

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

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CITY OF ROCKFORD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Renee Haften	Mayor	12/31/16
Todd Wenz	Council Member	12/31/14
Jeanette Graner	Council Member	12/31/14
Rick Martinson	Council Member	12/31/16
Denise Kesanen	Council Member	12/31/16

APPOINTED

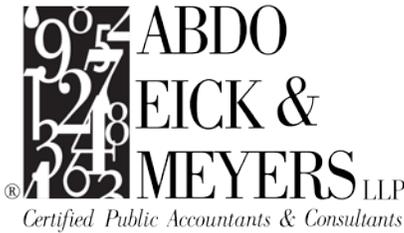
Nancy Carswell	City Administrator
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FINANCIAL SECTION
CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Rockford, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockford, Minnesota (the City), as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated April 3, 2013, we express unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund and Fire Department fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on starting on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

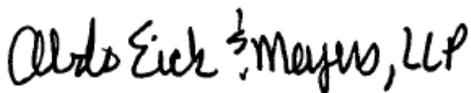
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 11, 2014

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Management's Discussion and Analysis

As management of the City of Rockford, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,055,213 (*net position*). Of this amount, \$3,135,916 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$102,775.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,105,719 an increase of \$315,614 in comparison with the prior year. Of the total fund balance, 69.0 percent, \$2,141,921, is available for spending at the City's discretion, but some has been committed and assigned for specific purposes.
- At the end of the current fiscal year, the unrestricted fund balance for the General fund was \$1,355,932, or 85.5 percent of total General fund expenditures. While these funds are not legally restricted, the City has plans for using the balance for a portion of the balance for specific activities.
- Total debt decreased \$572,375 (9.2 percent) during the current fiscal year. The decrease is a result of regular debt payments.

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 basic financial statements comprise three components: 1) government-wide financial statements, 2) fund statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

The following chart shows how the various parts of this annual report are arranged and related to one another:

**Figure 1
Required Components of the
City’s Annual Financial Report**

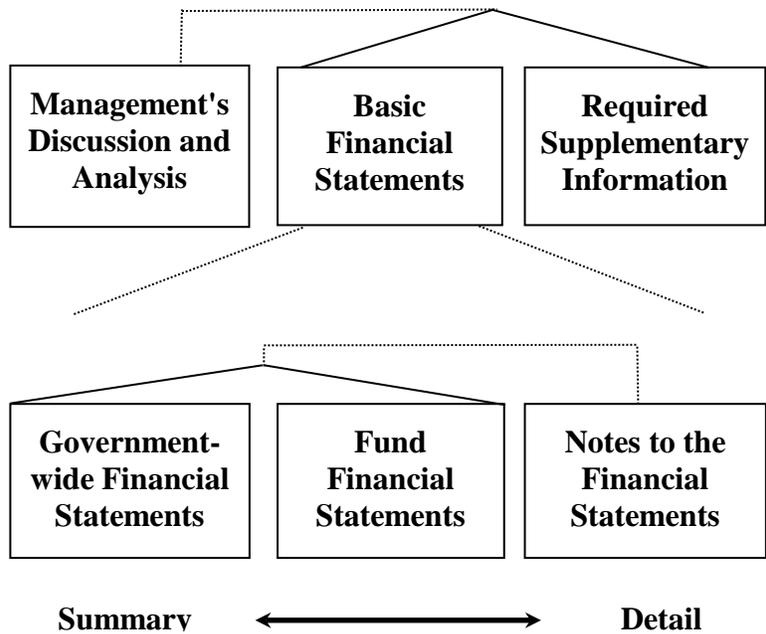


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, public works and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water and sewer enterprise.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Housing Redevelopment Authority (the HRA) for which the City is financially accountable. Financial information for this *component unit* is reported as two separate special revenue funds. Although legally separate, it functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements start on page 29 of this report.

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, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 expendable resources*, as well as on *balances of expendable 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 by 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 15 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 fund, Debt Service fund, and Fire Department fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund, Housing and Redevelopment Authority and Fire Department fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements start on page 34 of this report.

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 water and sewer.

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 each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 44 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 start on page 53 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,055,213 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (78.1 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); 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.

City of Rockford's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Assets						
Current and other assets	\$ 3,575,027	\$ 3,224,100	\$ 350,927	\$ 1,094,578	\$ 1,147,164	\$ (52,586)
Capital assets	12,093,760	12,717,009	(623,249)	8,326,728	8,499,404	(172,676)
Total assets	15,668,787	15,941,109	(272,322)	9,421,306	9,646,568	(225,262)
Liabilities						
Long-term liabilities outstanding	3,430,383	3,667,140	(236,757)	2,217,421	2,553,039	(335,618)
Other liabilities	281,863	163,123	118,740	105,213	46,387	58,826
Total liabilities	3,712,246	3,830,263	(118,017)	2,322,634	2,599,426	(276,792)
Net Position						
Net investment in capital assets	8,751,402	9,130,794	(379,392)	6,138,173	5,973,187	164,986
Restricted	1,029,722	1,099,097	(69,375)	-	-	-
Unrestricted	2,175,417	1,880,955	294,462	960,499	1,073,955	(113,456)
Total net position	\$11,956,541	\$12,110,846	\$ (154,305)	\$ 7,098,672	\$ 7,047,142	\$ 51,530

An additional portion of the City's net position \$1,029,722 (5.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$3,135,916 (16.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position decreased \$102,775 during the current fiscal year.

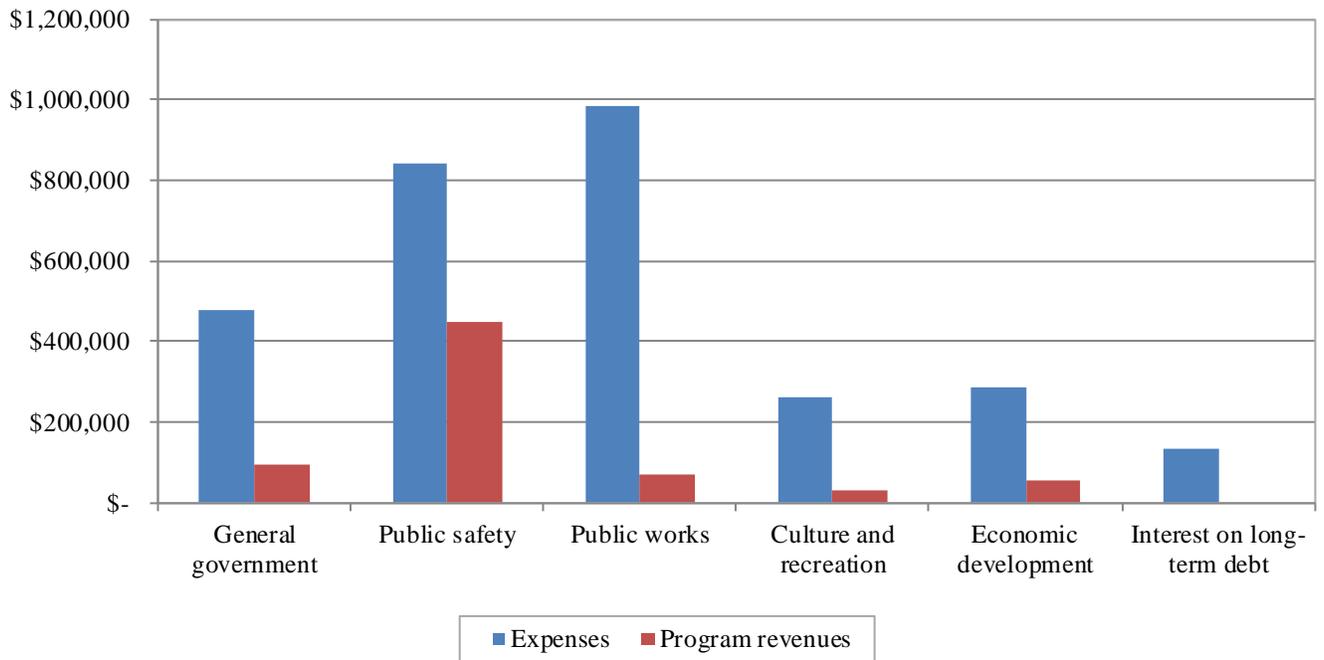
Governmental activities. Governmental activities decreased the City's net position by \$154,305. Key elements of this decrease are as follows:

City of Rockford's Changes in Net Position

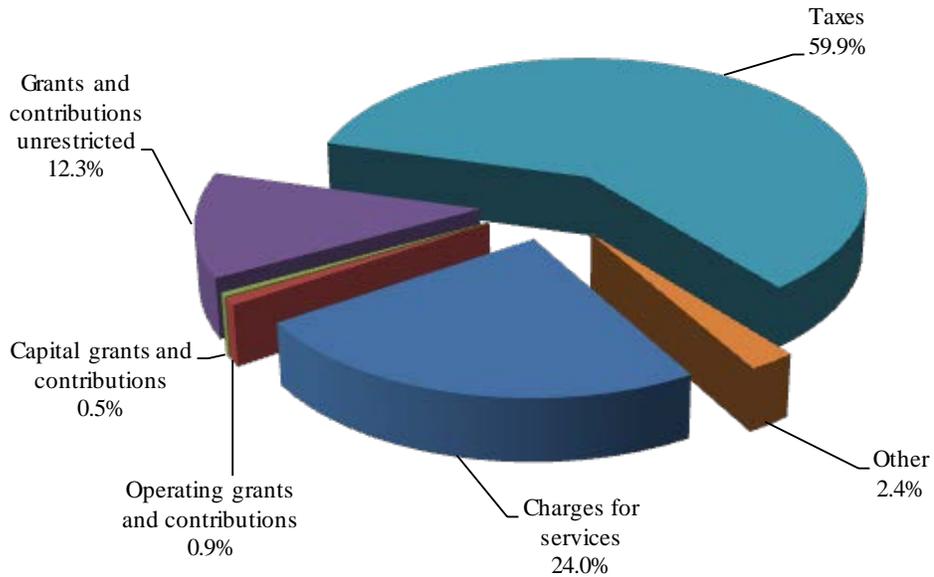
	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 660,318	\$ 545,817	\$ 114,501	\$ 1,064,080	\$ 1,020,009	\$ 44,071
Operating grants and contributions	24,159	17,832	6,327	-	1,068	(1,068)
Capital grants and contributions	12,435	35,144	(22,709)	80,433	24,406	56,027
General revenues						
Taxes						
Property taxes	1,552,470	1,465,725	86,745	-	-	-
Tax increment	96,307	214,103	(117,796)	-	-	-
Grants and contributions not restricted to specific programs	338,795	251,118	87,677	-	-	-
Gain on sale of capital assets	9,544	52,500	(42,956)	-	-	-
Miscellaneous	13,528	-	13,528	-	-	-
Unrestricted investment earnings	43,552	41,056	2,496	14,637	24,579	(9,942)
Total revenues	2,751,108	2,623,295	127,813	1,159,150	1,070,062	89,088
Expenses						
General government	478,803	446,287	32,516	-	-	-
Public safety	839,687	702,444	137,243	-	-	-
Public works	982,701	951,925	30,776	-	-	-
Culture and recreation	258,883	248,724	10,159	-	-	-
Economic development	287,591	339,283	(51,692)	-	-	-
Interest on long-term debt	133,048	153,541	(20,493)	-	-	-
Water	-	-	-	451,621	423,375	28,246
Sewer	-	-	-	580,699	527,500	53,199
Total expenses	2,980,713	2,842,204	138,509	1,032,320	950,875	81,445
Increase (decrease) in net position before transfers	(229,605)	(218,909)	(10,696)	126,830	119,187	7,643
Transfer	75,300	75,300	-	(75,300)	(75,300)	-
Change in net position	(154,305)	(143,609)	(10,696)	51,530	43,887	7,643
Net position, January 1	12,110,846	12,254,455	(143,609)	7,047,142	7,003,255	43,887
Net position, December 31	<u>\$11,956,541</u>	<u>\$12,110,846</u>	<u>\$ (154,305)</u>	<u>\$ 7,098,672</u>	<u>\$ 7,047,142</u>	<u>\$ 51,530</u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

