

CITY OF ROCKFORD, ILLINOIS

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006

Prepared by:

Finance Office  
Andres Sammul  
Finance Director



# CITY OF ROCKFORD, ILLINOIS

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## CITY OF ROCKFORD, ILLINOIS

425 EAST STATE STREET  
61104

LAWRENCE J. MORRISSEY  
MAYOR

ANDRES SAMMUL  
FINANCE DIRECTOR

September 15, 2007

Citizens of the City of Rockford, Illinois,  
Honorable Mayor and  
Honorable Members of Council

The Comprehensive Annual Financial Report (CAFR) of the City of Rockford, Illinois for the fiscal year ended December 31, 2006, is hereby submitted. This report is prepared by the Finance Director's Office of the City of Rockford, Illinois. We believe the data, as presented, is accurate in all material respects; is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To provide a reasonable basis for making these representations, the City of Rockford management has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockford's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Rockford's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The independent auditing firm of McGladrey & Pullen, LLP has audited the City of Rockford's financial statements. The purpose of the independent audit conducted by McGladrey & Pullen was to review and provide reasonable assurance that the City's financial statements for the fiscal year ending December 31, 2006 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockford's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP.

In addition to the independent audit of the financial statements, a separate, federally mandated “Single Audit” was performed to meet the needs of specific grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls over compliance and compliance with legal requirements applicable to certain federal awards. These reports are available in the City of Rockford’s separately issued Single Audit Report.

This Comprehensive Annual Financial Report (CAFR) reflects the changes required by the Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The format and description of these reports are addressed in the Management’s Discussion and Analysis (MD&A) and in the notes to the financial statements.

The CAFR is presented in three sections: introductory, financial and statistical. The **introductory section** is designed to introduce the reader to the report and includes this transmittal letter, the City’s organizational chart, a list of principal officials, and the GFOA (Government Finance Officers Association) Certificate of Achievement for Excellence in Financial Reporting for the 2005 CAFR.

The **financial section** begins with the independent auditors’ report. The auditors’ report discloses the opinion of the independent auditors with regard to the presentation of the financial statements. This section also includes Management’s Discussion and Analysis, the Basic Financial Statements and Notes that provide information on the City’s financial position and operating results, the Combining Statement of non-major funds and other schedules that provide detailed information relative to the Basic Financial Statements.

The **statistical section** includes selected financial and demographic information, generally presented on a multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting schedules presented in the financial section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Rockford’s MD&A can be found in the Financial Section, immediately following the report of the independent auditors.

## **Profile of the City**

The City of Rockford is a non-home rule city, incorporated in 1839 as a town and became a city in 1852. Located in North Central Illinois approximately 17 miles south of the Wisconsin border and 80 miles northwest of downtown Chicago, Rockford is the third largest city in Illinois with approximately 150,115 residents encompassing approximately 59.9 square miles and serves as the county seat for Winnebago County. The City is empowered to levy property taxes (subject to the Property Tax Extension Limitation Law provisions, which limits the annual growth in property tax extensions for the City to the lesser of 5% or the percentage increase in the Consumer Price Index during the preceding calendar year plus full credit for new construction and annexations) on both real and personal property located within its boundaries and has the authority to extend its corporate limits through annexation, when deemed appropriate and as approved by City Council.

The City has operated under the Mayor-Alderman form of government since April 1852. Policy-making and legislative authority are vested in the City Council consisting of the mayor and fourteen aldermen. The City Council is responsible for enacting ordinances, resolutions and regulations governing the City, adopting the budget, as well as appointing the members of various statutory and ordinance boards, and for approving the

appointments by the Mayor for the City Administrator and the heads of the various departments. The Mayor and Alderman (one from each ward) are elected and serve four year terms.

The City of Rockford provides a full range of services, including police and fire protection, emergency communication center, public works services, water distribution services, public library services and general administrative services. The City also operates the Rockford Mass Transit District and the Rockford Metropolitan Exposition, Auditorium and Office Building Authority, all of which are accounted for in the financial statements as component units.

The Rockford School District #205 and the Greater Rockford Airport Authority do not meet the criteria for inclusion in the financial reporting entity and, accordingly, are not presented in this report.

The annual budget serves as the foundation for the City of Rockford's financial planning and control. During the budget preparation process, each department and agency of the reporting entity provides detailed estimates of revenue and expenditures for evaluation by the City Finance Director. The Finance Director also reviews estimates of all pending capital projects and those recommended for approval in the next budget year and within the succeeding five years. The Finance Director, in conjunction with the department heads, may revise these estimates prior to submitting the budget to the City Council for approval. The budget is prepared by fund, function (e.g. public safety) and department (e.g. police). The budget must be approved by City Council prior to the end of the first quarter of the budget year. Neither transfers within a department nor transfers between departments are made once the budget is approved. Budget-to-actual comparisons for the General and Special Revenue Funds are provided in this report.

### **Factors Affecting Financial Condition**

**Local economy.** The City of Rockford continues to expand and diversify its industrial base and employment opportunities. Rockford's economy is diversified with manufacturing and medical as its primary base, while call center/office operations, distribution centers and educational institutions become more important to the economy. The 2006 average unemployment rate for the metropolitan area was 5.3% as compared to the state average of 4.5% and the national average of 4.6%.

Rockford is home to the operations of several large companies such as: Rockford Health System, Swedish American Health System, Hamilton Sundstrand Company, United Parcel Service, OSF St. Anthony's Medical Center, Daimler Chrysler, NCO Group, Woodward Governor, Invensys, Quebecor Printing, Cadbury/Adams Division, Anderson Packaging and Amcore Bank. Rockford is proud of its quality of life, skilled workforce and low cost of living. The City and private interests are aggressively pursuing the expansion and diversification of the work force. In March 2007 a brand new Lowe's Regional Distribution center opened to service stores throughout the upper Midwest. The City has created tax increment districts, an enterprise zone, a small business loan program and administers the Community Development Block Grant Program.

One of Rockford's assets is the quality of higher education in and around the community. Rockford is home to: Rock Valley College – a two year community college with a state of the art Technology Center that is used by area manufacturers and businesses; Rockford College – a fully accredited independent institution that awards bachelor degrees in thirty one majors in arts and science as well as graduate programs in business and education; Northern Illinois University Rockford Branch – offers courses in business, education, engineering and engineering technology, health and human sciences, and liberal arts and sciences, as well as a cooperative effort with Rock Valley College to award bachelor degrees in Nursing, General Studies, Computer Science, Industrial Technology, Community Health and Elementary Education; University of Illinois College of Medicine at Rockford – provides education to second, third and fourth year medical

students in the fields of primary care, family practice, internal medicine, pediatrics and other medical specialties.

**Long-term financial planning.** The City of Rockford utilizes a five-year capital improvement program to prioritize public projects which will be scheduled over a number of years as financial resources are available. The City utilizes a variety of methods to fund these projects such as: public-private cooperative efforts, special purpose taxes, cost sharing with other governmental agencies and issuing general obligation bonds. Capital Improvement projects are selected if they: 1) eliminate conditions detrimental to health, safety and general welfare of the community; 2) improve the City's existing infrastructure; 3) encourage private capital investment to improve job opportunities and the City's tax base; and 4) benefit the greatest number of City residents or contribute to an equitable distribution of service throughout the City.

The yearly capital improvement program generally consists of projects designed to repair and improve both arterial and neighborhood streets, bridges, pedestrian safety, and water service expansion and replacement. The City provides leadership and encourages the private sector in the development of the Riverfront, Downtown and other areas of the City. The City has completed the process of acquiring and demolishing property, at a cost of \$4 million, in the west-side business district for the construction of a new Federal Courthouse. The property acquisitions and demolitions are funded by a State grant, Federal and Illinois EPA grants, and short term financing which will be paid off once the parcel is turned over to the Federal Government and they release the \$1.8 million from the federal General Services Administration Site Acquisition Fund.

**Cash management policies and practices.** The primary objective of the City investment policy is to provide for the safety of principal, liquidity and a reasonable rate of return. The City complies with the Illinois State Statute requirements in purchasing securities for investment of the City's idle cash. The investment maturities range from daily, for money markets, to 15 years, for US Treasury and Agency bonds, with a 2.02 year average maturity for the portfolio. The average yield as of year end was 4.97% and will fluctuate on a daily basis. The City currently looks at a shorter time horizon when investing the City's funds.

**Risk management.** The City of Rockford is self-insured for certain general liability, workmen's compensation, unemployment, property damage and bodily (automobile accidents) claims. Liabilities are recorded when it is probable that a liability has been incurred as of the balance sheet date and the amount of the liability can be reasonably estimated. Both the current and non-current portions of any liability are reported in the Internal Service Funds. The City will continue to evaluate loss potential, risk retention and insurance coverage to achieve optimum levels of risk management.

The City's health plan lifetime maximum is \$1,500,000. Excess coverage was purchased to the maximum with a \$200,000 retention. Risk control techniques include pre-certification and utilization review process, pre-employment drug testing, an employee assistance program, voluntary second opinion for surgery program and alcohol and substance abuse training. These initiatives were implemented to enhance employee life while controlling total City risk.

**Employee Retirement Plans.** The State of Illinois statutes provide for three pension funds for municipal employees: the Illinois Municipal Retirement Fund, the Police Pension Fund, and the Firefighter's Pension Fund. Each plan has retirement, disability and death benefits for eligible employees. The Rockford Mass Transit District provides its employees a single-employer retirement system.

