

COMPREHENSIVE ANNUAL FINANCIAL REPORT
PERIOD ENDED APRIL 1, 2014 THROUGH DECEMBER 31, 2014



ROCK ISLAND
ILLINOIS

Prepared by:
Finance Department
Cynthia Parchert, Finance Director



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS

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ROCK ISLAND
ILLINOIS



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June 1, 2015

To the Mayor, City Council and Residents of the City of Rock Island,

We are pleased to present the 2014 Comprehensive Annual Financial Report (CAFR) to the City Council. This report is intended to update the City Council and the residents of Rock Island on the status of the City's financial position and results of operations for the past 9 month period ending December 31, 2014. This report is the thirteenth report prepared under the guidelines of the Governmental Accounting Standards Board (GASB) Statement #34. GASB Statement #34 requires government-wide financial statements in addition to fund financial statements, the reporting of infrastructure assets, certain note disclosures, and the presentation of management's discussion and analysis (MD&A) in addition to other required supplementary information.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Consistent with that requirement, we submit the CAFR for the City of Rock Island for the period ended December 31, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Bohnsack and Frommelt LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Rock Island's financial statements for the period ended December 31, 2014. The independent auditor's report is located at the front of the financial section of this report.

Profile of the City

Rock Island, located in western Illinois along the Mississippi River, was incorporated in 1841. The 2010 census population was 39,018. Rock Island, Moline and East Moline in Rock Island County, Illinois and Davenport, in Scott County, Iowa make up the "Quad Cities" a metropolitan area with a population of 379,690. Chicago is 175 miles to the east and Des Moines is 160 miles to the west.

The City of Rock Island is organized under the Council-Manager form of government with legislative authority vested in a City Council made up of a Mayor and seven aldermen. Council members are elected from wards to staggered four-year terms. The City became a home rule unit with the adoption of the 1970 Illinois Constitution. As such, the City has no tax rate or debt limits, nor is a referendum required to authorize issuance of debt or to increase property taxes.

The City has unified its administrative functions through the appointment a City Manager (the position was created by the action of the City Council on July 1, 1952), who is responsible for the day to day operations of the City and its 468 full-time equivalent employees. The City's police department, with 83 sworn police officers, is housed at City Hall. The fire department currently has four stations housing the departments 58 full-time personnel.

The City negotiates with the following bargaining units: Fraternal Order of Police (62 employees, contract expires March 27, 2016); Police Command (16 employees, contract expires December 31, 2018); Fire Fighters (56 employees, contract expired December 31, 2018); Library (8 full-time employees and 28 part-time employees, UAW contract expires March 29, 2015); Public Works (65 employees, AFSME A contract expires March 29, 2015), and Office/Professional 69 employees, AFSME B contract expires March 29, 2015). The City considers its employee relations to be good.

The City of Rock Island maintains budgetary controls to ensure compliance with legal provisions of the annual budget. The City Manager may make adjustments within any departmental budget, provided that those revisions do not delete or basically change any activity or program approved by City Council in the budget ordinance. These adjustments shall not cause total expenditures within the budget to exceed revenues anticipated to finance them unless approved by City Council. Reported budget amounts represent the adopted budget as adjusted. Due to the City's power as a home rule unit and its ordinance establishing budget policies and procedures, actual budget expenditures and transfers out can exceed budgeted amounts without violating any state laws. Spending and administrative control of expenditures and transfers is monitored through detailed line item department budgets. The City of Rock Island also maintains an encumbrance accounting system. Encumbered amounts lapse at year-end but are generally re-appropriated as part of the following year's budget.

Factors Affecting Economic Condition

Local Economy

The downtown area, known regionally as "The District", has become a destination for some 100,000 people who attend one of ten major events and weekly music presentations throughout the year. The success of The District in attracting visitors and new residents to the downtown has fostered the establishment of over 30 restaurants, bars, art galleries and entertainment outlets generating significant private investment. Retail art establishments such as the Art Place, The ARTery, and the Quad City Arts offer unique venues for experiencing and purchasing art. Dphilms, a commercial video production business, maintains state of the art video production facilities. Services for District patrons and residents have expanded too with the opening of nationally known eating establishments like Subway and Bennigan's complementing more unique local restaurants like LeFigaro, Erawan, Quad City Pancake House, Huckleberry's, Mama Compton's and Atlante.

Aside from arts and entertainment, downtown Rock Island continues to benefit from the home office operations of five major insurance companies: Modern Woodman of America, Royal Neighbors of America, Illinois Casualty, Bitco, and the Cleveland Agency. Several new businesses have also opened in the downtown in last year including: Rumors Lounge and Night Club; The Smoking Dog Pub; Mad Roots Juicery; Palms Massage, Skincare & Wellness Therapies; Purple Tree Chiropractic; Radiant Health Imaging; and QC Colon Hydrotherapy & Holistic Studio. In addition to new business establishments, MetroLINK completed construction of an indoor Transfer Station on 2nd Avenue in January 2014. The station connects transit users to locations throughout the Quad Cities as well as the Moline Multi-Modal Station, which will eventually serve passenger rail to and from Chicago.

In addition to private investment in The District and downtown, the City of Rock Island has contributed to projects designed to improve the quality of life for residents and downtown employees. The Landing, a transient boat dock located at Schwiebert Riverfront Park, celebrated its grand opening in May 2014. The dock will not only support recreational boat users but will also provide an alternative means of transportation to reconnect residents and visitors to the Mississippi River and downtown amenities. The City also assisted with the establishment of a Children's Garden at the Quad City Botanical Center. This \$1.2 million project consists of river basin and delta features and an entry plaza. In addition, the City continues to offer incentives for façade improvements. The City Council recently approved \$200,000 in TIF funding for exterior renovations to Circa '21 Dinner Playhouse and The Speakeasy. This project will improve the appearance of the 1800 block of 3rd Avenue.

Housing Activity Downtown

Creating new housing opportunities in the downtown has been a major focus of investment in recent years. Rock Island GROWTH has been instrumental in redeveloping structures for downtown housing which has expanded the resident population. These efforts are advancing the goal of creating a downtown mixed-use neighborhood with office, retail, and recreational amenities integrated with quality public transportation. While GROWTH has led the way, several private developers have followed suit to convert the upper floors of commercial buildings into living space. Downtown housing successes include:

- Renaissance, Goldman, and Bowlby Lofts, renovated in 2001. These were the first loft developments in the downtown with 54 mixed-income apartments and first floor commercial space.
- Clipper Condos, completed in 2004, with 9 condominium units and first floor commercial represents the first new owner-occupied construction in the downtown in over 50 years.
- Sala Apartments was completed in 2005 with 33 affordable rental units. This development received the Richard Driehaus Foundation award for Outstanding Rehabilitation; the Sala building is listed on the National Register of Historic Places.
- Voss Brothers Lofts was completed in 2006; a former a vacant warehouse transformed into 35 rental apartments.
- DuMarche' Market on Third, completed in 2009, offers 6 live-work artist studios and retail shops.
- McKesson building was renovated in 2009 as a mixed-use, sustainable development. McKesson was the first building in the Illinois Quad Cities to have a 10,000 square foot environmentally friendly "green" roof.
- Jackson Square, the former Illinois Oil Co. building, was redeveloped in 2011. The project features 30 rental units with nine different floor plans of one, two, and three bedroom units.
- Goldman Family Block redevelopment project was completed in 2013. This was the final piece of a \$12 million public/private investment for 1700 block on 2nd Avenue.

In addition, the following coming attractions are planned for the near future or are currently under construction in downtown Rock Island:

- The Locks, a 36-unit mixed-income apartment building, will be completed by Rock Island GROWTH in January 2015. The Locks is being developed as a transit-oriented development to support downtown's need for market driven, live-work housing. This project supports the Federal Transit Administration's Livable Communities Initiative, an effort that strengthens the link between transit and communities.
- The 137-year old historic Star Block building is slated for rehabilitation to create 8 live-work units and approximately 1,600 square feet of commercial space. Accessible, affordable units targeted towards veterans will be created on the ground floor at the rear of the building. Plans are in the works for the remainder of the Star Block building.
- Plans have been developed to renovate and redevelop the historic VanDerGinst (Best) office building into the Riverview Lofts. The project, slated for completion in 2015, will create 44 market-rate loft apartments and 5 first floor commercial spaces.