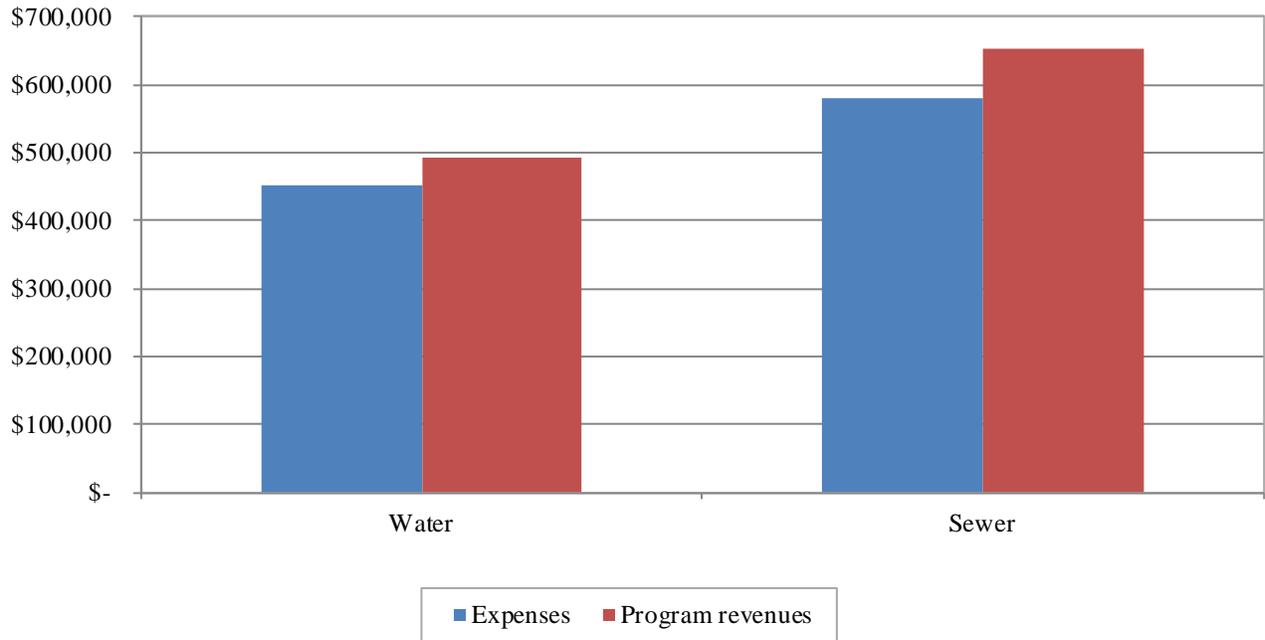


Revenues by Source - Governmental Activities

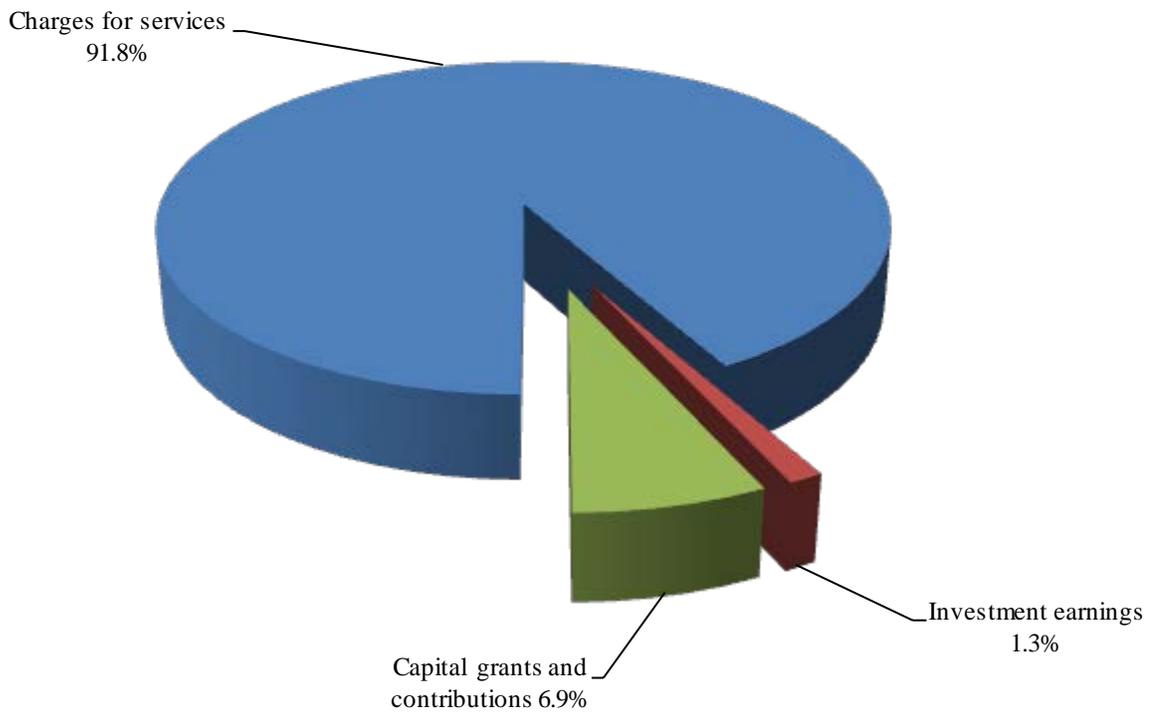


Business-type activities. Business-type activities increased the City's net position by \$51,530. Key elements of this increase are as follows:

Expenses and Program Revenues Business-type Activities



Revenues by Source Business-type Activities



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 *expendable* resources. Such information is useful in assessing the City's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,105,719, an increase of \$315,614 in comparison with the prior year. Approximately 69.0 percent of this total amount (\$2,141,921) constitutes *unrestricted fund balance*, which is available for spending at the City's discretion. This unrestricted amount is made up of up committed fund balance (\$354,900), assigned fund balance (\$489,777), and unassigned fund balance (\$1,297,244). The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted: to pay debt service in the amount of \$414,700, tax increments in the amount of \$168,690, DTED loans in the amount of \$287,846, and parks of \$92,562.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2013	2012	
General	\$ 1,355,932	\$ 1,183,118	\$ 172,814
Revenues exceeded expenditures by \$398,643 during the year. This excess of revenues allowed the General fund to transfer out \$240,575 to other funds. This excess was possible due to revenues being over budget by \$152,901 and expenditures being under budget by \$9,502.			
Debt Service	\$ 414,700	\$ 403,010	\$ 11,690
The decrease in fund balance was the result of the City making \$309,918 of debt service payments during the year.			
Fire Department	\$ 265,735	\$ 197,188	\$ 68,547
The increase in fund balance was the result of revenues in excess of expenditures. Expenditures were low in 2013 due to no amounts expended for capital outlay.			

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

Unrestricted net position of the utilities funds at the end of the year amounted to \$960,499. The increase in net position for the funds was \$51,530. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The General fund budget was not revised in total during the year. The year ended with the General fund revenues exceeding the budget in each category of revenues. Most notably licenses and permits and miscellaneous revenues were \$44,464 and \$38,534 over budget, respectively. The General fund expenses were lower than budgeted due mostly in part from general government expenditures being under budget by \$19,856.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$20,420,488 (net of accumulated depreciation). These capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges, and vehicles. The investment in capital assets decreased \$795,925 during the year due to new capital assets acquired offset by depreciation expense.

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

- Trade-in of a bobcat
- Completion of the Parkwood Park ball field and TH 55 utility projects
- Work on the 2014 utility project

Additional information on the City's capital assets can be found in Note 3B starting on page 63 of this report.

City of Rockford's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 2,392,812	\$ 2,392,812	\$ -	\$ 221,630	\$ 221,630	\$ -
Construction in progress	-	38,602	(38,602)	201,525	422,599	(221,074)
Buildings and improvements	3,089,741	3,103,311	(13,570)	66,644	84,457	(17,813)
Improvements other than buildings	351,914	479,929	(128,015)	-	-	-
Infrastructure	4,731,945	5,006,771	(274,826)	7,789,005	7,711,237	77,768
Machinery and equipment	508,241	530,202	(21,961)	47,924	59,481	(11,557)
Vehicles	1,019,107	1,165,382	(146,275)	-	-	-
Total	\$12,093,760	\$12,717,009	\$ (623,249)	\$ 8,326,728	\$ 8,499,404	\$ (172,676)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,419,555 and capital leases of \$111,357. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Rockford's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
General obligation special assessment bonds	\$ 2,755,000	\$ 2,900,000	\$ (145,000)	\$ -	\$ -	\$ -
General obligation bonds	440,000	470,000	(30,000)	-	-	-
General obligation equipment note	36,000	70,000	(34,000)	-	-	-
General obligation water revenue refunding bonds	-	-	-	1,440,000	1,605,000	(165,000)
General obligation revenue bonds	-	-	-	253,555	294,217	(40,662)
Revenue bonds	-	-	-	495,000	627,000	(132,000)
Capital leases and contracts payable	111,357	146,215	(34,858)	-	-	-
Compensated absences	88,026	80,925	7,101	28,866	26,822	2,044
Total	\$ 3,430,383	\$ 3,667,140	\$ (236,757)	\$ 2,217,421	\$ 2,553,039	\$ (335,618)

The City maintains an "AA" rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City currently has debt applicable debt, however they are well within the limit provided by statute.

Additional information on the City's long-term debt can be found in Note 3E starting on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

The year 2013 saw promising signs of growth and the recovery of the Minnesota housing market and economy. This growth included construction of new homes, business expansion and continued expansion of schools in the Rockford School District. The city's Millennium Park Tax Increment Financing District was also decertified in 2013, which serves to expand the city's market value base for property taxes.