The Police and Firefighter's Pension Funds are each administered by separate local boards. The Police Pension Board and the Firefighter's Pension Board are composed of five members each. The Mayor appoints two members to each board; two members are elected from the regular active members of the police force and firefighters, and one member is elected to each board by and from the beneficiaries of the fund.

Illinois State Statutes determine the amount of contribution that each police officer and firefighter makes to their respective fund. The City each year engages an independent actuary to calculate the amount of the annual contribution that the City of Rockford must make to each pension fund to ensure that the plan will be able to meet its obligations on a timely basis. The City of Rockford fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City of Rockford contributes to the Illinois Municipal Retirement Fund ("IMRF"), an agent for multiple-employer, public employee retirement systems, acting as a common investment and administrative agent for local governments and school districts in Illinois. The City's contribution is determined each year by IMRF and for 2006 the amount was 9.93% of covered payroll. Additional information on the City of Rockford's pension arrangements and post-employment benefits can be found on pages 62 - 66 in the notes to the financial statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Rockford, Illinois, for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the twenty-seventh consecutive year the City of Rockford has received this award.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City of Rockford received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report has been accomplished through the diligent efforts of the staff of the Finance Department. I should like to express my appreciation to members of this department who assisted and contributed to its preparation.

I also thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,



Andres Sammul  
Finance Director

CITY OF ROCKFORD, ILLINOIS  
OFFICIALS AND OFFICERS  
Year Ended December 31, 2006

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MAYOR

Lawrence J. Morrissey

CITY COUNCIL MEMBERS

Franklin C. Beach  
John C. Beck  
Victory Bell  
Daniel P. Conness  
Patrick Curran  
Joe Sosnowski  
Ann Thompson-Kelly

Jeff Holt  
Leonard J. Jacobson  
Carl Wasco  
Nancy L. Johnson  
Douglas Mark  
Linda McNeely  
Bill Timm

CITY ADMINISTRATOR

James Ryan

Bonnie Henry  
BUILDING DIRECTOR

Patrick Hayes  
LEGAL DIRECTOR

Reid Montgomery  
COMMUNITY DEVELOPMENT DIRECTOR

Jessica L. Jones  
PERSONNEL DIRECTOR

Andres Sammul  
FINANCE DIRECTOR

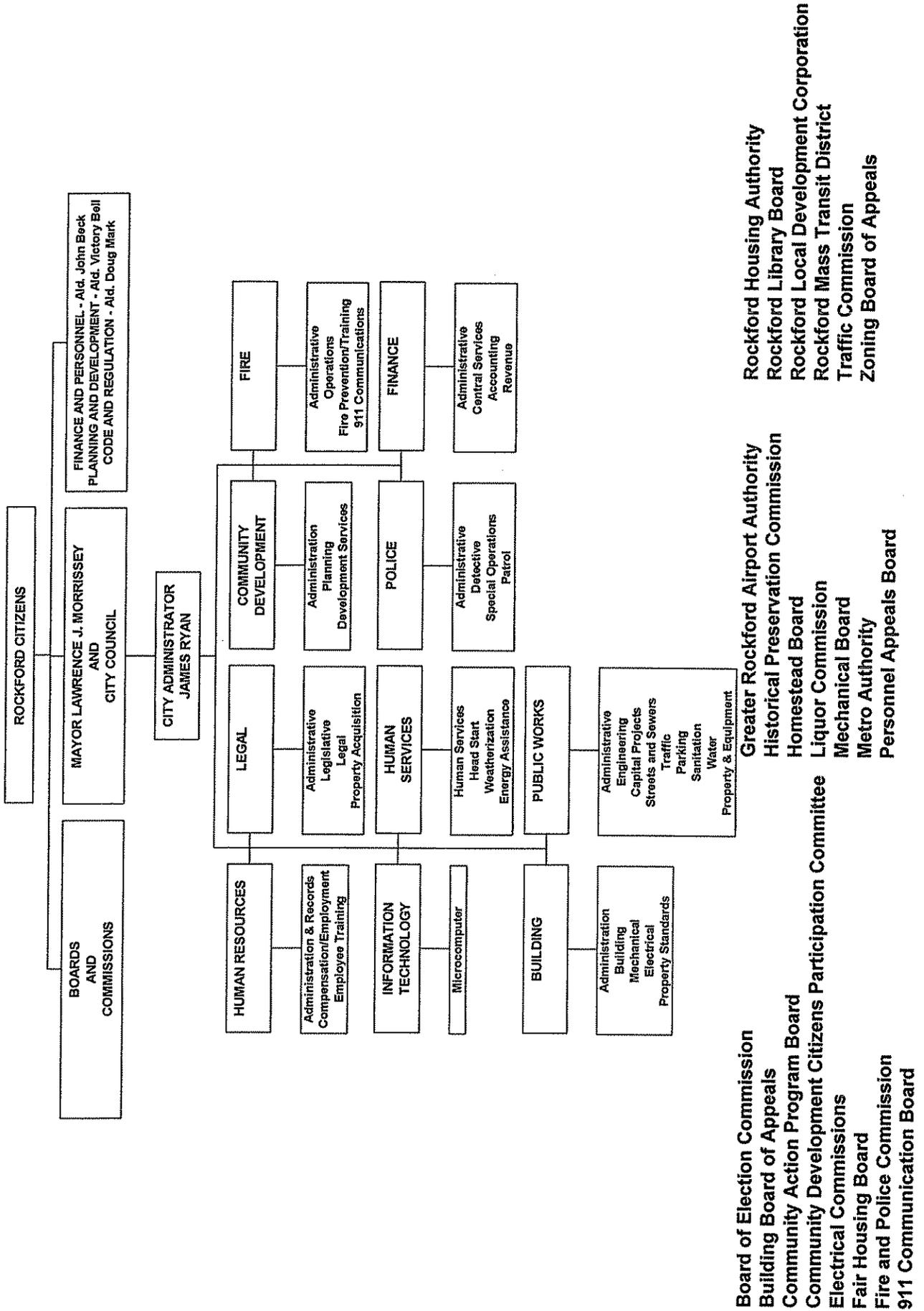
Chet Epperson  
POLICE CHIEF

D. William Robertson  
FIRE CHIEF

William Bittner  
PUBLIC WORKS DIRECTOR

George Davis  
HUMAN SERVICES DIRECTOR

# CITY OF ROCKFORD, ILLINOIS ORGANIZATION CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockford  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2006**

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This section of the City of Rockford ("City") annual financial report presents our discussion and analysis of the City's financial performance for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Rockford exceeded its liabilities at year-end December 31, 2006 by \$621,787,364 (net assets). Of this amount, \$23,260,635 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Governmental activities accounted for \$503,654,813 and business-type activities accounted for \$118,132,551. The City's total net assets increased by \$7,282,646 of which \$991,649 related to government activities and \$6,290,997 to business-type activities. This increase is irrespective of a \$424,240,807 restatement of beginning net assets which was recorded to add retroactive infrastructure assets in accordance with GASB Statement No. 34.
- During the year, the City's primary government-wide expenses were \$187,028,671, which was less than the \$194,311,317 generated in primary government-wide taxes, program and other general revenues.
- In the City's business-type activities, program revenues decreased 10 percent to \$22,638,051, while expenses increased less than 5 percent to \$17,516,720. The key factor in this decrease was a \$4.1 million reduction of capital grants and contributions.
- As of the close of the current fiscal year, the City of Rockford's governmental funds reported combined ending fund balances of \$62,223,141. Approximately 69 percent of this total amount, \$42,988,485, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$29,714,629, or 29 percent of total General Fund expenditures.
- During the current fiscal year the City's total long-term obligations increased by 4.4 percent or \$6,223,799, to \$148,149,882. The key factor in this increase was the issuance of \$17,500,000 in General Obligation Bonds for various capital improvements and revitalization projects.
- The General Fund reported a net change in fund balance of \$2,669,561 this year compared to an increase of \$1,153,518 in 2005.
- The City's Governmental Funds capital outlays were \$18,300,891 in 2006, a decrease from last year of \$7,719,151.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements**

The governmental-wide financial statements report information about the City as a whole, and are designed to provide readers with a broad overview of the City's finances, using accounting methods in a manner similar to a private-sector business.

The government-wide financial statements of the City are divided into three categories:

**Governmental activities (Primary government)** – The governmental activities of the City include general government (general administration), public safety (police, fire, building inspection, street lighting), streets, alleys and bridges (public works administration, engineering, street, traffic), sanitation (public works – sewer, garbage and refuse) community development (planning & zoning), culture and recreation (public library) and public health and welfare (human services and drug free). Property taxes, State shared revenues, and operating grants from Federal and State agencies finance most of these activities.

**Business-type activities (Primary government)** – The City charges fees to customers to help cover the costs of certain services it provides. The water utility and parking systems are reported here.

**Component units** – The City includes two other entities in its report: the Rockford Mass Transit District and the Rockford Metropolitan Exposition, Auditorium and Office Building Authority. Although legally separate, these component units are important because the City is financially accountable for them.

The two government-wide statements are as follows:

**Statement of net assets** – The statement of net assets presents financial 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 one indicator of whether the financial position of the City of Rockford is improving or deteriorating.

