

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Rockford	County Kent
Fiscal Year End June 30, 2007	Opinion Date August 10, 2007	Date Audit Report Submitted to State August 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

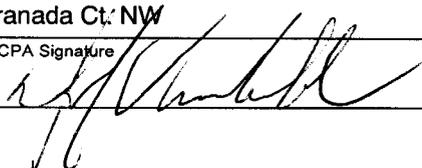
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	no items noted to include	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616-446-7474	
Street Address 4001 Granada Ct. NW		City Grand Rapids	State Zip MI 49534
Authorizing CPA Signature 	Printed Name Douglas J. Vredeveld		License Number 21289



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

# CITY OF ROCKFORD

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**INDEPENDENT AUDITORS' REPORT**

August 10, 2007

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Vredeveld Haefner LLC*

## 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, 2007. 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

- Issued \$400,000 in capital improvement bonds to expand and improve Pepler Park.
- Installed security cameras and a wireless hotspot downtown to cover the Rockford Dam area.
- Began the \$1.2 million dollar Main Street reconstruction project including underground utilities. The project is partially funded through a federal grant of \$560,000 and a Local Jobs Today grant of \$127,000.
- Continued our local street resurfacing program with over \$100,000 in improvements to several local streets.
- Received a \$127,000 federal grant for the fire department to install an air bottle refilling station and purchased new air packs for the department.
- Completed the first of two new "gateway" projects to welcome residents to the City.

### 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 ten 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 are considered to be major funds 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 resource 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 is limited to this management discussion and analysis.

## 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 \$11,917,702 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$3,052,888	\$2,791,960	\$2,766,244	\$3,014,398	\$ 5,819,132	\$ 5,806,358
Capital assets	4,215,515	3,273,889	7,410,185	7,243,816	11,625,700	10,517,705
<b>Total assets</b>	<b>7,268,403</b>	<b>6,065,849</b>	<b>10,176,429</b>	<b>10,258,214</b>	<b>17,444,832</b>	<b>16,324,063</b>
Long-term liabilities outstanding	1,385,269	1,144,780	3,722,470	4,124,709	5,107,739	5,269,489
Other liabilities	194,996	114,833	224,395	181,584	419,391	296,417
<b>Total liabilities</b>	<b>1,580,265</b>	<b>1,259,613</b>	<b>3,946,865</b>	<b>4,306,293</b>	<b>5,527,130</b>	<b>5,565,906</b>
Net assets						
Invested in capital assets, net						
of related debt	2,984,862	2,251,312	3,764,989	3,190,890	6,749,851	5,442,202
Restricted	1,396,936	1,517,900	-	-	1,396,936	1,517,900
Unrestricted	1,306,340	1,037,024	2,464,575	2,761,031	3,770,915	3,798,055
<b>Total net assets</b>	<b>\$5,688,138</b>	<b>\$4,806,236</b>	<b>\$6,229,564</b>	<b>\$5,951,921</b>	<b>\$11,917,702</b>	<b>\$10,758,157</b>

Net assets of the City increased by \$1,159,545 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$277,643 was primarily the result of increased revenues from operations. The governmental activities increase in net assets of \$881,902 is primarily due to a combination of stable property tax revenue, receipt of grants and significant additions to capital assets.

## Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue						
Charges for Services	\$ 145,432	\$ 161,648	\$2,656,988	\$2,619,401	\$ 2,802,420	\$ 2,781,049
Operating grants and contributions	343,633	82,842	-	-	343,633	82,842
Capital grants and contributions	333,705	-	-	-	333,705	-
General revenue						
Property taxes	2,243,074	2,158,435	-	-	2,243,074	2,158,435
Other governmental sources	426,363	677,882	-	-	426,363	677,882
Other	402,710	246,013	168,079	93,008	570,789	339,021
<b>Total revenue</b>	<b>3,894,917</b>	<b>3,326,820</b>	<b>2,825,067</b>	<b>2,712,409</b>	<b>6,719,984</b>	<b>6,039,229</b>
<b>Expenses</b>						
Legislative						
General government	540,665	542,186	-	-	540,665	542,186
Public Safety	1,491,663	1,550,204	-	-	1,491,663	1,550,204
Public works	738,982	592,820	-	-	738,982	592,820
Culture and recreation	182,930	157,406	-	-	182,930	157,406
Interest	58,775	41,849	-	-	58,775	41,849
Sewer	-	-	1,609,534	1,307,199	1,609,534	1,307,199
Water	-	-	937,890	875,001	937,890	875,001
<b>Total expenses</b>	<b>3,013,015</b>	<b>2,884,465</b>	<b>2,547,424</b>	<b>2,182,200</b>	<b>5,560,439</b>	<b>5,066,665</b>
Increase in net assets	881,902	442,355	277,643	530,209	1,159,545	972,564
<b>Net assets-beginning of year</b>	<b>4,806,236</b>	<b>4,363,881</b>	<b>5,951,921</b>	<b>5,421,712</b>	<b>10,758,157</b>	<b>9,785,593</b>
<b>Net assets end of year</b>	<b>\$5,688,138</b>	<b>\$4,806,236</b>	<b>\$6,229,564</b>	<b>\$5,951,921</b>	<b>\$11,917,702</b>	<b>\$10,758,157</b>

**Governmental Activities.** During the year the City invested \$1,491,663 or 50% of governmental activities expenses in public safety. Public Works, which includes major and local streets was \$738,982 or 24% of governmental activities expenses while general government, culture and recreation and interest on long-term debt made up the remaining 26% of governmental activities expenses.

**Business-type Activities.** Business-type activities increased the City's net assets by \$277,643, accounting for 24% 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 \$530,209. Key elements of this decrease are as follows:

- A significant amount of repairs were completed on well #3 during the year.
- Additional contractual debt payments to the North Kent Sewer Authority began during the 2007 fiscal year.

## 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, *unreserved 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 \$2,877,416, an increase of \$183,655 in comparison with the prior year. Of the \$2,877,416, \$1,861,094 is unrestricted. The remaining amount of fund balance is 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, unreserved fund balance of the general fund was \$1,360,749 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 47% of total general fund expenditures.

The fund balance of the City's general fund increased by \$184,888 during the current fiscal year.

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

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$1,413,418 and \$1,321,157, respectively. The sewer fund had an increase in net assets for the year of \$103,758 and the water fund had an increase of \$173,885. 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, 2007, amounted to \$11,625,700 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of Pepler park improvements, the Main Street project and sewer and water system improvements.

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

<b>Capital Assets</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$1,184,094	\$ 96,621	\$ 1,280,715
Buildings, Equipment and Infrastructure	3,031,421	7,313,564	10,344,985
<b>Total</b>	<b>\$4,215,515</b>	<b>\$7,410,185</b>	<b>\$11,625,700</b>

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

**Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$5,107,739 summarized as follows:

<b>Debt</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Accrued employee benefits	\$ 154,616	\$ 77,274	\$ 231,890
Notes payable	610,653	-	610,653
Bonds payable	620,000	3,645,196	4,265,196
<b>Total</b>	<b>\$1,385,269</b>	<b>\$3,722,470</b>	<b>\$5,107,739</b>

The City's issued a note payable of \$400,000 and made debt payments totaling \$601,924 during the year. Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

### **General Fund Budgetary Highlights**

- The general fund had no significant budget changes. No departmental budget amendments were required. Expenses were held in check and revenues exceeded projections.
- The major street fund was amended to include a large transfer to local streets to pay for the local street resurfacing program. The City received a local jobs today grant of \$127,000 which allowed us to make this transfer.

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

The following factors were considered in preparing the City's budget for the 2007-08 fiscal year:

- The City of Rockford maintained its millage rate, at 10.9 mills, which is one of the lowest rates among local Cities which do not levy an income tax.
- A 3% salary increase was included in all departments, including unions.
- Property values in the City showed a small decline in some areas due to the recent housing slump in the State of Michigan.
- Pension and health insurance costs were projected to increase by 8%.
- The employee contribution to health care costs will increase to 5% during this fiscal year.
- The population of the City continues to expand as evidenced by our mid-decade census which showed over a 10% increase from 2000 numbers.
- Projects budgeted for next fiscal year include phase two of the Rouge River Nature Trail, camera expansion, city hall updates, new police cruisers, the completion of the Main street reconstruction project and siren upgrades.