Looking forward, the city will be undertaking some larger projects in the coming year. The City will upgrade the Wastewater Treatment Plant to treat phosphorous parameters as established by the Minnesota Pollution Control Agency. The City is also rehabilitating and replacing water and wastewater mains and lateral in the Maplewood Manor neighborhood which will reduce inflow and infiltration and benefit operations at the Wastewater Treatment Plant. Finally, the City is purchasing the blighted strip mall located at 8910 Walnut Street. This project will revitalize this outdated area of town and will provide a home for the much needed Rockford Event Center.

The year 2014 also brings change, as long time Rockford City Administrator, Nancy Carswell retires after nearly 30 years of dedicated service to the community. Incoming City Administrator and Special Counsel Dan Madsen, brings a strong financial background and legal experience to the City and will continue to advance the City in years to come.

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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Rockford, 6031 Main Street, Rockford, Minnesota 55373-9569.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF ROCKFORD, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 3,225,098	\$ 1,011,418	\$ 4,236,516
Receivables			
Interest	13,704	-	13,704
Delinquent taxes	35,761	-	35,761
Accounts	33,947	83,160	117,107
Loans	100,755	-	100,755
Special assessments	123,870	-	123,870
Due from other governments	41,892	-	41,892
Capital assets			
Land	2,392,812	221,630	2,614,442
Construction in process	-	201,525	201,525
Depreciable capital assets, net	<u>9,700,948</u>	<u>7,903,573</u>	<u>17,604,521</u>
TOTAL ASSETS	<u>15,668,787</u>	<u>9,421,306</u>	<u>25,090,093</u>
LIABILITIES			
Accounts payable	221,623	75,413	297,036
Accrued salaries payable	3,428	634	4,062
Due to other governments	2,553	10,622	13,175
Accrued interest payable	54,259	18,544	72,803
Noncurrent liabilities			
Due within one year	247,689	357,693	605,382
Due in more than one year	<u>3,182,694</u>	<u>1,859,728</u>	<u>5,042,422</u>
TOTAL LIABILITIES	<u>3,712,246</u>	<u>2,322,634</u>	<u>6,034,880</u>
NET POSITION			
Net investment in capital assets	8,751,402	6,138,173	14,889,575
Restricted for			
Debt service	360,441	-	360,441
Tax increment financing	168,690	-	168,690
DTED loans	384,029	-	384,029
Parks	116,562	-	116,562
Unrestricted	<u>2,175,417</u>	<u>960,499</u>	<u>3,135,916</u>
TOTAL NET POSITION	<u>\$ 11,956,541</u>	<u>\$ 7,098,672</u>	<u>\$ 19,055,213</u>

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

CITY OF ROCKFORD, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 478,803	\$ 89,770	\$ 5,869	\$ -
Public safety	839,687	442,820	2,775	-
Public works	982,701	57,380	-	12,435
Culture and recreation	258,883	19,610	12,515	-
Economic development	287,591	50,738	3,000	-
Interest on long-term debt	133,048	-	-	-
Total governmental activities	<u>2,980,713</u>	<u>660,318</u>	<u>24,159</u>	<u>12,435</u>
Business-type activities				
Water	451,621	466,513	-	25,047
Sewer	580,699	597,567	-	55,386
Total business-type activities	<u>1,032,320</u>	<u>1,064,080</u>	<u>-</u>	<u>80,433</u>
Total	<u>\$ 4,013,033</u>	<u>\$ 1,724,398</u>	<u>\$ 24,159</u>	<u>\$ 92,868</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues

Change in net position

Net position, January 1

Net position, December 31

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

Net Revenues (Expenses)
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (383,164)	\$ -	\$ (383,164)
(394,092)	-	(394,092)
(912,886)	-	(912,886)
(226,758)	-	(226,758)
(233,853)	-	(233,853)
(133,048)	-	(133,048)
<u>(2,283,801)</u>	<u>-</u>	<u>(2,283,801)</u>
-	39,939	39,939
-	72,254	72,254
<u>-</u>	<u>112,193</u>	<u>112,193</u>
<u>(2,283,801)</u>	<u>112,193</u>	<u>(2,171,608)</u>
1,389,788	-	1,389,788
162,682	-	162,682
96,307	-	96,307
338,795	-	338,795
43,552	14,637	58,189
13,528	-	13,528
9,544	-	9,544
75,300	(75,300)	-
<u>2,129,496</u>	<u>(60,663)</u>	<u>2,068,833</u>
(154,305)	51,530	(102,775)
<u>12,110,846</u>	<u>7,047,142</u>	<u>19,157,988</u>
<u>\$ 11,956,541</u>	<u>\$ 7,098,672</u>	<u>\$ 19,055,213</u>

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FUND FINANCIAL STATEMENTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF ROCKFORD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Debt Service	Fire Department
ASSETS			
Cash and temporary investments	\$ 1,383,571	\$ 414,700	\$ 265,051
Receivables			
Interest	13,704	-	-
Delinquent taxes	35,761	-	-
Accounts	28,889	-	4,510
Loans	-	-	-
Special assessments	17,933	-	-
Due from other governments	41,795	-	-
 TOTAL ASSETS	\$ 1,521,653	\$ 414,700	\$ 269,561
 LIABILITIES			
Accounts payable	\$ 120,156	\$ -	\$ 3,826
Accrued salaries payable	3,428	-	-
Due to other governments	2,553	-	-
 TOTAL LIABILITIES	126,137	-	3,826
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	35,761	-	-
Unavailable revenue - special assessments	3,823	-	-
Unavailable revenue - loans	-	-	-
 TOTAL DEFERRED INFLOWS OF RESOURCES	39,584	-	-
 FUND BALANCES			
Restricted	-	414,700	-
Committed	-	-	265,735
Assigned	54,363	-	-
Unassigned	1,301,569	-	-
 TOTAL FUND BALANCES	1,355,932	414,700	265,735
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,521,653	\$ 414,700	\$ 269,561

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

Other Governmental Funds	Total Governmental Funds
\$ 1,161,776	\$ 3,225,098
-	13,704
-	35,761
548	33,947
100,755	100,755
105,937	123,870
97	41,892
<u>\$ 1,369,113</u>	<u>\$ 3,575,027</u>
\$ 97,641	\$ 221,623
-	3,428
-	2,553
<u>97,641</u>	<u>227,604</u>
-	35,761
105,937	109,760
96,183	96,183
<u>202,120</u>	<u>241,704</u>
549,098	963,798
89,165	354,900
435,414	489,777
(4,325)	1,297,244
<u>1,069,352</u>	<u>3,105,719</u>
<u>\$ 1,369,113</u>	<u>\$ 3,575,027</u>

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CITY OF ROCKFORD, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental	\$ 3,105,719
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	19,498,958
Less: accumulated depreciation	(7,405,198)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Capital lease payable	(111,358)
Bonds payable	(3,231,000)
Compensated absences payable	(88,025)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	35,761
Special assessments receivable	109,760
Loans receivable	96,183
Governmental funds do not report a liability for accrued interest until due and payable.	(54,259)
Total net position - governmental activities	\$ 11,956,541

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

CITY OF ROCKFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Debt Service	Fire Department
REVENUES			
Taxes			
Property	\$ 1,375,590	\$ 162,682	\$ -
Tax increments	-	-	-
Licenses and permits	104,734	-	-
Intergovernmental	351,310	-	2,750
Charges for services	59,489	-	346,056
Fines and forfeitures	2,554	-	-
Special assessments	22,292	-	-
Interest on investments	23,344	3,263	2,126
Miscellaneous	47,234	-	5,666
	<u>1,986,547</u>	<u>165,945</u>	<u>356,598</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	429,539	-	-
Public safety	492,470	-	193,761
Public works	465,127	-	-
Culture and recreation	192,884	-	-
Economic development	-	-	-
Capital outlay			
General government	1,321	-	-
Public works	-	-	-
Culture and recreation	3,817	-	-
Economic development	-	-	-
Debt service			
Principal	-	175,000	34,858
Interest and other	-	134,918	4,644
	<u>-</u>	<u>309,918</u>	<u>40,502</u>
TOTAL EXPENDITURES	<u>1,585,158</u>	<u>309,918</u>	<u>233,263</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>401,389</u>	<u>(143,973)</u>	<u>123,335</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	12,000	155,663	-
Transfers out	(240,575)	-	(54,788)
	<u>(228,575)</u>	<u>155,663</u>	<u>(54,788)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	<u>172,814</u>	<u>11,690</u>	<u>68,547</u>
FUND BALANCES, JANUARY 1	<u>1,183,118</u>	<u>403,010</u>	<u>197,188</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,355,932</u>	<u>\$ 414,700</u>	<u>\$ 265,735</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,538,272
100,119	100,119
-	104,734
3,000	357,060
-	405,545
-	2,554
59,520	81,812
14,819	43,552
<u>114,007</u>	<u>166,907</u>
<u>291,465</u>	<u>2,800,555</u>
-	429,539
-	686,231
-	465,127
-	192,884
25,947	25,947
35,804	37,125
105,458	105,458
-	3,817
229,217	229,217
34,000	243,858
<u>1,476</u>	<u>141,038</u>
<u>431,902</u>	<u>2,560,241</u>
<u>(140,437)</u>	<u>240,314</u>
282,000	449,663
<u>(79,000)</u>	<u>(374,363)</u>
<u>203,000</u>	<u>75,300</u>
62,563	315,614
<u>1,006,789</u>	<u>2,790,105</u>
<u>\$ 1,069,352</u>	<u>\$ 3,105,719</u>

CITY OF ROCKFORD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Total net change in fund balances - governmental funds	\$ 315,614
Amounts reported for governmental activities in the statement of activities are different because	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	3,206
Gain on sale of capital assets	9,544
Depreciation expense	(635,999)
<p>Loans receivable are off-set with unavailable revenue in the governmental funds because they are not financial resources.</p>	
Loan principal repayments	(32,427)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	243,858
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	7,990
<p>Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	14,198
Tax increments	(3,812)
Special assessments	(69,377)
<p>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 governmental funds.</p>	
Compensated absences	(7,100)
Change in net position - governmental activities	(154,305)
	\$ (154,305)

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

CITY OF ROCKFORD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,354,237	\$ 1,354,237	\$ 1,375,590	\$ 21,353
Licenses and permits	60,270	60,270	104,734	44,464
Intergovernmental	338,989	338,989	351,310	12,321
Charges for services	50,250	50,250	59,489	9,239
Fines and forfeitures	2,000	2,000	2,554	554
Special assessments	-	-	22,292	22,292
Interest on investments	19,200	19,200	23,344	4,144
Miscellaneous	8,700	8,700	47,234	38,534
	<u>1,833,646</u>	<u>1,833,646</u>	<u>1,986,547</u>	<u>152,901</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	448,247	449,395	429,539	19,856
Public safety	480,725	480,442	492,470	(12,028)
Public works	461,879	461,719	465,127	(3,408)
Culture and recreation	201,105	200,400	192,884	7,516
Capital outlay	5,450	5,450	5,138	312
	<u>1,597,406</u>	<u>1,597,406</u>	<u>1,585,158</u>	<u>12,248</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>236,240</u>	<u>236,240</u>	<u>401,389</u>	<u>165,149</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	12,000	12,000
Transfers out	(240,575)	(240,575)	(240,575)	-
	<u>(240,575)</u>	<u>(240,575)</u>	<u>(228,575)</u>	<u>12,000</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(4,335)	(4,335)	172,814	177,149
FUND BALANCES, JANUARY 1	<u>1,183,118</u>	<u>1,183,118</u>	<u>1,183,118</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,178,783</u>	<u>\$ 1,178,783</u>	<u>\$ 1,355,932</u>	<u>\$ 177,149</u>