**Statement of activities** – The statement of activities presents financial information on how the City's net assets changed during the current 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 flow. 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., uncollected taxes and earned but unused vacation leave).

Both of these statements assist in assessing the overall condition of the City, but one also needs to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets (roads and bridges, buildings, and water).

The government-wide financial statements can be found on pages 17- 18 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

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**Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds, but not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required to be established by State law and bond covenants. The City also establishes many other funds to help it control and manage resources for particular purposes (e.g., like capital improvement projects, or to show that it is properly using certain taxes (Library), or grants (Community Development and Human Services).

The City has three types of 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 at the end of the fiscal year. Consequently, the governmental fund statements provide a short-term view and help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided that explains the relationship or differences between the governmental funds and governmental activities.

The City maintains 27 individual governmental funds of which six are considered major funds. Information is presented separately for the City's major funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund, Public Library Fund, Community Development Fund, Human Services Fund, Debt Service Fund, and Capital Projects Fund are considered the City's major funds. Financial data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund financial data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and its three major special revenue funds. A budgetary comparison statement has been provided for the General Fund, Public Library Fund, Community Development Fund, and Human Services Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 19 - 24.

**Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its Water Utility Fund and its Parking System Fund, both of which are considered to be major funds of the City. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, building maintenance, management information system, health system, 911 communications, and services for the City's other programs and services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 25 - 29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

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**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 governmental-wide financial statements because 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. The City has two fiduciary funds, the police pension and firefighter's pension funds. The City is the trustee for these pensions and it is also responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The fiduciary fund financial statements can be found on pages 30 and 31 of this report.

**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. The notes to the financial statements can be found on pages 32 - 68 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rockford's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages A1 – A7 of this report.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

**Government-wide**

**FINANCIAL ANALYSIS**

**Net assets** – 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, assets exceeded liabilities by \$621,787,364 at the close of the fiscal year ended December 31, 2006.

By far the largest portion of the City's net assets (88 percent) reflects its investment in capital assets (land, buildings, equipment, other improvements and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses this capital 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 to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Rockford Net Assets**

	Governmental activities 2006	Governmental activities 2005	Business-type activities 2006	Business-type activities 2005	Total 2006	Total 2005
Current and other assets	\$ 135,163,788	\$ 132,613,046	\$ 34,916,514	\$ 20,006,403	\$ 170,080,302	\$ 152,619,449
Capital assets	552,522,625	556,453,663	120,866,460	117,544,746	673,389,085	673,998,409
Total assets	687,686,413	689,066,709	155,782,974	137,551,149	843,469,387	826,617,858
Long-term liabilities	109,726,762	101,470,891	34,993,375	20,564,248	144,720,137	122,035,139
Current liabilities	74,304,838	84,932,654	2,879,007	5,145,347	77,183,845	90,078,001
Total liabilities	184,031,600	186,403,545	37,872,382	25,709,595	221,903,982	212,113,140
Net assets:						
Invested in capital assets, net of related debt	457,172,434	455,189,446	107,986,680	95,612,984	565,159,114	550,802,430
Restricted	28,223,051	32,826,312	5,144,561	12,494,190	33,367,612	45,320,502
Unrestricted	18,259,328	14,647,406	5,001,310	3,734,380	23,260,638	18,381,786
Total net assets	<u>\$ 503,654,813</u>	<u>\$ 502,663,164</u>	<u>\$ 118,132,551</u>	<u>\$ 111,841,554</u>	<u>\$ 621,787,364</u>	<u>\$ 614,504,718</u>

An additional portion of the City's net assets (8.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$23,260,638) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's total net assets increased by \$7,282,646 during the year.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

**Governmental activities** – Governmental activities increased the City's net assets by \$991,649, thereby accounting for just 20 percent of the total growth in the net assets of the City. This increase was related to the net effect of capital assets and long term debt transactions.

Changes in Net Assets

	Governmental	Governmental	Business-type	Business-type	Total	Total
	activities	activities	activities	activities	2006	2005
	2006	2005	2006	2005		
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 25,703,340	\$ 24,505,780	\$ 21,847,820	\$ 20,179,256	\$ 47,551,160	\$ 44,685,036
Operating grants and contributions	22,360,354	21,335,383	-	-	22,360,354	21,335,383
Capital grants and contributions	6,601,783	6,872,910	790,231	4,887,660	7,392,014	11,760,570
General revenues:						
Taxes:						
Property taxes	50,378,602	47,010,384	-	-	50,378,602	47,010,384
Sales tax	25,171,445	23,378,788	-	-	25,171,445	23,378,788
Franchise taxes	1,383,862	1,256,422	-	-	1,383,862	1,256,422
Income tax	12,299,422	11,294,861	-	-	12,299,422	11,294,861
Replacement tax	7,251,586	6,920,944	-	-	7,251,586	6,920,944
Other taxes	13,838,456	13,253,749	-	-	13,838,456	13,253,749
Interest earnings	3,006,127	1,485,108	1,227,266	376,485	4,233,393	1,861,593
Other	2,451,023	3,009,223	-	-	2,451,023	3,009,223
Total revenues	170,446,000	160,323,552	23,865,317	25,443,401	194,311,317	185,766,953
<b>Expenses</b>						
General government	13,297,717	13,392,590	-	-	13,297,717	13,392,590
Public safety	78,028,562	72,945,042	-	-	78,028,562	72,945,042
Streets, alleys and bridges	28,618,460	26,685,222	-	-	28,618,460	26,685,222
Community development	12,850,580	13,761,490	-	-	12,850,580	13,761,490
Sanitation	7,790,814	7,095,605	-	-	7,790,814	7,095,605
Culture and recreation	7,613,866	7,719,111	-	-	7,613,866	7,719,111
Public health and welfare	16,224,686	14,186,561	-	-	16,224,686	14,186,561
Interest and fiscal charges	5,087,266	4,507,875	-	-	5,087,266	4,507,875
Water	-	-	15,491,720	14,734,889	15,491,720	14,734,889
Parking	-	-	2,025,000	2,028,583	2,025,000	2,028,583
Total expenses	169,511,951	160,293,496	17,516,720	16,763,472	187,028,671	177,056,968
Increase in net assets before transfers	934,049	30,056	6,348,597	8,679,929	7,282,646	8,709,985
Transfers	57,600	57,600	(57,600)	(57,600)	-	-
Increase in net assets	991,649	87,656	6,290,997	8,622,329	7,282,646	8,709,985
Net assets - beginning as restated	502,663,164	502,575,508	111,841,554	103,219,225	614,504,718	605,794,733
Net assets - ending	\$ 503,654,813	\$ 502,663,164	\$ 118,132,551	\$ 111,841,554	\$ 621,787,364	\$ 614,504,718

Total governmental activities' revenue for the fiscal year was \$170,446,000 compared to \$160,323,552 in 2005. The leading factors are as follows:

- The City's largest single revenue source, property taxes increased by approximately \$3,400,000 (7.2 percent) during the current year compared to 4.8 percent and 6.4 percent for 2005 and 2004, respectively due to an increase in equalized assessed value and increased annexations.
- Shared revenue from the State increased approximately \$3,800,000 (6.8 percent) from 2005. Tax revenues from the State have continued to grow as both the State and local economy remained strong throughout 2006.
- Operating grants and capital grants increased 5.5 percent, mostly as a result of an aggressive grant application strategy undertaken by the City. Charges for services increased 4.9 percent due to continued emphasis on user fees including systematically updating the rates to keep pace with costs.

# City of Rockford, Illinois

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2006

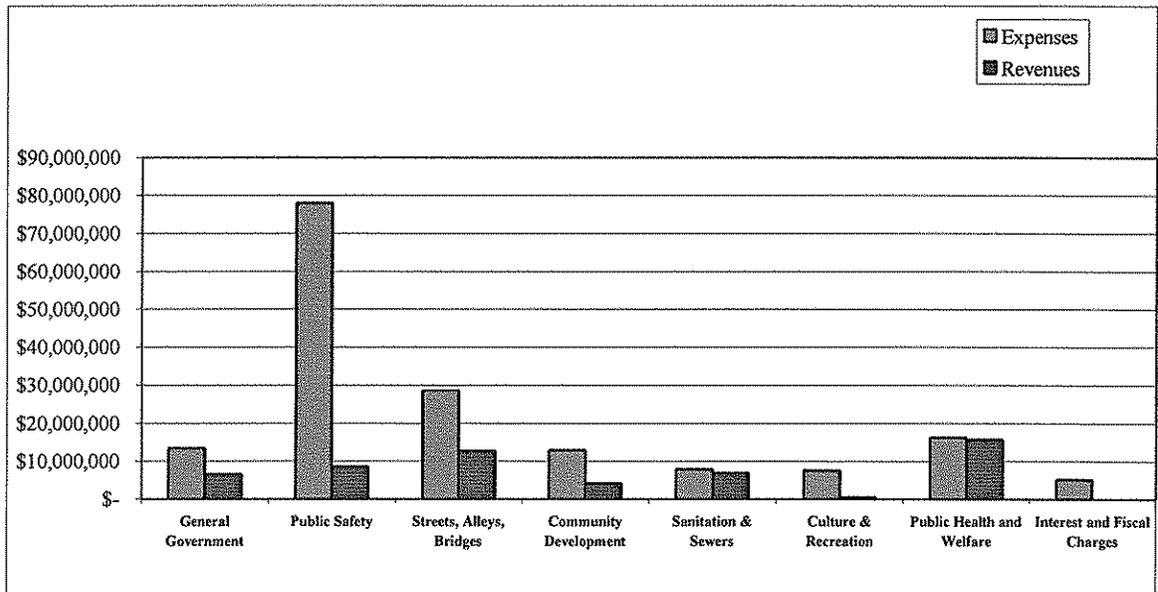
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Expenses for the City's governmental activities increased approximately \$9,200,000 (5.8 percent) during the year. For the most part this increase in expenses paralleled inflation with a few noteworthy exceptions:

- Charges for health insurance increased 15 percent over 2005.
- Expenses for the City's Public health and welfare function were up 13 percent during the year. This increase reflects the cost of additional funding from both the U.S. and State Department of Human Services for energy assistance grants.
- Expenses for Public Safety increased 6.8 percent due to salary and fringe benefit increases including the addition of six new police officers and two new firefighters.

