

CITY OF ROCKFORD, ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Prepared by:

Finance Office
Andres Sammul
Finance Director

CITY OF ROCKFORD, ILLINOIS

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July 17, 2009

Andres Sammul
Director
Finance Department

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

The Comprehensive Annual Financial Report (CAFR) of the City of Rockford, Illinois for the fiscal year ended December 31, 2008, is hereby submitted. This report is prepared by the Finance Director's Office of the City of Rockford, Illinois. We believe the data, as presented, is accurate in all material respects; is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

The independent auditing firm of Lauterbach & Amen, LLP has audited the City of Rockford's financial statements. The purpose of the independent audit conducted by Lauterbach & Amen was to review and provide reasonable assurance that the City's financial statements for the fiscal year ending December 31, 2008 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockford's financial statements for the fiscal year ended December 31, 2008, are fairly presented in conformity with GAAP.

In addition to the independent audit of the financial statements, a separate, federally mandated "Single Audit" was performed to meet the needs of specific grantor agencies. The standards governing Single Audit

engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls over compliance and compliance with legal requirements applicable to certain federal awards. These reports are available in the City of Rockford's separately issued Single Audit Report.

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

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

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

Profile of the City

The City of Rockford is a non-home rule city, incorporated in 1839 as a town and became a city in 1852. Located in North Central Illinois approximately 17 miles south of the Wisconsin border and 80 miles northwest of downtown Chicago, Rockford is the third largest city in Illinois with approximately 150,115 residents encompassing approximately 61.81 square miles and serves as the county seat for Winnebago County. The City is empowered to levy property taxes (subject to the Property Tax Extension Limitation Law provisions, which limits the annual growth in property tax extensions for the City to the lesser of 5% or the percentage increase in the Consumer Price Index during the preceding calendar year plus full credit for new construction and annexations) on both real and personal property located within its boundaries and has the authority to extend its corporate limits through annexation, when deemed appropriate and as approved by City Council.

The City has operated under the Mayor-Alderman form of government since April 1852. Policy-making and legislative authority are vested in the City Council consisting of the mayor and fourteen aldermen. The City Council is responsible for enacting ordinances, resolutions and regulations governing the City, adopting the budget, as well as appointing the members of various statutory and ordinance boards, and for approving the appointments by the Mayor for the City Administrator and the heads of the various departments. The Mayor and Alderman (one from each ward) are elected and serve four year terms.

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

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

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

Factors Affecting Financial Condition

Local economy. The City of Rockford continues to expand and diversify its industrial base and employment opportunities. Rockford's economy is diversified with manufacturing and medical as its primary base, while call center/office operations, distribution centers and educational institutions become more important to the economy. The 2008 average unemployment rate for the metropolitan area was 9.1% as compared to the state average of 6.5% and the national average of 5.8%.

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

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

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

The yearly capital improvement program generally consists of projects designed to repair and improve both arterial and neighborhood streets, bridges, pedestrian safety, and water service expansion and replacement.

The City provides leadership and encourages the private sector in the development of the Riverfront, Downtown and other areas of the City.

Cash management policies and practices. The primary objective of the City investment policy is to provide for the safety of principal, liquidity and a reasonable rate of return. The City complies with the Illinois State Statute requirements in purchasing securities for investment of the City's idle cash. The investment maturities range from daily, for money markets, to 15 years, for US Treasury and Agency bonds, with a 2.53 year average maturity for the portfolio. The average yield as of year end was 2.46% and will fluctuate on a daily basis. The City currently looks at a shorter time horizon when investing the City's funds.

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

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

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

The Police and Firefighter's Pension Funds are each administered by separate local boards. The Police Pension Board and the Firefighter's Pension Board are composed of five members each. The Mayor appoints two members to each board; two members are elected from the regular active members of the police force and firefighters, and one member is elected to each board by and from the beneficiaries of the fund. Illinois State Statutes determine the amount of contribution that each police officer and firefighter makes to their respective fund. The City each year engages an independent actuary to calculate the amount of the annual contribution that the City of Rockford must make to each pension fund to ensure that the plan will be able to meet its obligations on a timely basis. The City of Rockford fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City of Rockford contributes to the Illinois Municipal Retirement Fund ("IMRF"), an agent for multiple-employer, public employee retirement systems, acting as a common investment and administrative agent for local governments and school districts in Illinois. The City's contribution is determined each year by IMRF and for 2008 the amount was 9.35% of covered payroll. Additional information on the City of Rockford's pension arrangements and post-employment benefits can be found on pages 62-69 in the notes to the financial statements.

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employees for Post Employment Benefit Plans Other than Pensions. Since the City does not contribute towards the cost of the retiree's health insurance, the City is reporting only the implicit liability that is created when the retiree (by State Statute) is charged the group rate for the insurance as opposed to the true rate that would have been charged based on the risk.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Rockford, Illinois, for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the twenty-ninth consecutive year the City of Rockford has received this award.

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

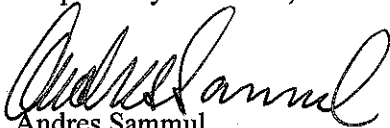
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City of Rockford received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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

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

Respectfully submitted,



Andres Sammul
Finance Director

CITY OF ROCKFORD, ILLINOIS
OFFICIALS AND OFFICERS
Year Ended December 31, 2008

MAYOR

Lawrence J. Morrissey

CITY COUNCIL MEMBERS

Franklin C. Beach
John C. Beck
Venita Hervey
William Robertson
Patrick Curran
Joe Sosnowski
Ann Thompson-Kelly

Karen Elyea
Leonard J. Jacobson
Carl Wasco
Nancy L. Johnson
Douglas Mark
Linda McNeely
Bill Timm