### **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, 2007**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Economic Development Corporation
<b>Assets</b>					
Cash and pooled investments	\$ 2,769,397	\$ 2,072,832	\$ 4,842,229	\$ 13,792	\$ 5,408
Accounts receivable	72,466	448,688	521,154	745	-
Special assessments receivable	-	87,329	87,329	-	-
Accrued interest receivable	72,585	57,395	129,980	363	142
Due from other governments	115,704	-	115,704	-	-
Inventory	22,736	-	22,736	-	-
Restricted cash and pooled investments	-	100,000	100,000	-	-
Capital assets					
Land	1,184,094	96,621	1,280,715	-	-
Depreciable capital assets, net	3,031,421	7,313,564	10,344,985	1,252,278	-
<b>Total assets</b>	<b>7,268,403</b>	<b>10,176,429</b>	<b>17,444,832</b>	<b>1,267,178</b>	<b>5,550</b>
<b>Liabilities</b>					
Accounts payable	121,540	175,132	296,672	-	-
Accrued liabilities	73,456	49,263	122,719	10,651	-
Noncurrent liabilities					
Compensated absences	154,616	77,274	231,890	-	-
Due within one year	197,667	420,000	617,667	70,000	-
Due in more than one year	1,032,986	3,240,000	4,272,986	425,000	-
Unamortized bond discount	-	(14,804)	(14,804)	-	-
<b>Total liabilities</b>	<b>1,580,265</b>	<b>3,946,865</b>	<b>5,527,130</b>	<b>505,651</b>	<b>-</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	2,984,862	3,764,989	6,749,851	-	-
Restricted for					
Library	63,054	-	63,054	-	-
Capital Improvements	532,505	-	532,505	-	-
Major streets	270,078	-	270,078	-	-
Local streets	86,991	-	86,991	-	-
Cemetery	292,240	-	292,240	-	-
Permanent trusts					
Library endowment - expendable portion	3,898	-	3,898	-	-
Library endowment - corpus	148,170	-	148,170	-	-
Unrestricted	1,306,340	2,464,575	3,770,915	761,527	5,550
<b>Total net assets</b>	<b>\$ 5,688,138</b>	<b>\$ 6,229,564</b>	<b>\$ 11,917,702</b>	<b>\$ 761,527</b>	<b>\$ 5,550</b>

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

**CITY OF ROCKFORD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities					
General government	\$ 540,665	\$ 93,378	\$ -	\$ -	\$ (447,287)
Public safety	1,491,663	10,984	60,034	154,566	(1,266,079)
Public works	738,982	-	272,933	179,139	(286,910)
Culture and recreation	182,930	41,070	10,666	-	(131,194)
Interest on long-term debt	58,775	-	-	-	(58,775)
<b>Total governmental activities</b>	<b>3,013,015</b>	<b>145,432</b>	<b>343,633</b>	<b>333,705</b>	<b>(2,190,245)</b>
Business-type activities					
Sewer	1,609,534	1,648,240	-	-	38,706
Water	937,890	1,008,748	-	-	70,858
<b>Total business-type activities</b>	<b>2,547,424</b>	<b>2,656,988</b>	<b>-</b>	<b>-</b>	<b>109,564</b>
<b>Total primary government</b>	<b>\$ 5,560,439</b>	<b>\$ 2,802,420</b>	<b>\$ 343,633</b>	<b>\$ 333,705</b>	<b>\$ (2,080,681)</b>
<b>Component units</b>					
Downtown Development Authority	\$ 137,191	\$ -	\$ -	\$ -	\$ (137,191)
Economic Development Corporation	1,000	4,000	-	-	3,000
<b>Total component units</b>	<b>\$ 138,191</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (134,191)</b>

(Continued)

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

**CITY OF ROCKFORD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Economic Development Corporation
<b>Changes in net assets</b>					
<b>Net (expense) revenue</b>	\$ (2,190,245)	\$ 109,564	\$ (2,080,681)	\$ (137,191)	\$ 3,000
General revenues					
Property taxes					
General operating	2,243,074	-	2,243,074	147,198	-
State shared revenues - unrestricted	426,363	-	426,363	-	-
Interest and rentals	339,910	164,493	504,403	3,117	324
Other revenue	62,800	3,586	66,386	-	-
Total general revenues	<u>3,072,147</u>	<u>168,079</u>	<u>3,240,226</u>	<u>150,315</u>	<u>324</u>
Change in net assets	881,902	277,643	1,159,545	13,124	3,324
Net assets, beginning of year, as restated	<u>4,806,236</u>	<u>5,951,921</u>	<u>10,758,157</u>	<u>748,403</u>	<u>2,226</u>
Net assets, end of year	<u>\$ 5,688,138</u>	<u>\$ 6,229,564</u>	<u>\$ 11,917,702</u>	<u>\$ 761,527</u>	<u>\$ 5,550</u>

(Concluded)

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

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

**JUNE 30, 2007**

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 1,241,237	\$ 489,097	\$ 1,039,063	\$ 2,769,397
Accounts receivable	72,466	-	-	72,466
Accrued interest receivable	32,638	12,866	27,081	72,585
Due from other governments	71,204	-	44,500	115,704
Inventory	22,736	-	-	22,736
<b>Total assets</b>	<u>\$ 1,440,281</u>	<u>\$ 501,963</u>	<u>\$ 1,110,644</u>	<u>\$ 3,052,888</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 27,215	\$ 1,618	\$ 92,707	\$ 121,540
Accrued liabilities	52,317	-	1,615	53,932
<b>Total liabilities</b>	<u>79,532</u>	<u>1,618</u>	<u>94,322</u>	<u>175,472</u>
<b>Fund balances</b>				
Reserved for				
Nonmajor permanent fund corpus	-	-	148,170	148,170
Unreserved				
Undesignated	1,360,749	500,345	-	1,861,094
Undesignated reported in nonmajor				
Special revenue funds	-	-	832,094	832,094
Capital Projects fund	-	-	32,160	32,160
Permanent fund	-	-	3,898	3,898
<b>Total fund balances</b>	<u>1,360,749</u>	<u>500,345</u>	<u>1,016,322</u>	<u>2,877,416</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,440,281</u>	<u>\$ 501,963</u>	<u>\$ 1,110,644</u>	<u>\$ 3,052,888</u>

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

# CITY OF ROCKFORD

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

JUNE 30, 2007

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<b>Fund balances - total governmental funds</b>	<b>\$ 2,877,416</b>
 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	1,184,094
Add - capital assets (net of accumulated depreciation)	3,031,421
 Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(154,616)
Deduct - bonds payable	(1,230,653)
Deduct - accrued interest on bonds payable	<u>(19,524)</u>
 <b>Net assets of governmental activities</b>	 <b><u>\$ 5,688,138</u></b>

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

**CITY OF ROCKFORD**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 2,243,074	\$ -	\$ -	\$ 2,243,074
Intergovernmental revenues				
Federal	-	127,800	145,965	273,765
State	431,388	-	306,107	737,495
Local	50,000	31,775	8,556	90,331
Licenses and permits	55,987	-	-	55,987
Charges for services	77,659	-	-	77,659
Fines	3,836	-	-	3,836
Interest and rentals	179,446	100,054	60,410	339,910
Miscellaneous	27,789	33,535	11,536	72,860
<b>Total revenues</b>	<u>3,069,179</u>	<u>293,164</u>	<u>532,574</u>	<u>3,894,917</u>
<b>Expenditures</b>				
Current				
General government	506,769	-	-	506,769
Public safety	1,390,522	-	-	1,390,522
Public works	406,266	-	563,620	969,886
Culture and recreation	107,459	-	47,330	154,789
Debt service				
Principal	-	131,924	60,000	191,924
Interest	-	22,759	33,126	55,885
Capital Outlay	-	841,487	-	841,487
<b>Total expenditures</b>	<u>2,411,016</u>	<u>996,170</u>	<u>704,076</u>	<u>4,111,262</u>
Revenues over (under) expenditures	<u>658,163</u>	<u>(703,006)</u>	<u>(171,502)</u>	<u>(216,345)</u>
Other financing sources (uses)				
Issuance of notes	-	400,000	-	400,000
Transfers in	12,725	336,000	338,126	686,851
Transfers out	(486,000)	-	(200,851)	(686,851)
<b>Total other financing sources (uses)</b>	<u>(473,275)</u>	<u>736,000</u>	<u>137,275</u>	<u>400,000</u>
Net changes in fund balances	184,888	32,994	(34,227)	183,655
<b>Fund balances, beginning of year</b>	<u>1,175,861</u>	<u>467,351</u>	<u>1,050,549</u>	<u>2,693,761</u>
<b>Fund balances, end of year</b>	<u>\$ 1,360,749</u>	<u>\$ 500,345</u>	<u>\$ 1,016,322</u>	<u>\$ 2,877,416</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, 2007