Building on the momentum of these successful projects, the City anticipates an increase in private investment and a continuation of the downtown renaissance. In addition, in the summer of 2014, the City initiated a planning process to create a Downtown Revitalization Plan. This effort will result in a planning document that articulates achievable actions to guide and catalyze further investment in the downtown.

Economic and Housing Activity in Greater Rock Island

The City of Rock Island continues to make progress with new developments within the city limits. In the past year, FedEx has constructed a new 189,000 square foot distribution facility in the City's southwest industrial area. Several other companies in the southwest industrial area have added jobs and one is adding a physical expansion. The trend of industrial growth by all reports will continue for the next few years as the economy grows.

The City has aggressively undertaken the redevelopment of Watchtower Plaza on 11th Street. This old tired shopping center was in need of a major redevelopment. To undertake the project, the City acquired the shopping center and a number of adjacent parcels and is working with a major retailer (Wal-Mart) to build a new facility. Currently, all companies have agreements to relocate out of Watchtower Plaza to new locations. This action has directly led to the development of Blackhawk Commons at the corner of Black Hawk Road and 11th Street. Blackhawk Commons is home to two former Watchtower Plaza tenants, Black Hawk College and State Farm Insurance; both will be joined by the new corporate headquarters of Missman Incorporated. Hill & Valley has moved to the former Quad City Industrial Center (QCIC) building (i.e. former Farmall facility). The move will allow Hill & Valley to add jobs and continue to expand their business. Demolition of the Watchtower Plaza site (all but the section occupied by Hill & Valley) will be completed by May 2015; final demolition will occur shortly after Hill & Valley moves to its new location.

The City's business incentive programs continue to play an important role in supporting new and existing businesses in Rock Island. Over the past fiscal year, the Commercial/Industrial Revolving Loan Fund program (CIRLF) approved four loans totaling \$271,000. These program dollars partnered with \$548,450 in private funds for a total investment of \$818,450. Approved loans supported the expansion of Panther Uniforms, Ecogistics, Milan Surplus, and Neises Chiropractic. A total of 14 jobs will be created and 13 jobs will be retained as a result of these projects. A celebration event for the CIRLF program's 30th year was held on May 7, 2014. Ten of the 261 loans approved over the past 30 years were featured during an event held at Skellington Manor. The program featured remarks by Ray Willis, Director of Community Planning & Development from the regional U.S. Department of Housing & Urban Development (HUD) office based in Chicago. Over the past 30 years CIRLF has approved 261 loans, created/retained 4,300 jobs, approved \$12,540,391 in program funds, and partnered with \$86,966,141 in private funds – totaling \$99,506,532 invested in the City of Rock Island.

Over the past fiscal year, 42 applications were processed through the City's Façade Improvement Program (FIP). A total of \$362,273 in rebates was granted supporting \$873,587 in private investments. Of the 42 projects, 21 received a "green rebate" based on an energy efficient improvement made to the property.

The City's state certified Enterprise Zone program also had a busy year. A total of 98 contractors involved with 22 projects from across the city (commercial and residential) applied for certificates to receive sales tax exemption on building materials.

Continuing the redevelopment of the New/Old Chicago Neighborhood, three new homes were constructed on 10th Street which joined five homes built in 2012. The Rock Island Housing Authority continues the redevelopment of Manor Homes. MetroLINK completed a new bus operations and maintenance facility at QCIC. Rock Island Barge terminal completed a new fertilizer trans load and storage facility. Additionally, Augustana College in the past year has completed several projects including new home field football stadium, Old Main, and library/student union.

The City completed a first ever city wide comprehensive plan in 2014. The plan is an advisory document outlining long-term community goals and objectives. The plan will be used by City staff and officials when evaluating development proposals, making policy decisions, and setting annual budgets. The plan not only keeps the general public informed of broad community goals but also demonstrates the City's intentions for land use and economic development to the development community.

From a growth standpoint, the City continues to move steadily forward, avoiding the major development peaks and valleys experienced in other areas of the country. Modest, steady and sustainable growth has allowed the City to maintain high service levels at very reasonable costs.

The Strategic Initiatives approved for 2014-2015 are:

Policy Agenda

Top Priority:

- Street Policy and Funding
- Internet Access/Fiber to Homes and Businesses
- Park Facilities: Inventory and Future Funding
- Public Relations and Marketing Rock Island
- Downtown Revitalization Plan: Update
- Black Hawk Corridor Redevelopment

High Priority:

- 18th Avenue Corridor Business Development
- Boards/Commissions Evaluation Report and Direction
- Regional 9-1-1 Communications Center Study
- Sidewalk Policy and Funding
- Rental Housing Inspection Policy, Program, & Compliance
- Library Facilities Long Range Plan
- 11th Street Business Development

Management Agenda

High Priority:

- Rock Island Arsenal/BRAC Strategy
- Wal-Mart Development
- Jumer's Crossing Development
- Audubon School Site Development

Top Priority

- Southwest Corridor: Business Development
- Comprehensive City Wide Industrial Strategy

- Downtown Business Attraction Strategy
- City Website: Upgrade
- Zoning Code: Revision

The proposed 2015 budget incorporates the Capital Improvement Program, the Community Development Block Grant Program and other city funds. It allocates resources to enable substantial progress on the priorities established by the Mayor and City Council.

The proposed budget includes the following important features:

1. The budget includes the first year funding of the Five Year Capital Improvement Plan being presented to the City Council. This calendar year includes \$29,573,927 for capital and infrastructure maintenance projects and a total of \$81,140,753 is planned for the remaining four years. Significant capital and maintenance projects in the 2015 budget include:

Police Facility Construction	\$ 7,655,000
Equipment Purchases	1,298,736
Water System Improvements	2,090,000
Underground Combined Sewer Storage Tank	2,155,000
6 th Avenue Relief Sewer	400,000
Contract Street Maintenance	1,225,000
Street Improvements	6,015,000
Sewer Improvements	2,111,000
Stormwater Improvements	219,500
Economic Development	782,015
	\$23,951,251

3. Municipal Services will be retained at a high level of quality

4. The CY 2015 budget includes expenditures totaling \$6,542,976 from riverboat gaming revenues. Table 4, in the Miscellaneous Section, details the allocation of funds from gaming and general fund carryover to discretionary projects.

The City's assessed value has declined for the third year. The valuation before exemptions is expected to decrease .33% from last year. This is indicative of the values in surrounding cities as well. Because the local economy continues to maintain stable, it is anticipated this pattern will not increase into the future.

The City's tax rate will remain at \$2.40 per \$100 of assessed value. The proposed 2015 budget includes a property tax levy of \$10,684,685. This is a decrease of \$35,123 from the 2014 calendar year property tax extensions.

The City's five-year projection for the General Fund indicates that the cost of providing services is increasing more rapidly than the revenue to support them. The City will continue to monitor spending closely at the same time it seeks to aggressively expand the City's tax base through economic development efforts.

Though the local option sales tax was increased in FY 10-11 from .75% to 1.25%, sales remain relatively flat. With the exception of the last two years,

there have been modest increases in property values indicating relatively healthy local economic conditions. The economic downturn has had a negative effect on the City's finances especially in the general fund. Decreases in statewide income tax and replacement tax revenues combined with flat or decreasing sales tax revenue produces fiscal stress. The City has been able to weather this economic downturn and prepare a balanced budget without noticeable changes in operations or service quality. This was accomplished through a combination of budget reductions, and user fee increases when appropriate as well as reallocation of revenue.

Major initiatives

In regards to the City's efforts to expand the local economic base, several significant economic projects will either be completed or see significant progress in CY 2015. Further progress will be aided by the City's Comprehensive Plan completed in late 2014. This grant funded document will help guide future projects and redevelopment throughout the community.

The City also anticipates completing construction of a new \$20 million Police Station. The new facility will compliment neighborhood revitalization efforts and serve as an anchor for additional redevelopment. The new police facility, expected to be complete by December 2015, will serve the community long into the future.

The downtown continues to benefit from an influx of investment and new residents. The City recently celebrated the opening of The Locks, a 36 unit market rate rental complex developed by the Rock Island Economic Growth Corporation. This organization has also acquired and is renovating the historic Star Block property, a project capitalizing on other projects and making a bold statement about the future of Rock Island's downtown. Other area projects include Metrolink's newly completed transit station which now offers mass transit users improved public waiting areas and enhanced connections to the downtown.