CITY ADMINISTRATOR

James Ryan

Reid Montgomery
COMMUNITY DEVELOPMENT DIRECTOR

Patrick Hayes
LEGAL DIRECTOR

Andres Sammul
FINANCE DIRECTOR

Jessica L. Jones
PERSONNEL DIRECTOR

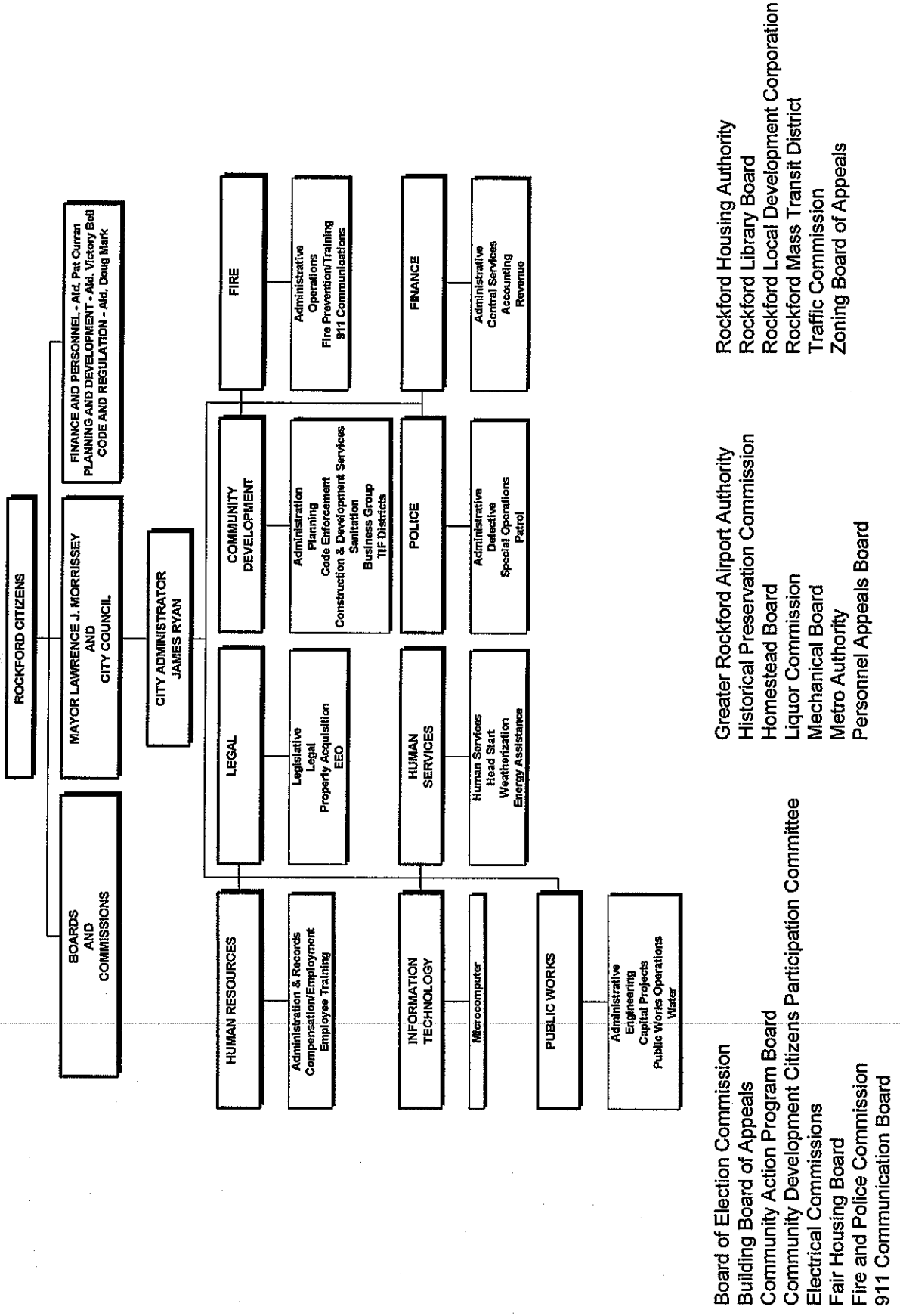
D. William Robertson
FIRE CHIEF

Chet Epperson
POLICE CHIEF

George Davis
HUMAN SERVICES DIRECTOR

Timothy Hanson
PUBLIC WORKS DIRECTOR

CITY OF ROCKFORD, ILLINOIS ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockford
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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



A handwritten signature in black ink, appearing to read "M. L. P. M.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery", written in a cursive style.

Executive Director

INDEPENDENT AUDITORS' REPORT

July 17, 2009

The Honorable Mayor
Members of the City Council
City of Rockford, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockford, Illinois as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the basic financial statements of each of the City of Rockford, Illinois' nonmajor governmental funds, and internal service funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended December 31, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the City of Rockford, Illinois management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the Rockford Mass Transit District or the Rockford Metropolitan Exposition, Auditorium and Office Building Authority discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounting included for the Rockford Mass Transit District or the Rockford Metropolitan Exposition, Auditorium and Office Building Authority, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 of Rockford, Illinois as of December 31, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole and on the combining and individual fund financial statements. The accompanying financial information listed as schedules in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Rockford, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining, and individual fund financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and each of the combining and individual fund financial statements taken as a whole.

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

The introductory and statistical information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.



LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

This section of the City of Rockford ("City") annual financial report presents our discussion and analysis of the City's financial performance for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rockford exceeded its liabilities at year-end December 31, 2008 by \$612,726,873 (net assets). Of this amount, the City's unrestricted net assets which may be used to meet the City's ongoing obligations to citizens and creditors was a negative (\$18,675,409). Governmental activities accounted for \$479,777,021 and business-type activities accounted for \$132,949,852. The City's total net assets decreased by \$13,298,485 of which (\$19,818,108) was related to governmental activities and \$6,519,623 to business-type activities.
- During the year, the City's primary government-wide expenses were \$227,391,653, which was more than the \$214,093,168 generated in primary government-wide taxes and other revenues for governmental functions.
- In the City's business-type activities, program revenues decreased 1 percent to \$25,262,886, while expenses increased 9 percent to \$20,430,399.
- As of the close of the current fiscal year, the City of Rockford's governmental funds reported combined ending fund balances of \$58,222,130. Approximately 62 percent of this total amount, \$35,920,372, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$22,960,413, or 19 percent of total General Fund expenditures.
- During the current fiscal year the City's total long-term obligations increased by 21 percent or \$34,877,864, to \$199,391,072. The key factor in this increase was the issuance of \$36 million in General Obligation Bonds and notes payable for water system upgrades.
- The General Fund reported a decrease in fund balance of \$8,853,984 during fiscal year 2008 to \$24,352,498.
- The City's general fund actual revenues missed the final amount budgeted by \$976,185 and the actual expenditures were over the budgeted amounts by \$1,302,392.
- The City's Governmental Funds capital outlays were \$21,168,069 in 2008, a increase from last year of \$10,357,917.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

The two government-wide statements are as follows:

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

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

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

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

Fund financial statements

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

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

The City has three types of funds:

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Consequently, the governmental fund statements provide a short-term view and help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is provided that explains the relationship or differences between the governmental funds and governmental activities.

The City maintains 39 individual governmental funds of which six are considered major funds. Information is presented separately for the City's major funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund, Public Library Fund, Community Development Fund, Human Services Fund, Debt Service Fund, and Capital Projects Fund are considered the City's major funds. Financial data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund financial data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those funds are not available to support the City's own programs. The accounting used for fiduciary funds

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

is much like that used for proprietary funds. The City has two fiduciary funds, the police pension and firefighter's pension funds. The City is the trustee for these pensions and it is also responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

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

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 72 of this report.

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

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

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

Government-wide

FINANCIAL ANALYSIS

Net assets – As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$612,726,873 at the close of the fiscal year ended December 31, 2008.

By far the largest portion of the City's net assets (98 percent) reflects its investment in capital assets (land, buildings, equipment, other improvements and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses this capital to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rockford Net Assets

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Current and other assets	\$ 147,783,235	\$ 163,206,091	\$ 58,926,746	\$ 35,190,016	\$206,709,981	\$198,396,107
Capital assets	550,744,778	550,270,011	151,672,646	129,856,444	702,417,424	680,126,455
Total assets	698,528,013	713,476,102	210,599,392	165,046,460	909,127,405	878,522,562
Long-term liabilities	106,310,512	129,183,483	55,705,814	35,329,725	162,016,326	164,513,208
Current liabilities	112,440,480	84,697,490	21,943,726	3,286,506	134,384,206	87,983,996
Total liabilities	218,750,992	213,880,973	77,649,540	38,616,231	296,400,532	252,497,204
Net assets:						
Invested in capital assets, net of related debt	471,473,879	460,914,982	127,460,090	116,111,150	598,933,969	552,926,132
Restricted	27,632,044	38,187,605	4,836,269	5,655,828	32,468,313	52,688,349
Unrestricted	(19,328,902)	492,542	653,493	4,663,251	(18,675,409)	20,410,877
Total net assets	\$ 479,777,021	\$ 499,595,129	\$132,949,852	\$ 126,430,229	\$612,726,873	\$626,025,358

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2007 fiscal year, the City was able to report positive balances for the government as a whole, as well as for its separate governmental and business-type activities. The same situation holds true for the business-type activities, however, the governmental activities now have a negative balance for unrestricted net assets of \$19,328,902 at the end of the current fiscal year.

The City's total net assets decreased by \$13,298,485, during the current fiscal year. The governmental-type activities decreased by \$19,818,108. This decrease was attributable primarily to operating activities in the general fund and \$9.5 million of bond proceeds used for the renovation of the Metro Centre (capital contributions to the Metro Centre, expense to the City). The business-type activities net assets increased by \$6,519,623, attributable to operating activities of the water fund.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

Governmental activities – Net assets for the City's governmental activities decreased \$19,818,108. This decrease was primarily the result of two intergovernmental agreements. The first agreement with the Rockford Metropolitan Exposition, Auditorium and Office Building Authority, is to provide improvements to the facility known as the Rockford Metro Centre and acquire a hockey franchise. The City issued \$23 million of general obligation bonds in 2007 and spent \$12.6 million of those proceeds in 2007 and \$9.5 million in 2008. The second agreement is to guarantee a \$10 million line of credit for Rockford Local Development Corporation (RLDC) to purchase approximately 80 homes and two commercial properties in the Keith Creek floodplain. On or before June 1, 2010 the City will purchase the properties from RLDC at the acquisition price. At the close of the current fiscal year there were outstanding borrowings of \$8.8 million under the agreement.