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<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 183,655</b>
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,107,160
Deduct - depreciation expense	(165,534)

Bond or note 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 note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - issuance of installment note	(400,000)
Add - principal payments on debt	191,924

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	(32,413)
Deduct - increase in accrued interest	(2,890)

<b>Change in net assets of governmental activities</b>	<b><u>\$ 881,902</u></b>
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The accompanying notes are an integral part of these financial statements.

# CITY OF ROCKFORD

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,243,000	\$ 2,243,000	\$ 2,243,074	\$ 74
Intergovernmental revenues				
State	434,321	434,321	431,388	(2,933)
Local	45,500	45,500	50,000	4,500
Licenses and permits	58,000	58,000	55,987	(2,013)
Charges for services	58,000	58,000	77,659	19,659
Fines	6,500	6,500	3,836	(2,664)
Interest and rentals	130,040	130,040	179,446	49,406
Miscellaneous	22,500	22,500	27,789	5,289
<b>Total revenues</b>	<u>2,997,861</u>	<u>2,997,861</u>	<u>3,069,179</u>	<u>71,318</u>
<b>Expenditures</b>				
Current				
General government	549,571	549,571	506,769	42,802
Public safety	1,458,680	1,458,180	1,390,522	67,658
Public works	404,700	404,700	406,266	(1,566)
Culture and recreation	107,620	108,120	107,459	661
<b>Total expenditures</b>	<u>2,520,571</u>	<u>2,520,571</u>	<u>2,411,016</u>	<u>109,555</u>
<b>Revenues over (under) expenditures</b>	477,290	477,290	658,163	(38,237)
Other financing sources (uses)				
Transfers in	9,010	9,010	12,725	3,715
Transfers out	(486,300)	(486,300)	(486,000)	300
<b>Total other financing sources (uses)</b>	<u>(477,290)</u>	<u>(477,290)</u>	<u>(473,275)</u>	<u>4,015</u>
<b>Net changes in fund balance</b>	-	-	184,888	184,888
<b>Fund balance, beginning of year</b>	<u>1,175,861</u>	<u>1,175,861</u>	<u>1,175,861</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,175,861</u>	<u>\$ 1,175,861</u>	<u>\$ 1,360,749</u>	<u>\$ 184,888</u>

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

# CITY OF ROCKFORD

## ENTERPRISE FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2007

<b>Assets</b>	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Current assets</b>			
Cash and pooled investments	\$ 1,060,190	\$ 1,012,642	\$ 2,072,832
Accounts receivable	236,712	211,976	448,688
Special assessments receivable	-	87,329	87,329
Accrued interest receivable	<u>27,977</u>	<u>29,418</u>	<u>57,395</u>
<b>Total current assets</b>	<u>1,324,879</u>	<u>1,341,365</u>	<u>2,666,244</u>
Restricted cash and pooled investments	<u>-</u>	<u>100,000</u>	<u>100,000</u>
<b>Capital assets</b>			
Land	2,500	94,121	96,621
Capital assets	4,203,264	6,678,495	10,881,759
Less accumulated depreciation	<u>(2,102,439)</u>	<u>(1,465,756)</u>	<u>(3,568,195)</u>
<b>Net capital assets</b>	<u>2,103,325</u>	<u>5,306,860</u>	<u>7,410,185</u>
<b>Total assets</b>	<u>3,428,204</u>	<u>6,748,225</u>	<u>10,176,429</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	134,262	40,870	175,132
Accrued liabilities	12,998	36,265	49,263
Current portion of long-term debt	<u>150,000</u>	<u>270,000</u>	<u>420,000</u>
<b>Total current liabilities</b>	<u>297,260</u>	<u>347,135</u>	<u>644,395</u>
<b>Long-term liabilities</b>			
Compensated absences	34,201	43,073	77,274
Bonds payable, net of current portion	855,000	2,385,000	3,240,000
Unamortized bond discount	<u>(13,779)</u>	<u>(1,025)</u>	<u>(14,804)</u>
<b>Total long-term liabilities</b>	<u>875,422</u>	<u>2,427,048</u>	<u>3,302,470</u>
<b>Total liabilities</b>	<u>1,172,682</u>	<u>2,774,183</u>	<u>3,946,865</u>
<b>Net assets</b>			
Investment in capital assets net of related debt	1,112,104	2,652,885	3,764,989
Unrestricted	<u>1,143,418</u>	<u>1,321,157</u>	<u>2,464,575</u>
<b>Total net assets</b>	<u>\$ 2,255,522</u>	<u>\$ 3,974,042</u>	<u>\$ 6,229,564</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, 2007**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Operating revenue</b>			
Charges for services	\$ 1,648,240	\$ 1,008,748	\$ 2,656,988
Other	481	3,105	3,586
<b>Total operating revenue</b>	<u>1,648,721</u>	<u>1,011,853</u>	<u>2,660,574</u>
<b>Operating expense</b>			
Personnel services	279,527	394,430	673,957
Professional and contractual services	1,105,382	81,254	1,186,636
Materials and supplies	14,602	38,839	53,441
Utilities	21,069	92,248	113,317
Repair and maintenance	332	77,987	78,319
Insurance and bonds	18,348	7,634	25,982
Equipment rentals	10,474	10,474	20,948
Depreciation	121,256	122,052	243,308
Miscellaneous	1,675	6,391	8,066
<b>Total operating expense</b>	<u>1,572,665</u>	<u>831,309</u>	<u>2,403,974</u>
Operating income (loss)	<u>76,056</u>	<u>180,544</u>	<u>256,600</u>
Non-operating revenue (expense)			
Interest income	64,571	99,922	164,493
Interest expense	(36,869)	(106,581)	(143,450)
<b>Total non-operating revenue (expense)</b>	<u>27,702</u>	<u>(6,659)</u>	<u>21,043</u>
Changes in net assets	103,758	173,885	277,643
<b>Net assets, beginning of year, as restated</b>	<u>2,151,764</u>	<u>3,800,157</u>	<u>5,951,921</u>
<b>Net assets, end of year</b>	<u>\$ 2,255,522</u>	<u>\$ 3,974,042</u>	<u>\$ 6,229,564</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, 2007**

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 1,668,135	\$ 1,010,487	\$ 2,678,622
Payments to employees	(276,755)	(385,798)	(662,553)
Payments to suppliers	<u>(1,170,828)</u>	<u>(278,983)</u>	<u>(1,449,811)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>220,552</u>	<u>345,706</u>	<u>566,258</u>
<b>Cash flows from capital and related financing activities</b>			
Interest expense	(35,669)	(105,511)	(141,180)
Cash received on special assessments	-	32,256	32,256
Principal on bonds	(145,000)	(265,000)	(410,000)
Acquisitions of capital assets	<u>(187,932)</u>	<u>(221,745)</u>	<u>(409,677)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(368,601)</u>	<u>(560,000)</u>	<u>(928,601)</u>
<b>Cash flows from investing activities</b>			
Interest income	<u>46,657</u>	<u>81,295</u>	<u>127,952</u>
<b>Net cash provided by (used in) investing activities</b>	<u>46,657</u>	<u>81,295</u>	<u>127,952</u>
Net increase (decrease) in cash and pooled investments	(101,392)	(132,999)	(234,391)
<b>Cash and pooled investments, beginning of year</b>	<u>1,161,582</u>	<u>1,245,641</u>	<u>2,407,223</u>
<b>Cash and pooled investments, end of year</b>	<u>\$ 1,060,190</u>	<u>\$ 1,112,642</u>	<u>\$ 2,172,832</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 76,056	\$ 180,544	\$ 256,600
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	121,256	122,052	243,308
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	19,414	(1,366)	18,048
Accounts payable	1,054	35,844	36,898
Accrued liabilities	342	5,571	5,913
Compensated absences	<u>2,430</u>	<u>3,061</u>	<u>5,491</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 220,552</u>	<u>\$ 345,706</u>	<u>\$ 566,258</u>