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

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CITY OF ROCKFORD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FIRE DEPARTMENT FUND BUDGETED SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,750	\$ 2,750
Charges for services	315,545	315,545	346,056	30,511
Interest on investments	1,000	1,000	2,126	1,126
Contributions and donations	-	-	25	25
Miscellaneous	3,000	3,000	5,641	2,641
TOTAL REVENUES	319,545	319,545	356,598	37,053
EXPENDITURES				
Current				
Public safety	230,137	230,137	193,761	36,376
Debt service	39,502	39,502	39,502	-
TOTAL EXPENDITURES	269,639	269,639	233,263	36,376
EXCESS OF REVENUES OVER EXPENDITURES	49,906	49,906	123,335	73,429
OTHER FINANCING USES				
Transfers out	(54,788)	(54,788)	(54,788)	-
NET CHANGE IN FUND BALANCES	(4,882)	(4,882)	68,547	73,429
FUND BALANCES, JANUARY 1	197,188	197,188	197,188	-
FUND BALANCES, DECEMBER 31	<u>\$ 192,306</u>	<u>\$ 192,306</u>	<u>\$ 265,735</u>	<u>\$ 73,429</u>

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

CITY OF ROCKFORD, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 953,704	\$ 922,176	\$ 57,714	\$ 147,681
Accounts receivable	33,541	28,993	49,619	48,314
Due from other funds	64,512	64,190	-	-
TOTAL CURRENT ASSETS	1,051,757	1,015,359	107,333	195,995
NONCURRENT ASSETS				
Advances to other funds	294,322	358,835	-	-
Capital assets				
Land	111,272	111,272	110,358	110,358
Buildings and improvements	439,461	439,461	190,754	190,754
Machinery and equipment	168,337	168,337	804,904	804,904
Construction in process	18,810	232,264	182,715	190,335
Infrastructure	6,082,765	5,850,501	7,111,216	6,920,881
Less accumulated depreciation	(2,512,693)	(2,348,356)	(4,381,171)	(4,171,307)
Net capital assets	4,307,952	4,453,479	4,018,776	4,045,925
TOTAL NONCURRENT ASSETS	4,602,274	4,812,314	4,018,776	4,045,925
TOTAL ASSETS	5,654,031	5,827,673	4,126,109	4,241,920
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	20,942	9,329	54,471	4,345
Due to other governments	10,622	8,688	-	-
Due to other funds	-	-	64,512	64,190
Accrued interest payable	13,280	16,351	5,264	7,270
Accrued salaries payable	317	202	317	202
Compensated absences payable - current	5,196	4,828	5,196	4,828
Bonds payable - current	200,000	196,200	147,301	141,462
TOTAL CURRENT LIABILITIES	250,357	235,598	277,061	222,297
NONCURRENT LIABILITIES				
Advance from other funds	-	-	294,322	358,835
Compensated absences payable	9,237	8,583	9,237	8,583
Bonds payable	1,432,000	1,632,000	409,254	556,555
TOTAL NONCURRENT LIABILITIES	1,441,237	1,640,583	712,813	923,973
TOTAL LIABILITIES	1,691,594	1,876,181	989,874	1,146,270
NET POSITION				
Net investment in capital assets	2,675,952	2,625,279	3,462,221	3,347,908
Unrestricted	1,286,485	1,326,213	(325,986)	(252,258)
TOTAL NET POSITION	\$ 3,962,437	\$ 3,951,492	\$ 3,136,235	\$ 3,095,650

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

Business-type Activities -
Enterprise Funds

Totals	
2013	2012
\$ 1,011,418	\$ 1,069,857
83,160	77,307
64,512	64,190
<u>1,159,090</u>	<u>1,211,354</u>
<u>294,322</u>	<u>358,835</u>
221,630	221,630
630,215	630,215
973,241	973,241
201,525	422,599
13,193,981	12,771,382
(6,893,864)	(6,519,663)
<u>8,326,728</u>	<u>8,499,404</u>
<u>8,621,050</u>	<u>8,858,239</u>
<u>9,780,140</u>	<u>10,069,593</u>
75,413	13,674
10,622	8,688
64,512	64,190
18,544	23,621
634	404
10,392	9,656
347,301	337,662
<u>527,418</u>	<u>457,895</u>
294,322	358,835
18,474	17,166
1,841,254	2,188,555
<u>2,154,050</u>	<u>2,564,556</u>
<u>2,681,468</u>	<u>3,022,451</u>
6,138,173	5,973,187
960,499	1,073,955
<u>\$ 7,098,672</u>	<u>\$ 7,047,142</u>

CITY OF ROCKFORD, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 451,700	\$ 439,457	\$ 597,567	\$ 564,624
OPERATING EXPENSES				
Personal services	70,218	69,381	78,274	70,087
Supplies	28,138	45,006	37,236	49,682
Repairs and maintenance	81,320	44,568	87,583	41,637
Other services and charges	44,830	29,237	86,695	72,630
Utilities	28,395	26,817	54,201	49,215
Depreciation	164,337	159,749	209,864	207,726
TOTAL OPERATING EXPENSES	417,238	374,758	553,853	490,977
OPERATING INCOME	34,462	64,699	43,714	73,647
NONOPERATING REVENUES (EXPENSES)				
Connection fees	25,047	5,491	55,386	13,913
Intergovernmental	-	5,002	-	-
Interest on investments	10,691	13,765	5,981	11,952
Miscellaneous	12,778	14,753	-	1,105
Interest expense	(33,763)	(40,528)	(26,221)	(30,724)
Bond issuance costs and fiscal agent fees	(620)	(8,089)	(625)	(5,189)
Loss on sale of capital assets	-	-	-	(610)
TOTAL NONOPERATING REVENUES (EXPENSES)	14,133	(9,606)	34,521	(9,553)
INCOME BEFORE TRANSFERS	48,595	55,093	78,235	64,094
TRANSFERS				
Transfers out	(37,650)	(37,650)	(37,650)	(37,650)
CHANGE IN NET POSITION	10,945	17,443	40,585	26,444
NET POSITION, JANUARY 1	3,951,492	3,934,049	3,095,650	3,069,206
NET POSITION, DECEMBER 31	\$ 3,962,437	\$ 3,951,492	\$ 3,136,235	\$ 3,095,650

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

Business-type Activities -
Enterprise Funds

Totals	
2013	2012
\$ 1,049,267	\$ 1,004,081
148,492	139,468
65,374	94,688
168,903	86,205
131,525	101,867
82,596	76,032
374,201	367,475
971,091	865,735
78,176	138,346
80,433	19,404
-	5,002
16,672	25,717
12,778	15,858
(59,984)	(71,252)
(1,245)	(13,278)
-	(610)
48,654	(19,159)
126,830	119,187
(75,300)	(75,300)
51,530	43,887
7,047,142	7,003,255
<u>\$ 7,098,672</u>	<u>\$ 7,047,142</u>

CITY OF ROCKFORD, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 459,930	\$ 457,306	\$ 596,262	\$ 569,794
Payments to suppliers, contractors and other governments	(169,136)	(140,897)	(264,038)	(233,890)
Payments to employees	(69,081)	(68,571)	(77,137)	(69,277)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>221,713</u>	<u>247,838</u>	<u>255,087</u>	<u>266,627</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	64,191	31,975	-	-
Increase (decrease) in due to other funds	-	-	(64,191)	(31,975)
Transfers out	(37,650)	(37,650)	(37,650)	(37,650)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>26,541</u>	<u>(5,675)</u>	<u>(101,841)</u>	<u>(69,625)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(18,810)	(230,099)	(134,266)	(224,074)
Connection fees received	25,047	5,491	55,386	13,913
Source water received from State	-	5,002	-	-
Increase (decrease) in deposits payable	-	(32,100)	-	-
Proceeds of refunding bonds issues	-	1,605,000	-	-
Proceeds of bonds issued, net of discount	-	223,200	-	148,800
Principal paid on long-term debt	(196,200)	(1,635,000)	(141,462)	(534,696)
Interest paid on long-term debt	(36,834)	(51,440)	(28,227)	(35,853)
Bond issuance costs and fiscal agent fees paid	(620)	(8,089)	(625)	(5,189)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(227,417)</u>	<u>(118,035)</u>	<u>(249,194)</u>	<u>(637,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>10,691</u>	<u>13,765</u>	<u>5,981</u>	<u>11,952</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,528	137,893	(89,967)	(428,145)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>922,176</u>	<u>784,283</u>	<u>147,681</u>	<u>575,826</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 953,704</u>	<u>\$ 922,176</u>	<u>\$ 57,714</u>	<u>\$ 147,681</u>

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

Business-type Activities -
Enterprise Funds

Totals	
2013	2012
\$ 1,056,192	\$ 1,027,100
(433,174)	(374,787)
(146,218)	(137,848)
<u>476,800</u>	<u>514,465</u>
64,191	31,975
(64,191)	(31,975)
<u>(75,300)</u>	<u>(75,300)</u>
(153,076)	(454,173)
80,433	19,404
-	5,002
-	(32,100)
-	1,605,000
-	372,000
(337,662)	(2,169,696)
(65,061)	(87,293)
<u>(1,245)</u>	<u>(13,278)</u>
<u>(476,611)</u>	<u>(755,134)</u>
<u>16,672</u>	<u>25,717</u>
(58,439)	(290,252)
<u>1,069,857</u>	<u>1,360,109</u>
<u>\$ 1,011,418</u>	<u>\$ 1,069,857</u>

CITY OF ROCKFORD, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water		Sewer	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING				
INCOME (LOSS) TO NET CASH PROVIDED				
BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 34,462	\$ 64,699	\$ 43,714	\$ 73,647
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	164,337	159,749	209,864	207,726
Other income related to operations	12,778	14,753	-	1,105
(Increase) decrease in assets				
Accounts receivable	(4,548)	1,311	(1,305)	2,280
Special assessment receivable	-	1,785	-	1,785
Increase (decrease) in liabilities				
Accounts payable	11,613	3,984	1,677	(20,726)
Due to other governments	1,934	747	-	-
Accrued salaries payable	115	202	115	202
Compensated absences payable	1,022	608	1,022	608
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 221,713</u>	<u>\$ 247,838</u>	<u>\$ 255,087</u>	<u>\$ 266,627</u>
SCHEDULE OF NONCASH				
CAPITAL FINANCING ACTIVITIES				
Capital assets acquired on account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,449</u>	<u>\$ -</u>
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 610</u>

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

Business-type Activities -
Enterprise Funds

Totals	
2013	2012
\$ 78,176	\$ 138,346
374,201	367,475
12,778	15,858
(5,853)	3,591
-	3,570
13,290	(16,742)
1,934	747
230	404
2,044	1,216
<u>\$ 476,800</u>	<u>\$ 514,465</u>
<u>\$ 48,449</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 610</u>

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CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Rockford, Minnesota (the City) operates under the "Optional Plan A" form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City has the following component unit.