Changes in Net Assets						
	Governmental activities	Governmental activities	Business-type activities	Business-type activities	Total	Total
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 25,147,724	\$ 26,902,624	\$ 24,326,649	\$ 23,581,012	\$ 49,474,373	\$ 50,483,636
Operating grants and contributions	21,562,828	21,438,527	-	-	21,562,828	21,438,527
Capital grants and contributions	763,307	11,420,360	936,237	2,031,876	1,699,544	13,452,236
General revenues:						
Taxes:						
Property taxes	55,712,310	53,713,800	-	-	55,712,310	53,713,800
Sales tax	39,497,031	33,450,584	-	-	39,497,031	33,450,584
Franchise taxes	1,624,014	1,446,031	-	-	1,624,014	1,446,031
Income tax	14,193,822	13,400,874	-	-	14,193,822	13,400,874
Replacement tax	8,181,027	8,803,431	-	-	8,181,027	8,803,431
Other taxes	14,542,761	14,637,588	-	-	14,542,761	14,637,588
Interest earnings	3,086,564	4,342,807	1,687,136	1,491,836	4,773,700	5,834,643
Other	2,831,758	2,658,405	-	-	2,831,758	2,658,405
Total revenues	187,143,146	192,215,031	26,950,022	27,104,724	214,093,168	219,319,755
Expenses						
General government	15,005,594	14,392,429	-	-	15,005,594	14,392,429
Public safety	87,630,182	86,034,803	-	-	87,630,182	86,034,803
Streets, alleys and bridges	43,499,831	33,244,705	-	-	43,499,831	33,244,705
Community development	13,876,323	14,050,709	-	-	13,876,323	14,050,709
Sanitation	7,560,231	7,689,685	-	-	7,560,231	7,689,685
Culture and recreation	17,990,843	20,566,355	-	-	17,990,843	20,566,355
Public health and welfare	15,708,487	14,875,668	-	-	15,708,487	14,875,668
Interest and fiscal charges	5,689,763	5,477,961	-	-	5,689,763	5,477,961
Water	-	-	18,003,425	16,441,237	18,003,425	16,441,237
Parking	-	-	2,426,974	2,308,209	2,426,974	2,308,209
Total expenses	206,961,254	196,332,315	20,430,399	18,749,446	227,391,653	215,081,761
Increase in net assets before transfers	(19,818,108)	(4,117,284)	6,519,623	8,355,278	(13,298,485)	4,237,994
Transfers	-	57,600	-	(57,600)	-	-
Increase in net assets	(19,818,108)	(4,059,684)	6,519,623	8,297,678	(13,298,485)	4,237,994
Net assets - beginning	499,595,129	503,654,813	126,430,229	118,132,551	626,025,358	621,787,364
Net assets - ending	\$ 479,777,021	\$ 499,595,129	\$ 132,949,852	\$ 126,430,229	\$ 612,726,873	\$ 626,025,358

Total governmental activities' revenue for the current year was \$187,143,146 compared to \$192,215,031 in 2007, a decrease of 2.6%. The leading factors are as follows:

- The City's largest single revenue source, property taxes amounted to \$55.7 million. Property taxes increased by approximately \$2 million (3.7 percent) during the current year compared to 6.2 percent and 7.2 percent for 2007 and 2006, respectively due to an increase in equalized assessed value. The City's property tax rate remained nearly unchanged at about \$2.53 per \$100 of EAV.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

- Shared revenue from the State increased approximately \$6.3 million (8.8 percent) from 2007. This increase is primarily the result of the successful 2007 road referendum where voters approved an additional 1% sales tax on non-titled goods. Effective July 1, 2007 the additional tax provided \$7.6 million for capital road projects. Without the referendum, sales tax revenue would have decreased by about 6.4%. This slippage reflects the local impact of the current national recession.

Income taxes and replacement taxes are also shared with the state but on a per-capita basis. Between 2007 and 2008, the City's income taxes increased by \$.8 million and replacement taxes decreased by \$.6 million. These revenues remained strong the first half of the year, however, fell off sharply during the second half and will take longer to recover as the full effect of a downturn or an improving state-wide economy is not felt immediately.

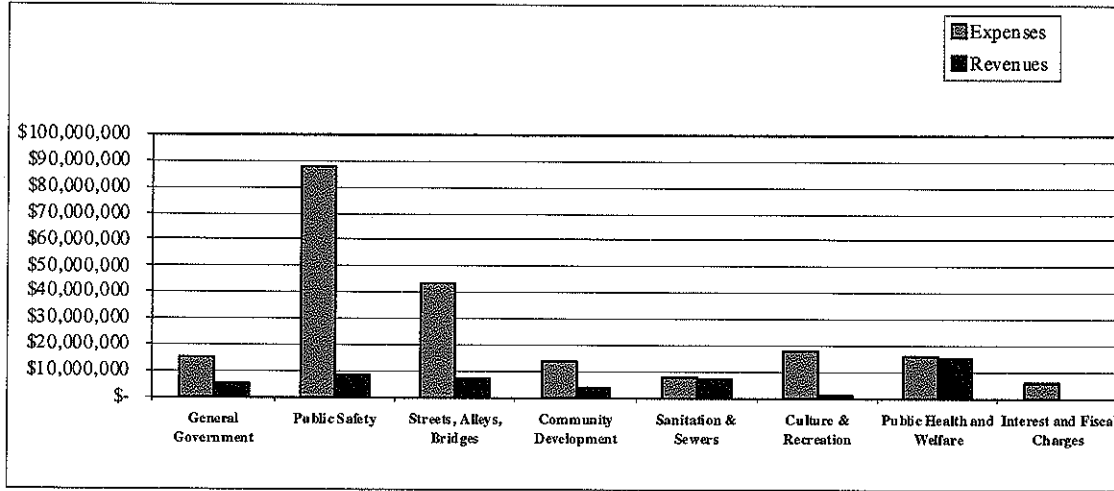
- Operating grants, capital grants, and capital contributions decreased almost \$10.5 million (32 percent), mostly as a result of a federal grant passed through the Illinois Department of Transportation for the reconstruction of a portion of Harrison Avenue in 2007, and a decrease in annexed property.
- Charges for services decreased 6.5 percent due in part to the recession. However, the largest contributing factor was the elimination of vehicle stickers which accounted for \$1.1 million in 2007.

Total governmental activities' expense for the current year was \$206,961,254 compared to \$196,332,315 in 2007, an increase of 5.4%. The leading factor was, as previously mentioned the City entered into an agreement with the Rockford Local Development Corporation (RLDC) an Illinois not-for-profit corporation. Under terms of the agreement, RLDC shall secure a \$10,000,000 line of credit to be used for the voluntary acquisition of approximately 80 homes and two commercial properties that are located within the Keith Creek floodplain. The loan will fund the acquisition costs for each parcel, demolition expense, costs of all activities related to the project, and an interest reserve to cover carrying costs. The City shall provide guarantee of the loan and on or before June 1, 2010, purchase the properties from RLDC at the price RLDC acquired them, and reimburse RLDC for expenses incurred in the performance of its duties. At December 31, 2008, there were outstanding borrowings of \$8,844,578 under this agreement.

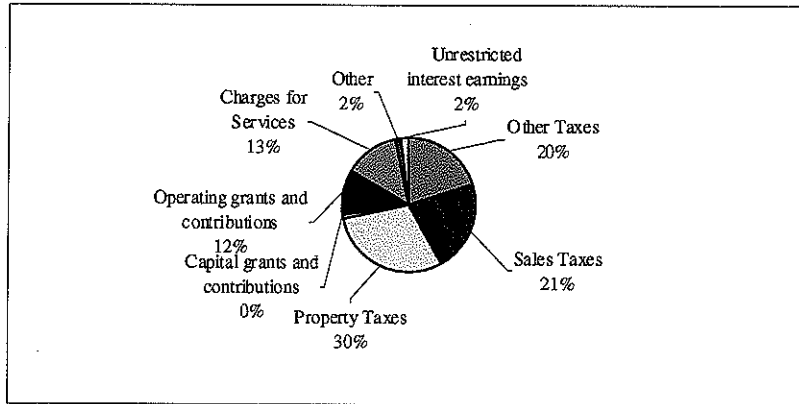
The graph below shows a comparison between the expenditures by governmental activity type and the revenues generated that are specific to those activities.

Expense and Program Revenue – Governmental Activities

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008



Revenues by Source - Government Activities



Revenues by Source - Government Activities

The cost of all governmental activities this year was \$206,961,254. However, the amount that taxpayers paid for these activities through City and State taxes was only \$133,750,965. Some of the cost was paid by:

- Those who directly benefited from the programs (\$25,147,724), or
- Other governments and organizations that subsidized certain programs with grants (\$22,326,135).