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

**CITY OF ROCKFORD**  
**AGENCY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

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	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and pooled investments	\$ 91,983
Interest receivable	<u>2,887</u>
<b>Total assets</b>	<b>\$ <u>94,870</u></b>
<b>Liabilities</b>	
Payroll taxes and withholdings	\$ 467
Due to other governmental units	29,956
Due to other entities	<u>64,447</u>
<b>Total liabilities</b>	<b>\$ <u>94,870</u></b>

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

**CITY OF ROCKFORD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Rockford, Michigan (the "City") was incorporated June 17, 1935, under the provisions of Act 279, P.A.1909, as amended (the Home Rule City Act). The City operates under a Council-Manager form of government and provides police and fire, highways and streets, sanitation, 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 as defined by GASB Statement No. 14). 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. The Authority has outstanding insured municipal bonds of approximately \$60,000,000 as of June 30, 2007. 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, 2007

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### **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, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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, 2007

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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 Projects 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 *Library Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of capital projects related to the library.

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.

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.

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.

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

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2007

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

#### ***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 year ended June 30, 2007. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

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

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

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

#### ***Statutory Authority***

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2007

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- 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 through 12/31/97.

#### ***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 \$2,500 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, 2007

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### ***Compensated Absences***

Under contracts and employment policy, employees are granted sick leave in varying amounts. At the end of each fiscal year, employees are paid for 50% of unused sick leave in excess of the amount allowed to be accumulated which is 72 days with the exception of police who have no limit. 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 considered immaterial.

### ***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.

### ***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.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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### **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, 2007, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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

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

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level. During the year ended June 30, 2007, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>General Fund</b>			
Public Works			
Department of public works	\$404,700	\$406,266	\$(1,566)
<b>Special Revenue Funds</b>			
Major Street Fund			
Administration	12,196	12,537	(341)
Local Street Fund			
Construction	50,000	153,414	(103,414)
Cemetery Fund			
Transfers out	6,000	9,003	(3,003)

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

### 3. DEPOSITS AND INVESTMENTS

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

Governmental activities	\$2,769,397
Business-type activities	2,172,832
Component units	19,200
Fiduciary funds	91,983
	<u>\$5,053,412</u>

Cash and pooled investments consist of the following at June 30, 2007:

Deposits	\$4,255,693
Investments	797,719
	<u>\$5,053,412</u>

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$4,552,088 of the City's bank balance of \$5,203,282 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### Investments

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

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Federal Home Loan Bank	11/08	\$498,280	Aaa/AAA	Moody's/S&P
Federal Home Loan Bank	2/10	299,439	Aaa/AAA	Moody's/S&P

#### 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. The maturity date for each investment is identified above for investments held at year-end.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2007

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds qualified 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. The rating for each investment is identified above for investments held at year end.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$797,719 of investments, the City has a custodial credit risk of \$797,719 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk 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 concentration of credit risk. All investments held at year-end are reported above.

#### 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$1,100,056	\$ 84,038	\$ -	\$1,184,094
<b>Capital assets, being depreciated</b>				
Building and improvements	1,921,207	695,486	-	2,616,693
Vehicles and equipment	1,277,403	28,828	-	1,306,231
Infrastructure	260,749	298,808	-	559,557
Total capital assets, being depreciated	3,459,359	1,023,122	-	4,482,481
Less accumulated depreciation				
Building and improvements	575,988	64,358	-	640,346
Vehicles and equipment	695,737	86,820	-	782,557
Infrastructure	13,801	14,356	-	28,157
Total accumulated depreciation	1,285,526	165,534	-	1,451,060
<b>Net capital assets, being depreciated</b>	<b>2,173,833</b>	<b>857,588</b>	<b>-</b>	<b>3,031,421</b>
<b>Governmental Activities capital assets, net</b>	<b>\$3,273,889</b>	<b>\$ 941,626</b>	<b>\$ -</b>	<b>\$4,215,515</b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2007**

**Business-type Activities**

<b>Capital assets, not being depreciated</b>			
Land	\$ 96,621	\$ -	\$ 96,621
<b>Capital assets, being depreciated</b>			
Mains and infrastructure	8,909,263	362,334	9,271,597
Storage tanks	1,268,272	-	1,268,272
Meters	82,169	25,548	107,717
Equipment	212,378	21,795	234,173
Total capital assets, being depreciated	10,472,082	409,677	10,881,759
Less accumulated depreciation			
Mains and infrastructure	2,778,468	205,733	2,984,201
Storage tanks	270,702	25,065	295,767
Meters	74,197	3,883	78,080
Equipment	201,520	8,627	210,147
Total accumulated depreciation	3,324,887	243,308	3,568,195
<b>Net capital assets, being depreciated</b>	7,147,195	166,369	7,313,564
<b>Business-type Activities capital assets, net</b>	<b>\$ 7,243,816</b>	<b>\$ 166,369</b>	<b>\$ - \$7,410,185</b>

**Component Units**

<b>Downtown Development Authority</b>			
Capital assets, being depreciated			
Buildings	\$1,580,836	\$ 40,214	\$ - \$1,621,050
Less accumulated depreciation			
Buildings	336,351	32,421	- 368,772
<b>Downtown Development Authority capital assets, net</b>	<b>\$ 1,244,485</b>	<b>\$ 7,793</b>	<b>\$ - \$1,252,278</b>

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

<b>Governmental Activities</b>	
General government	\$ 26,485
Public safety	81,112
Public works	29,796
Culture and recreation	28,141
<b>Total depreciation expense - governmental activities</b>	<b>\$ 165,534</b>
<b>Business-type Activities</b>	
Sewer	\$ 121,256
Water	122,052
<b>Total depreciation expense - business-type activities</b>	<b>\$ 243,308</b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

### 5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2007 are as follows:

Transfers out:	Transfers in			
	General Fund	Capital Improvements	Non-Major Funds	Total
General	\$ -	\$ 336,000	\$150,000	\$486,000
Non-major Funds	12,725	-	188,126	200,851
	<b>\$12,725</b>	<b>\$336,000</b>	<b>\$338,126</b>	<b>\$686,851</b>

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

### 6. DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

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

The City is required to contribute at an actuarially determined rate, which for the current year was 5.7% of annual covered payroll. 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 City depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2007, the City's annual pension cost of \$215,573 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 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 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 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, 2006, the date of the latest actuarial valuation, was 29 years.