The graph below shows a comparison between the expenditures by governmental activity type and the revenues generated that are specific to those activities.

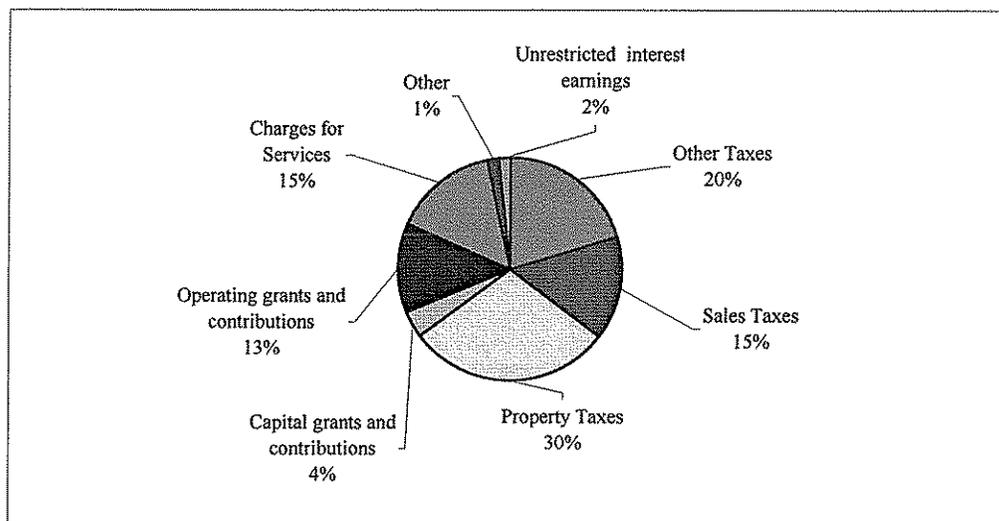
### Expense and Program Revenues – Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

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**Revenues by Source - Government Activities**



The cost of all governmental activities this year was \$169,511,951. However, the amount that taxpayers paid for these activities through City and State taxes was only \$110,323,373. Some of the cost was paid by:

- Those who directly benefited from the programs (\$25,703,340), or
- Other governments and organizations that subsidized certain programs with grants (\$28,962,137).
- Investment earnings and miscellaneous revenues (\$5,457,150).

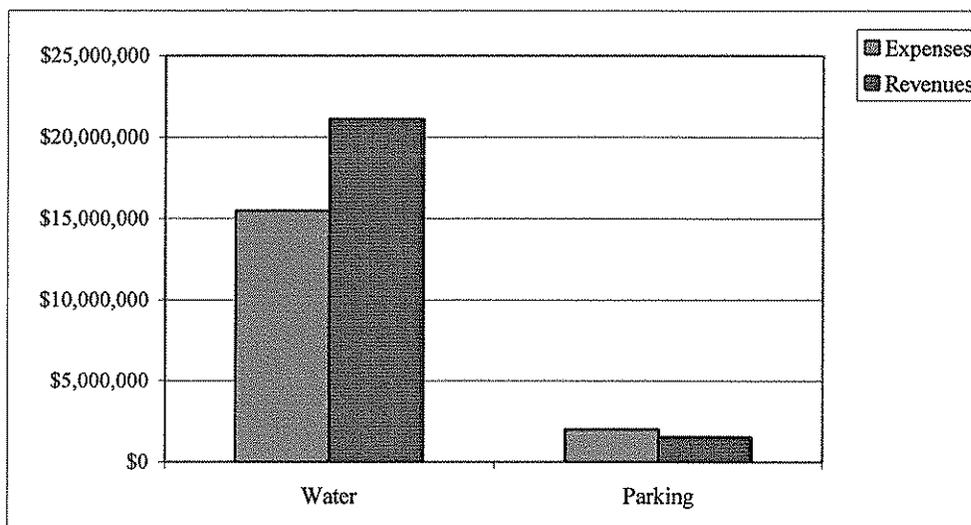
**Business-type Activities** – Business-type activities net assets increased by \$6,290,997 in 2006, accounting for 80 percent of the total growth in the government's net assets. Revenues from business type activities decreased 6 percent to \$23,865,317 and expenses increased less than 4.5 percent to \$17,516,720. Key elements contributing to these results included:

- Charges for services for business-type activities increased by 8 percent. The Water Utility accounts for a significant portion of this increase. A 10 percent decrease in gallons of water supplied coupled with a 15 percent rate increase on May 1<sup>st</sup>, provided \$1,668,564 of additional revenue.
- The Water Utility received one-time capital grants of \$790,231 in 2006 compared to \$4,887,660 in 2005.

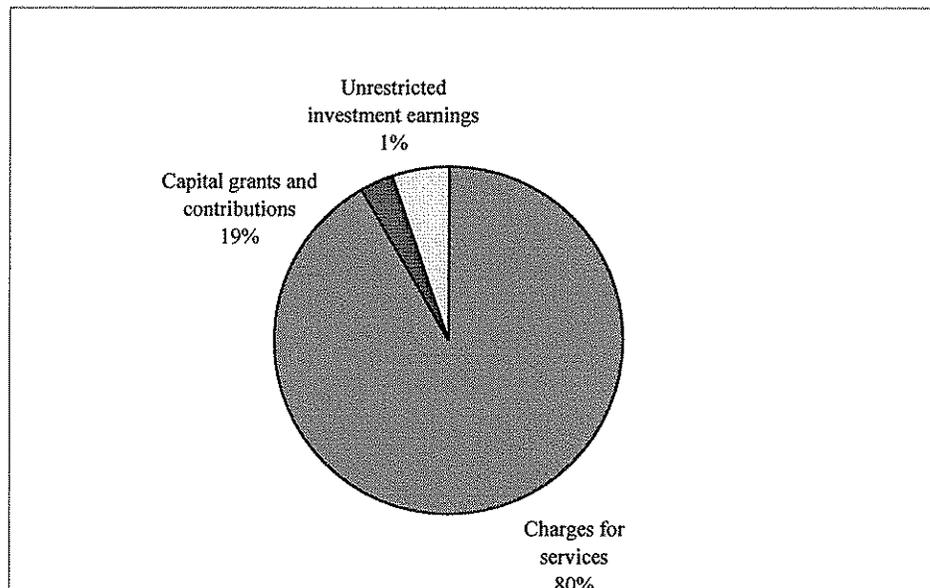
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

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**Expense and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



# City of Rockford, Illinois

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2006

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### FINANCIAL ANALYSIS OF THE CITY'S MAJOR 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 the City completed the year 2006, its governmental funds reported a combined fund balance of \$62,223,141, a decrease of \$1,615,524 (2.5 percent) in comparison with last year. Unreserved fund balance was \$42,988,485, and is available for spending at the government's discretion. The remainder \$19,234,656 is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate purchase orders of the prior period (\$8,750,084), 2) pay debt service (\$7,538,253), 3) for long-term notes receivable (\$1,993,557), 4) for intergovernmental agreements, (\$926,653), and 5) for endowments which are restricted to principal (\$26,109).

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 is \$29,714,629, while total fund balance reached \$33,340,291. As a measure of the General Fund's liability, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 29 percent of total General Fund expenditures, while total balance represents 33 percent of that same amount.

The fund balance of the City's General Fund increased by \$2,669,561 during the current fiscal year. The increase is primarily the result of an increase in elastic revenues. Elastic revenues are those revenues that tend to change with economic conditions such as, sales tax, use tax, state income tax, and personal property replacement tax. As a result of the strong state and local economy revenue from these four sources increased by \$3,227,653 (7.6 percent) during the current fiscal year and ended up approximately 2.2 million over the budgetary estimate.

The Public Library fund balance at year-end was \$2,836,227 of which \$11,109 is reserved for endowments. The net increase in fund balance during the current fiscal year in the Library Fund was \$593,672. This increase is primarily the result of salary and benefit savings that occurred in the normal delays between the time an employee leaves employment with the library and a replacement is hired and revenues exceeding budgetary estimates by \$230,044.

The Community Development fund balance at year-end was \$2,934,096 of which \$1,827,977 is reserved for long-term notes receivables, and \$926,653 for intergovernmental agreements. There was a decrease in fund balance of \$795,071 during the year, which resulted from increasing the allowance for uncollectable notes receivable by \$768,675.

The Human Services fund balance at year-end was \$1,070,313 of which \$155,100 is reserved for long-term notes receivable. The net decrease in fund balance during the current fiscal year in the Human Service Fund was \$172,658. This decrease was due to an increase in nonreimbursable operating expenses.