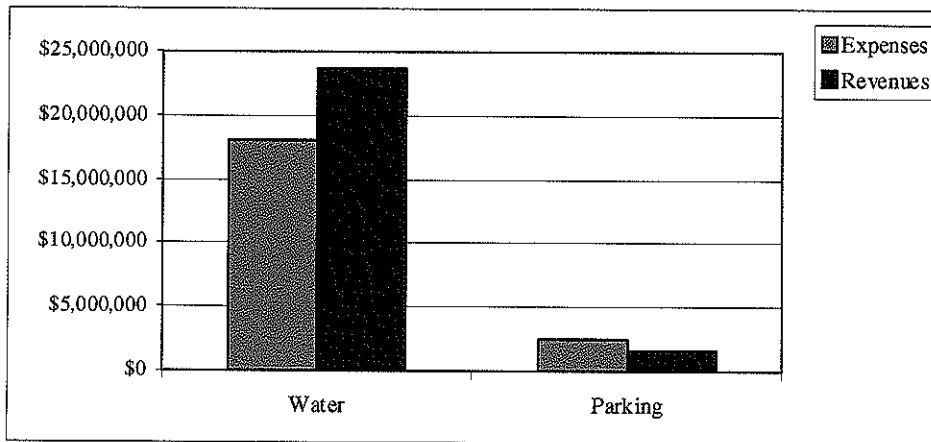
Business-type Activities – Business-type activities net assets increased by \$6,519,623 in 2008. Revenues from business type activities decreased less than 1 percent to \$26,950,022 and expenses increased 9.0 percent to \$20,430,399. Key elements contributing to these results included:

City of Rockford, Illinois

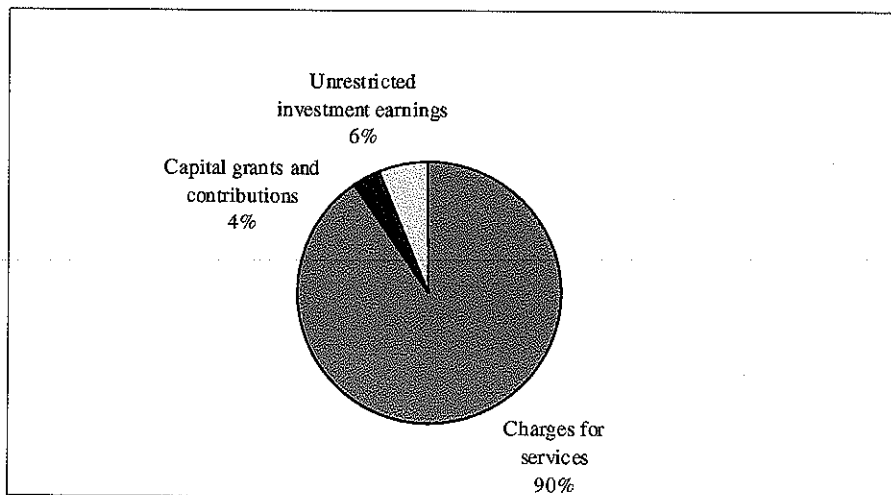
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

- Charges for services for business-type activities increased by 3.2 percent. The Water Utility accounts for a significant portion of this increase. A reduction of 4.1 percent in gallons of water supplied coupled with an 8 percent rate increase on January 1st, provided \$753,830 of additional revenue.
- The Water Utility received capital grants and contributions from developers of \$836,237 in 2008 compared to \$2,031,876 in 2007.

Expenses and Program Revenues - Business-type Activities
(000) In Thousands



Revenues by Source - Business-type Activities



City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the year 2008, its governmental funds reported a combined fund balance of \$58,222,130, a decrease of \$20,742,387 (26 percent) in comparison with last year. Unreserved fund balance was \$35,920,372, and is available for spending at the government's discretion. The remainder \$22,301,758 is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate purchase orders of the prior period (\$12,040,694), 2) pay debt service (\$8,667,411), 3) for long-term notes receivable (\$734,823), 4) for intergovernmental agreements, (\$825,000), and 5) for endowments which are restricted to principal (\$33,830).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund is \$22,960,413, while total fund balance reached \$24,352,498. As a measure of the General Fund's liability, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 19 percent of total General Fund expenditures, while total balance represents 21 percent of that same amount.

The fund balance of the City's General Fund decreased \$8,853,984 during the current fiscal year compared to a decrease of \$133,809 for 2007 and an increase of \$2,669,561 for 2006. The decrease is primarily the result of declining elastic revenues. Elastic revenues are those revenues that tend to change with economic conditions such as, sales tax, use tax, state income tax, and personal property replacement tax. As a result of a slow down in the state and local economy, revenue from sales taxes finished \$2,764,680 below the budgetary estimate. In addition expenditures for street maintenance were approximately \$5 million over the original budget due to the harsh winter.

The Public Library fund balance at year-end was \$3,394,973 of which \$18,830 is reserved for endowments. The net decrease in fund balance during the current fiscal year in the Library Fund was \$2,968,870. This decrease is primarily the result of spending \$3,050,000 in bond proceeds received in November of 2007 for the purchase and construction of a new east side branch.

The Community Development fund balance at year-end was \$1,716,712 of which \$653,018 is reserved for long-term notes receivables, and \$825,000 for intergovernmental agreements. There was a decrease in fund balance of \$281,350 during the year. The decrease was the result of increasing the allowance for uncollectable notes receivable.

The Human Services fund balance at year-end was \$470,993 of which \$81,805 is reserved for long-term notes receivable and \$276,139 reserved for encumbrances. The net decrease in fund balance during the current fiscal year in the Human Service Fund was \$193,555. This decrease was due to an increase in non-reimbursable operating expenses.

The Debt Service Fund total fund balance at year-end was \$8,667,411, all of which is reserved for the payment of debt service. The net decrease in the fund balance during the current year was \$846,484. This decrease corresponds with the decrease of transfers into the Debt Service Fund during the current fiscal year needed for principal and interest payments during following fiscal year.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

Capital Projects Fund total fund balance at year-end was \$16,896,353 of which \$10,320,813 is reserved for encumbrances. The net decrease in fund balance during the current fiscal year to the Capital Project Fund was \$7,209,767. This decrease was the result of spending \$9.5 million in bond proceeds for projects started in 2007 and completed in the current year.

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

Unrestricted net assets (deficit) of the water utility fund at the end of the year amounted to \$799,045, and those of the Parking System Fund amounted to (\$145,522). The total growth in net assets for both funds was \$7,287,936 and (\$768,313) respectively. Other factors concerning the finances of these two funds have been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

The City Council passed a supplemental budget appropriation of \$4,807,916 for the General Fund. The City is legally authorized by State statutes to amend the budget after June 30. The changes to the General Fund departments are as follows:

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues	109,605,576	108,378,876	107,402,691	(976,185)
Expenditures	112,149,833	116,957,749	118,280,976	(1,323,227)
Excess of revenues over expenditures	(2,544,257)	(8,578,873)	(10,878,285)	(2,299,412)
Other financing sources and uses				
Transfers from other funds	4,168,110	4,701,710	4,701,710	-
Transfers to other funds	(1,783,457)	(2,671,957)	(2,677,409)	(5,452)
Net change in fund balance	(159,604)	(6,549,120)	(8,853,984)	(2,304,864)

During the year the City spent 101.3 percent of the final amount appropriated in the General Fund. Actual General Fund revenues were less than budgetary estimates by 100.9 percent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008 amounts to \$702,417,424 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, roads and bridges, and water and sewer lines. The City's investment in capital assets net of accumulated depreciation was relatively unchanged for governmental activities during the current fiscal year (a 0.1 percent increase). However, net capital assets increased 23.5% for business-type activities. This increase is the result of a \$75 million capital improvement program to improve water quality and modernize Rockford's water utility.

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

- The City purchased ten new vehicles for the Police Department, and a new aerial ladder truck, pumper truck, and ambulance for the Fire Department totaling approximately \$1.4 million.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

- A new eastside branch library with renovations totaling approximately \$3.9 million.
- A variety of street construction projects in both new residential and business developments, along with widening and expansion projects for existing streets and bridges were completed during the year. However, the City's main focus in 2008 was completing major improvements to key arterial streets started in prior years. Capital street and bridge projects totaled \$15.4 million during the current year.
- Various system additions and improvements were completed in the Water Utility Fund at a cost of \$6.3 million; construction in progress as of the end of the current year had reached \$25 million.
- The City purchased a 290 space multilevel parking deck in the west side business district for \$1.5 million.