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2007**

### Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$156,115	100%	\$ -
2006	171,898	100%	-
2007	215,573	100%	-

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$2,563,229	\$3,638,775	\$1,075,546	70%	\$1,654,686	65%
12/31/05	2,817,466	4,139,795	1,322,329	68%	1,622,177	82%
12/31/06	3,166,104	4,426,142	1,260,038	72%	1,703,391	74%

## 7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
<b>Governmental Activities</b>					
1999 Transportation Bonds, payable in annual installments of \$45,000 to \$90,000 through 2015, plus interest at 5.05%	\$ 680,000	\$ -	\$ 60,000	\$ 620,000	\$ 65,000
Fire truck installment note, payable in semi-annual installments of \$15,697 to \$18,692 through 2010, plus interest at 3.19%	142,577	-	34,250	108,327	35,352
2006 Community cabin installment note, payable in semi-annual installments of \$8,575 to \$11,849 through 2016, plus interest at 3.84%	200,000	-	17,674	182,326	17,315
2006 Peppler Park installment note. Payable in annual installments of \$80,000 through 2011, plus interest at 4.0%-4.5%	-	400,000	80,000	320,000	80,000
<b>Total bonds/notes</b>	<b>1,022,577</b>	<b>400,000</b>	<b>191,924</b>	<b>1,230,653</b>	<b>197,667</b>
Accrued employee benefits	122,203	32,413	-	154,616	-
<b>Total Governmental Activities</b>	<b>\$1,144,780</b>	<b>\$432,413</b>	<b>\$191,924</b>	<b>\$1,385,269</b>	<b>\$197,667</b>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
1990 Water Supply System Revenue Bonds, payable in annual installments of \$50,000 to \$60,000 through 2009, plus interest at 6.0% to 9.96%	\$ 175,000	\$ -	\$ 55,000	\$ 120,000	\$ 60,000
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%	525,000	-	75,000	450,000	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%	1,715,000	-	115,000	1,600,000	115,000
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%	1,150,000	-	145,000	1,005,000	150,000
2003 Capital Improvement Bonds, payable in annual installments of \$20,000 to \$40,000 through 2024, plus interest at 4.0% to 4.05%	505,000	-	20,000	485,000	20,000
	4,070,000	-	410,000	3,660,000	420,000
Unamortized discounts	(17,074)	-	(2,270)	(14,804)	(2,270)
Total bonds net of unamortized discount	4,052,926	-	407,730	3,645,196	417,730
Accrued employee benefits	71,783	5,491	-	77,274	-
<b>Total Business-type Activities</b>	<b>\$4,124,709</b>	<b>\$5,491</b>	<b>\$407,730</b>	<b>\$3,722,470</b>	<b>\$417,730</b>
<b>Component Unit</b>					
Downtown Development Authority					
1997 Limited Tax Development Bonds, payable in annual installments of \$60,000 to \$95,000 through 2013, plus interest at 5%-5.25%	\$ 560,000	\$ -	\$ 65,000	\$ 495,000	\$ 70,000

**CITY OF ROCKFORD**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2007 are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Component Unit</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 197,667	\$ 53,562	\$ 420,000	\$ 122,504	\$ 70,000	\$ 25,988
2009	204,476	45,024	430,000	107,185	75,000	22,312
2010	205,170	36,179	380,000	91,235	80,000	18,375
2011	174,409	27,407	395,000	78,098	85,000	14,175
2012	100,161	19,141	410,000	64,363	90,000	9,712
2013-2017	348,770	27,787	1,080,000	163,923	95,000	4,988
2018-2022	-	-	465,000	44,760	-	-
2023-2024	-	-	80,000	3,231	-	-
<b>Total</b>	<b>\$1,230,653</b>	<b>\$209,100</b>	<b>\$3,660,000</b>	<b>\$ 675,299</b>	<b>\$495,000</b>	<b>\$ 95,550</b>

**8. PRIOR PERIOD ADJUSTMENTS**

Beginning net assets in the statement of activities have been adjusted as of July 1, 2006 as follows:

<b>Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net assets, beginning of year, as previously reported	\$4,734,453	\$6,140,712
Adjustment to reclassify compensated absences	71,783	(71,783)
Adjustment to recognize accounts payable	-	(117,008)
Net assets, beginning of year, as restated	<u>\$4,806,236</u>	<u>\$5,951,921</u>

<b>Enterprise Funds Statement of Revenues, Expenses and Changes in Net Assets</b>	<b>Sewer</b>	<b>Water</b>
Net assets, beginning of year, as previously reported	\$2,300,543	\$3,840,169
Adjustment to reclassify compensated absences	(31,771)	(40,012)
Adjustment to recognize accounts payable	(117,008)	-
Net assets, beginning of year, as restated	<u>\$2,151,764</u>	<u>\$3,800,157</u>

# CITY OF ROCKFORD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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### 9. DEFERRED COMPENSATION PLAN

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

### 10. COMMITMENT

The City has remaining construction commitments outstanding at year end of approximately \$342,000 related to the Main Street project.



**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**



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

**JUNE 30, 2007**

	<b>Special Revenue</b>			
	<b>Major Streets</b>	<b>Local Streets</b>	<b>Budget Stabilization</b>	<b>Library</b>
<b>Assets</b>				
Cash and pooled investments	\$ 239,795	\$ 156,835	\$ 116,662	\$ 61,515
Accrued interest receivable	6,058	4,126	3,069	1,616
Due from other governments	<u>31,500</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 277,353</u></b>	<b><u>\$ 173,961</u></b>	<b><u>\$ 119,731</u></b>	<b><u>\$ 63,131</u></b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,506	\$ 86,201	\$ -	\$ -
Accrued liabilities	<u>769</u>	<u>769</u>	<u>-</u>	<u>77</u>
<b>Total liabilities</b>	<b><u>7,275</u></b>	<b><u>86,970</u></b>	<b><u>-</u></b>	<b><u>77</u></b>
<b>Fund balances</b>				
Reserved				
Permanent fund corpus	-	-	-	-
Unreserved				
Undesignated	<u>270,078</u>	<u>86,991</u>	<u>119,731</u>	<u>63,054</u>
<b>Total fund balances</b>	<b><u>270,078</u></b>	<b><u>86,991</u></b>	<b><u>119,731</u></b>	<b><u>63,054</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 277,353</u></b>	<b><u>\$ 173,961</u></b>	<b><u>\$ 119,731</u></b>	<b><u>\$ 63,131</u></b>

		Capital Projects		Permanent	
<u>Cemetery</u>	<u>Debt Service</u>	<u>Library Improvement</u>	<u>Library Endowment</u>		<u>Total</u>
\$ 284,750	\$ -	\$ 31,336	\$ 148,170	\$	1,039,063
7,490	-	824	3,898		27,081
-	-	-	-		44,500
<u>\$ 292,240</u>	<u>\$ -</u>	<u>\$ 32,160</u>	<u>\$ 152,068</u>	<u>\$</u>	<u>1,110,644</u>
\$ -	\$ -	\$ -	\$ -	\$	92,707
-	-	-	-		1,615
-	-	-	-		94,322
-	-	-	148,170		148,170
<u>292,240</u>	<u>-</u>	<u>32,160</u>	<u>3,898</u>		<u>868,152</u>
<u>292,240</u>	<u>-</u>	<u>32,160</u>	<u>152,068</u>		<u>1,016,322</u>
<u>\$ 292,240</u>	<u>\$ -</u>	<u>\$ 32,160</u>	<u>\$ 152,068</u>	<u>\$</u>	<u>1,110,644</u>

# CITY OF ROCKFORD

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

**FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue			
	Major Streets	Local Streets	Budget Stabilization	Library
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ 145,965	\$ -	\$ -	\$ -
State	224,984	81,123	-	-
Local	-	-	-	8,556
Interest and rentals	15,976	7,024	6,791	3,582
Miscellaneous	-	-	-	1,476
	386,925	88,147	6,791	13,614
<b>Total revenues</b>				
<b>Expenditures</b>				
Current				
Public works	324,234	239,386	-	-
Culture and recreation	-	-	-	32,946
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
	324,234	239,386	-	32,946
<b>Total expenditures</b>				
Revenues over (under) expenditures	62,691	(151,239)	6,791	(19,332)
Other financing sources (uses)				
Transfers in	20,000	205,000	-	20,000
Transfers out	(141,563)	(46,563)	(3,722)	-
	(121,563)	158,437	(3,722)	20,000
<b>Total other financing sources (uses)</b>				
Net changes in fund balances	(58,872)	7,198	3,069	668
<b>Fund balances, beginning of year</b>	328,950	79,793	116,662	62,386
<b>Fund balances, end of year</b>	\$ 270,078	\$ 86,991	\$ 119,731	\$ 63,054