Blended component unit

The Housing and Redevelopment Authority (the HRA) serves all the citizens of the government and is governed by a Board comprised of the City's elected City Council. Because the City Council makes up the HRA Board and can impose its will on the HRA, and the HRA provides specific benefits and burdens to the City, the HRA is reported as two special revenue funds and has a December 31 year end. Separate financial statements are not issued.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. 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, 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Fire Department fund* accounts for the committed charges for services and other resources collected and the expenditures relating to providing fire protection services.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewage collection system.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 water and sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, deferred inflows of resources, and net position or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments of the City are reported at fair value.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

Interfund receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities area reported in the government-wide financial statements as "internal balances."

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

CITY OF ROCKFORD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land improvements	4 to 25
Buildings and improvements	5 to 50
System and improvements	20 to 50
Office furniture and fixtures	3 to 15
Machinery and equipment	4 to 20
Automotive equipment	2 to 10

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. It is also the City's policy to pay a percentage of earned, unused sick pay benefits based on number of years of service when employees separate from service with the City. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences payable.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred inflows of resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes, special assessments, and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, as well the Housing and Redevelopment Authority and Fire Department special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Administrator. The legal level of budgetary control is the department level.

There were no budget amendments in total during 2013.

B. Deficit fund equity

The following funds had deficits at December 31, 2013:

<u>Fund</u>	<u>Amount</u>
Nonmajor funds	
Special revenue	
HRA Housing	\$ 1,244
Capital project	
Rockford Mall	3,081

The deficit in the HRA Housing fund will be eliminated with future rent collections. The deficit in the Rockford Mall fund will be eliminated with future revenues to fund the project.

CITY OF ROCKFORD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the City's carrying amount of deposits was \$42,414 and the bank balance was \$101,465. The entire bank balance was covered by federal depository insurance.

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

	Primary Government
Carrying amount of deposits	\$ 42,414
Investments	4,193,902
Cash on hand	200
 Total	 \$ 4,236,516

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund and broker money market investment pools operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non Pooled Investments			
Brokered certificates of deposit	N/A	less than 6 months	\$ 215,000
Brokered certificates of deposit	N/A	6 to 12 months	192,000
Brokered certificates of deposit	N/A	1 to 3 years	1,299,000
Brokered certificates of deposit	N/A	more than 3 years	1,151,051
Pooled Investments			
Minnesota Municipal Money Market fund	N/A	less than 6 months	1,218,316
Broker money market funds	N/A	less than 6 months	118,535
Total investments			<u>\$ 4,193,902</u>

(1) Ratings are provided by Moody's where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 55 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy notes that investment brokers must provide asset protection through the Securities Investor Protection Corporation and/or supplemental insurance protection.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, extended maturities may be utilized to take advantage of higher yields; however, no more than 40 percent of the total investments should extend beyond five years as of the total investment figure as of January first of each year and in no circumstance should any extend beyond ten years.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,392,812	\$ -	\$ -	\$ 2,392,812
Construction in progress	38,602	-	(38,602)	-
Total capital assets not being depreciated	<u>2,431,414</u>	<u>-</u>	<u>(38,602)</u>	<u>2,392,812</u>
Capital assets, being depreciated				
Buildings	4,096,021	-	-	4,096,021
Improvements other than buildings	797,224	-	-	797,224
Infrastructure	8,787,916	-	-	8,787,916
Machinery and equipment	1,136,151	72,521	(29,453)	1,179,219
Vehicles	2,245,766	-	-	2,245,766
Total capital assets being depreciated	<u>17,063,078</u>	<u>72,521</u>	<u>(29,453)</u>	<u>17,106,146</u>
Less accumulated depreciation for				
Buildings	(992,710)	(13,570)	-	(1,006,280)
Improvements other than buildings	(317,295)	(128,015)	-	(445,310)
Infrastructure	(3,781,145)	(274,826)	-	(4,055,971)
Machinery and equipment	(605,949)	(73,313)	8,284	(670,978)
Vehicles	(1,080,384)	(146,275)	-	(1,226,659)
Total accumulated depreciation	<u>(6,777,483)</u>	<u>(635,999)</u>	<u>8,284</u>	<u>(7,405,198)</u>
Total capital assets being depreciated, net	<u>10,285,595</u>	<u>(563,478)</u>	<u>(21,169)</u>	<u>9,700,948</u>
Governmental activities capital assets, net	<u>\$ 12,717,009</u>	<u>\$ (563,478)</u>	<u>\$ (59,771)</u>	<u>\$ 12,093,760</u>

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 221,630	\$ -	\$ -	\$ 221,630
Construction in progress	<u>422,599</u>	<u>201,525</u>	<u>(422,599)</u>	<u>201,525</u>
 Total capital assets not being depreciated	 <u>644,229</u>	 <u>201,525</u>	 <u>(422,599)</u>	 <u>423,155</u>
Capital assets being depreciated				
Buildings and improvements	630,215	-	-	630,215
Infrastructure	12,771,382	422,599	-	13,193,981
Machinery and equipment	<u>973,241</u>	<u>-</u>	<u>-</u>	<u>973,241</u>
 Total capital assets being depreciated	 <u>14,374,838</u>	 <u>422,599</u>	 <u>-</u>	 <u>14,797,437</u>
Less accumulated depreciation for				
Buildings and improvements	(545,758)	(17,813)	-	(563,571)
Infrastructure	(5,060,145)	(344,831)	-	(5,404,976)
Machinery and equipment	<u>(913,760)</u>	<u>(11,557)</u>	<u>-</u>	<u>(925,317)</u>
 Total accumulated depreciation	 <u>(6,519,663)</u>	 <u>(374,201)</u>	 <u>-</u>	 <u>(6,893,864)</u>
 Total capital assets being depreciated, net	 <u>7,855,175</u>	 <u>48,398</u>	 <u>-</u>	 <u>7,903,573</u>
 Business-type activities capital assets, net	 <u>\$ 8,499,404</u>	 <u>\$ 249,923</u>	 <u>\$ (422,599)</u>	 <u>\$ 8,326,728</u>

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

Governmental activities		
General government		\$ 11,216
Public safety		153,456
Public works		410,316
Culture and recreation		<u>61,011</u>
 Total depreciation expense - governmental activities		 <u>\$ 635,999</u>
 Business-type activities		
Water		\$ 164,337
Sewer		<u>209,864</u>
 Total depreciation expense - business-type activities		 <u>\$ 374,201</u>

CITY OF ROCKFORD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables and transfers

The Water fund lent \$455,000 to the Sewer fund in 2011 at a rate of 0.50 percent for a loan period of 7 years. Semi-annual payments of \$33,113 are made on January 1 and July 1. The balance of the interfund loan at December 31, 2013 was \$358,834.

Transfers made between funds during 2013 are summarized below:

Fund	General	Transfer in Debt Service	Nonmajor Governmental	Total
Transfer out				
General	\$ -	\$ 25,575	\$ 215,000	\$ 240,575
Fire department	-	54,788	-	54,788
Nonmajor governmental	12,000	-	67,000	79,000
Water	-	37,650	-	37,650
Sewer	-	37,650	-	37,650
 Total	 <u>\$ 12,000</u>	 <u>\$ 155,663</u>	 <u>\$ 282,000</u>	 <u>\$ 449,663</u>

- The General fund transferred \$25,575 to the Debt Service fund for debt service payments and \$215,000 to the Nonmajor Governmental funds for capital improvements as budgeted.
- The Fire Department fund transferred \$54,788 to the Debt Service fund for debt service payments as budgeted.
- The Nonmajor Governmental funds transferred \$12,000 to the General Fund for future sick leave liability and \$67,000 to the Nonmajor Governmental funds for operations as budgeted and approved by City Council.
- The Water and Sewer funds transferred \$37,650 each to the Debt Service fund for debt service payments as budgeted.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital leases

The City has entered into lease agreements as lessee for financing the acquisition of a brush truck Kubota trailer. The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset	
Brush Truck Kubota Trailer	\$ 245,328
Less: accumulated depreciation	(28,622)
Total	\$ 216,706

The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Brush Truck Kubota Trailer	\$ 180,000	3.15 %	01/01/12	01/17/17	\$ 111,357

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ -	\$ -	-
2015	35,965	3,537	39,502
2016	37,107	2,394	39,501
2017	38,285	1,216	39,501
Total	\$ 111,357	\$ 7,147	\$ 118,504

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

The following bonds were issued to finance capital improvements to the City's flood levee. They will be retired from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Tax Abatement Bonds, Series 2009B	\$ 525,000	2.00 - 4.00 %	11/02/09	02/01/25	\$ 440,000
General Obligation Note, 2011A	103,300	2.40	04/01/11	12/01/14	<u>36,000</u>
Total G.O. Improvement Bonds					<u><u>\$ 476,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 66,000	\$ 16,085	\$ 82,085
2015	30,000	14,538	44,538
2016	30,000	13,637	43,637
2017	35,000	12,575	47,575
2018	35,000	11,350	46,350
2019 - 2023	190,000	36,781	226,781
2024 - 2025	<u>90,000</u>	<u>3,600</u>	<u>93,600</u>
Total	<u><u>\$ 476,000</u></u>	<u><u>\$ 108,566</u></u>	<u><u>\$ 584,566</u></u>

CITY OF ROCKFORD, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation special assessment bonds

The City issued special assessment debt to provide funds for the street improvements. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment debt issues are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement					
Bonds, Series 2007A	\$ 2,585,000	4.00 - 4.40 %	06/05/07	02/01/31	\$ 2,240,000
G.O. Capital Improvement					
Bonds, Series 2009A	730,000	2.25 - 4.25	07/01/09	02/01/20	<u>515,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 2,755,000</u>

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 150,000	\$ 111,205	\$ 261,205
2015	155,000	105,674	260,674
2016	160,000	99,711	259,711
2017	170,000	93,286	263,286
2018	175,000	86,386	261,386
2019 - 2023	745,000	331,793	1,076,793
2024 - 2028	700,000	188,416	888,416
2029 - 2031	<u>500,000</u>	<u>33,660</u>	<u>533,660</u>
Total	<u>\$ 2,755,000</u>	<u>\$ 1,050,131</u>	<u>\$ 3,805,131</u>