Riverview Lofts is another significant development in the downtown. This private developer lead project, slated for completion in 2015, will create 44 market rate residential units and attract over \$5 million in investment. New downtown residents will be able to take advantage of a resurgent downtown atmosphere, newly completed transient boat docks, and Schwiebert Riverfront Park. The City is also nearly complete with developing a comprehensive downtown plan which will guide continued revitalization and investment in our community's historic core.

The City is experiencing significant investment from institutional, private, and public stakeholders. Trinity Hospital is nearly complete with construction of its \$61 million, 90,000 sq. ft. expansion to its Rock Island campus. The expansion will house modern cardiac care, an emergency room, and psychiatric patient services. This soon to be completed project follows the completion of Metrolink's \$30 million operations and maintenance facility located at 46th Street and 4th Avenue. This state of the art facility has improved a primary gateway and spurred development in the Columbia Park neighborhood. Columbia Park is now home to Hill and Valley Bakery. Hill and Valley, a large sugar free bakery employing 150 people, is relocating from within Rock Island. Production at their new 90,000 sq. ft facility is expected to begin in March, 2015. Other significant projects include Augustana College's recently completed expansion and renovations to Old Main, Student Life Center, and new football stadium. Other projects of note in 2015 will include FedEx installing a new material handling/sorting system bringing its newly completed 189,000 sq. ft. facility in the Southwest Business Park to full operation.

Watchtower Plaza redevelopment efforts continue to progress in anticipation of a new Wal-Mart store. Many of the existing businesses were successfully relocated within Rock Island. Demolition of the last remaining structures will be completed in early 2015. The Wal-Mart development will compliment a successful development of Black Hawk Commons to the south. Both Black Hawk College and a State Farm Insurance agent, previously tenants of Watchtower Plaza, have relocated to this development. Black Hawk College now operates in a new \$1.7 million facility. The development is also home to Missman Incorporated's new corporate offices. The development continues to attract attention from potential tenants to fill the remaining space.

In 2014, the Rock Island / Milan School District completed demolition of the former Audubon School located on the highly trafficked 18th Avenue commercial corridor. The school district is currently working with a commercial developer to sell the property, with the expectation that it will be rezoned to a commercial designation to allow development of a new CVS store.

The City of Rock Island has acquired land at the northeast corner of I-280 and IL-92 with the intent of developing it into a destination shopping and commercial destination. Jumer's Crossing is being designed to complement the Jumer's Casino and Hotel which is located on the southwest corner of

I-280 and IL-92. The development is expected to include retail, restaurant, and commercial space. There is work needed to complete the required levee modification to allow direct access to IL-92. Once the levee modification begins, a development partner will be engaged to facilitate the project. This is a long term project which is likely to take several years to fully implement.

The City is investing to meet the objectives of the Long Term Control Plan (LTCP). The largest portion of the project, the Wet Weather Treatment Plant is nearly complete. The facility is already operational and has functioned successfully during recent storms. There are six remaining components to the plan: the 6th Ave Relief Sewer, installation of Farmall Storage Tank, improvements to the Black Hawk Lift Station, relocation of the #7 outfall, combined sewer separation (26th Street to 30th Street, 5th to 9th Avenue), and system control improvements.

Financial policies

The City's investment policy is updated as necessary to ensure compliance with state law and changes in allowed investments. It is the goal of City management to have 100% of its idle funds invested at all times in interest bearing accounts. This goal ensures that City management is using the available funds to their maximum. Safety of principal is the foremost objective of the investment policy. Except for the pension funds, for which short-term market fluctuations are tolerable, each investment transaction shall seek to first ensure that capital losses are avoided. Investment opportunities are limited by the parameters found in Illinois Statutes 30ILCS235. Market speculation is not appropriate in the investment of funds. Investments are intended to mature when funds are needed. The prudent person standard is used in managing the City's overall portfolio.

City financial policies address cash flow borrowing, general fund cash balance, fund balances for the library fund, health insurance fund, self-insurance fund, enterprise funds and park fund. Financial policies also address the diversification, stabilization and collections of revenue, use of revenue from riverboat gambling, general fund five year projection, capital and debt management and contingency and reserves.

The city council approves the financial policies to ensure funds are spent and managed in the most cost effective manner based on the services provided while ensuring the financial records are maintained in accordance with GAAP, Government Auditing Standards and state and federal laws.

Rock Island has a long tradition of providing superior municipal services to residents. The proposed budget will allow us to continue this tradition. It will be our goal to maintain this standard in the years ahead.

Awards and Acknowledgments

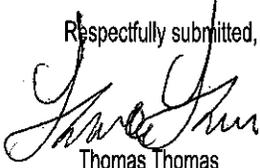
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rock Island for its comprehensive annual financial report for the fiscal year ended March 31, 2014. This was the thirty-fourth consecutive year that the City of Rock Island has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Rock Island also received the GFOA Award for Distinguished Budget Presentation for its annual budget for 9 month period ending December 31, 2014. This was the twenty-eighth consecutive year that the City of Rock Island received this award. In order to qualify for the Distinguished Budget Presentation Award, the City of Rock Island's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, particularly the Accounting Supervisor, Linda Barnes and the City's Auditor, Jaymie Lum as well as the staff of our independent auditors, Bohnsack & Frommelt LLP. We would like to express our appreciation to all members of the department and audit staff who assisted and contributed to the preparation of this report. We would also like to commend the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Thomas Thomas
City Manager



Cynthia Parchert
Finance Director



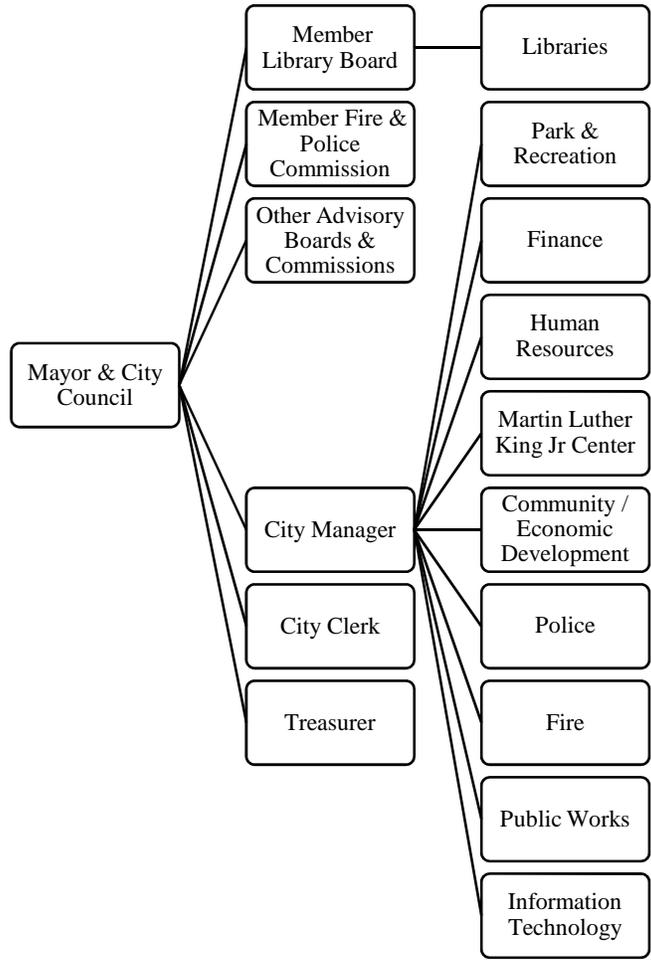
ROCK ISLAND
ILLINOIS

**CITY OF ROCK ISLAND, ILLINOIS
OFFICIALS**

A Home Rule City Council/Manager – Form of Government

	<u>Term Expiration Date of Elected Officials</u>
MAYOR: Dennis Pauley	May 1, 2017
CITY MANAGER: Thomas E. Thomas	Not Applicable
COUNCIL MEMBERS: Ivory D. Clark David A. Conroy Paul Foley Stephen L. Tollenaer Kate Hotle Joy Murphy Charles Austin III	May 1, 2017 May 1, 2015 May 1, 2017 May 1, 2015 May 1, 2017 May 1, 2015 May 1, 2017

City Organizational Chart



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rock Island, Illinois, for its comprehensive annual financial report for the fiscal year ended March 31, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America 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 the Certificate of Achievement program requirements, and we are submitting it to GFOA.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Rock Island
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

March 31, 2014

Executive Director/CEO



ROCK ISLAND
ILLINOIS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Rock Island, Illinois

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 discretely presented component units and remaining fund information of the City of Rock Island, Illinois, as of and for the period April 1, 2014 through December 31, 2014, 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. We did not audit the financial statements of the Rock Island Public Library Foundation which represents 3 percent, 3 percent, and 1 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rock Island Public Library Foundation, is based solely on the report of the other auditors. 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 from 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 entity'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 entity'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 presentation of the financial statements.