The Debt Service Fund total fund balance at year-end was \$7,461,724, all of which is reserved for the payment of debt service. The net increase in the fund balance during the current year was \$2,330,121. This increase corresponds with the increase of transfers into the Debt Service Fund during the current fiscal year needed for principal and interest payments during following fiscal year.

# City of Rockford, Illinois

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2006

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Capital Projects Fund total fund balance at year-end was \$9,876,247 of which \$5,124,073 is reserved for encumbrances. The net decrease in fund balance during the current fiscal year to the Capital Project Fund was \$7,079,995. This decrease was due to spending the proceeds of a \$17.7 million bond issue from the previous year during the current 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 (deficit) of the water utility fund at the end of the year amounted to \$5,007,353, and those of the Parking System Fund amounted to (\$6,043). The total growth in net assets for both funds was \$6,841,129 and \$(550,132) respectively. Other factors concerning the finances of these two funds have been addressed in the discussion of the City's business-type activities.

### **Budgetary Highlights**

The City Council passed a supplemental budget appropriation of \$921,000 for the General Fund. The City is legally authorized by State statutes to amend the budget after June 30. The changes to the General Fund departments are as follows:

Increase in finance department	\$	40,000
Decrease in fire department		(280,000)
Increase in public works department - Streets and sewers		64,000
Increase in community development department - Administration		200,000
Increase in community development department - Planning and Zoning		50,000
Increase in transfers out		847,000

During the year the City spent 101.6 percent of the final amount appropriated in the General Fund, however, revenues exceeded budgetary estimates by 105 percent. The net change to fund balance was a positive \$1.15 million.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to \$673,389,085 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, roads and bridges, and water and sewer lines. The City's investment in capital assets net of accumulated depreciation was relatively unchanged for the current fiscal year (a 0.6 percent decrease for governmental activities and a 2.8 percent increase for business-type activities).

Major capital asset additions during the current fiscal year included the following:

- The City purchased twenty-four new vehicles for the Police Department totaling \$454,000.
- Building improvements for the City's Fire Department, Library, and Human Service Department were completed totaling \$542,000.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2006

- The City Election Department purchased new voting equipment totaling \$1.1 million using a \$1.4 million grant from the U.S. Department of Education.
- A variety of street construction projects in both new residential and business developments, along with widening and expansion projects for existing streets and bridges were completed during the year. However, the City's main focus in 2006 was completing major improvements to key arterial streets started in prior years. Capital street and bridge projects totaled \$15 million during the current year.
- Various system additions and improvements were completed in the Water Utility Fund at a cost of \$3.6 million; construction in progress as of the end of the current year had reached \$3.9 million.

**Primary Government Capital Assets (net of depreciation)**

	Governmental	Governmental	Business-type	Business-type	Total	Total
	activities	activities	activities	activities		
	2006	2005	2006	2005	2006	2005
Land	\$ 6,066,882	\$ 3,385,353	\$ 6,039,158	\$ 6,000,310	\$ 12,106,040	\$ 9,385,663
Land improvements	292,258	283,813	125,693	139,905	417,951	423,718
Buildings and improvements	30,342,905	29,921,947	14,549,811	15,186,464	44,892,716	45,108,411
Improvements other than building	-	-	95,404,990	94,692,038	95,404,990	94,692,038
Equipment	9,099,384	9,252,569	834,584	858,382	9,933,968	10,110,951
Infrastructure	506,721,196	492,912,936	-	-	506,721,196	492,912,936
Construction in progress	-	20,697,047	3,912,224	667,647	3,912,224	21,364,694
<b>Total</b>	<b>\$552,522,625</b>	<b>\$556,453,665</b>	<b>\$ 120,866,460</b>	<b>\$ 117,544,746</b>	<b>\$673,389,085</b>	<b>\$ 673,998,411</b>

Additional information on the City of Rockford's capital assets can be found in Note III, C on pages 47 - 50 of this report.

**Long-term Debt** – At the end of the current fiscal year, the City of Rockford had total debt outstanding of \$129,840,000 (general obligation bonds). This debt is backed by the full faith and credit of the City. Total debt increased by \$5,620,000 during the current fiscal year. The key factor in this increase was a \$15 million bond issue for the first phase of \$75 million water system rehabilitation program.

**Primary Government Outstanding Debt**

	Governmental	Governmental	Business-type	Business-type	Total	Total
	activities	activities	activities	activities		
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 95,950,000	\$ 101,970,000	\$ 33,890,000	\$ 22,250,000	\$129,840,000	\$ 124,220,000

The City of Rockford's bond rating is A1 from Moody's Investors Services.

The State imposes a legal limit of 8.625% of total equalized assessed valuation on the amount of general bond indebtedness. The City further limits their indebtedness, by ordinance, to 80.0% of the State limit. As of December 31, 2006 the City's indebtedness was \$55,416,458 less than the City limit and \$89,222,199 less than the State limit.

Additional information on the City of Rockford's long-term debt can be found on Note III, G on pages 53 - 59 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2006**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Rockford is the industrial and business hub of the Rock River Valley and northwestern Illinois. Rockford's economy is diversified with manufacturing and medical as its primary base, while call center/office operations, distribution centers and educational institutions are becoming more important to the economy. The City of Rockford economic conditions are as follows:

- The unemployment rate for the City of Rockford is currently 5.3 percent, which is a decrease from a rate of 6.4 percent a year ago. This is higher than the State's average unemployment rate of 4.5 percent and the national average rate of 4.6 percent.
- Inflation in the metropolitan area compares to the national consumer price index.

**City of Rockford MSA Non-Agricultural Wage and Salary Employment  
 (Annual Averages)**

	<b>Unemployment rates</b>				
	2006	2005	2004	2003	2002
Rockford	5.30%	6.40%	6.50%	8.30%	7.80%
State of Illinois	4.50%	5.70%	5.70%	6.40%	6.50%
United States	4.60%	5.10%	5.10%	5.40%	5.80%

<b>Employment Number</b>	2006	2005	2004	2003	2002
Manufacturing	44,500	39,900	40,200	38,300	40,800
Nonmanufacturing	111,500	114,500	115,000	112,500	114,600
Government	16,400	16,100	16,200	19,100	19,500
<b>Total</b>	<b>172,400</b>	<b>170,500</b>	<b>171,400</b>	<b>169,900</b>	<b>174,900</b>

All of these economic factors were taken into account when adopting the General Fund budget for 2006.

The City's goal in developing the 2007 budget was to continue offering citizens basic services, economic development efforts, a continuing capital improvements program, and fiscal stability. Development and adoption of the 2007 budget was premised on maintaining a level of service equivalent to 2006, making incremental improvements where possible, while working within the limitations of the Property Tax Extension Limitation Law.

Budgeted expenditures in the General Fund are \$110,688,031, an increase of 8.0 percent over the final 2006 budget of \$102,463,540. Employee contracts, pensions and health insurance costs make up the largest increases in the budget.

In March 2007, the City Council approved the proposed budget with minimal revisions from the original proposed budget. Staff reviewed all revenues and expenditures, changes were made as necessary, and a balanced General Fund GAAP budget was adopted. This budget allows the City to maintain the necessary fund and cash balances, as well as allowing the 2008 budget process to begin on a sound financial footing.

City of Rockford, Illinois

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2006**

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**Requests for information**

This financial report is designed to provide a general overview of the City of Rockford's finances for all those with an interest in the Government's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 425 East State Street, Rockford, Illinois, 61104.



**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF NET ASSETS**

December 31, 2006

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Rockford	Rockford
	Activities	Activities		Mass Transit	Metropolitan
				District	Exposition,
					Auditorium and
					Office Building
					Authority
Cash and cash equivalents	\$ 49,968,193	\$ 972,111	\$ 50,940,304	\$ 1,179,641	\$ 105,077
Investments	-	-	-	-	173,856
Receivables, net	61,543,716	7,110,431	68,654,147	1,129,767	262,330
Internal balances	(328,442)	328,442	-	-	-
Due from other governments	21,201,366	115,081	21,316,447	-	-
Inventories	230,416	563,258	793,674	265,784	-
Prepaid items	559,333	-	559,333	64,403	54,944
Restricted assets:					
Cash and cash equivalents	-	25,827,191	25,827,191	837,251	-
Net pension asset	1,562,359	-	1,562,359	-	-
Other assets	426,847	221,959	648,806	-	-
Capital assets not depreciated	6,066,882	9,951,382	16,018,264	1,375,343	2,946,733
Capital assets, net of accumulated depreciation	546,455,743	110,915,078	657,370,821	5,901,496	10,383,299
<b>Total assets</b>	<b>687,686,413</b>	<b>156,004,933</b>	<b>843,691,346</b>	<b>10,753,685</b>	<b>13,926,239</b>
<b>LIABILITIES</b>					
Bank overdraft	11,898	-	11,898	-	-
Accounts payable and other accrued liabilities	7,763,753	1,705,509	9,469,262	198,800	493,593
Accrued payroll and benefits	4,967,445	198,974	5,166,419	1,002,103	177,837
Due to other governments	363,395	-	363,395	-	-
Unearned revenue	55,196,541	-	55,196,541	1,339,058	813,360
Other liabilities	6,001,806	28,636	6,030,442	487,955	-
Deposits and advances	-	945,888	945,888	122,297	46,114
Noncurrent liabilities:					
Due or payable within one year	13,383,927	3,053,309	16,437,236	-	2,088,555
Due or payable in more than one year	96,342,835	31,940,066	128,282,901	-	304,301
<b>Total liabilities</b>	<b>184,031,600</b>	<b>37,872,382</b>	<b>221,903,982</b>	<b>3,150,213</b>	<b>3,923,760</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	457,172,434	107,986,680	565,159,114	7,154,542	11,695,335
Restricted for:					
Capital projects	10,764,755	1,000,000	11,764,755	-	-
Debt service	7,245,389	4,144,561	11,389,950	-	-
Culture and recreation	2,669,418	-	2,669,418	-	-
Community development	2,849,277	-	2,849,277	-	-
Public health and welfare	807,146	-	807,146	-	-
Highways and streets	3,840,685	-	3,840,685	-	-
Employee and public liability trusts	-	-	-	310,197	-
Other purposes - Grants	46,381	-	46,381	-	-
Unrestricted	18,259,328	5,001,310	23,260,638	138,733	(1,692,856)
<b>Total net assets</b>	<b>\$ 503,654,813</b>	<b>\$ 118,132,551</b>	<b>\$ 621,787,364</b>	<b>\$ 7,603,472</b>	<b>\$ 10,002,479</b>