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
1997 G.O. Sewer PFA Note	\$ 1,694,279	3.99 %	08/14/97	02/20/19	<u>\$ 253,555</u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2014	\$ 42,301	\$ 9,699	\$ 52,000
2015	44,006	7,994	52,000
2016	45,779	6,221	52,000
2017	47,624	4,376	52,000
2018	49,542	2,457	51,999
2019	24,303	486	24,789
Total	<u>\$ 253,555</u>	<u>\$ 31,233</u>	<u>\$ 284,788</u>

Revenue bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Annual principal and interest payments on the bonds are expected to require less than 55 and 30 percent of the net revenues from the Water and Sewer fund, respectively. Principal and interest paid for the current year and total customer net revenues for the Water fund were \$233,034 and \$451,700, respectively. Principal and interest paid for the current year and total customer net revenues for the Sewer fund were \$169,689 and \$597,567, respectively. Revenue bonds outstanding at year end are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 Sewer Refunding Bonds	\$ 685,000	3.25 - 4.30 %	12/01/04	12/01/15	\$ 175,000
2012A Water Revenue Refunding Bonds	1,605,000	2.00	01/19/12	02/01/21	1,440,000
2012 Utility Revenue Note	372,000	2.00	05/01/12	05/01/19	<u>320,000</u>
Total Revenue Bonds					<u>\$ 1,935,000</u>

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 305,000	\$ 40,397	\$ 345,397
2015	315,000	32,420	347,420
2016	230,000	24,000	254,000
2017	230,000	19,400	249,400
2018	235,000	14,750	249,750
2019 - 2021	<u>620,000</u>	<u>17,700</u>	<u>637,700</u>
Total	<u>\$ 1,935,000</u>	<u>\$ 148,667</u>	<u>\$ 2,083,667</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation special assessment bonds	\$ 2,900,000	\$ -	\$ (145,000)	\$ 2,755,000	\$ 150,000
General obligation bonds	<u>540,000</u>	<u>-</u>	<u>(64,000)</u>	<u>476,000</u>	<u>66,000</u>
Total bonds payable	3,440,000	-	(209,000)	3,231,000	216,000
Capital leases payable	146,215	-	(34,858)	111,357	-
Compensated absences payable	<u>80,925</u>	<u>77,575</u>	<u>(70,474)</u>	<u>88,026</u>	<u>31,689</u>
Governmental activity long-term liabilities	<u>\$ 3,667,140</u>	<u>\$ 77,575</u>	<u>\$ (314,332)</u>	<u>\$ 3,430,383</u>	<u>\$ 247,689</u>
Business-type activities					
Bonds payable					
General obligations revenue bonds	\$ 294,217	\$ -	\$ (40,662)	\$ 253,555	\$ 42,301
Revenue bonds	<u>2,232,000</u>	<u>-</u>	<u>(297,000)</u>	<u>1,935,000</u>	<u>305,000</u>
Total bonds payable	2,526,217	-	(337,662)	2,188,555	347,301
Compensated absences payable	<u>26,822</u>	<u>15,498</u>	<u>(13,454)</u>	<u>28,866</u>	<u>10,392</u>
Business-type activity long-term liabilities	<u>\$ 2,553,039</u>	<u>\$ 15,498</u>	<u>\$ (351,116)</u>	<u>\$ 2,217,421</u>	<u>\$ 357,693</u>

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Fire Department	Other Governmental Funds	Total Governmental Funds
Restricted for					
Debt Service	\$ -	\$ 414,700	\$ -	\$ -	\$ 414,700
Tax increment financing	-	-	-	168,690	168,690
Parks	-	-	-	92,562	92,562
DTED loans	-	-	-	287,846	287,846
	<u>-\$ -</u>	<u>\$ 414,700</u>	<u>\$ -</u>	<u>\$ 549,098</u>	<u>\$ 963,798</u>
Total restricted					
Committed for					
Fire department	\$ -	\$ -	\$ 265,735	\$ -	\$ 265,735
Housing and redevelopment authority	-	-	-	89,165	89,165
	<u>-\$ -</u>	<u>\$ -</u>	<u>\$ 265,735</u>	<u>\$ 89,165</u>	<u>\$ 354,900</u>
Total committed					
Assigned to					
Historical property	\$ 53,531	\$ -	\$ -	\$ -	\$ 53,531
Senior Citizen trip	832	-	-	-	832
Transportation signal fees	-	-	-	25,311	25,311
Capital purchases	-	-	-	403,201	403,201
Event center	-	-	-	6,902	6,902
	<u>\$ 54,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,414</u>	<u>\$ 489,777</u>
Total assigned					

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Rockford are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012 and 2013. In 2012 and 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City's contributions to the GERF for the years ending December 31, 2013, 2012 and 2011 were \$37,570, \$35,852, and \$35,193, respectively. The City's contributions were equal to the contractually required contributions for each year as set forth by Minnesota statutes.

The City Council members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer unearned compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until the time of withdrawal.

The City's and City Council member's contribution to the PEDCP for the year ending December 31, 2013 and 2012 was \$823 and \$645, respectively.

CITY OF ROCKFORD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: OTHER INFORMATION

A. 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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal debt margin

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments, tax increments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City's taxable market value of property is \$1,339,930,566 with the debt limit at \$40,197,971. The City has \$587,357 of debt that is applicable towards the limit.

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2013 was \$309,689 for LGA. This accounted for 16 percent of General fund revenues.

D. Tax increment districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

The City has entered into "pay as you go" Tax Increment Financing notes within its TIF districts. These notes are payable only to the extent of the increment received. As a result they are a commitment within the district but they have not met the criteria to be reported as a liability on the Statement of Net Position.

Note 6: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Development Revenue Bonds, Senior Housing Revenue Bonds and other similar type Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The outstanding balance of Industrial Development Revenue Bonds at December 31, 2013 is \$3,114,919.

The outstanding balance of Senior Housing Revenue Bonds at December 31, 2013 is \$6,750,000.

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**COMBINING AND INDIVIDUAL FUND
STATEMENT AND SCHEDULES**

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF ROCKFORD, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and temporary investments	\$ 373,263	\$ 788,513	\$ 1,161,776
Receivables			
Accounts	-	548	548
Loans	100,755	-	100,755
Special assessments	-	105,937	105,937
Due from other governments	-	97	97
	<u>\$ 474,018</u>	<u>\$ 895,095</u>	<u>\$ 1,369,113</u>
TOTAL ASSETS			
	<u>\$ 474,018</u>	<u>\$ 895,095</u>	<u>\$ 1,369,113</u>
LIABILITIES			
Accounts payable	\$ 2,068	\$ 95,573	\$ 97,641
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	-	105,937	105,937
Unavailable revenue - loans	96,183	-	96,183
	<u>96,183</u>	<u>-</u>	<u>96,183</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
	<u>96,183</u>	<u>105,937</u>	<u>202,120</u>
FUND BALANCES			
Restricted for			
DTED loans	287,846	-	287,846
Tax increment financing	-	168,690	168,690
Parks	-	92,562	92,562
Committed for			
Housing and redevelopment authority	89,165	-	89,165
Assigned to			
Transportation signal fees	-	25,311	25,311
Capital purchases	-	403,201	403,201
Event center	-	6,902	6,902
Unassigned	(1,244)	(3,081)	(4,325)
	<u>(1,244)</u>	<u>(3,081)</u>	<u>(4,325)</u>
TOTAL FUND BALANCES			
	<u>375,767</u>	<u>693,585</u>	<u>1,069,352</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 474,018</u>	<u>\$ 895,095</u>	<u>\$ 1,369,113</u>

CITY OF ROCKFORD, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ -	\$ 100,119	\$ 100,119
Intergovernmental	3,000	-	3,000
Special assessments	-	59,520	59,520
Interest on investments	3,535	11,284	14,819
Miscellaneous	63,938	50,069	114,007
	<u>70,473</u>	<u>220,992</u>	<u>291,465</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Economic development	25,947	-	25,947
Capital outlay			
General government	-	35,804	35,804
Public works	-	105,458	105,458
Economic development	13,137	216,080	229,217
Debt service			
Principal	-	34,000	34,000
Interest and other	-	1,476	1,476
	<u>39,084</u>	<u>392,818</u>	<u>431,902</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>31,389</u>	<u>(171,826)</u>	<u>(140,437)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	232,000	282,000
Transfers out	-	(79,000)	(79,000)
	<u>50,000</u>	<u>153,000</u>	<u>203,000</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	81,389	(18,826)	62,563
FUND BALANCES, JANUARY 1	<u>294,378</u>	<u>712,411</u>	<u>1,006,789</u>
FUND BALANCES, DECEMBER 31	<u>\$ 375,767</u>	<u>\$ 693,585</u>	<u>\$ 1,069,352</u>

CITY OF ROCKFORD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	200	201/202	207
	Sharks DTED	Federal DTED	Housing and Redevelopment Authority
ASSETS			
Cash and temporary investments	\$ 113,843	\$ 169,431	\$ 90,358
Receivables			
Loans	4,572	96,183	-
TOTAL ASSETS	\$ 118,415	\$ 265,614	\$ 90,358
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 1,193
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans	-	96,183	-
FUND BALANCES			
Restricted for			
DTED loans	118,415	169,431	-
Committed for			
Housing and redevelopment authority	-	-	89,165
Unassigned	-	-	-
TOTAL FUND BALANCES	118,415	169,431	89,165
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 118,415	\$ 265,614	\$ 90,358

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<u>HRA Housing</u>	<u>Total</u>
\$ (369)	\$ 373,263
<u>-</u>	<u>100,755</u>
<u>\$ (369)</u>	<u>\$ 474,018</u>
<u>\$ 875</u>	<u>\$ 2,068</u>
<u>-</u>	<u>96,183</u>
-	287,846
-	89,165
<u>(1,244)</u>	<u>(1,244)</u>
<u>(1,244)</u>	<u>375,767</u>
<u>\$ (369)</u>	<u>\$ 474,018</u>

CITY OF ROCKFORD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	200	201/202	207
	Sharks DTED	Federal DTED	Housing and Redevelopment Authority
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 3,000
Interest on investments	1,494	1,453	588
Loan repayments	-	37,000	-
Miscellaneous	-	-	13,738
TOTAL REVENUES	<u>1,494</u>	<u>38,453</u>	<u>17,326</u>
EXPENDITURES			
Current			
Economic development	-	-	25,665
Capital outlay			
Economic development	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>25,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,494	38,453	(8,339)
OTHER FINANCING SOURCES			
Transfers in	-	-	50,000
NET CHANGE IN FUND BALANCES	1,494	38,453	41,661
FUND BALANCES, JANUARY 1	<u>116,921</u>	<u>130,978</u>	<u>47,504</u>
FUND BALANCES, DECEMBER 31	<u>\$ 118,415</u>	<u>\$ 169,431</u>	<u>\$ 89,165</u>

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<u>HRA Housing</u>	<u>Total</u>
\$ -	\$ 3,000
-	3,535
-	37,000
<u>13,200</u>	<u>26,938</u>
<u>13,200</u>	<u>70,473</u>
282	25,947
<u>13,137</u>	<u>13,137</u>
<u>13,419</u>	<u>39,084</u>
(219)	31,389
<u>-</u>	<u>50,000</u>
(219)	81,389
<u>(1,025)</u>	<u>294,378</u>
<u>\$ (1,244)</u>	<u>\$ 375,767</u>