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, based on our audit and the report of the other auditors, 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 discretely presented component units and remaining fund information of the City of Rock Island, Illinois, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the period April 1, 2014 through December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 and Note 18 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, for the period April 1, 2014 through December 31, 2014. As a result, the pension trust funds net position was restated, the notes to the basic financial statements were modified, and additional required supplementary information schedules were provided. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, pension plan schedules and budgetary comparison information, on pages 4–13 and 82-104 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 of Rock Island's basic financial statements. The combining and individual nonmajor fund financial statements, individual fund budgetary schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information, including the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, individual fund budgetary schedules and schedule of expenditures of federal awards 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 supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015 on our consideration of the City of Rock Island'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 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 City of Rock Island's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
June 1, 2015



ROCK ISLAND
ILLINOIS

Management's Discussion and Analysis

The City of Rock Island offers readers of its financial statements this narrative overview and analysis of the financial activities of the City for the fiscal period ended December 31, 2014. The City encourages readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements that follow this discussion and analysis.

Financial Highlights

- The assets of the City of Rock Island exceeded liabilities as of December 31, 2014, by \$121,662,192. Of this amount \$31,902,655 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by \$8,138,334.
- At the close of the fiscal period, the City of Rock Island's governmental funds reported combined ending fund balances of \$47,117,033, an increase of \$6,439,653 in comparison with the prior period. Of this total amount, approximately 25 percent is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal period, the unassigned fund balance for the General Fund was \$11,764,247, or 43 percent of total General Fund expenditures of 27,532,803.
- The City of Rock Island's total long-term debt, including compensated absences, increased by \$11,265,292 (10 percent) during the current fiscal period.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City of Rock Island's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between assets and deferred outflows of resources from liabilities and deferred inflows of resources 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 of Rock Island is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal period. 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in the 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 of Rock Island 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 of Rock Island include general government, police and fire, electrical maintenance, parking, highway and street, refuse disposal and libraries. The business-type activities of the City of Rock Island include a water utility, wastewater utility, storm water utility, park and recreation facilities, Mississippi River marina and community and economic development loans.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rock Island, like other state and local

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rock Island can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the *balance of spendable resources* available at the end of the fiscal period. 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 information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City'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 of Rock Island maintains seventeen 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, Public Library Fund, Tax Increment Financing District Fund, Riverboat Gaming Fund, Capital Projects Fund, Debt Service and Community/Economic Development Fund all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rock Island adopts an fiscal budget for all funds as required by state statute. Budgetary comparison statements have been provided for all funds to demonstrate compliance with the adopted budget.

Proprietary funds. The City of Rock Island 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. The City of Rock Island uses enterprise funds to account for water utility, wastewater utility, stormwater utility, park and recreation, Sunset Marina and housing and economic development loan activities. *Internal service funds* are used to accumulate and allocate costs internally among the City of Rock Island's various functions. The City of Rock Island uses internal service funds to account for equipment maintenance, engineering, health insurance, liability insurance and hydroelectric plant funds. 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 exception is the hydroelectric plant fund which is included within *business-type activities* because it primarily benefits enterprise funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks, Wastewater Treatment and Park and Recreation all of which are considered to be major funds of the City of Rock Island. Data for the internal service funds is provided in the form of *combining statements*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Rock Island's own programs. The most significant fiduciary funds maintained by the City of Rock Island are the Police Pension and the Firefighters' Pension funds. These funds record the assets held for retirement benefits of the City's police officers and firefighters. The accounting used for fiduciary funds is much like that used for governmental funds.

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

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

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rock Island, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$121,662,192 at the close of the fiscal period ended December 31, 2014.

City of Rock Island's Net Position December 31, 2014 and March 31, 2014

	Governmental Activities		Business-type Activities		Total	
	12/31/14	3/31/14	12/31/14	3/31/14	12/31/14	3/31/14
Current and other assets	71,862,680	63,955,822	18,910,404	21,676,418	90,773,084	85,632,240
Capital assets	75,651,963	70,888,494	95,361,436	92,406,611	171,013,399	163,295,105
Total assets	147,514,643	134,844,316	114,271,840	114,083,029	261,786,483	248,927,345
Current and other liabilities	21,871,957	24,675,751	8,089,379	6,078,419	29,961,336	30,754,170
Long-term liabilities	53,800,865	29,649,040	56,362,090	58,723,609	110,162,955	88,372,649
Total liabilities	75,672,822	54,324,791	64,451,469	64,802,028	140,124,291	119,126,819
Net position:						
Invested in capital assets	44,250,721	57,092,829	39,741,555	35,448,346	83,992,276	92,541,175
Restricted	5,767,261	3,981,884	-	-	5,767,261	3,981,884
Unrestricted	21,823,839	19,444,812	10,078,816	13,832,655	31,902,655	33,277,467
Total net position	71,841,821	80,519,525	49,820,371	49,281,001	121,662,192	129,800,526

By far the largest portion of the City of Rock Island's net position is its investment in capital assets. This represents 69% of Net Position and consists of land, buildings, machinery, equipment and infrastructure less any related outstanding debt used to acquire these assets. The City of Rock Island uses these capital assets to provide services to the residents; consequently, these assets are *not* available for future spending. Although the City of Rock Island's capital assets are 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. The \$31,902,655 balance of *unrestricted net position*, may be used to meet the City's ongoing obligations to citizens and creditors.

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

Total net position decreased by \$8,138,334. Governmental activities decreased \$8,677,704 and business-type activities increased by \$539,370. The decrease in net position of governmental activities was due primarily to Community and Economic Development and TIF related projects. The increase in net position of business-type activities was mainly because of favorable operating results in the Wastewater Treatment Fund.

Governmental Activities. The net position attributed to governmental activities decreased 11 percent or \$8,677,704. Key elements affecting the net position are the following:

With the fiscal year-end change from March 31 to December 31, the City's property tax is now levied each December for the subsequent fiscal year budget ordinance. Therefore, property taxes levied are unavailable at the end of the period and will be recognized in the next fiscal year. This impacts the City's net position in the fiscal period ending December 31, 2014 significantly. Employer contributions related to the 2013 tax levy were still made to pension funds impacting the net position negatively for the current period.

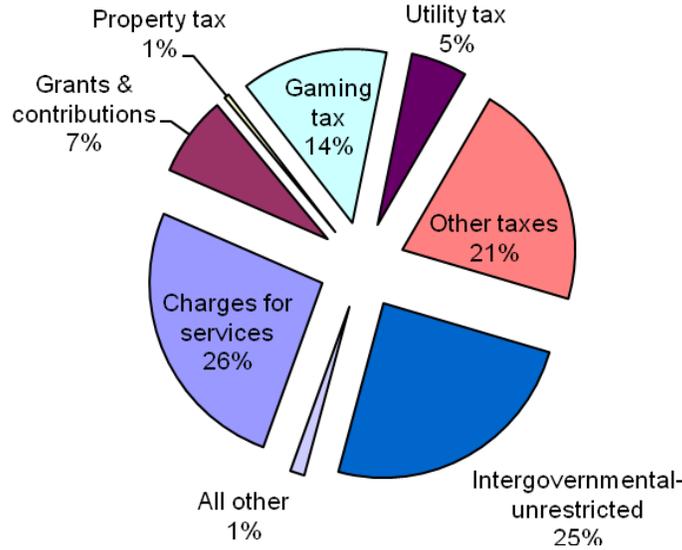
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The following is a more detailed review of the periods' operation:

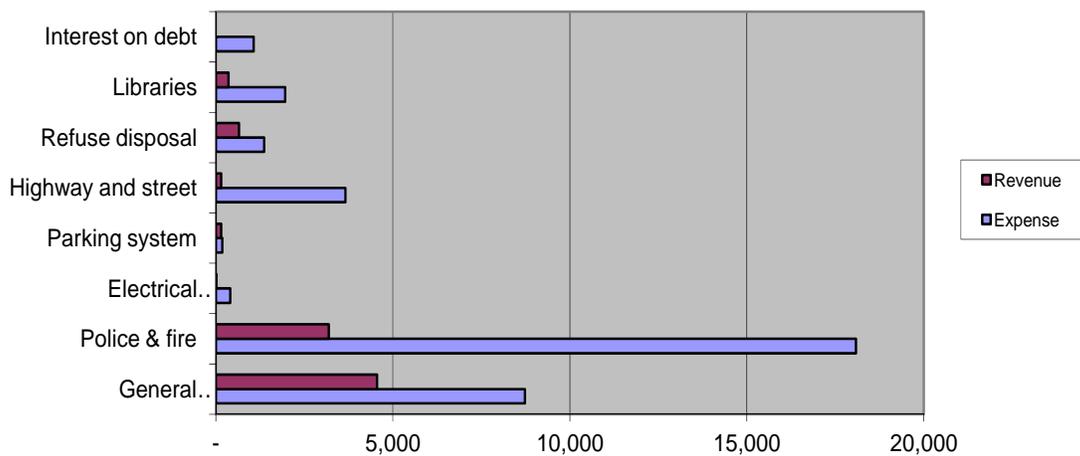
City of Rock Island's Changes in Net Position
For the period and year ended December 31, 2014 and March 31, 2014

	Governmental Activities		Business-type Activities		Total	
	12/31/14	3/31/14	12/31/14	3/31/14	12/31/14	3/31/14
Revenues						
Program Revenues:						
Charges for services	7,043,293	9,416,831	15,040,493	19,744,634	22,083,786	29,161,465
Operating grants and contributions	1,615,717	3,379,542	254,387	751,158	1,870,104	4,130,700
Capital grants and contributions	407,000	7,000	-	-	407,000	7,000
General revenues:						
Property tax	128,534	13,870,933	8,767	1,753,400	137,301	15,624,333
Gaming tax	3,738,747	5,115,322	-	-	3,738,747	5,115,322
Utility tax	1,427,556	2,244,178	-	-	1,427,556	2,244,178
Other taxes	5,727,344	8,407,329	-	-	5,727,344	8,407,329
Intergovernmental-unrestricted	6,699,854	8,843,026	-	-	6,699,854	8,843,026
Investment income	100,644	94,752	12,125	50,850	112,769	145,602
Other	265,720	418,279	12	-	265,732	418,279
Total revenues	27,154,409	51,797,192	15,315,784	22,300,042	42,470,193	65,254,208
Expenses						
General government	8,735,475	24,861,534	-	-	8,735,475	24,861,534
Police and fire	18,079,614	21,771,346	-	-	18,079,614	21,771,346
Electrical maintenance	406,529	613,300	-	-	406,529	613,300
Municipal vehicle parking system	180,795	265,338	-	-	180,795	265,338
Highway and street	3,656,603	5,601,354	-	-	3,656,603	5,601,354
Refuse disposal	1,364,209	1,581,240	-	-	1,364,209	1,581,240
Libraries	1,961,467	2,516,131	-	-	1,961,467	2,516,131
Interest on long-term debt	1,068,080	822,915	-	-	1,068,080	822,915
Waterworks	-	-	4,359,962	5,636,469	4,359,962	5,636,469
Wastewater	-	-	4,029,394	6,763,891	4,029,394	6,763,891
Park and recreation	-	-	4,884,791	5,778,743	4,884,791	5,778,743
Stormwater	-	-	1,106,523	1,643,294	1,106,523	1,643,294
Sunset Marina	-	-	600,408	709,573	600,408	709,573
Housing and community development loans	-	-	174,677	19,238	174,677	19,238
Total expenses	35,452,772	58,033,158	15,155,755	20,551,208	50,608,527	78,584,366
Increase(decrease) in net position before transfers	(8,298,363)	(6,235,966)	160,029	1,748,834	(8,138,334)	(4,487,132)
Transfers	(379,341)	(385,513)	379,341	385,513	-	-
Increase(decrease) in net position	(8,677,704)	(6,621,479)	539,370	2,134,347	(8,138,334)	(4,487,132)
Net position, beginning of year	80,519,525	87,141,004	49,281,001	47,146,654	129,800,526	134,287,658
Net position, end of year	71,841,821	80,519,525	49,820,371	49,281,001	121,662,192	129,800,526

Revenue by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities (In thousands)

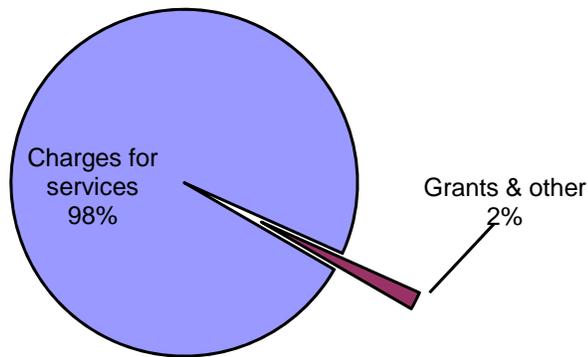


Business-type activities. Business-type activities increased the City of Rock Island's net position by \$539,370. Following are the key elements:

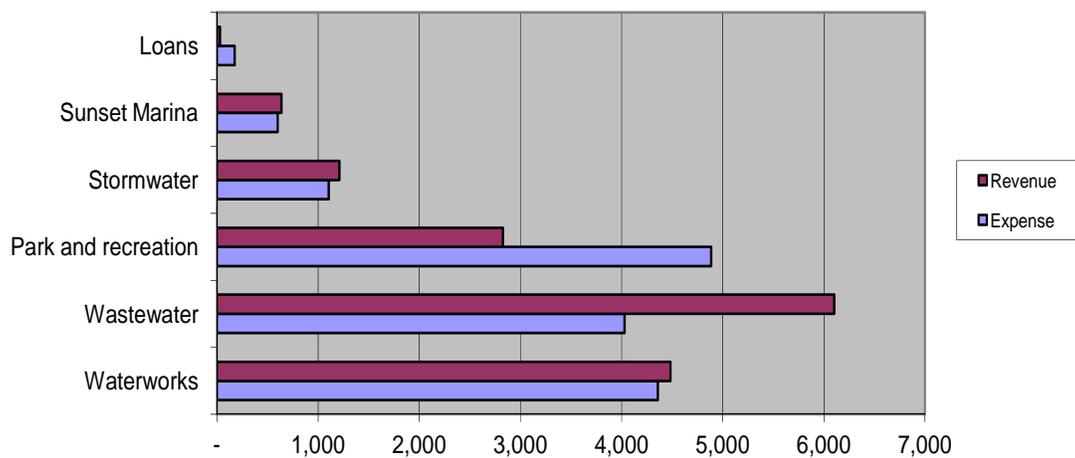
Property tax revenue is significantly less than in prior years because with the change in year ends, the City's property tax is now levied each December for the subsequent fiscal year budget ordinance. Therefore, property taxes levied are unavailable at the end of the period and will be recognized in the next fiscal year.

Significant future capital improvements impacting the Wastewater fund are associated with the consent decree issued by the United States Environmental Protection Agency (Note 14). By the time construction is completed in 2018, the City will have invested over \$70 million.

Revenue by Source - Business-Type Activities



Expenses and Program Revenues - Business-Type Activities (In thousands)



Financial Analysis of the City of Rock Island's Funds

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

Governmental funds. The focus of the City of Rock Island'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 of Rock Island'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 fiscal period.

At the end of the current fiscal period, the City of Rock Island's governmental funds reported combined ending fund balances of \$47,117,033, an increase of \$6,439,653 from the prior period. Approximately, 25 percent or \$11,652,168 is designated as unassigned funds; \$13,427,448 or 28 percent is classified as either assigned or committed which includes \$6,742,510 from the Riverboat Gaming Fund. The remainder of fund balance is classified as restricted which includes major funds such as TIF (\$588,253), Public Library (\$1,514,854), and Capital Projects (\$15,322,298).

The General Fund is the chief operating fund of the City of Rock Island. At the end of the current fiscal period, the unassigned fund balance of the General Fund was \$11,764,247 and total fund balance was \$12,083,691. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43 percent of total General Fund expenditures, while total fund balance represents a slight increase at 44 percent.

The fund balance of the City of Rock Island's General Fund decreased \$301,520 during the fiscal period. Key factors of this decrease are explained in the General Fund Budgetary Highlights below.