<u>Cemetery</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
		<u>Library Improvement</u>	<u>Library Endowment</u>	
\$ -	\$ -	\$ -	\$ -	\$ 145,965
-	-	-	-	306,107
-	-	-	-	8,556
16,492	-	1,870	8,675	60,410
7,950	-	-	2,110	11,536
<u>24,442</u>	<u>-</u>	<u>1,870</u>	<u>10,785</u>	<u>532,574</u>
-	-	-	-	563,620
-	-	8,456	5,928	47,330
-	60,000	-	-	60,000
-	33,126	-	-	33,126
<u>-</u>	<u>93,126</u>	<u>8,456</u>	<u>5,928</u>	<u>704,076</u>
<u>24,442</u>	<u>(93,126)</u>	<u>(6,586)</u>	<u>4,857</u>	<u>(171,502)</u>
-	93,126	-	-	338,126
(9,003)	-	-	-	(200,851)
<u>(9,003)</u>	<u>93,126</u>	<u>-</u>	<u>-</u>	<u>137,275</u>
15,439	-	(6,586)	4,857	(34,227)
<u>276,801</u>	<u>-</u>	<u>38,746</u>	<u>147,211</u>	<u>1,050,549</u>
<u>\$ 292,240</u>	<u>\$ -</u>	<u>\$ 32,160</u>	<u>\$ 152,068</u>	<u>\$ 1,016,322</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, 2007**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ 145,965	\$ 145,965
State	205,000	205,000	224,984	19,984
Interest and rentals	<u>4,500</u>	<u>4,500</u>	<u>15,976</u>	<u>11,476</u>
<b>Total revenues</b>	<u>209,500</u>	<u>209,500</u>	<u>386,925</u>	<u>177,425</u>
<b>Expenditures</b>				
Public works				
Construction	290,000	290,000	233,949	56,051
Routine Maintenance	52,270	52,270	50,700	1,570
Traffic Control	9,165	9,165	7,898	1,267
Winter Maintenance	18,215	19,215	19,150	65
Administration	<u>12,196</u>	<u>12,196</u>	<u>12,537</u>	<u>(341)</u>
<b>Total expenditures</b>	<u>381,846</u>	<u>382,846</u>	<u>324,234</u>	<u>58,612</u>
Revenues over (under) expenditures	<u>(172,346)</u>	<u>(173,346)</u>	<u>62,691</u>	<u>236,037</u>
<b>Other financing sources (uses)</b>				
Transfers in	20,000	20,000	20,000	-
Transfers out	<u>(47,000)</u>	<u>(142,000)</u>	<u>(141,563)</u>	<u>437</u>
<b>Total other financing sources (uses)</b>	<u>(27,000)</u>	<u>(122,000)</u>	<u>(121,563)</u>	<u>437</u>
Net changes in fund balance	(199,346)	(295,346)	(58,872)	236,474
<b>Fund balance, beginning of year</b>	<u>328,950</u>	<u>328,950</u>	<u>328,950</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 129,604</u>	<u>\$ 33,604</u>	<u>\$ 270,078</u>	<u>\$ 236,474</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, 2007**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
State	\$ 81,000	\$ 81,000	\$ 81,123	\$ 123
Interest and rentals	1,000	1,000	7,024	6,024
<b>Total revenues</b>	<u>82,000</u>	<u>82,000</u>	<u>88,147</u>	<u>6,147</u>
<b>Expenditures</b>				
Public works				
Construction	50,000	50,000	153,414	(103,414)
Routine Maintenance	51,425	51,425	49,073	2,352
Traffic Control	3,890	3,890	3,528	362
Winter Maintenance	22,865	22,865	21,901	964
Administration	12,846	12,846	11,470	1,376
<b>Total expenditures</b>	<u>141,026</u>	<u>141,026</u>	<u>239,386</u>	<u>(98,360)</u>
Revenues over (under) expenditures	<u>(59,026)</u>	<u>(59,026)</u>	<u>(151,239)</u>	<u>(92,213)</u>
Other financing sources (uses)				
Transfers in	110,000	110,000	205,000	95,000
Transfers out	(47,000)	(47,000)	(46,563)	437
<b>Total other financing sources (uses)</b>	<u>63,000</u>	<u>63,000</u>	<u>158,437</u>	<u>95,437</u>
Net changes in fund balance	3,974	3,974	7,198	3,224
<b>Fund balance, beginning of year</b>	<u>79,793</u>	<u>79,793</u>	<u>79,793</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 83,767</u>	<u>\$ 83,767</u>	<u>\$ 86,991</u>	<u>\$ 3,224</u>

**CITY OF ROCKFORD**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

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	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest	\$ 3,000	\$ 3,000	\$ 6,791	\$ 3,791
Other financing sources (uses)				
Transfers out	<u>(3,000)</u>	<u>(5,000)</u>	<u>(3,722)</u>	<u>1,278</u>
Net changes in fund balance	-	(2,000)	3,069	5,069
<b>Fund balance, beginning of year</b>	<u>116,662</u>	<u>116,662</u>	<u>116,662</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 116,662</u>	<u>\$ 114,662</u>	<u>\$ 119,731</u>	<u>\$ 5,069</u>

**CITY OF ROCKFORD**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenues				
Kent District Library	\$ 8,555	\$ 8,555	\$ 8,556	\$ 1
Interest and rentals	1,500	1,500	3,582	2,082
Miscellaneous	400	400	1,476	1,076
<b>Total revenues</b>	10,455	10,455	13,614	3,159
<b>Expenditures</b>				
Culture and recreation	33,782	33,782	32,946	836
Revenues over (under) expenditures	(23,327)	(23,327)	(19,332)	3,995
Other financing sources (uses)				
Transfers in	20,000	20,000	20,000	-
Net changes in fund balance	(3,327)	(3,327)	668	3,995
<b>Fund balance, beginning of year</b>	62,386	62,386	62,386	-
<b>Fund balance, end of year</b>	<u>\$ 59,059</u>	<u>\$ 59,059</u>	<u>\$ 63,054</u>	<u>\$ 3,995</u>

**CITY OF ROCKFORD**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest and rentals	\$ 6,000	\$ 6,000	\$ 16,492	\$ 10,492
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>7,950</u>	<u>(12,050)</u>
<b>Total revenues</b>	26,000	26,000	24,442	(1,558)
Other financing sources (uses)				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(9,003)</u>	<u>(3,003)</u>
Net changes in fund balance	20,000	20,000	15,439	(4,561)
<b>Fund balance, beginning of year</b>	<u>276,801</u>	<u>276,801</u>	<u>276,801</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 296,801</u>	<u>\$ 296,801</u>	<u>\$ 292,240</u>	<u>\$ (4,561)</u>

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

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Agency Funds</u>			<u>Total</u>
	<u>Arts Commission</u>	<u>Trust and Agency</u>	<u>Imprest Payroll</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 62,795	\$ 29,188	\$ -	\$ 91,983
Interest receivable	<u>1,652</u>	<u>768</u>	<u>467</u>	<u>2,887</u>
<b>Total assets</b>	<u>\$ 64,447</u>	<u>\$ 29,956</u>	<u>\$ 467</u>	<u>\$ 94,870</u>
<b>Liabilities</b>				
Payroll taxes and withholdings	\$ -	\$ -	\$ 467	\$ 467
Due to other governmental units	-	29,956	-	29,956
Due to other entities	<u>64,447</u>	<u>-</u>	<u>-</u>	<u>64,447</u>
<b>Total liabilities</b>	<u>\$ 64,447</u>	<u>\$ 29,956</u>	<u>\$ 467</u>	<u>\$ 94,870</u>

**CITY OF ROCKFORD**

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

**JUNE 30, 2007**

	<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>		
<b>Assets</b>					
Cash and pooled investments	\$ 13,792	\$ -	\$ 13,792	\$ -	\$ 13,792
Accounts receivable	745	-	745	-	745
Accrued interest receivable	363	-	363	-	363
Capital assets, net	-	-	-	1,252,278	1,252,278
<b>Total assets</b>	<u>\$ 14,900</u>	<u>\$ -</u>	<u>\$ 14,900</u>	<u>1,252,278</u>	<u>1,267,178</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accrued liabilities	\$ -	\$ -	\$ -	10,651	10,651
Noncurrent liabilities					
Due within one year	-	-	-	70,000	70,000
Due in more than one year	-	-	-	425,000	425,000
<b>Total liabilities</b>	-	-	-	505,651	505,651
<b>Fund balances</b>					
Unreserved					
Undesignated	14,900	-	14,900		
<b>Total liabilities and fund balances</b>	<u>\$ 14,900</u>	<u>\$ -</u>	<u>\$ 14,900</u>		
<b>Net assets</b>					
Unrestricted					<u>\$ 761,527</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, 2007**