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CITY OF ROCKFORD, MINNESOTA
HOUSING AND REDEVELOPMENT AUTHORITY
BUDGETED SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental	\$ 3,000	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Interest on investments	-	-	588	588	406
Loan repayments	-	-	-	-	11,674
Miscellaneous	11,500	11,500	13,738	2,238	14,118
TOTAL REVENUES	14,500	14,500	17,326	2,826	29,198
EXPENDITURES					
Current					
Economic development	21,400	21,400	25,665	(4,265)	24,383
Capital outlay					
Economic development	20,000	20,000	-	20,000	103,307
TOTAL EXPENDITURES	41,400	41,400	25,665	15,735	127,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,900)	(26,900)	(8,339)	18,561	(98,492)
OTHER FINANCING SOURCES					
Transfers in	50,000	50,000	50,000	-	120,000
NET CHANGE IN FUND BALANCES	23,100	23,100	41,661	18,561	21,508
FUND BALANCES, JANUARY 1	47,504	47,504	47,504	-	25,996
FUND BALANCES, DECEMBER 31	<u>\$ 70,604</u>	<u>\$ 70,604</u>	<u>\$ 89,165</u>	<u>\$ 18,561</u>	<u>\$ 47,504</u>

CITY OF ROCKFORD, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	401	405	408	411
	Streets Capital Improvements	Transportation Signal Fees	Event Center	General Equipment
ASSETS				
Cash and temporary investments	\$ 244,760	\$ 25,311	\$ 6,902	\$ 4,355
Receivables				
Accounts	-	-	-	-
Special assessments	42,931	-	-	-
Due from other governments	97	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 287,788</u></u>	<u><u>\$ 25,311</u></u>	<u><u>\$ 6,902</u></u>	<u><u>\$ 4,355</u></u>
LIABILITIES				
Accounts payable	<u>\$ 22,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	<u>42,931</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for				
Tax increment financing	-	-	-	-
Parks	-	-	-	-
Assigned to				
Transportation signal fees	-	25,311	-	-
Capital purchases	222,110	-	-	4,355
Event center	-	-	6,902	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u><u>222,110</u></u>	<u><u>25,311</u></u>	<u><u>6,902</u></u>	<u><u>4,355</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 287,788</u></u>	<u><u>\$ 25,311</u></u>	<u><u>\$ 6,902</u></u>	<u><u>\$ 4,355</u></u>

413	414	313		
Parks Dedication	Rockford Mall	2004A PIR Refunding Bonds	TIF Funds	Total
\$ 92,014	\$ -	\$ 176,736	\$ 238,435	\$ 788,513
548	-	-	-	548
24,000	-	39,006	-	105,937
-	-	-	-	97
<u>\$ 116,562</u>	<u>\$ -</u>	<u>\$ 215,742</u>	<u>\$ 238,435</u>	<u>\$ 895,095</u>
<u>\$ -</u>	<u>\$ 3,081</u>	<u>\$ -</u>	<u>\$ 69,745</u>	<u>\$ 95,573</u>
<u>24,000</u>	<u>-</u>	<u>39,006</u>	<u>-</u>	<u>105,937</u>
-	-	-	168,690	168,690
92,562	-	-	-	92,562
-	-	-	-	25,311
-	-	176,736	-	403,201
-	-	-	-	6,902
-	(3,081)	-	-	(3,081)
<u>92,562</u>	<u>(3,081)</u>	<u>176,736</u>	<u>168,690</u>	<u>693,585</u>
<u>\$ 116,562</u>	<u>\$ -</u>	<u>\$ 215,742</u>	<u>\$ 238,435</u>	<u>\$ 895,095</u>

CITY OF ROCKFORD, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	401	405	408	411
	Streets Capital Improvements	Transportation Signal Fees	Event Center	General Equipment
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	15,054	-	-	-
Interest on investments	1,608	265	137	76
Miscellaneous	30,462	-	-	-
TOTAL REVENUES	<u>47,124</u>	<u>265</u>	<u>137</u>	<u>76</u>
EXPENDITURES				
Capital outlay				
General government	-	-	3,367	29,356
Public works	102,252	-	-	3,206
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	34,000
Interest and other fiscal charges	-	-	-	1,476
TOTAL EXPENDITURES	<u>102,252</u>	<u>-</u>	<u>3,367</u>	<u>68,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,128)</u>	<u>265</u>	<u>(3,230)</u>	<u>(67,962)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	135,000	-	-	97,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>97,000</u>
NET CHANGE IN FUND BALANCES	79,872	265	(3,230)	29,038
FUND BALANCES, JANUARY 1	<u>142,238</u>	<u>25,046</u>	<u>10,132</u>	<u>(24,683)</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 222,110</u></u>	<u><u>\$ 25,311</u></u>	<u><u>\$ 6,902</u></u>	<u><u>\$ 4,355</u></u>

413	414	313		
Parks	Rockford	2004A PIR	TIF	Total
Dedication	Mall	Refunding	Funds	
		Bonds		
\$ -	\$ -	\$ -	\$ 100,119	\$ 100,119
-	-	44,466	-	59,520
807	-	5,608	2,783	11,284
19,607	-	-	-	50,069
<u>20,414</u>	<u>-</u>	<u>50,074</u>	<u>102,902</u>	<u>220,992</u>
-	3,081	-	-	35,804
-	-	-	-	105,458
-	-	-	216,080	216,080
-	-	-	-	34,000
-	-	-	-	1,476
<u>-</u>	<u>3,081</u>	<u>-</u>	<u>216,080</u>	<u>392,818</u>
<u>20,414</u>	<u>(3,081)</u>	<u>50,074</u>	<u>(113,178)</u>	<u>(171,826)</u>
-	-	-	-	232,000
-	-	(79,000)	-	(79,000)
-	-	(79,000)	-	153,000
20,414	(3,081)	(28,926)	(113,178)	(18,826)
72,148	-	205,662	281,868	712,411
<u>\$ 92,562</u>	<u>\$ (3,081)</u>	<u>\$ 176,736</u>	<u>\$ 168,690</u>	<u>\$ 693,585</u>

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CITY OF ROCKFORD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 1,354,237	\$ 1,354,237	\$ 1,375,590	\$ 21,353	\$ 1,302,243
Licenses and permits					
Business	9,770	9,770	9,870	100	9,927
Nonbusiness	50,500	50,500	94,864	44,364	35,974
Total	60,270	60,270	104,734	44,464	45,901
Intergovernmental					
State					
Local government aid	309,689	309,689	309,689	-	202,623
Property tax credits	-	-	307	307	276
Other state aid	18,300	18,300	29,664	11,364	43,081
County					
Other grants	11,000	11,000	11,650	650	11,038
Total	338,989	338,989	351,310	12,321	257,018
Charges for services					
General government	25,250	25,250	33,866	8,616	55,133
Recycling	25,000	25,000	25,623	623	25,595
Total	50,250	50,250	59,489	9,239	80,728
Fines and forfeitures	2,000	2,000	2,554	554	2,628
Special assessments	-	-	22,292	22,292	12,525
Interest on investments	19,200	19,200	23,344	4,144	16,113
Miscellaneous					
Contributions and donations	700	700	-	(700)	10
Refunds and reimbursements	5,000	5,000	22,585	17,585	23,708
Other	3,000	3,000	24,649	21,649	37,249
Total	8,700	8,700	47,234	38,534	60,967
TOTAL REVENUES	1,833,646	1,833,646	1,986,547	152,901	1,778,123

CITY OF ROCKFORD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 15,164	\$ 15,164	\$ 17,104	\$ (1,940)	\$ 13,239
Other services and charges	1,926	2,160	2,045	115	1,032
Total	17,090	17,324	19,149	(1,825)	14,271
City administration					
Personal services	100,099	100,099	99,551	548	96,216
Other services and charges	2,071	2,071	1,312	759	1,310
Total	102,170	102,170	100,863	1,307	97,526
City hall staff					
Personal services	193,824	197,548	195,921	1,627	185,492
Other services and charges	1,500	1,500	2,027	(527)	1,453
Total	195,324	199,048	197,948	1,100	186,945
Election					
Personal services	-	-	-	-	4,005
Other services and charges	125	125	-	125	1,195
Total	125	125	-	125	5,200
Assessing					
Other services and charges	15,352	15,352	14,546	806	14,577
City attorney					
Other services and charges	7,280	7,280	3,661	3,619	8,998
Planning and zoning					
Personal services	1,861	1,861	931	930	1,158
Supplies	50	50	9	41	43
Other services and charges	2,800	2,800	2,379	421	3,550
Total	4,711	4,711	3,319	1,392	4,751

CITY OF ROCKFORD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
General					
Personal services	\$ 5,375	\$ 2,520	\$ 2,521	\$ (1)	\$ 5,119
Supplies	4,500	4,500	3,508	992	4,100
Other services and charges	95,820	95,865	83,786	12,079	91,770
Total	105,695	102,885	89,815	13,070	100,989
Senior citizen trip					
Other services and charges	500	500	238	262	486
Total general government	448,247	449,395	429,539	19,856	433,743
Public safety					
Police					
Other services and charges	267,290	267,290	267,002	288	263,838
Fire					
Other services and charges	179,923	179,923	198,011	(18,088)	151,735
Building inspection					
Other services and charges	31,000	31,000	26,104	4,896	9,328
Civil defense					
Personal services	1,132	849	849	-	1,078
Other services and charges	680	680	257	423	4,691
Total	1,812	1,529	1,106	423	5,769
Animal control					
Other services and charges	700	700	247	453	614
Flood control					
Other services and charges	-	-	-	-	(594)
Total public safety	480,725	480,442	492,470	(12,028)	430,690

CITY OF ROCKFORD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public works					
Streets					
Personal services	\$ 189,711	\$ 188,722	\$ 203,458	\$ (14,736)	\$ 187,011
Supplies	82,900	82,900	58,419	24,481	54,729
Other services and charges	80,001	80,830	113,054	(32,224)	70,046
Total	352,612	352,452	374,931	(22,479)	311,786
Street lighting	64,800	64,800	56,600	8,200	61,083
Recycling					
Personal services	167	167	167	-	159
Other services and charges	44,300	44,300	33,429	10,871	34,221
Total	44,467	44,467	33,596	10,871	34,380
Total public works	461,879	461,719	465,127	(3,408)	407,249
Culture and recreation					
Parks					
Personal services	102,677	102,041	100,679	1,362	107,580
Supplies	8,000	8,000	7,818	182	6,107
Other services and charges	59,503	59,635	51,914	7,721	51,820
Total	170,180	169,676	160,411	9,265	165,507
Library					
Personal services	910	709	709	-	867
Supplies	-	-	-	-	62
Other services and charges	16,880	16,880	17,003	(123)	9,448
Total	17,790	17,589	17,712	(123)	10,377
Historical property					
Personal services	865	865	675	190	1,156
Supplies	300	300	203	97	323
Other services and charges	11,970	11,970	13,883	(1,913)	7,790
Total	13,135	13,135	14,761	(1,626)	9,269
Total culture and recreation	201,105	200,400	192,884	7,516	185,153
Total current expenditures	1,591,956	1,591,956	1,580,020	11,936	1,456,835