The Riverboat Gaming Fund has a total fund balance of \$6,742,510 all of which is available for economic development, capital improvement projects and contract maintenance in accordance with the City of Rock Island's policy on the use of riverboat gaming revenues. Any changes in fund balance are the result of uncompleted projects which are re-budgeted in subsequent period, or project costs differing from the budgeted amounts. Any remaining funds from completed projects are available for other qualified expenses.

The Public Library Fund has a total fund balance of \$1,514,854. The fund reported an increase in fund balance of \$419,634.

The Tax Increment Financing District Fund experienced an increase in fund balance which is attributed to the City receiving property tax revenue for a full year, but only having nine months of expenditures.

The Capital Projects fund has a total fund balance of \$15,322,298. The fund reported a net change in fund balance of \$6,168,338 primarily due to unspent bond proceeds related to the construction of the new police facility.

The Community/Economic Development Fund has a total fund balance of \$6,660,476. The fund reported a net decrease in fund balance of \$12,706.

Proprietary funds. The City of Rock Island'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 funds at the end of the year amounted to \$595,190 for the Waterworks, \$6,042,063 for the Wastewater Treatment, a negative balance of \$51,042 for Park and Recreation and \$3,576,779 for all other funds. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Rock Island's business-type activities

General Fund Budgetary Highlights

Overall General Fund revenue and expenditures were less than the revised budget by \$29,222 and \$2,388,150, respectively. Specific highlights of General Fund revenue and expenditures are as follows:

- Intergovernmental-unrestricted revenues were \$185,343 higher than the revised budget. This includes Sales Tax and Income Tax revenues which make up \$150,447 and \$34,896 of the positive variance, respectively. The City budgeted sales tax conservatively due to anticipated slow economic growth.
- Police department, Fire department and Highways and Streets expenditures were \$614,887, \$398,468, and \$622,720 less than budgeted expenditures, respectively.
- Use tax revenues were \$133,264 higher than the revised budget.
- Ambulance revenues were \$179,063 higher than the revised budget.

Capital Asset and Debt Administration

Capital Assets. The City of Rock Island's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$171,013,399 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, marina facilities, streets and bridges. The total increase in the City of Rock Island's investment in capital assets for the current fiscal year was 5 percent or \$7,718,294.

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

- Police Facility Construction (\$3,956,498)
- LTCP – Wet Weather Treatment (\$3,329,741)
- Schwiebert Boat Dock (\$1,961,799)
- 23rd Avenue Reconstruction (\$1,698,016)
- QC Botanical Center Children's Garden (\$1,175,444)

City of Rock Island's Capital Assets
As of December 31, 2014 and March 31, 2014
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	12/31/14	3/31/14	12/31/14	3/31/14	12/31/14	3/31/14
Land	7,830,011	7,830,011	1,586,476	1,586,476	9,416,487	9,416,487
Construction-in-progress	7,573,885	6,753,936	55,408,774	52,038,092	62,982,659	58,792,028
Buildings	16,528,020	17,006,898	12,194,745	12,529,999	28,722,765	29,536,897
Machinery and equipment	5,525,923	5,634,739	814,440	738,295	6,340,363	6,373,034
Infrastructure	38,194,124	33,662,910	25,357,001	25,513,749	63,551,125	59,176,659
Total net capital assets	75,651,963	70,888,494	95,361,436	92,406,611	171,013,399	163,295,105

Additional information on the City of Rock Island's capital assets can be found in note 6.

Long-term debt. At the end of the current fiscal year, the City of Rock Island had total bonded debt outstanding of \$64,108,334 backed by the full faith and credit of the City. The remainder of the City of Rock Island's debt represents bonds secured solely by specified revenue sources (i.e., special assessment bonds). All debt is backed by the full faith and credit of the City of Rock Island.

City of Rock Island's Outstanding Debt
December 31, 2014 and March 31, 2014

	Governmental Activities		Business-type Activities		Total	
	12/31/14	3/31/14	12/31/14	3/31/14	12/31/14	3/31/14
Compensated Absences	3,947,737	3,564,435	909,936	918,604	4,857,673	4,483,039
General obligation bonds	47,472,200	24,054,300	16,636,134	18,330,700	64,108,334	42,385,000
Unamortized discounts	(28,013)	-	-	-	(28,013)	-
Unamortized premiums	850,291	463,774	96,286	114,729	946,577	578,503
Line of Credit	-	12,115,602	-	-	-	12,115,602
Notes Payable	-	-	41,594,833	41,240,029	41,594,833	41,240,029
Other postemployment benefits	5,384,606	4,626,623	1,214,884	1,043,867	6,599,490	5,670,490
Net pension obligation	561,717	902,656	-	-	561,717	902,656
Total	58,188,538	45,727,390	60,452,073	61,647,929	118,640,611	107,375,319

With the adoption of the 1970 Illinois Constitution, any municipality with a population of 25,000 or more automatically became a Home Rule city. Prior to 1970, municipalities had only those powers specifically granted by the legislature. Under Home Rule, local governments are given all powers not specifically denied by the Illinois legislature. Home Rule cities have unlimited power to incur debt payable from property taxes and other revenue, such as sales tax allotments. Therefore, schedules concerning tax levy ceilings and computations of legal debt margins are not included in this report.

The City of Rock Island maintains an Aa2 rating from Moody's Investors Service.

Additional information on the City of Rock Island's long-term debt can be found in note 7.

Economic Factors and Next Year's Budgets and Rates

- The December 2014 unemployment rate for the City of Rock Island was 5.9 percent. This is a 25 percent reduction since March 2014. The Illinois and U.S. unemployment rates decreased to 6.2 percent (a 26 percent decrease from last period) and decreased to 5.6 percent (a 16 percent decrease from last period), respectively.
- The first five years had increases ranging from 1.4 percent to 5.7 percent. The most recent five years had two years of decline and three years with modest increases. It is believed that the City will continue to see measurable increases.
- The potential reduction in state shared revenue from the income and replacement taxes due to the State of Illinois poor financial condition may present significant budgetary challenges for management, if the State legislature elects to reduce the distribution of these funds to solve the State's budget issues.
- There is a concern that future General Fund revenues are predicted to be relatively flat and statewide distributed tax revenue is projected to decline. A five-year General Fund forecast anticipates modest increases in revenues. However, expenditures are anticipated to grow at a faster rate than the increases in revenues.

All of these factors were considered in preparing the City of Rock Island's balanced budget for the 2015 calendar year. Management anticipates that actual revenue and expenditures will closely approximate budgeted revenue and expenditures for calendar 2015.

Contacting the City's Financial Management

The financial report is designed to provide a general overview of the City of Rock Island's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to the Finance Director, 1528 Third Avenue, Rock Island, Illinois, 61201. The report is also available via the city web site at www.rigov.org.



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2014

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Martin Luther King Center	Rock Island Public Library Foundation
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 41,964,977	\$ 11,527,056	\$ 53,492,033	\$ 162,178	\$ 2,320,568
Receivables, net					
Taxes	15,471,810	1,859,727	17,331,537	-	-
Accounts, net of allowance for uncollectibles of \$2,862,713	1,176,247	1,584,891	2,761,138	-	-
Estimated unbilled usage	124,318	1,865,097	1,989,415	-	-
Accrued interest	33,515	10,120	43,635	162	10
Current portion of notes receivable	282,721	189,216	471,937	-	-
Special assessments	336,683	-	336,683	-	-
Other	17,486	-	17,486	-	-
Internal balances	(172,043)	172,043	-	-	-
Assets held for resale	7,047,741	12,391	7,060,132	-	-
Due from other governmental agencies	3,817,736	399,250	4,216,986	49,257	-
Inventories	438,287	8,393	446,680	-	-
Prepaid items	-	-	-	-	998
Total Current Assets	70,539,478	17,628,184	88,167,662	211,597	2,321,576
NONCURRENT ASSETS					
Long-term notes receivable, net of current portion, net of allowance for uncollectibles of \$3,062,710	518,070	1,268,048	1,786,118	-	-
Net pension asset	805,132	-	805,132	-	-
Capital Assets					
Land	7,830,011	1,586,476	9,416,487	-	-
Buildings and improvements	26,697,539	19,069,601	45,767,140	-	-
Equipment	13,358,684	3,196,206	16,554,890	-	1,451
Infrastructure	71,726,485	80,138,298	151,864,783	-	-
Construction in progress	7,573,885	55,408,774	62,982,659	-	-
Accumulated depreciation	(51,534,641)	(64,037,919)	(115,572,560)	-	(1,451)
Net capital assets	75,651,963	95,361,436	171,013,399	-	-
Total Noncurrent Assets	76,975,165	96,629,484	173,604,649	-	-
Total Assets	147,514,643	114,257,668	261,772,311	211,597	2,321,576
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	14,172	14,172	-	-
Total deferred outflows of resources	-	14,172	14,172	-	-
Total assets and deferred outflows of resources	147,514,643	114,271,840	261,786,483	211,597	2,321,576

