-0-
Dated June 1, 1998 (Limited Tax) (3)	<u>67,603</u>	<u>67,603</u>	<u>-0-</u>
Subtotal	<u>\$ 8,712,247</u>	<u>\$ 8,712,247</u>	<u>\$ -0-</u>
Capital Improvement Bonds:			
Dated July 8, 2008 (Limited Tax)	\$ 815,000	\$ 815,000	\$ -0-
Dated April 1, 2003 (Limited Tax)	<u>350,000</u>	<u>-0-</u>	<u>350,000</u>
Subtotal	<u>\$ 1,165,000</u>	<u>\$ 815,000</u>	<u>\$ 350,000</u>
Downtown Development Authority Bonds:			
Dated November 1, 1997 (Limited Tax)	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ -0-</u>
Michigan Transportation Fund:			
Dated August 1, 1999 (Limited Tax)	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ -0-</u>
Water Revenue Bonds:			
Dated September 29, 1998 (Limited Tax)	\$ 990,000	\$ 990,000	\$ -0-
Dated December 1, 1997	<u>75,000</u>	<u>75,000</u>	<u>-0-</u>
Subtotal	<u>\$ 1,065,000</u>	<u>\$ 1,065,000</u>	<u>\$ -0-</u>
Sewer Revenue Bonds:			
Dated November 1, 2002 (Limited Tax)	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ -0-</u>
Subtotal	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ -0-</u>

Installment Purchase Obligations:	\$ 96,194	\$ -0-	\$ 96,194
2010 Installment Note	15,624	-0-	15,624
2010 Police Vehicle Agreement.....	<u>750,000</u>	<u>-0-</u>	<u>750,000</u>
2009 Installment Purchase Contract	\$ 861,818	\$ -0-	\$ 861,818
Subtotal			
	<u>\$ 12,344,065</u>	<u>\$ 11,132,247</u>	<u>\$1,211,818</u>
Total			

Per Capita Net City Direct Debt (6) \$211.89
Percent of Net Direct Debt to Total SEV (7) 0.57%

<u>Overlapping Debt (8)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Kent County.....	\$ 180,110,000	1.04%	\$ 1,873,144
Grand Rapids Community College.....	44,935,000	1.01	453,844
Rockford School District	<u>110,110,000</u>	13.95	<u>14,104,845</u>
Totals.....	<u>\$ 335,155,000</u>		<u>\$16,431,833</u>

Per Capita Net Overlapping Debt (6) \$2,873.20
Percent of Net Overlapping Debt to Total SEV (7)..... 7.68%

Per Capita Net Direct and Overlapping Debt (6)..... \$3,085.09
Percent of Net Direct and Overlapping Debt to Total SEV (7)..... 8.25%

- (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) The Bonds described herein. Preliminary, subject to change.
- (6) Based on the City's 2010 census population of 5,719.
- (7) Based on \$213,959,700 which is the City's Total SEV for the fiscal year ending June 30, 2013. 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 57% of the City's 30 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>
Service Employees International Union	5	June 30, 2013
Rockford Police Officers Association	12	June 30, 2013
Non-Union Employees	<u>13</u>	Not Applicable
Total City Employees.....	<u>30</u>	

Source: City of Rockford.