Primary Government Capital Assets (net of depreciation)

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Land	\$ 6,875,924	\$ 6,066,882	\$ 6,087,008	\$ 6,039,158	\$ 12,962,932	\$ 12,106,040
Land improvements	281,102	301,197	99,715	125,693	380,817	426,890
Buildings and improvements	30,468,658	29,474,403	14,902,756	14,549,811	45,371,414	44,024,214
Improvements other than building	-	-	104,298,760	95,404,990	104,298,760	95,404,990
Equipment	9,323,836	8,205,299	1,202,552	834,584	10,526,388	9,039,883
Infrastructure	503,795,258	506,222,230	-	-	503,795,258	506,222,230
Construction in progress	-	-	25,081,855	3,912,224	25,081,855	3,912,224
Total	\$ 550,744,778	\$ 550,270,011	\$ 151,672,646	\$ 120,866,460	\$ 702,417,424	\$ 671,136,471

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

Long-term Debt – At the end of the current fiscal year, the City of Rockford had total general obligation and revenue bonds outstanding of \$146,680,000. This debt is backed by the full faith and credit of the City. Total debt decreased by \$1,990,000 during the current fiscal year. Key factors in this decrease were; \$9 million series 2008A issued for the second phase of \$75 million water system rehabilitation program, \$1.3 million series 2008B issued for community development projects, \$1.85 series 2008C issued for the purchase of a parking garage, and current years debt service requirements.

Primary Government Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
General obligation bonds	\$104,755,000	\$ 114,385,000	\$ 41,925,000	\$ 34,285,000	\$146,680,000	\$148,670,000

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

The State imposes a legal limit of 8.625% of total equalized assessed valuation on the amount of general bond indebtedness. The City further limits their indebtedness, by ordinance, to 80.0% of the State limit. As of December 31, 2008 the City's indebtedness was \$54,564,850 less than the City limit and \$90,792,981 less than the State limit.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2008

Additional information on the City of Rockford's long-term debt can be found on Note III, G on pages 52 - 59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- The average unemployment rate for the City of Rockford for the current year was 9.1 percent. However, the actual rate at year end was 12.6 percent, which is double the rate a year ago. This is higher than the State's average unemployment rate of 6.5 percent and the national average rate of 5.8 percent.
- Inflation in the metropolitan area compares to the national consumer price index.

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

	Unemployment rates				
	2008	2007	2006	2005	2004
Rockford	9.10%	6.30%	5.30%	6.40%	6.50%
State of Illinois	6.50%	5.00%	4.50%	5.70%	5.70%
United States	5.80%	4.60%	4.60%	5.10%	5.10%
Total Employment	160,400	166,000	172,400	170,500	171,400

All of these economic factors were taken into account when adopting the General Fund budget for 2008.

The City's goal in developing the 2009 budget was to continue offering citizens basic services, economic development efforts, and fiscal stability. Development and adoption of the 2009 budget was premised on maintaining a level of service equivalent to 2008, while working within the limitations of the Property Tax Extension Limitation Law.

Budgeted expenditures in the General Fund are \$112,440,449, a decrease of less than 4 percent over the final 2008 budget of \$116,957,749. Employee contracts, pensions and health insurance costs make up the largest increases in the budget, while staff reductions and a temporary suspension of the City's capital improvement program accounts for the overall reduction.

In March 2009, the City Council approved the proposed budget after numerous revisions from the original proposed budget. Staff reviewed all revenues and expenditures, changes were made as necessary, and a balanced General Fund GAAP budget was adopted. This budget allows the City to maintain the necessary fund and cash balances, as well as allowing the 2010 budget process to begin on a sound financial footing.

City of Rockford, Illinois

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

Requests for information

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

CITY OF ROCKFORD, ILLINOIS
STATEMENT OF NET ASSETS

December 31, 2008

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Rockford	Rockford
	Activities	Activities		Mass Transit	Metropolitan
				District	Exposition, Auditorium and Office Building Authority
Cash and cash equivalents	\$ 56,197,175	\$ 1,094,542	\$ 57,291,717	\$ 1,134,348	\$ 67,044
Investments	-	-	-	-	187,701
Receivables, net	67,471,072	6,661,509	74,132,581	2,307,447	1,940,122
Internal balances	(825,131)	825,131	-	-	-
Due from other governments	23,053,397	115,081	23,168,478	-	-
Inventories	272,441	654,410	926,851	269,617	-
Prepaid items	751,190	-	751,190	171,139	118,238
Other assets	-	313,011	313,011	-	-
Restricted assets:					
Cash and cash equivalents	-	49,263,062	49,263,062	818,494	-
Net pension asset	863,091	-	863,091	-	-
Capital assets not depreciated	6,875,924	31,168,863	38,044,787	1,965,838	8,215,000
Capital assets, net of accumulated depreciation	543,868,854	120,503,783	664,372,637	13,962,570	19,003,053
Total assets	698,528,013	210,599,392	909,127,405	20,629,453	29,531,158
LIABILITIES					
Bank overdraft	773,124	-	773,124	-	123,754
Accounts payable and other accrued liabilities	12,995,887	6,631,321	19,627,208	1,339,391	1,867,089
Accrued payroll and benefits	4,933,071	265,925	5,198,996	1,279,862	200,272
Due to other governments	253,151	-	253,151	-	-
Unearned revenue	62,964,079	-	62,964,079	1,319,302	1,182,873
Other liabilities	7,299,725	22,982	7,322,707	-	-
Deposits and advances	-	870,195	870,195	-	-
Noncurrent liabilities:					
Due or payable within one year	23,221,443	14,153,303	37,374,746	-	525,431
Due or payable in more than one year	106,310,512	55,705,814	162,016,326	408,714	445,863
Total liabilities	218,750,992	77,649,540	296,400,532	4,347,269	4,345,282
NET ASSETS					
Invested in capital assets, net of related debt	471,473,879	127,460,090	598,933,969	15,928,408	22,701,996
Restricted for:					
Capital projects	9,453,077	1,000,000	10,453,077	-	-
Debt service	6,443,154	3,836,269	10,279,423	-	-
Culture and recreation	3,394,973	-	3,394,973	-	-
Community development	1,478,019	-	1,478,019	-	-
Public health and welfare	470,993	-	470,993	-	-
Highways and streets	6,342,976	-	6,342,976	-	-
Employee and public liability trusts	-	-	-	130,664	-
Other purposes - Grants	48,852	-	48,852	-	-
Unrestricted	(19,328,902)	653,493	(18,675,409)	223,112	2,483,880
Total net assets	\$ 479,777,021	\$ 132,949,852	\$ 612,726,873	\$ 16,282,184	\$ 25,185,876

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

CITY OF ROCKFORD, ILLINOIS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/programs Primary government:	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Rockford Mass Transit District	Rockford Metropolitan Exposition, Auditorium and Office Building Authority
Governmental activities:									
General government	\$ 15,005,594	\$ 5,409,390	\$ -	\$ -	\$ (9,596,204)	\$ -	\$ (9,596,204)		
Public safety	87,630,182	7,917,191	565,091	-	(79,147,900)	-	(79,147,900)		
Streets, alleys and bridges	43,499,831	4,255,227	2,110,817	615,646	(36,518,141)	-	(36,518,141)		
Community development	13,876,323	552,012	3,440,550	-	(9,883,761)	-	(9,883,761)		
Sanitation and sewers	7,560,231	6,796,053	-	-	(764,178)	-	(764,178)		
Culture and recreation	17,990,843	217,851	695,707	-	(17,077,285)	-	(17,077,285)		
Public health and welfare	15,708,487	-	14,750,663	147,661	(810,163)	-	(810,163)		
Interest and fiscal charges	5,689,763	-	-	-	(5,689,763)	-	(5,689,763)		
Total governmental activities	206,961,254	25,147,724	21,562,828	763,307	(159,487,395)	-	(159,487,395)		
Business-type activities:									
Water	18,003,425	22,767,988	-	836,237	-	5,600,800	5,600,800		
Parking	2,426,974	1,558,661	-	100,000	-	(768,313)	(768,313)		
Total business-type activities	20,430,399	24,326,649	-	936,237	-	4,832,487	4,832,487		
Total primary government	\$ 227,391,653	\$ 49,474,373	\$ 21,562,828	\$ 1,699,544	(159,487,395)	4,832,487	(154,654,908)		
Component units:									
Bus transportation	\$ 12,945,821	\$ 1,237,276	\$ 10,491,830	\$ 4,267,094				\$ 3,050,379	\$ 9,640,446
Metro Centre - coliseum-arena	10,326,295	8,380,469	456,000	11,130,272				-	-
Total component units	\$ 23,272,116	\$ 9,617,745	\$ 10,947,830	\$ 15,397,366				3,050,379	9,640,446
General revenues:									
Taxes:									
Property taxes					55,712,310		55,712,310		
Sales taxes					39,497,031		39,497,031		
Metro Centre sales tax					3,530,918		3,530,918		
Motel and hotel tourism tax					1,839,367		1,839,367		
Local use tax					2,189,685		2,189,685		
Income tax					14,193,822		14,193,822		
Replacement tax					8,181,027		8,181,027		
Telecommunications tax					5,928,166		5,928,166		
Utility tax					1,054,625		1,054,625		
Franchise taxes					1,624,014		1,624,014		
Total taxes					133,750,965		133,750,965		
Unrestricted interest earnings					3,086,564	1,687,136	4,773,700	52,315	16,550
Miscellaneous					2,831,758	-	2,831,758	2,150	731,193
Total general revenues					139,669,287	1,687,136	141,356,423	54,465	747,743
Change in net assets					(19,818,108)	6,519,623	(13,298,485)	3,104,844	10,388,189
Net assets - beginning					499,595,129	126,430,229	626,025,358	13,177,340	14,797,687
Net assets - ending					\$ 479,777,021	\$ 132,949,852	\$ 612,726,873	\$ 16,282,184	\$ 25,185,876