(continued)

See notes to financial statements

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Martin Luther King Center	Rock Island Public Library Foundation
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 2,173,685	\$ 1,146,410	\$ 3,320,095	\$ 12,554	\$ -
Retainage payable	243,404	437,976	681,380	-	-
Deposits payable	14,279	180	14,459	-	-
Claims payable	751,343	-	751,343	-	-
Accrued wages and benefits	680,232	163,995	844,227	7,866	-
Compensated absences	2,124,673	489,727	2,614,400	-	-
Accrued interest payable	125,790	275,596	401,386	35	-
Unearned revenue	123,898	230,604	354,502	-	-
Notes payable	-	1,861,589	1,861,589	-	-
General obligation bonds	2,263,000	1,738,667	4,001,667	-	-
Total Current Liabilities	<u>8,500,304</u>	<u>6,344,744</u>	<u>14,845,048</u>	<u>20,455</u>	<u>-</u>
NONCURRENT LIABILITIES					
Notes payable	-	39,733,244	39,733,244	-	-
General obligation bonds	46,031,478	14,993,753	61,025,231	-	-
Net pension obligation	561,717	-	561,717	-	-
Other postemployment benefits	5,384,606	1,214,884	6,599,490	-	-
Compensated absences	1,823,064	420,209	2,243,273	-	-
Total Noncurrent Liabilities	<u>53,800,865</u>	<u>56,362,090</u>	<u>110,162,955</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>62,301,169</u>	<u>62,706,834</u>	<u>125,008,003</u>	<u>20,455</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES,					
Property Taxes	13,371,653	1,744,635	15,116,288	-	-
Total Liabilities and Deferred Inflows of Resources	<u>75,672,822</u>	<u>64,451,469</u>	<u>140,124,291</u>	<u>20,455</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	44,250,721	39,741,555	83,992,276	-	-
Restricted for					
Library, expendable	-	-	-	-	234,880
Library, nonexpendable	-	-	-	-	2,062,027
Public Library	1,514,854	-	1,514,854	-	-
Tax increment financing	588,253	-	588,253	-	-
Motor fuel taxes	583,369	-	583,369	-	-
Debt service	1,387,110	-	1,387,110	-	-
Drug prevention	373,527	-	373,527	-	-
Capital projects	666,567	-	666,567	-	-
Other	653,581	-	653,581	-	-
Unrestricted	21,823,839	10,078,816	31,902,655	191,142	24,669
Total Net Position	<u>\$ 71,841,821</u>	<u>\$ 49,820,371</u>	<u>\$ 121,662,192</u>	<u>\$ 191,142</u>	<u>\$ 2,321,576</u>

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 8,735,475	\$ 2,731,745	\$ 1,415,454	\$ 407,000
Police and fire	18,079,614	3,142,297	47,565	-
Electrical maintenance	406,529	16,797	-	-
Municipal vehicle parking system	180,795	147,837	-	-
Highways and streets	3,656,603	151,484	-	-
Refuse disposal	1,364,209	651,207	-	-
Libraries	1,961,467	201,926	152,698	-
Interest on long-term debt	1,068,080	-	-	-
Total governmental activities	<u>35,452,772</u>	<u>7,043,293</u>	<u>1,615,717</u>	<u>407,000</u>
Business-type activities				
Waterworks	4,359,962	4,482,630	-	-
Wastewater treatment	4,029,394	5,910,695	192,571	-
Park and recreation	4,884,791	2,765,565	61,816	-
Stormwater	1,106,523	1,212,238	-	-
Sunset Marina	600,408	636,754	-	-
Housing and community development loan	174,677	32,611	-	-
Total business-type activities	<u>15,155,755</u>	<u>15,040,493</u>	<u>254,387</u>	<u>-</u>
Total primary government	<u>\$ 50,608,527</u>	<u>\$ 22,083,786</u>	<u>\$ 1,870,104</u>	<u>\$ 407,000</u>
Component units				
Martin Luther King Center	\$ 824,283	\$ 2,104	\$ 460,662	\$ 15,660
Rock Island Public Library Foundation	85,552	-	79,864	-
Total component units	<u>\$ 909,835</u>	<u>\$ 2,104</u>	<u>\$ 540,526</u>	<u>\$ 15,660</u>
General Revenues				
Property taxes				
Gaming taxes				
Utility taxes				
Replacement taxes				
Telecom infrastructure taxes				
Motor fuel taxes				
Use taxes				
Other taxes				
Intergovernmental				
Investment income				
Other				
Transfers from (to) other funds				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Martin Luther King Center	Rock Island Public Library Foundation
\$ (4,181,276)	\$ -	\$ (4,181,276)	\$ -	\$ -
(14,889,752)	-	(14,889,752)	-	-
(389,732)	-	(389,732)	-	-
(32,958)	-	(32,958)	-	-
(3,505,119)	-	(3,505,119)	-	-
(713,002)	-	(713,002)	-	-
(1,606,843)	-	(1,606,843)	-	-
(1,068,080)	-	(1,068,080)	-	-
<u>(26,386,762)</u>	<u>-</u>	<u>(26,386,762)</u>	<u>-</u>	<u>-</u>
-	122,668	122,668	-	-
-	2,073,872	2,073,872	-	-
-	(2,057,410)	(2,057,410)	-	-
-	105,715	105,715	-	-
-	36,346	36,346	-	-
-	(142,066)	(142,066)	-	-
-	<u>139,125</u>	<u>139,125</u>	<u>-</u>	<u>-</u>
<u>\$ (26,386,762)</u>	<u>\$ 139,125</u>	<u>\$ (26,247,637)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (345,857)	\$ -
-	-	-	-	(5,688)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (345,857)</u>	<u>\$ (5,688)</u>
\$ 128,534	\$ 8,767	\$ 137,301	\$ -	\$ -
3,738,747	-	3,738,747	-	-
1,427,556	-	1,427,556	-	-
1,923,984	-	1,923,984	-	-
755,364	-	755,364	-	-
888,666	-	888,666	-	-
609,545	-	609,545	-	-
1,549,785	-	1,549,785	-	-
6,699,854	-	6,699,854	-	-
100,644	12,125	112,769	145	109,587
265,720	12	265,732	500	-
(379,341)	379,341	-	-	-
<u>17,709,058</u>	<u>400,245</u>	<u>18,109,303</u>	<u>645</u>	<u>109,587</u>
(8,677,704)	539,370	(8,138,334)	(345,212)	103,899
80,519,525	49,281,001	129,800,526	536,354	2,217,677
<u>\$ 71,841,821</u>	<u>\$ 49,820,371</u>	<u>\$ 121,662,192</u>	<u>\$ 191,142</u>	<u>\$ 2,321,576</u>

CITY OF ROCK ISLAND, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds			
	General Fund	Public Library Fund	TIF Fund	Riverboat Gaming Fund
ASSETS				
Cash and investments	\$ 9,153,124	\$ 1,474,522	\$ 450,085	\$ 5,258,392
Receivables, net				
Taxes	8,520,266	2,090,179	4,541,070	-
Accounts, net of allowance for uncollectibles of \$2,447,245	1,176,096	-	-	-
Estimated unbilled usage	124,318	-	-	-
Accrued interest	6,349	1,159	575	3,035
Notes, net of allowance for uncollectibles of \$1,390,596	-	-	275,025	-
Special assessments	-	-	-	-
Assets held for resale	-	-	232,936	-
Due from other funds	99,094	-	-	910,973
Due from other governmental agencies	2,566,574	-	-	570,110
Total Assets	<u>\$ 21,645,821</u>	<u>\$ 3,565,860</u>	<u>\$ 5,499,691</u>	<u>\$ 6,742,510</u>
LIABILITIES				
Accounts payable	\$ 835,792	\$ 45,016	\$ 27,483	\$ -
Retainage payable	-	-	-	-
Interest payable	8	-	368	-
Deposits payable	-	-	-	-
Accrued wages and benefits	549,722	45,165	2,605	-
Due to other funds	-	-	475,685	-
Unearned revenue	37,730	-	-	-
Total Liabilities	<u>1,423,252</u>	<u>90,181</u>	<u>506,141</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	6,704,114	1,960,825	4,405,297	-
Unavailable revenue-grants	-	-	-	-
Unavailable revenue-other taxes	1,434,764	-	-	-
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>8,138,878</u>	<u>1,960,825</u>	<u>4,405,297</u>	<u>-</u>
FUND BALANCES				
Restricted	319,444	1,514,854	588,253	-
Committed	-	-	-	6,742,510
Assigned	-	-	-	-
Unassigned	11,764,247	-	-	-
Total Fund Balances	<u>12,083,691</u>	<u>1,514,854</u>	<u>588,253</u>	<u>6,742,510</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,645,821</u>	<u>\$ 3,565,860</u>	<u>\$ 5,499,691</u>	<u>\$ 6,742,510</u>

See notes to the financial statements.