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2006

Functions/programs Primary government:	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Rockford Mass Transit District	Rockford Metropolitan Exposition, Auditorium and Office Building Authority
Governmental activities:								
General government	\$ 13,297,717	\$ 5,105,389	\$ 285,603	\$ 1,097,417	\$ (6,809,308)	\$ -	\$ -	\$ (6,809,308)
Public safety	78,028,562	7,055,847	1,336,107	143,037	(69,493,571)	-	-	(69,493,571)
Streets, alleys and bridges	28,618,460	6,053,144	1,419,192	5,107,147	(16,038,977)	-	-	(16,038,977)
Community development	12,850,580	475,309	3,570,506	-	(8,804,765)	-	-	(8,804,765)
Sanitation and sewers	7,790,814	6,813,361	-	-	(977,453)	-	-	(977,453)
Culture and recreation	7,613,866	200,290	204,437	39,166	(7,169,973)	-	-	(7,169,973)
Public health and welfare	16,224,686	-	15,544,509	215,016	(465,161)	-	-	(465,161)
Interest and fiscal charges	5,087,266	-	-	-	(5,087,266)	-	-	(5,087,266)
Total governmental activities	169,511,951	25,703,340	22,360,354	6,601,783	(114,846,474)	-	-	(114,846,474)
Business-type activities:								
Water	15,491,720	20,318,020	-	790,231	-	5,616,531	-	5,616,531
Parking	2,025,000	1,529,800	-	-	-	(495,200)	-	(495,200)
Total business-type activities	17,516,720	21,847,820	-	790,231	-	5,121,331	-	5,121,331
Total primary government	\$ 187,028,671	\$ 47,551,160	\$ 22,360,354	\$ 7,392,014	\$ (114,846,474)	\$ 5,121,331	\$ -	\$ (109,725,143)
Component units:								
Bus transportation	\$ 10,012,130	\$ 1,064,529	\$ 8,098,633	\$ 385,875	-	-	\$ (463,093)	\$ (827,189)
Metro Centre - coliseum-arena	9,397,105	7,657,916	912,000	-	-	-	-	-
Total component units	\$ 19,409,235	\$ 8,722,445	\$ 9,010,633	\$ 385,875	-	-	\$ (463,093)	\$ (827,189)
General revenues and transfers:								
Taxes:								
Property taxes					50,378,602			
Sales taxes					25,171,445			
Metro Centre sales tax					3,504,878			
Motel and hotel tourism tax					1,733,131			
Local use tax					1,963,229			
Income tax					12,299,422			
Replacement tax					7,251,586			
Telecommunications tax					5,771,186			
Utility tax					866,032			
Franchise taxes					1,383,862			
Total taxes					110,323,373			
Unrestricted interest earnings					3,006,127	1,227,266	70,383	16,476
Miscellaneous					2,451,023	-	-	-
Transfers					57,600	(57,600)	-	-
Total general revenues and transfers					115,838,123	1,169,666	70,383	16,476
Change in net assets					991,649	6,290,997	(392,710)	(810,713)
Net assets - beginning - as previously reported					78,422,357	111,841,554	8,376,074	10,813,192
Restatements (Note IV, H)					424,240,807	-	(379,892)	-
Net assets - beginning - as restated					502,663,164	111,841,554	7,996,182	10,813,192
Net assets - ending					\$ 503,654,813	\$ 118,132,551	\$ 7,603,472	\$ 10,002,479

The accompanying notes to the financial statements are an integral part of this statement.

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

December 31, 2006

	General Fund	Public Library Fund	Community Development Fund	Human Services Fund	Debt Service Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,780,386	\$ 3,161,926	\$ 106,472	\$ -	\$ 7,349,080
Property taxes receivable, net	32,492,644	6,558,851	-	-	8,681,769
Accounts receivable, net	4,040,075	2,434	-	-	-
Notes receivable, net	-	-	2,319,396	289,204	-
Accrued interest receivable	380,927	-	8,755	36,301	-
Due from the Federal Government	79,465	-	1,279,119	752,141	-
Due from the State of Illinois	10,654,304	194,151	-	3,881,000	-
Due from other governmental units	555,830	-	-	-	-
Due from other funds	10,920,668	29,416	-	1,485	112,644
Other assets	-	-	426,844	-	-
<b>Total assets</b>	<b>\$ 73,904,299</b>	<b>\$ 9,946,778</b>	<b>\$ 4,140,586</b>	<b>\$ 4,960,131</b>	<b>\$ 16,143,493</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Bank overdraft	\$ 11,898	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,938,476	156,546	224,758	905,612	-
Accrued payroll and benefits	4,316,690	141,480	39,069	149,030	-
Due to other governments	363,395	-	-	-	-
Due to other funds	490,366	250,000	459,585	2,348,275	-
Deferred revenue	32,492,644	6,559,685	426,845	486,811	8,681,769
Other liabilities	950,539	2,840	56,233	90	-
<b>Total liabilities</b>	<b>40,564,008</b>	<b>7,110,551</b>	<b>1,206,490</b>	<b>3,889,818</b>	<b>8,681,769</b>
<b>Fund balances:</b>					
Reserved for encumbrances	3,625,662	-	-	-	-
Reserved for debt service	-	-	-	-	7,538,253
Reserved for long-term notes receivable	-	-	1,827,977	155,100	-
Reserved for intergovernmental agreement	-	-	926,653	-	-
Reserved for endowments	-	11,109	-	-	-
Unreserved, reported in:					
General Fund	29,714,629	-	-	-	-
Special Revenue Funds	-	2,825,118	179,466	915,213	-
Debt Service Fund	-	-	-	-	(76,529)
Capital Projects Fund	-	-	-	-	-
<b>Total fund balances</b>	<b>33,340,291</b>	<b>2,836,227</b>	<b>2,934,096</b>	<b>1,070,313</b>	<b>7,461,724</b>
<b>Total liabilities and fund balances</b>	<b>\$ 73,904,299</b>	<b>\$ 9,946,778</b>	<b>\$ 4,140,586</b>	<b>\$ 4,960,131</b>	<b>\$ 16,143,493</b>

*The accompanying notes to the financial statements are an integral part of this statement.*

	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	8,878,660	\$ 12,381,038	\$ 46,657,562
	-	5,193,416	52,926,680
	173,855	1,323,022	5,539,386
	-	26,304	2,634,904
	-	-	425,983
	1,800,000	-	3,910,725
	748,543	485,595	15,963,593
	283,029	1,896	840,755
	1,253,555	29,018	12,346,786
	-	-	426,844
<b>\$</b>	<b>13,137,642</b>	<b>\$ 19,440,289</b>	<b>\$ 141,673,218</b>

\$	-	\$ -	\$ 11,898
	2,187,340	1,074,206	6,486,938
	30,376	5,881	4,682,526
	-	-	363,395
	3,415	8,343,861	11,895,502
	1,040,264	5,312,098	55,000,116
	-	-	1,009,702
	3,261,395	14,736,046	79,450,077

	5,124,073	349	8,750,084
	-	-	7,538,253
	-	10,480	1,993,557
	-	-	926,653
	-	15,000	26,109
	-	-	29,714,629
	-	4,678,414	8,598,211
	-	-	(76,529)
	4,752,174	-	4,752,174
	9,876,247	4,704,243	62,223,141
<b>\$</b>	<b>13,137,642</b>	<b>\$ 19,440,289</b>	<b>\$ 141,673,218</b>

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
December 31, 2006

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Total fund balances for governmental funds \$ 62,223,141

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 6,066,882	
Construction in progress	-	
Improvements other than buildings, net of \$266,894 accumulated depreciation	236,264	
Buildings and improvements, net of \$21,663,822 accumulated depreciation	29,486,400	
Equipment, net of \$20,678,927 accumulated depreciation	8,003,640	
Infrastructure, net of \$278,663,659 accumulated depreciation	<u>506,721,196</u>	
Total capital assets (See Note III - C.)		550,514,382

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 563,919

Internal service funds are used by the City to charge the cost of fleet management, building maintenance, inventories, auditing, 911 communications, risk management, information systems, and employee benefits for Illinois municipal retirement, unemployment, workers' compensation, and health insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets are: (3,113,466)

Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets. Also, during the year the City issued additional bonds. Deferred charge for issuance costs and discounts will be amortized as an adjustment of interest expense over the life of the new bonds.