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



CITY OF ROCKFORD, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	Public Library Fund	Community Development Fund	Human Services Fund	Debt Service Fund
ASSETS					
Cash and cash equivalents	\$ 8,623,592	\$ 4,173,458	\$ 38,786	\$ -	\$ 8,460,252
Property taxes receivable, net	37,613,412	7,358,961	-	-	7,589,918
Accounts receivable, net	4,368,238	2,423	-	54,900	-
Notes receivable, net	-	-	1,552,801	253,855	-
Accrued interest receivable	560,168	-	1,524	43,230	-
Due from the Federal Government	-	-	426,206	852,118	-
Due from the State of Illinois	9,439,179	181,854	-	2,958,374	-
Due from other governmental units	1,785,703	-	-	-	-
Due from other funds	12,556,360	67,268	-	-	208,159
Total assets	<u>\$ 74,946,652</u>	<u>\$ 11,783,964</u>	<u>\$ 2,019,317</u>	<u>\$ 4,162,477</u>	<u>\$ 16,258,329</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank overdraft	\$ 773,124	\$ -	\$ -	\$ -	\$ -
Accounts payable	3,888,597	808,298	41,355	785,526	1,000
Accrued payroll and benefits	4,054,216	218,449	25,814	225,783	-
Due to other governments	253,151	-	-	-	-
Due to other funds	1,430,510	-	201,213	2,073,250	-
Deferred revenue	39,151,095	7,358,961	12,500	606,835	7,589,918
Other liabilities	1,043,461	3,283	21,723	90	-
Total liabilities	<u>50,594,154</u>	<u>8,388,991</u>	<u>302,605</u>	<u>3,691,484</u>	<u>7,590,918</u>
Fund balances:					
Reserved for encumbrances	1,392,085	-	38,598	276,139	-
Reserved for debt service	-	-	-	-	8,667,411
Reserved for long-term notes receivable	-	-	653,018	81,805	-
Reserved for intergovernmental agreement	-	-	825,000	-	-
Reserved for endowments	-	18,830	-	-	-
Unreserved, reported in:					
General Fund	22,960,413	-	-	-	-
Special Revenue Funds	-	3,376,143	200,096	113,049	-
Capital Project Fund	-	-	-	-	-
Total fund balances	<u>24,352,498</u>	<u>3,394,973</u>	<u>1,716,712</u>	<u>470,993</u>	<u>8,667,411</u>
Total liabilities and fund balances	<u>\$ 74,946,652</u>	<u>\$ 11,783,964</u>	<u>\$ 2,019,317</u>	<u>\$ 4,162,477</u>	<u>\$ 16,258,329</u>

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 16,474,604	\$ 12,513,977	\$ 50,284,669
-	6,852,882	59,415,173
74,186	1,052,856	5,552,603
-	-	1,806,656
-	-	604,922
1,580,220	-	2,858,544
4,396,807	671,812	17,648,026
404,245	156,545	2,346,493
600,079	110,900	13,542,766
<u>\$ 23,530,141</u>	<u>\$ 21,358,972</u>	<u>\$ 154,059,852</u>
\$ -	\$ -	\$ 773,124
4,407,049	1,461,361	11,393,186
42,882	27,388	4,594,532
-	-	253,151
-	9,986,767	13,691,740
2,183,857	7,160,266	64,063,432
-	-	1,068,557
<u>6,633,788</u>	<u>18,635,782</u>	<u>95,837,722</u>
10,320,813	13,059	12,040,694
-	-	8,667,411
-	-	734,823
-	-	825,000
-	15,000	33,830
-	-	22,960,413
-	2,695,131	6,384,419
<u>6,575,540</u>	<u>-</u>	<u>6,575,540</u>
<u>16,896,353</u>	<u>2,723,190</u>	<u>58,222,130</u>
<u>\$ 23,530,141</u>	<u>\$ 21,358,972</u>	<u>\$ 154,059,852</u>

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

CITY OF ROCKFORD, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2008

Total fund balances for governmental funds \$ 58,222,130

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

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

Land	\$ 6,875,924	
Construction in progress	-	
Improvements other than buildings, net of \$290,593 accumulated depreciation	240,892	
Buildings and improvements, net of \$24,699,728 accumulated depreciation	29,497,851	
Equipment, net of \$21,455,017 accumulated depreciation	7,785,857	
Infrastructure, net of \$312,990,484 accumulated depreciation	503,795,261	
Total capital assets (See Note III - C.)	548,195,785	548,195,785

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 1,844,894

Internal service funds are used by the City to charge the cost of fleet management, building maintenance, inventories, auditing, 911 communications, risk management, information systems, and employee benefits for Illinois municipal retirement, unemployment, workers' compensation, and health insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets are: (500,625)

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

Pension benefit asset	\$ 863,091	
Other post employment benefit liability	(771,191)	
Prepaid items	445,712	
Bonds payable	(104,755,000)	
Accrued interest on bonds	(207,187)	
Compensated absences	(6,930,839)	
Other liabilities	(6,231,168)	
EPA Water Pollution Obligations	(698,104)	
Development agreement	(8,844,578)	
Section 108 guaranteed loans	(1,645,000)	
Deferred charge for issuance costs	465,309	
Deferred amount on refunding	323,792	
Total long-term assets and liabilities (See Note III - G.)	(127,985,163)	(127,985,163)

Total net assets of governmental activities \$ 479,777,021

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



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

For the Year Ended December 31, 2008

	General Fund	Public Library Fund	Community Development Fund	Human Services Fund
REVENUES				
Taxes	\$ 66,853,016	6,844,942	\$ -	\$ -
Licenses and permits	4,011,074	-	-	-
Intergovernmental	27,100,710	1,190,219	3,439,050	14,898,324
Charges for services	6,029,191	68,809	-	-
Fines	1,735,805	149,042	-	-
Interest	1,026,114	174,272	46,787	19,998
Miscellaneous	646,781	339,597	56,982	142,488
Total revenues	<u>107,402,691</u>	<u>8,766,881</u>	<u>3,542,819</u>	<u>15,060,810</u>
EXPENDITURES				
Current:				
General government	12,286,007	-	-	-
Public safety	85,764,726	-	-	-
Streets, alleys and bridges	14,951,599	-	-	-
Community development	3,182,702	-	2,845,884	-
Sanitation and sewers	377,015	-	-	-
Culture and recreation	-	7,616,007	-	-
Public health and welfare	-	-	-	15,337,462
Debt service:				
Principal payments	-	-	85,000	-
Interest and fiscal charges	-	-	87,787	93,443
Capital outlay:				
General government	-	-	-	-
Public safety	1,426,569	-	-	-
Streets, alleys and bridges	248,027	-	-	-
Community development	44,331	-	-	-
Sanitation and sewers	-	-	-	-
Culture and recreation	-	3,890,876	-	-
Public health and welfare	-	-	-	147,661
Total expenditures	<u>118,280,976</u>	<u>11,506,883</u>	<u>3,018,671</u>	<u>15,578,566</u>
Excess of revenues over (under) expenditures	<u>(10,878,285)</u>	<u>(2,740,002)</u>	<u>524,148</u>	<u>(517,756)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of general obligation bonds	-	-	-	-
Discount on issue of general obligation bonds	-	-	-	-
Transfers in	4,701,710	-	77,355	326,556
Transfers out	(2,677,409)	(228,868)	(882,853)	(2,355)
Total other financing sources (uses)	<u>2,024,301</u>	<u>(228,868)</u>	<u>(805,498)</u>	<u>324,201</u>
Net change in fund balances	<u>(8,853,984)</u>	<u>(2,968,870)</u>	<u>(281,350)</u>	<u>(193,555)</u>
Fund balances - beginning	33,206,482	6,363,843	1,998,062	664,548
Fund balances - ending	<u>\$ 24,352,498</u>	<u>\$ 3,394,973</u>	<u>\$ 1,716,712</u>	<u>\$ 470,993</u>