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
<b>Revenues</b>					
Taxes	\$ 147,198	\$ -	\$ 147,198	\$ -	\$ 147,198
Interest	3,117	-	3,117	-	3,117
	<u>150,315</u>	<u>-</u>	<u>150,315</u>	<u>-</u>	<u>150,315</u>
<b>Expenditures</b>					
Current					
General government	48,877	-	48,877	60,307	109,184
Debt Service					
Principal	-	65,000	65,000	(65,000)	-
Interest	-	29,538	29,538	(1,531)	28,007
Capital outlay	68,100	-	68,100	(68,100)	-
<b>Total expenditures</b>	<u>116,977</u>	<u>94,538</u>	<u>211,515</u>	<u>(74,324)</u>	<u>137,191</u>
Revenues over (under) expenditures	<u>33,338</u>	<u>(94,538)</u>	<u>(61,200)</u>	<u>(74,324)</u>	<u>13,124</u>
Other financing sources (uses)					
Transfers in	-	94,538	94,538	-	94,538
Transfers out	(94,538)	-	(94,538)	-	(94,538)
Total other financing sources (uses)	<u>(94,538)</u>	<u>94,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(61,200)	-	(61,200)	61,200	
Change in net assets				(13,124)	13,124
<b>Fund balances/net assets, beginning of year</b>	<u>76,100</u>	<u>-</u>	<u>76,100</u>	<u>-</u>	<u>748,403</u>
<b>Fund balances/net assets, end of year</b>	<u>\$ 14,900</u>	<u>\$ -</u>	<u>\$ 14,900</u>	<u>\$ -</u>	<u>\$ 761,527</u>



# **Continuing Disclosure Filing**

City of Rockford, Michigan

*Fiscal Year Ended*  
*June 30, 2007*

LIST OF CURRENT  
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES  
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's J.J. Kenny Repository  
55 Water Street – 45th Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975

Bloomberg Municipal Repositories  
P.O. Box 840  
Princeton, NJ 08542-0840  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

FT Interactive Data  
Attn: NRMSIR  
100 Williams Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market)  
Fax: (212) 771-7391 (Primary Market)  
E-mail: [Nrmsir@FTID.com](mailto:Nrmsir@FTID.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan  
1445 First National Building  
Detroit, Michigan 48226-3517  
Phone: 313-963-0420  
Fax: 313-963-0943

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  
\* \* \*

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

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

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

CAFR: (a)  includes  does not include Annual Financial Information  
(b) Audited? Yes  No

Annual Financial Information: Audited? Yes  No

Operating Data

Fiscal Period Covered: July 1, 2006 – June 30, 2007

\*Financial information should not be filed with the MSRB

\* \* \*

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

Signature: \_\_\_\_\_

Name: Jeff Dood 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, 2004 Through 2008**

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
2002	2003	2004	\$168,508,212	\$9,616,439	\$178,124,651	5.24
2003	2004	2005	177,999,909	8,975,095	186,975,004	4.97
2004	2005	2006	192,770,253	8,734,017	201,504,270	7.78
2005	2006	2007	204,629,065	8,792,073	213,421,138	5.91
2006	2007	2008	213,270,336	9,261,030	222,531,366	4.27
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2008 (2).....						\$48,104.49

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

(2) Based on the City's 2000 census population of 4,626.

Source: City of Rockford

**City of Rockford**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2004 Through 2008**

Use	Fiscal Years Ended or Ending June 30				
	2004	2005	2006	2007	2008
Agriculture .....	\$ 94,146	\$ 95,537	\$ 95,537	\$	\$
Commercial .....	41,652,483	41,868,503	40,952,383	43,494,244	45,445,679
Industrial .....	38,189,128	38,312,795	41,249,998	41,563,236	41,927,274
Residential.....	95,893,194	103,940,259	116,376,071	126,534,858	133,260,313
Utility .....	2,295,700	2,757,910	2,830,281	1,828,800	1,898,100
	<u>\$ 178,124,651</u>	<u>\$ 186,975,004</u>	<u>\$ 201,504,270</u>	<u>\$ 213,421,138</u>	<u>\$ 222,531,366</u>
Class	2004	2005	2006	2007	2008
Real Property.....	\$ 148,421,251	\$ 158,548,344	\$ 171,042,795	\$ 184,569,812	\$ 193,571,016
Personal Property .....	29,703,400	28,426,660	30,461,475	28,851,326	28,960,350
	<u>\$ 178,124,651</u>	<u>\$ 186,975,004</u>	<u>\$ 201,504,270</u>	<u>\$ 213,421,138</u>	<u>\$ 222,531,366</u>

Source: City of Rockford

**City of Rockford**  
**State Equalized Valuation**  
**Fiscal Years Ended or Ending June 30, 2004 Through 2008**

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
2002	2003	2004	\$185,981,800	\$19,392,100	\$205,373,900	6.12%
2003	2004	2005	197,713,200	18,748,400	216,461,600	5.40
2004	2005	2006	216,397,100	18,215,700	234,612,800	8.39
2005	2006	2007	225,588,700	17,894,200	243,482,900	3.78
2006	2007	2008	234,733,200	18,819,200	253,552,400	4.14
Per Capita Total SEV for the Fiscal Year Ending June 30, 2007 (2) .....						\$54,810,29

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

(2) Based on the City's 2000 census population of 4,626.

Source: City of Rockford

**City of Rockford**  
**Total SEV by Use and Class**  
**Fiscal Years Ended or Ending June 30, 2004 Through 2008**

Use	Fiscal Years Ended or Ending June 30				
	2004	2005	2006	2007	2008
Agriculture .....	\$ 98,600	\$ 98,600	\$ 98,600	\$	\$
Commercial .....	44,611,200	45,156,700	45,277,800	47,307,700	49,922,700
Industrial .....	51,374,300	52,160,600	54,899,600	54,262,700	54,741,500
Residential .....	106,994,100	116,147,500	131,414,100	140,083,700	146,990,100
Utility .....	2,295,700	2,898,200	2,922,700	1,828,800	1,898,100
	<u>\$ 205,373,900</u>	<u>\$ 216,461,600</u>	<u>\$ 234,612,800</u>	<u>\$ 243,482,900</u>	<u>\$ 253,552,400</u>
Class	2004	2005	2006	2007	2008
Real Property .....	\$ 172,181,200	\$ 185,053,300	\$ 201,599,000	\$ 212,364,200	\$ 222,098,600
Personal Property .....	33,192,700	31,408,300	33,013,800	31,118,700	31,453,800
	<u>\$ 205,373,900</u>	<u>\$ 216,461,600</u>	<u>\$ 234,612,800</u>	<u>\$ 243,482,900</u>	<u>\$ 253,552,400</u>

Source: City of Rockford

## **Tax Abatement**

The City's 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 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts 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 or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT 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 or CFT 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 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the State tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State on December 31, 1986 and tax abatements granted to commercial facilities under Act 255 prior to December 31, 1986 have expired.