Pension benefit asset	\$ 1,562,359	
Prepaid items	359,795	
Bonds payable	(95,950,000)	
Accrued interest on bonds	(216,335)	
Compensated absences	(5,199,706)	
Other liabilities	(4,992,104)	
EPA Water Pollution Obligations	(886,981)	
Section 108 guaranteed loans	(1,810,000)	
Deferred charge for issuance costs	304,859	
Deferred amount on refunding	<u>294,950</u>	
Total long-term assets and liabilities (See Note III - G.)		<u>(106,533,163)</u>

Total net assets of governmental activities \$ 503,654,813

*The accompanying notes to the financial statements are an integral part of this statement.*



**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2006

	General Fund	Public Library Fund	Community Development Fund	Human Services Fund
<b>REVENUES</b>				
Taxes	\$ 64,536,071	6,285,982	\$ -	\$ -
Licenses and permits	5,024,147	-	-	-
Intergovernmental	24,681,551	1,070,198	3,570,506	15,754,563
Charges for services	5,851,676	64,057	-	-
Fines	1,755,413	136,233	-	-
Interest	1,180,999	127,490	148,229	19,276
Miscellaneous	493,445	40,138	409,581	31,124
Total revenues	<u>103,523,302</u>	<u>7,724,098</u>	<u>4,128,316</u>	<u>15,804,963</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,500,781	-	-	-
Public safety	76,627,620	-	-	-
Streets, alleys and bridges	9,037,525	-	-	-
Community development	1,932,047	-	4,465,214	-
Sanitation and sewers	485,283	-	-	-
Culture and recreation	-	6,829,540	-	-
Public health and welfare	-	-	-	15,937,595
Debt service:				
Principal payments	-	-	235,000	-
Interest and fiscal charges	-	35,689	102,866	115,617
Capital outlay:				
General government	1,097,418	-	-	-
Public safety	828,826	-	-	-
Streets, alleys and bridges	-	-	-	-
Culture and recreation	-	265,197	-	-
Public health and welfare	-	-	-	215,016
Total expenditures	<u>101,509,500</u>	<u>7,130,426</u>	<u>4,803,080</u>	<u>16,268,228</u>
Excess of revenues over (under) expenditures	<u>2,013,802</u>	<u>593,672</u>	<u>(674,764)</u>	<u>(463,265)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of general obligation bonds	-	-	-	-
Discount on issue of general obligation bonds	-	-	-	-
Transfers in	3,419,091	-	241,600	290,607
Transfers out	(2,763,332)	-	(361,907)	-
Total other financing sources (uses)	<u>655,759</u>	<u>-</u>	<u>(120,307)</u>	<u>290,607</u>
Net change in fund balances	<u>2,669,561</u>	<u>593,672</u>	<u>(795,071)</u>	<u>(172,658)</u>
Fund balances - beginning	<u>30,670,730</u>	<u>2,242,555</u>	<u>3,729,167</u>	<u>1,242,971</u>
Fund balances - ending	<u>\$ 33,340,291</u>	<u>\$ 2,836,227</u>	<u>\$ 2,934,096</u>	<u>\$ 1,070,313</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,653,225	\$ -	\$ 9,913,225	\$ 89,388,503
-	-	178,970	5,203,117
-	4,107,147	5,674,393	54,858,358
-	57,330	6,813,361	12,786,424
-	-	-	1,891,646
483,933	587,575	308,687	2,856,189
-	1,092,203	1,384,532	3,451,023
<u>9,137,158</u>	<u>5,844,255</u>	<u>24,273,169</u>	<u>170,435,261</u>
-	6,588	1,373,636	12,881,005
-	16,090	-	76,643,710
-	389,610	-	9,427,135
-	38,653	6,419,469	12,855,383
-	217,602	7,083,825	7,786,710
-	-	-	6,829,540
-	-	236,594	16,174,189
8,610,284	-	-	8,845,284
4,469,130	12,360	108,876	4,844,538
-	-	-	1,097,418
-	-	-	828,826
-	15,711,225	-	15,711,225
-	183,209	-	448,406
-	-	-	215,016
<u>13,079,414</u>	<u>16,575,337</u>	<u>15,222,400</u>	<u>174,588,385</u>
<u>(3,942,256)</u>	<u>(10,731,082)</u>	<u>9,050,769</u>	<u>(4,153,124)</u>
-	2,500,000	-	2,500,000
-	(20,000)	-	(20,000)
6,272,377	4,541,715	4,296,258	19,061,648
-	(3,370,628)	(12,508,181)	(19,004,048)
<u>6,272,377</u>	<u>3,651,087</u>	<u>(8,211,923)</u>	<u>2,537,600</u>
2,330,121	(7,079,995)	838,846	(1,615,524)
<u>5,131,603</u>	<u>16,956,242</u>	<u>3,865,397</u>	<u>63,838,665</u>
<u>\$ 7,461,724</u>	<u>\$ 9,876,247</u>	<u>\$ 4,704,243</u>	<u>\$ 62,223,141</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2006

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Net change in fund balances - total governmental funds	\$ (1,615,524)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which depreciation (\$21,928,132) exceeded capital outlays (\$18,300,891) in the current period. (See Note III - C.)	(3,627,241)
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. (See Note III - G.)

Debt issued:	
Proceeds from general obligation bonds issued	\$ (2,500,000)
Less: Discounts on bonds issued and issuance costs	20,000
Repayments:	
Principal payment on bonds and other long-term obligations	8,845,284
Net adjustment	6,365,284

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This adjustment combines the net changes of the following balances. (See Note III - G.)

Net pension asset	\$ 595,358
Other liabilities	(139,115)
Compensated absences	(286,887)
Prepaid expenses	(40,042)
Accrued interest on bonds	(29,162)
Amortization of deferred amount from refunding and bond discounts	(42,954)
Amortization of bond issue costs	(83,020)
Combined adjustment	(25,822)

Internal Service funds are used by the City to charge the cost of Central Garage, Building Maintenance, Central Stores, Auditing, 911 Communications, Risk Management, Data Processing and employee benefits for Illinois Municipal Retirement, Unemployment, Workmen's Compensation, and Health Insurance to individual funds. The net revenue (expenses) of the above Internal Service funds is reported within governmental activities.

Change in net assets of governmental activities	\$ 991,649
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*The accompanying notes to the financial statements are an integral part of this statement.*



**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
December 31, 2006

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 903,738	\$ 68,373	\$ 972,111	\$ 3,310,631
Accounts receivable:				
Water	2,512,551	-	2,512,551	-
Estimated unbilled water usage	5,030,000	-	5,030,000	-
Other	39,488	44,187	83,675	16,763
Total accounts receivable	7,582,039	44,187	7,626,226	16,763
Less allowance for uncollectible accounts	(515,795)	-	(515,795)	-
Total accounts receivable, net	7,066,244	44,187	7,110,431	16,763
Due from other funds	327,927	515	328,442	24,351
Due from other governments	115,081	-	115,081	486,293
Inventories	563,258	-	563,258	230,416
Prepaid items	-	-	-	199,538
Current restricted assets:				
Cash and cash equivalents:				
Bond construction account	20,682,630	-	20,682,630	-
Revenue bond renewal and replacement account	1,000,000	-	1,000,000	-
Alternate bond current debt service account	4,144,561	-	4,144,561	-
Total current restricted assets	25,827,191	-	25,827,191	-
Total current assets	34,803,439	113,075	34,916,514	4,267,992
Noncurrent assets:				
Other assets - unamortized bond issue costs	221,959	-	221,959	-
Capital assets:				
Land	481,842	5,557,316	6,039,158	-
Construction in progress	3,912,224	-	3,912,224	-
Land improvements	347,229	-	347,229	20,000
Buildings and improvements	4,889,780	18,569,315	23,459,095	1,201,473
Equipment	3,240,521	278,060	3,518,581	4,110,136
Improvements other than land and buildings	128,241,987	4,224,560	132,466,547	194,234
Less accumulated depreciation	(39,568,035)	(9,308,339)	(48,876,374)	(3,517,597)
Total capital assets	101,545,548	19,320,912	120,866,460	2,008,246
Total noncurrent assets	101,767,507	19,320,912	121,088,419	2,008,246
Total assets	\$ 136,570,946	\$ 19,433,987	\$ 156,004,933	\$ 6,276,238

*The accompanying notes to the financial statements are an integral part of this statement.*