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

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,316,984	\$ 16,389,311	\$ 11,347,849	\$ 109,752,102
-	-	136,667	4,147,741
460,000	615,646	4,441,702	52,145,651
-	94,635	6,796,053	12,988,688
-	-	-	1,884,847
486,832	734,353	406,979	2,895,335
-	55,758	1,590,152	2,831,758
<u>9,263,816</u>	<u>17,889,703</u>	<u>24,719,402</u>	<u>186,646,122</u>
-	684,384	1,577,393	14,547,784
-	-	-	85,764,726
-	1,415,847	-	16,367,446
-	30,824	7,866,927	13,926,337
-	-	7,192,688	7,569,703
-	9,508,091	-	17,124,098
-	-	394,739	15,732,201
11,025,852	-	-	11,110,852
5,037,849	-	279,522	5,498,601
-	-	-	-
-	-	-	1,426,569
-	15,410,605	-	15,658,632
-	-	-	44,331
-	-	-	-
-	-	-	3,890,876
-	-	-	147,661
<u>16,063,701</u>	<u>27,049,751</u>	<u>17,311,269</u>	<u>208,809,817</u>
<u>(6,799,885)</u>	<u>(9,160,048)</u>	<u>7,408,133</u>	<u>(22,163,695)</u>
-	-	1,300,000	1,300,000
-	-	(3,692)	(3,692)
5,953,401	2,436,821	269,409	13,765,252
-	(486,540)	(9,362,227)	(13,640,252)
<u>5,953,401</u>	<u>1,950,281</u>	<u>(7,796,510)</u>	<u>1,421,308</u>
(846,484)	(7,209,767)	(388,377)	(20,742,387)
9,513,895	24,106,120	3,111,567	78,964,517
<u>\$ 8,667,411</u>	<u>\$ 16,896,353</u>	<u>\$ 2,723,190</u>	<u>\$ 58,222,130</u>

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

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

For the Year Ended December 31, 2008

Net change in fund balances - total governmental funds \$(20,742,387)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which depreciation (\$21,344,182) exceeded capital outlays (\$21,168,069) in the current period. (See Note III - C.) (176,113)

In the statement of activities, the amount by which the carrying value of capital assets disposed of exceed the proceeds from the sale of those assets is reported as a loss. (78,222)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 479,537

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. (See Note III - G.)

Debt issued:

Proceeds from general obligation bonds issued	\$ (1,300,000)
Proceeds from development agreement	(8,844,578)
Less: Discounts on bonds issued and issuance costs	3,692

Repayments:

Principal payment on bonds and other long-term obligations and amounts paid to escrow agent	<u>11,110,852</u>
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Net adjustment 969,966

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

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

Other liabilities	\$ (294,451)
Net OPEB obligation	(403,409)
Net pension assets	(169,558)
Compensated absences	(810,628)
Prepaid expenses	(60,589)
Accrued interest on bonds	18,062
Amortization of deferred amount from refunding and bond discounts	(81,261)
Amortization of bond issue costs	<u>(63,301)</u>
Combined adjustment	(1,865,135)

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

1,594,246

Change in net assets of governmental activities \$(19,818,108)

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



CITY OF ROCKFORD, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,094,542	\$ -	\$ 1,094,542	\$ 5,912,506
Accounts receivable:				
Water	2,304,533	-	2,304,533	-
Estimated unbilled water usage	4,725,000	-	4,725,000	-
Other	33,798	69,066	102,864	91,718
Total accounts receivable	7,063,331	69,066	7,132,397	91,718
Less allowance for uncollectible accounts	(470,888)	-	(470,888)	-
Total accounts receivable, net	6,592,443	69,066	6,661,509	91,718
Accrued interest receivable	-	-	-	-
Due from other funds	873,118	-	873,118	66,926
Due from other governments	115,081	-	115,081	200,334
Inventories	654,410	-	654,410	272,441
Prepaid items	-	-	-	305,478
Current restricted assets:				
Cash and cash equivalents:				
Bond construction account	44,426,793	-	44,426,793	-
Revenue bond renewal and replacement account	1,000,000	-	1,000,000	-
Alternate bond current debt service account	3,836,269	-	3,836,269	-
Total current restricted assets	49,263,062	-	49,263,062	-
Total current assets	58,592,656	69,066	58,661,722	6,849,403
Noncurrent assets:				
Other assets - unamortized bond issue costs	313,011	-	313,011	-
Capital assets:				
Land	481,842	5,605,166	6,087,008	-
Construction in progress	25,081,855	-	25,081,855	-
Land improvements	324,379	-	324,379	20,000
Buildings and improvements	4,862,829	20,113,315	24,976,144	1,451,522
Equipment	3,614,742	339,070	3,953,812	5,389,954
Improvements other than land and buildings	142,329,070	4,271,839	146,600,909	194,234
Less accumulated depreciation	(44,662,789)	(10,688,672)	(55,351,461)	(4,506,717)
Total capital assets	132,031,928	19,640,718	151,672,646	2,548,993
Total noncurrent assets	132,344,939	19,640,718	151,985,657	2,548,993
Total assets	\$ 190,937,595	\$ 19,709,784	\$ 210,647,379	\$ 9,398,396

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

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 6,468,601	\$ 51,143	\$ 6,519,744	\$ 1,395,514
Accrued interest payable	107,239	4,338	111,577	-
Accrued payroll and benefits	245,828	20,097	265,925	338,539
Due to other funds	-	47,987	47,987	743,083
Other liabilities	22,982	-	22,982	-
Deposits and advances	821,639	48,556	870,195	-
Compensated absences	89,787	-	89,787	135,828
Installment purchase agreement	11,000,000	-	11,000,000	-
General obligation alternate bonds payable (net of unamortized deferred refunding benefit)	2,861,970	93,737	2,955,707	-
Refundable water main extension advances	112,029	-	112,029	-
Claims and judgments payable	-	-	-	3,942,028
Total current liabilities	21,730,075	265,858	21,995,933	6,554,992
Noncurrent liabilities:				
Compensated absences	272,904	42,497	315,401	248,457
Deferred revenue	-	-	-	745,541
Refundable water main extension advances	461,677	-	461,677	-
Customer water deposits	240,874	-	240,874	-
Installment purchase agreement	14,000,000	-	14,000,000	-
General obligation alternate bonds payable (net of unamortized deferred refunding benefit)	36,909,563	1,732,979	38,642,542	-
IEPA loan	2,041,100	-	2,041,100	-
Claims and judgments payable	-	-	-	2,350,031
Total noncurrent liabilities	53,926,118	1,775,476	55,701,594	3,344,029
Total liabilities	75,656,193	2,041,334	77,697,527	9,899,021
NET ASSETS				
Invested in capital assets, net of related debt	109,646,088	17,814,002	127,460,090	2,548,993
Restricted:				
Capital projects	1,000,000	-	1,000,000	-
Debt service	3,836,269	-	3,836,269	-
Unrestricted	799,045	(145,552)	653,493	(3,049,618)
Total net assets	\$ 115,281,402	\$ 17,668,450	\$ 132,949,852	\$ (500,625)