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Acts, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Rolls totaled \$18,819,200 for the fiscal year ending June 30, 2008. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$9,261,030 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial or commercial 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, 2007**

<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  
Fiscal Years Ended or Ending June 30, 2004 Through 2008**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating</u>
2003	2004	10.9000
2004	2005	10.9000
2005	2006	10.9000
2006	2007	10.9000
2007	2008	10.9000

Source: City of Rockford

**City of Rockford  
Property Tax Collections  
Fiscal Years Ended or Ending June 30, 2004 Through 2008**

<u>July 1 Levy</u>	<u>Fiscal Years Ended or Ending June 30</u>	<u>Tax Levy(1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
2003	2004	\$1,836,739	\$ 1,829,131	99.59%
2004	2005	1,926,000	1,925,341	99.96
2005	2006	2,080,000	2,053,232	98.71
2006	2007	2,230,000	2,166,764	97.16
2007	2008	2,300,000	(In Process of Collecting)	

(1) City taxes only. Does not include taxes on properties granted tax abatement under Acts 198 and 255.  
Source: City of Rockford

**City of Rockford  
Ten Largest Taxpayers  
Fiscal Year Ending June 30, 2008**

<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.....	\$19,901,469	8.94 %
ITW / Dahti Seating.....	Industrial Mfg - Furniture .....	4,180,788	1.88
Grinwood / Champion .....	Health Club / Med Office & Retail .....	5,072,300	2.28
Byrne Electrical Spec .....	Industrial Mfg – Wire Harness.....	3,454,535	1.55
Jade Pig. ....	Shopping Center.....	3,847,200	1.73
NSHE Lock Haven LLC.....	Industrial MFG – Real Property.....	1,787,950	.08
Kalfact Plastics .....	Industrial MFG – Injection Molding.....	2,799,700	1.26
Redstone Group.....	New Home Development .....	2,638,657	1.19
Promenade of Rockford LLC .....	Downtown Commercial Development .....	2,241,200	1.01
Aftech / Total Plastics .....	Industrial MFG – Plastic Fabricatin.....	<u>1,507,984</u>	<u>.07</u>
		<u>\$ 47,431,783</u>	<u>21.31 %</u>

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

(2) Based on \$222,531,366 which is the City's Total Taxable Value for its fiscal year ending June 30, 2008. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: City of Rockford

## CITY DEBT

### Statutory and Constitutional Debt Provisions

Section 21 of Article VII of the Michigan Constitution establishes the authority, subject to statutory and constitutional limitations, for municipalities to incur debt for public purposes:

“The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each city and village is granted power to levy other taxes for public purposes, subject to limitations and prohibitions provided by this constitution or by law.”

In accordance with the foregoing authority granted to the State Legislature, the Home Rule Cities Act, Act 275 of the Public Acts of Michigan of 1909, as amended, limits the amount of debt a city may have outstanding at any time. Section 4(a) of this Act provides:

“... the net indebtedness incurred for all public purpose may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of the assessed value of all real and personal property in the city.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds 10% is or has been used solely for the construction or renovation of hospital facilities.”

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds (formerly, motor vehicle highway fund bonds), even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds issued or contract obligations assessments incurred to comply with an order of the Water Resources Commission of the State of Michigan or a court of competent jurisdiction, obligations incurred for water supply, sewage, drainage or refuse disposal or resource recovery projects necessary to protect the public health by abating pollution and bonds issued or assessments or contract obligations incurred for the construction, improvement or replacement of a combined sewer overflow abatement facility.

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of August 2, 2007.

Debt Limit (1) .....		\$25,355,240
Debt Outstanding.....	\$18,875,803	
Less: Exempt Debt .....	<u>17,285,151</u>	<u>1,590,652</u>
Legal Debt Margin .....		<u>\$23,764,588</u>

(1) 10% of \$253,552,400 which is the City’s Total SEV for the fiscal year ending June 30, 2008. 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 August 2, 2007 including the City’s portion of the Bonds described herein. 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 a tax to pay the debt service on the bonds which are designated as “Limited Tax” is subject to applicable charter, statutory and constitutional limitations.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>Share of North Kent Sewer Authority Bonds:</b>			
Dated January 30, 2007 (Limited Tax) (7).....	\$ 1,379,887	\$ 1,379,887	\$ -0-
Dated November 21, 2006 (Limited Tax) (1)...	9,207,000	9,207,000	-0-
Dated December 22, 2005 (Limited Tax) (2)...	1,395,000	1,395,000	-0-
Dated May 2, 2002 (Limited Tax) (3).....	90,675	90,675	-0-
Dated September 12, 2001 (Limited Tax) (4) ..	1,219,463	1,219,463	-0-
Dated April 1, 2000 (Limited Tax) (5).....	98,813	98,813	-0-
Dated June 1, 1998 (Limited Tax) (6).....	<u>164,313</u>	<u>164,313</u>	<u>-0-</u>
Subtotal .....	<u>\$ 13,555,151</u>	<u>\$ 13,555,151</u>	<u>\$ -0-</u>
<b>General Obligation Bonds:</b>			
Dated April 1, 2003 (Limited Tax).....	<u>\$ 485,000</u>	<u>\$ -0-</u>	<u>\$ 485,000</u>
Subtotal .....	<u>\$ 485,000</u>	<u>\$ -0-</u>	<u>\$ 485,000</u>
<b>Downtown Development Authority Bonds:</b>			
Dated November 1, 1997 (Limited Tax) .....	<u>\$ 495,000</u>	<u>\$ 495,000</u>	<u>\$ -0-</u>
Subtotal .....	<u>\$ 495,000</u>	<u>\$ 495,000</u>	<u>\$ -0-</u>
<b>Michigan Transportation Fund:</b>			
Dated August 1, 1999 (Limited Tax).....	<u>\$ 555,000</u>	<u>\$ 555,000</u>	<u>\$ -0-</u>
Subtotal .....	<u>\$ 555,000</u>	<u>\$ 555,000</u>	<u>\$ -0-</u>
<b>Water Revenue Bonds:</b>			
Dated September 29, 1998 (Limited Tax) .....	\$ 1,600,000	\$ 1,600,000	\$ -0-
Dated December 1, 1997 .....	450,000	450,000	-0-
Dated May 1, 1990 .....	<u>120,000</u>	<u>120,000</u>	<u>-0-</u>
Subtotal .....	<u>\$ 2,170,000</u>	<u>\$ 2,170,000</u>	<u>\$ -0-</u>

<b>Sewer Revenue Bonds:</b>			
Dated November 1, 2002.....	\$ 1,005,000	\$ 1,005,000	\$ -0-
Subtotal .....	<u>\$ 1,005,000</u>	<u>\$ 1,005,000</u>	<u>\$ -0-</u>
 <b>Installment Purchase Obligations:</b>			
Dated July 18, 2006.....	\$ 320,000	\$ -0-	\$ 320,000
Dated April 2006.....	182,326	-0-	182,326
Dated May 13, 2003 .....	<u>108,326</u>	<u>-0-</u>	<u>108,326</u>
Subtotal .....	<u>\$ 610,652</u>	<u>\$ -0-</u>	<u>\$ 610,652</u>
 Total .....	 <u>\$ 18,875,803</u>	 <u>\$ 17,780,151</u>	 <u>\$1,095,652</u>

Per Capita Net City Direct Debt (8) ..... \$236.85  
Percent of Net Direct Debt to Total SEV (9) ..... 0.43%

	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
<u>Overlapping Debt (10)</u>			
Kent County .....	\$ 98,325,000	1.01%	\$ 993,083
Grand Rapids Community College .....	51,245,000	0.99	507,326
Rockford School District.....	97,343,715	14.06	<u>13,686,526</u>
Totals.....			<u>\$15,186,935</u>

Per Capita Net Overlapping Debt (8) ..... \$3,282.95  
Percent of Net Overlapping Debt to Total SEV (9)..... 5.99%

Per Capita Net Direct and Overlapping Debt (8) ..... \$3,519.80  
Percent of Net Direct and Overlapping Debt to Total SEV (9)..... 6.42%

- (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 outstanding North Kent Sewer Authority Bonds dated May 2, 2002.
- (4) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated September 12, 2001.
- (5) Represents Rockford's portion of the outstanding North Kent Sewer Authority Bonds dated April 12, 2000.
- (6) Represents Rockford's of the North Kent Sewer Authority Bonds dated June 1, 1998.
- (7) Represents Rockford's portion of the North Kent Sewer Authority Bonds dated January 30, 2007.
- (8) Based on the City's 2000 census population of 4,626.
- (9) Based on \$253,552,400 which is the City's Total SEV for the fiscal year ending June 30, 2008. Includes the SEV of property granted tax abatement under Act 198.
- (10) 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