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,599,619	\$ 24,735	\$ 1,624,354	\$ 1,060,480
Accrued interest payable	81,155	-	81,155	-
Accrued payroll and benefits	185,479	13,495	198,974	284,919
Due to other funds	-	-	-	804,077
Other liabilities	28,636	-	28,636	-
Deposits and advances	885,198	60,690	945,888	-
Compensated absences	90,330	6,759	97,089	108,778
General obligation alternate bonds payable (net of unamortized deferred refunding benefit)	2,820,691	-	2,820,691	-
Refundable water main extension advances and deposits	135,529	-	135,529	-
Claims and judgments payable	-	-	-	3,628,366
Total current liabilities	5,826,637	105,679	5,932,316	5,886,620
Noncurrent liabilities:				
Compensated absences	270,691	13,439	284,130	188,622
Deferred revenue	-	-	-	760,344
Refundable water main extension advances	668,573	-	668,573	-
Customer water deposits	245,644	-	245,644	-
General obligation alternate bonds payable (net of unamortized deferred refunding benefit)	30,741,719	-	30,741,719	-
Claims and judgments payable	-	-	-	2,554,118
Total noncurrent liabilities	31,926,627	13,439	31,940,066	3,503,084
Total liabilities	37,753,264	119,118	37,872,382	9,389,704
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	88,665,768	19,320,912	107,986,680	2,008,246
Restricted:				
Capital projects	1,000,000	-	1,000,000	-
Debt service	4,144,561	-	4,144,561	-
Unrestricted	5,007,353	(6,043)	5,001,310	(5,121,712)
Total net assets	\$ 98,817,682	\$ 19,314,869	\$ 118,132,551	\$ (3,113,466)

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

	<b>Business-type Activities-</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Parking</b>	<b>Totals</b>	<b>Internal</b>
	<b>Utility</b>	<b>System</b>		<b>Service Funds</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 20,130,357	\$ 909,990	\$ 21,040,347	\$ 38,759,820
Parking fines	-	618,495	618,495	-
Miscellaneous	187,663	1,315	188,978	672,687
Total operating revenues	<u>20,318,020</u>	<u>1,529,800</u>	<u>21,847,820</u>	<u>39,432,507</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	5,100,512	453,398	5,553,910	7,464,285
Services	3,245,408	304,961	3,550,369	28,999,534
Supplies and materials	1,664,573	17,123	1,681,696	2,019,911
Depreciation	2,621,370	675,618	3,296,988	516,113
Charges from General Fund	1,389,904	573,900	1,963,804	640,100
Total operating expenses	<u>14,021,767</u>	<u>2,025,000</u>	<u>16,046,767</u>	<u>39,639,943</u>
Operating income (loss)	<u>6,296,253</u>	<u>(495,200)</u>	<u>5,801,053</u>	<u>(207,436)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Contributions from the State of Illinois	21,480	-	21,480	-
Interest revenue	1,224,598	2,668	1,227,266	149,938
Interest expense and service fees	(1,338,489)	-	(1,338,489)	(47,550)
Amortization expense	(131,464)	-	(131,464)	-
Total nonoperating revenues (expenses)	<u>(223,875)</u>	<u>2,668</u>	<u>(221,207)</u>	<u>102,388</u>
Income (loss) before transfers and capital contributions	<u>6,072,378</u>	<u>(492,532)</u>	<u>5,579,846</u>	<u>(105,048)</u>
Transfers out	-	(57,600)	(57,600)	-
Contributions from developers	768,751	-	768,751	-
Change in net assets	<u>6,841,129</u>	<u>(550,132)</u>	<u>6,290,997</u>	<u>(105,048)</u>
Total net assets - beginning	91,976,553	19,865,001	111,841,554	(3,008,418)
Total net assets - ending	<u>\$ 98,817,682</u>	<u>\$ 19,314,869</u>	<u>\$ 118,132,551</u>	<u>\$ (3,113,466)</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2006

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Water Utility	Parking System	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 18,511,102	\$ 1,544,450	\$ 20,055,552	\$ 39,195,737
Other receipts	187,663	1,315	188,978	-
Payment to suppliers	(5,069,118)	(337,129)	(5,406,247)	(30,018,222)
Payment to employees	(5,047,199)	(454,625)	(5,501,824)	(7,505,097)
Payments for interfund services used	(1,395,308)	(573,900)	(1,969,208)	(640,100)
Payments to other funds	-	-	-	(1,472,514)
Net cash provided by (used for) operating activities	7,187,140	180,111	7,367,251	(440,196)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	-	(57,600)	(57,600)	-
Net cash provided by (used for) noncapital financing activities	-	(57,600)	(57,600)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital grants	21,332	-	21,332	-
Proceeds from sale of general obligation alternate bonds	15,000,000	-	15,000,000	-
Proceeds from sale of capital assets	3,680	-	3,680	-
Bond issue costs paid	(182,065)	-	(182,065)	-
Interest paid on general obligation alternate bonds	(1,293,759)	-	(1,293,759)	-
Principal payment on general obligation alternate bonds	(3,360,000)	-	(3,360,000)	-
Repayment to contractors for water mains	(184,419)	-	(184,419)	-
Capital asset acquisitions	(5,025,928)	(108,849)	(5,134,777)	(212,319)
Net cash provided by (used for) capital and related financing activities	4,978,841	(108,849)	4,869,992	(212,319)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on cash and cash equivalents	1,172,437	4,130	1,176,567	95,439
Net increase (decrease) in cash and cash equivalents	13,338,418	17,792	13,356,210	(557,076)
Cash and cash equivalents, beginning	13,392,511	50,581	13,443,092	3,867,707
Cash and cash equivalents, ending	\$ 26,730,929	\$ 68,373	\$ 26,799,302	\$ 3,310,631
Displayed as:				
Cash and cash equivalents	\$ 903,738	\$ 68,373	\$ 972,111	\$ 3,310,631
Restricted assets - cash and cash equivalents	25,827,191	-	25,827,191	-
	\$ 26,730,929	\$ 68,373	\$ 26,799,302	\$ 3,310,631

(Continued)

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Continued)**  
For The Year Ended December 31, 2006

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Totals	
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 6,296,253	\$ (495,200)	\$ 5,801,053	\$ (207,436)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,621,370	675,618	3,296,988	516,113
Increase (decrease) from changes in:				
Accounts receivable	(1,746,589)	(4,570)	(1,751,159)	147,270
Allowance for uncollectible accounts	147,701	-	147,701	-
Due from other governmental units	-	-	-	(174,399)
Due from other funds	5,404	-	5,404	-
Inventories	(85,858)	-	(85,858)	-
Prepaid items	-	-	-	(199,538)
Bank overdraft	-	-	-	7,973
Accounts payable	(82,241)	(15,045)	(97,286)	(105,007)
Accrued payroll and benefits	(18,931)	(627)	(19,558)	(96,139)
Compensated absences	72,244	(600)	71,644	(91,280)
Due to other funds	-	-	-	(1,427,055)
Deferred revenue	-	20,535	20,535	(29,064)
Other liabilities	(1,845)	-	(1,845)	1,218,366
Deposits and advances	(20,368)	-	(20,368)	-
Total adjustments	890,887	675,311	1,566,198	(232,760)
Net cash provided by (used for) operating activities	\$ 7,187,140	\$ 180,111	\$ 7,367,251	\$ (440,196)
<b>Noncash investing, capital and financing activities:</b>				
Distribution main contributed from developers	\$ 768,751	\$ -	\$ 768,751	\$ -
Amortization of issue and discount costs paid in prior years	61,397	-	61,397	-
Amortization of revenue and general obligation bond refundings	70,066	-	70,066	-
Capital asset additions in accounts payable at year-end	1,128,762	-	1,128,762	-
Total noncash capital and related financing activities	\$ 2,028,976	\$ -	\$ 2,028,976	\$ -

(Concluded)

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
December 31, 2006

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 2,583,354</u>
Investments - retirement plans	
U.S. Treasury Strips	4,391,638
U.S. Treasury Bills	1,502,932
U.S. Treasury Notes	24,478,343
U.S. Treasury Bonds	9,804,085
Government National Mortgage Association	8,392,520
Government Backed Corporate Bonds	1,258,305
Federal Home Loan Bank Bonds	3,864,628
Federal Home Loan Mortgage Corporation	7,218,745
Federal National Mortgage Association	11,583,971
Federal Farm Credit Bonds	287,977
State and Local Government Securities	279,630
Small Cap Equity Common Stocks	14,848,064
Mid Cap Equity Common Stocks	6,927,267
Large Cap Equity Common Stocks	22,938,029
NTGI Collective Trust	68,413,525
ABN AMRO Stable Value Funds	15,517,035
Domestic Mutual Funds	52,491,223
International Mutual Funds	30,195,901
Total investments	<u>284,393,818</u>
Accrued interest receivable	<u>861,929</u>
Contributions receivable	<u>4,992,103</u>
Total assets	<u>292,831,204</u>
<b>LIABILITIES</b>	
Accrued liabilities	<u>126,416</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u>\$ 292,704,788</u>
(A schedule of funding progress is included in the Required Supplementary Information.)	

*The accompanying notes to the financial statements are an integral part of this statement.*

**CITY OF ROCKFORD, ILLINOIS**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FIDUCIARY FUNDS**

For the Year Ended December 31, 2006

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 6,735,552
Plan member	<u>3,324,332</u>
Total contributions	<u>10,059,884</u>
Investment income:	
Net appreciation in fair value of investments	16,442,773
Interest and dividend income	<u>7,819,548</u>
	24,262,321
Less investment expense	<u>(651,914)</u>
Net investment income	<u>23,610,407</u>
Total additions	<u>33,670,291</u>
<b>DEDUCTIONS</b>	
Pension benefits	18,251,301
Refunds of contributions	106,944
Administrative expense	<u>245,534</u>
Total deductions	<u>18,603,779</u>
Change in net assets	15,066,512
Total net assets - beginning	<u>277,638,276</u>
Total net assets - ending	<u>\$ 292,704,788</u>

*The accompanying notes to the financial statements are an integral part of this statement.*