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

CITY OF ROCKFORD, ILLINOIS
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Totals	
OPERATING REVENUES				
Charges for services	\$ 22,528,255	\$ 998,696	\$ 23,526,951	\$ 45,040,896
Parking fines	-	534,572	534,572	-
Miscellaneous	239,733	25,393	265,126	1,150,995
Total operating revenues	<u>22,767,988</u>	<u>1,558,661</u>	<u>24,326,649</u>	<u>46,191,891</u>
OPERATING EXPENSES				
Salaries and benefits	5,696,963	517,650	6,214,613	7,848,767
Services	4,552,140	467,884	5,020,024	32,798,670
Supplies and materials	1,146,536	37,300	1,183,836	2,759,289
Depreciation	2,947,871	698,089	3,645,960	498,975
Charges from General Fund	1,486,304	629,200	2,115,504	754,100
Miscellaneous	-	3,370	3,370	-
Total operating expenses	<u>15,829,814</u>	<u>2,353,493</u>	<u>18,183,307</u>	<u>44,659,801</u>
Operating income (loss)	<u>6,938,174</u>	<u>(794,832)</u>	<u>6,143,342</u>	<u>1,532,090</u>
NONOPERATING REVENUES (EXPENSES)				
Contributions from the State of Illinois	30,033	100,000	130,033	-
Interest revenue	1,687,136	-	1,687,136	191,229
Loss on disposal of capital assets	(12,443)	-	(12,443)	-
Interest expense and service fees	(2,059,936)	(69,583)	(2,129,519)	(4,073)
Amortization expense	(101,232)	(3,898)	(105,130)	-
Total nonoperating revenues (expenses)	<u>(456,442)</u>	<u>26,519</u>	<u>(429,923)</u>	<u>187,156</u>
Income (loss) before transfers and capital contributions	<u>6,481,732</u>	<u>(768,313)</u>	<u>5,713,419</u>	<u>1,719,246</u>
Transfers In/(Out)	-	-	-	(125,000)
Contributions from developers	806,204	-	806,204	-
Change in net assets	<u>7,287,936</u>	<u>(768,313)</u>	<u>6,519,623</u>	<u>1,594,246</u>
Total net assets - beginning	<u>107,993,466</u>	<u>18,436,763</u>	<u>126,430,229</u>	<u>(2,094,871)</u>
Total net assets - ending	<u>\$ 115,281,402</u>	<u>\$ 17,668,450</u>	<u>\$ 132,949,852</u>	<u>\$ (500,625)</u>

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

CITY OF ROCKFORD, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Water Utility	Parking System	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 22,901,344	\$ 1,540,421	\$ 24,441,765	\$ 45,887,215
Other receipts	239,733	-	239,733	-
Payment to suppliers	(4,512,097)	(540,097)	(5,052,194)	(36,168,162)
Payment to employees	(5,648,270)	(499,854)	(6,148,124)	(7,848,791)
Payments for interfund services used	(1,188,442)	(629,200)	(1,817,642)	(754,100)
Payments to other funds	(1,486,304)	(152,790)	(1,639,094)	410,370
Net cash provided by (used for) operating activities	10,305,964	(281,520)	10,024,444	1,526,532
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	-	-	-	(125,000)
Net cash provided by (used for) noncapital financing activities	-	-	-	(125,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital grants	(199)	100,000	99,801	-
Proceeds from sale of general obligation alternate bonds	9,000,000	1,850,000	10,850,000	-
Proceeds from installment purchase agreement	25,000,000	-	25,000,000	-
Proceeds from IEPA loan	2,041,100	-	2,041,100	-
Bond issue costs	(210,208)	(27,179)	(237,387)	-
Interest paid on general obligation alternate bonds	(1,694,047)	(61,406)	(1,755,453)	-
Interest paid on installment purchase agreement	(328,124)	-	(328,124)	-
Principal payment on general obligation alternate bonds	(3,210,000)	-	(3,210,000)	-
Repayment to contractors for water mains	(122,101)	-	(122,101)	-
Capital asset acquisitions	(18,523,604)	(1,576,478)	(20,100,082)	(1,228,077)
Net cash provided by (used for) capital and related financing activities	11,952,817	284,937	12,237,754	(1,228,077)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and cash equivalents	1,157,565	(3,841)	1,153,724	158,716
Net increase (decrease) in cash and cash equivalents	23,416,346	(424)	23,415,922	332,171
Cash and cash equivalents, beginning	26,941,258	424	26,941,682	5,580,335
Cash and cash equivalents, ending	\$ 50,357,604	\$ -	\$ 50,357,604	\$ 5,912,506
Displayed as:				
Cash and cash equivalents	\$ 1,094,542	\$ -	\$ 1,094,542	\$ 5,912,506
Restricted assets - cash and cash equivalents	49,263,062	-	49,263,062	-
	\$ 50,357,604	\$ -	\$ 50,357,604	\$ 5,912,506

(Continued)

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

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

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water Utility	Parking System	Totals	
	\$	\$	\$	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 6,938,174	\$ (794,832)	\$ 6,143,342	\$ 1,532,090
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,947,871	698,089	3,645,960	498,975
Increase (decrease) from changes in:				
Accounts receivable	673,766	(12,274)	661,492	(22,800)
Allowance for uncollectible accounts	(250,125)	-	(250,125)	-
Due from other governmental units	-	-	-	11,195
Due from other funds	5,404	-	5,404	-
Prepaid items	-	-	-	46,707
Inventories	39,951	-	39,951	8,072
Accounts payable	(44,848)	(31,543)	(76,391)	(760,210)
Accrued payroll and benefits	48,692	1,821	50,513	(38,376)
Compensated absences	-	15,975	15,975	38,352
Due to other funds	-	(152,790)	(152,790)	276,380
Deferred revenue	-	(5,966)	(5,966)	14,660
Other liabilities	(2,369)	-	(2,369)	(78,513)
Deposits and advances	(50,552)	-	(50,552)	-
Total adjustments	3,367,790	513,312	3,881,102	(5,558)
Net cash provided by (used for) operating activities	\$ 10,305,964	\$ (281,520)	\$ 10,024,444	\$ 1,526,532
Noncash investing, capital and financing activities:				
Loss on disposal of assets	\$ (12,443)	-	\$ (12,443)	\$ -
Distribution main contributed from developers	806,204	-	806,204	-
Amortization of issue and discount costs paid in prior years	(71,507)	3,897	(67,610)	-
Amortization of revenue and general obligation bond refundings	(29,725)	-	(29,725)	-
Capital asset additions in accounts payable at year-end	6,037,884	-	6,037,884	-
Total noncash capital and related financing activities	\$ 6,730,413	\$ 3,897	\$ 6,734,310	\$ -

(Concluded)

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

CITY OF ROCKFORD, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,282,221</u>
Investments - retirement plans	
U.S. Treasury Strips	2,420,902
U.S. Treasury Notes	13,733,755
U.S. Treasury Bonds	15,410,054
Government National Mortgage Association	13,959,492
Government Backed Corporate Bonds	1,480,935
Federal Home Loan Bank Bonds	5,032,423
Federal Home Loan Mortgage Corporation	10,241,369
Federal National Mortgage Association	20,935,342
Federal Farm Credit Bonds	2,497,366
State and Local Government Securities	256,503
Small Cap Equity Common Stocks	15,935,303
Mid Cap Equity Common Stocks	4,628,152
Large Cap Equity Common Stocks	14,499,709
NTGI Collective Trust	67,203,731
ABN AMRO Stable Value Funds	17,076,865
Domestic Mutual Funds	31,212,680
International Mutual Funds	18,569,540
Total investments	<u>255,094,121</u>
Accrued interest receivable	685,426
Contributions receivable	<u>6,231,168</u>
Total assets	<u>265,292,936</u>
LIABILITIES	
Accrued liabilities	<u>125,689</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 265,167,247</u>
(A schedule of funding progress is included in the Required Supplementary Information.)	

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

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

For the Year Ended December 31, 2008

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 8,420,106
Plan member	<u>3,831,802</u>
Total contributions	<u>12,251,908</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	(37,607,775)
Interest and dividend income	<u>6,518,940</u>
Less investment expense	<u>(31,088,835)</u> (672,947)
Net investment income	<u>(31,761,782)</u>
Total additions	<u>(19,509,874)</u>
DEDUCTIONS	
Pension benefits	21,256,133
Refunds of contributions	46,733
Administrative expense	<u>306,421</u>
Total deductions	<u>21,609,287</u>
Change in net assets	(41,119,161)
Total net assets - beginning	<u>306,286,408</u>
Total net assets - ending	<u>\$ 265,167,247</u>

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

NOTES TO THE FINANCIAL STATEMENTS