CITY OF ROCKFORD, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 950	\$ 950	\$ 1,321	\$ (371)	\$ -
Public works	500	500	-	500	1,170
Culture and recreation	4,000	4,000	3,817	183	2,120
Total capital outlay	<u>5,450</u>	<u>5,450</u>	<u>5,138</u>	<u>312</u>	<u>3,290</u>
TOTAL EXPENDITURES	<u>1,597,406</u>	<u>1,597,406</u>	<u>1,585,158</u>	<u>12,248</u>	<u>1,460,125</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>236,240</u>	<u>236,240</u>	<u>401,389</u>	<u>165,149</u>	<u>317,998</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	12,000	12,000	63,000
Transfers out	<u>(240,575)</u>	<u>(240,575)</u>	<u>(240,575)</u>	<u>-</u>	<u>(346,075)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(240,575)</u>	<u>(240,575)</u>	<u>(228,575)</u>	<u>12,000</u>	<u>(283,075)</u>
NET CHANGE IN FUND BALANCES	(4,335)	(4,335)	172,814	177,149	34,923
FUND BALANCES, JANUARY 1	<u>1,183,118</u>	<u>1,183,118</u>	<u>1,183,118</u>	<u>-</u>	<u>1,148,195</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,178,783</u>	<u>\$ 1,178,783</u>	<u>\$ 1,355,932</u>	<u>\$ 177,149</u>	<u>\$ 1,183,118</u>

CITY OF ROCKFORD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	302	306	311	
	HRA Public Project Revenue Bonds	2007A Public Works Facility	2009 GO Tax Abatement Bonds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and temporary investments	\$ 87,992	\$ 275,206	\$ 51,502	\$ 414,700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Restricted for debt service	\$ 87,992	\$ 275,206	\$ 51,502	\$ 414,700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CITY OF ROCKFORD, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	302 HRA Public Project Revenue Bonds	306 2007A Public Works Facility	311 2009 GO Tax Abatement Bonds	Total
REVENUES				
Taxes	\$ -	\$ 114,500	\$ 48,182	\$ 162,682
Interest on investments	473	2,477	313	3,263
TOTAL REVENUES	473	116,977	48,495	165,945
EXPENDITURES				
Debt service				
Principal	60,000	85,000	30,000	175,000
Interest and other	21,163	96,767	16,988	134,918
TOTAL EXPENDITURES	81,163	181,767	46,988	309,918
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(80,690)	(64,790)	1,507	(143,973)
OTHER FINANCING SOURCES				
Transfers in	80,363	75,300	-	155,663
NET CHANGE IN FUND BALANCES	(327)	10,510	1,507	11,690
FUND BALANCES, JANUARY 1	88,319	264,696	49,995	403,010
FUND BALANCES, DECEMBER 31	<u>\$ 87,992</u>	<u>\$ 275,206</u>	<u>\$ 51,502</u>	<u>\$ 414,700</u>

CITY OF ROCKFORD, MINNESOTA
TIF FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	376	378	381	
	TIF 2-4	TIF 1-3	TIF 3-3	
	Mall	Downtown	Industrial	Total
	Park			
ASSETS				
Cash and temporary investments	<u>\$ 12,660</u>	<u>\$ 225,775</u>	<u>\$ -</u>	<u>\$ 238,435</u>
LIABILITIES				
Accounts payable	\$ 13,256	\$ 56,489	\$ -	\$ 69,745
FUND BALANCES				
Restricted for tax increment financing	<u>(596)</u>	<u>169,286</u>	<u>-</u>	<u>168,690</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 12,660</u></u>	<u><u>\$ 225,775</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 238,435</u></u>

CITY OF ROCKFORD, MINNESOTA
TIF FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	376	378	381	
	TIF 2-4	TIF 1-3	TIF 3-3	
	Mall	Downtown	Industrial Park	Total
REVENUES				
Taxes	\$ 14,788	\$ 85,331	\$ -	\$ 100,119
Interest on investments	17	1,642	1,124	2,783
TOTAL REVENUES	<u>14,805</u>	<u>86,973</u>	<u>1,124</u>	<u>102,902</u>
EXPENDITURES				
Current				
Economic development	<u>15,423</u>	<u>65,356</u>	<u>135,301</u>	<u>216,080</u>
NET CHANGE IN FUND BALANCES	(618)	21,617	(134,177)	(113,178)
FUND BALANCES, JANUARY 1	<u>22</u>	<u>147,669</u>	<u>134,177</u>	<u>281,868</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ (596)</u></u>	<u><u>\$ 169,286</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 168,690</u></u>

CITY OF ROCKFORD
 FIRE DEPARTMENT FUND
 SCHEDULE OF NET POSITION
 DECEMBER 31, 2013 AND 2012

	651	
	<u>Fire Department</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 265,051	\$ 205,192
Accounts receivable	4,510	-
TOTAL CURRENT ASSETS	<u>269,561</u>	<u>205,192</u>
NONCURRENT ASSETS		
Capital assets		
Buildings and improvements	656,943	656,943
Improvements other than buildings	255,293	255,293
Machinery and equipment	203,183	203,183
Motor vehicles	1,752,109	1,752,109
Less accumulated depreciation	<u>(1,473,480)</u>	<u>(1,320,024)</u>
Net capital assets	<u>1,394,048</u>	<u>1,547,504</u>
TOTAL ASSETS	<u>1,663,609</u>	<u>1,752,696</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	3,826	8,004
Accrued interest payable	-	5,718
TOTAL CURRENT LIABILITIES	3,826	13,722
NONCURRENT LIABILITIES		
Lease payable	<u>111,358</u>	<u>146,215</u>
TOTAL LIABILITIES	<u>115,184</u>	<u>159,937</u>
NET POSITION		
Net investment in capital assets	1,282,690	1,401,289
Unrestricted	<u>265,735</u>	<u>191,470</u>
TOTAL NET POSITION	<u>\$ 1,548,425</u>	<u>\$ 1,592,759</u>

CITY OF ROCKFORD
 FIRE DEPARTMENT FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	651	
	<u>Fire Department</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for services	\$ 346,056	\$ 249,919
OPERATING EXPENSES		
Personal services	77,393	31,928
Supplies	23,432	23,482
Professional services	12,620	16,692
Repairs and maintenance	40,067	21,958
Utilities	12,671	19,507
Insurance	7,382	11,996
Other services and charges	20,196	13,180
Depreciation	153,456	133,011
TOTAL OPERATING EXPENSES	<u>347,217</u>	<u>271,754</u>
OPERATING LOSS	<u>(1,161)</u>	<u>(21,835)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	2,750	3,100
Interest on investments	2,126	2,655
Miscellaneous income	5,641	36,865
Contributions and donations	25	75
Interest expense	1,073	(13,376)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>11,615</u>	<u>29,319</u>
INCOME BEFORE TRANSFERS	10,454	7,484
TRANSFERS OUT	<u>(54,788)</u>	<u>(55,788)</u>
CHANGE IN NET POSITION	(44,334)	(48,304)
NET POSITION, JANUARY 1	<u>1,592,759</u>	<u>1,641,063</u>
NET POSITION, DECEMBER 31	<u>\$ 1,548,425</u>	<u>\$ 1,592,759</u>

CITY OF ROCKFORD, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 1,638,391	\$ 1,686,171	(2.83) %
Licenses and permits	104,734	45,901	128.17
Intergovernmental	357,060	263,118	35.70
Charges for services	405,545	330,647	22.65
Fines and forfeitures	2,554	2,628	(2.82)
Special assessments	81,812	108,573	(24.65)
Interest on investments	43,552	41,056	6.08
Miscellaneous	166,907	176,473	(5.42)
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 2,800,555</u>	<u>\$ 2,654,567</u>	5.50 %
Per Capita	\$ 645	\$ 614	4.96 %
EXPENDITURES			
Current			
General government	\$ 429,539	\$ 433,743	(0.97) %
Public safety	686,231	569,433	20.51
Public works	465,127	407,249	14.21
Culture and recreation	192,884	185,153	4.18
Economic development	25,947	24,383	6.41
Capital outlay			
General government	37,125	100,848	(63.19)
Public safety	-	245,328	(100.00)
Public works	105,458	188,543	(44.07)
Culture and recreation	3,817	40,722	(90.63)
Economic development	229,217	279,228	(17.91)
Debt service			
Principal	243,858	313,412	(22.19)
Interest and other	141,038	151,680	(7.02)
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 2,560,241</u>	<u>\$ 2,939,722</u>	(12.91) %
Per Capita	\$ 590	\$ 680	(13.35) %
Total Long-term Indebtedness	\$ 3,342,358	\$ 3,586,215	(6.80) %
Per Capita	770	830	(7.27)
General Fund Balance - December 31	\$ 1,355,932	\$ 1,183,118	14.61 %
Per Capita	312	274	14.02

The purpose of this report is to provide a summary of financial information concerning the City of Rockford to interested citizens. The complete financial statements may be examined at City Hall, 6031 Main Street, Rockford, Minnesota 55373-9569. Questions about this report should be directed to the City Administrator at (763) 447-6565.

OTHER REQUIRED REPORTS

CITY OF ROCKFORD
ROCKFORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Rockford, Minnesota

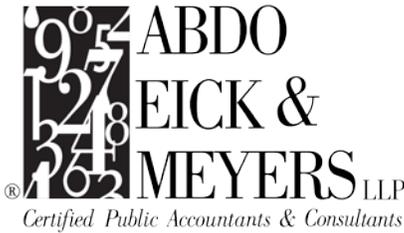
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Minnesota (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 11, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Rockford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockford, Minnesota (the City), as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2013-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2013-001 to be a significant deficiency.

Compliance and Other Matters

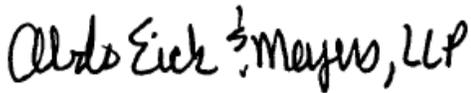
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 11, 2014

CITY OF ROCKFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Description

2013-001 Preparation of financial statements

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint, we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

Management response:

For now, the City accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements.

CITY OF ROCKFORD, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Description

2013-002 Material audit adjustment

Condition: During our audit, an adjustment was needed to record additional accounts payable related to tax increment payments not remitted before yearend.

Criteria: The financial statements are the responsibility of the City's management.

Cause: The City has not prepared a year-end trial balance reflecting all necessary accounting entries. Specifically, tax increment expenses and accounts payable were understated.

Effect: This indicates that a misstatement may occur and not be detected by the City's system of internal control over financial reporting. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain and understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management response:

The City will take the necessary steps to have staff accurately record and review journal entries to ensure audit adjustments are complete and to adjust accounts in accordance with GAAP.