Community/ Economic Development Fund	Capital Projects Fund Debt Service Fund		Other Governmental Funds	Total Governmental Funds
\$ -	\$ 15,905,283	\$ 1,762,184	\$ 2,372,785	\$ 36,376,375
-	-	320,295	-	15,471,810
-	-	151	-	1,176,247
-	-	-	-	124,318
-	13,453	1,377	2,606	28,554
275,766	250,000	-	-	800,791
-	-	336,683	-	336,683
6,814,805	-	-	-	7,047,741
-	-	-	-	1,010,067
-	-	-	680,812	3,817,496
<u>\$ 7,090,571</u>	<u>\$ 16,168,736</u>	<u>\$ 2,420,690</u>	<u>\$ 3,056,203</u>	<u>\$ 66,190,082</u>
\$ 94,098	\$ 603,034	\$ 4,522	\$ 115,791	\$ 1,725,736
-	243,404	-	-	243,404
242	-	-	287	905
-	-	-	14,279	14,279
-	-	-	23,217	620,709
335,755	-	-	370,670	1,182,110
-	-	-	86,168	123,898
<u>430,095</u>	<u>846,438</u>	<u>4,522</u>	<u>610,412</u>	<u>3,911,041</u>
-	-	301,417	-	13,371,653
-	-	-	18,909	18,909
-	-	-	-	1,434,764
-	-	336,682	-	336,682
-	-	638,099	18,909	15,162,008
-	15,322,298	1,778,069	2,514,499	22,037,417
6,660,476	-	-	-	13,402,986
-	-	-	24,462	24,462
-	-	-	(112,079)	11,652,168
<u>6,660,476</u>	<u>15,322,298</u>	<u>1,778,069</u>	<u>2,426,882</u>	<u>47,117,033</u>
<u>\$ 7,090,571</u>	<u>\$ 16,168,736</u>	<u>\$ 2,420,690</u>	<u>\$ 3,056,203</u>	<u>\$ 66,190,082</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2014

Exhibit 3-1

Total governmental fund balances	\$ 47,117,033
Amounts reported for 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.	
Land	\$ 7,812,511
Construction in progress	7,573,885
Equipment	3,215,131
Buildings and improvements	26,549,178
Infrastructure	71,726,485
Accumulated depreciation	<u>(45,078,687)</u>
	71,798,503
The net pension asset is not an available resource and, therefore, is not reported in the funds.	805,132
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.	1,790,355
Internal service funds are used by the City's management to charge the costs of equipment maintenance, engineering, self-insurance, and employee health benefit programs to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	8,302,669
Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:	
General obligation bonds	(47,472,200)
Bond discounts	28,013
Bond premiums	(850,291)
Accrued interest on the bonds	(124,191)
Compensated absences	(3,606,879)
Net pension obligation	(561,717)
Other postemployment benefits	<u>(5,384,606)</u>
	<u>(57,971,871)</u>
Net position of governmental activities	<u>\$ 71,841,821</u>

See notes to the financial statements.

CITY OF ROCK ISLAND, ILLINOIS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER, 31 2014

	General Fund	Public Library Fund	TIF Fund	Riverboat Gaming Fund
REVENUES				
Property taxes	\$ 6,849,476	\$ 1,970,678	\$ 4,665,246	\$ -
Other taxes	12,966,962	-	-	3,738,747
Fines and fees	212,346	34,614	-	-
Intergovernmental	61,605	265,377	-	-
Charges for services	5,495,015	2,939	-	-
Interest	14,798	1,823	3,070	6,460
Licenses and permits	820,117	-	-	-
Contributions	97,488	85,743	-	-
Other	46,578	567	1,350	-
Total revenues	<u>26,564,385</u>	<u>2,361,741</u>	<u>4,669,666</u>	<u>3,745,207</u>
EXPENDITURES				
Current				
General government	4,609,145	48,783	3,084,521	-
Police and fire	17,199,496	-	-	-
Electrical maintenance	406,574	-	-	-
Municipal vehicle parking system	127,269	-	-	-
Highway and street	3,556,320	-	-	-
Refuse disposal	1,450,803	-	-	-
Libraries	-	1,901,690	-	-
Capital outlay	183,196	834	97,110	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>27,532,803</u>	<u>1,951,307</u>	<u>3,181,631</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(968,418)</u>	<u>410,434</u>	<u>1,488,035</u>	<u>3,745,207</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Premium on bonds sold	-	-	-	-
Discount on bonds sold	-	-	-	-
Issuance of loan payable	-	-	-	-
Transfers from other funds	3,303,164	12,700	-	-
Transfers to other funds	(2,636,266)	(3,500)	(1,255,017)	(5,018,053)
Total Other Financing Sources (Uses)	<u>666,898</u>	<u>9,200</u>	<u>(1,255,017)</u>	<u>(5,018,053)</u>
NET CHANGE IN FUND BALANCES	(301,520)	419,634	233,018	(1,272,846)
FUND BALANCES, BEGINNING	<u>12,385,211</u>	<u>1,095,220</u>	<u>355,235</u>	<u>8,015,356</u>
FUND BALANCES, ENDING	<u>\$ 12,083,691</u>	<u>\$ 1,514,854</u>	<u>\$ 588,253</u>	<u>\$ 6,742,510</u>

See notes to financial statements.

Community/ Economic Development Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 303,666	\$ -	\$ 13,789,066
-	-	-	930,092	17,635,801
7,380	-	-	-	254,340
32,473	-	-	960,309	1,319,764
165,552	14,646	-	39,796	5,717,948
(660)	22,475	40,939	4,506	93,411
-	-	-	-	820,117
238,266	-	-	407,000	828,497
8,948	-	-	-	57,443
<u>451,959</u>	<u>37,121</u>	<u>344,605</u>	<u>2,341,703</u>	<u>40,516,387</u>
4,091,443	-	19,956	946,571	12,800,419
-	-	-	-	17,199,496
-	-	-	-	406,574
-	-	-	-	127,269
-	-	-	-	3,556,320
-	-	-	-	1,450,803
-	-	-	-	1,901,690
124,103	6,083,176	-	82,595	6,571,014
-	-	17,032,100	-	17,032,100
-	73,488	1,192,086	-	1,265,574
<u>4,215,546</u>	<u>6,156,664</u>	<u>18,244,142</u>	<u>1,029,166</u>	<u>62,311,259</u>
<u>(3,763,587)</u>	<u>(6,119,543)</u>	<u>(17,899,537)</u>	<u>1,312,537</u>	<u>(21,794,872)</u>
-	9,585,000	15,865,000	-	25,450,000
-	414,683	-	-	414,683
-	-	(28,013)	-	(28,013)
2,884,398	-	-	-	2,884,398
866,483	3,221,966	2,800,377	141,000	10,345,690
-	(933,768)	-	(985,629)	(10,832,233)
<u>3,750,881</u>	<u>12,287,881</u>	<u>18,637,364</u>	<u>(844,629)</u>	<u>28,234,525</u>
(12,706)	6,168,338	737,827	467,908	6,439,653
<u>6,673,182</u>	<u>9,153,960</u>	<u>1,040,242</u>	<u>1,958,974</u>	<u>40,677,380</u>
<u>\$ 6,660,476</u>	<u>\$ 15,322,298</u>	<u>\$ 1,778,069</u>	<u>\$ 2,426,882</u>	<u>\$ 47,117,033</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit 4-1

Net change in fund balances - total governmental funds	\$	6,439,653
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital expenditures and contributions	\$	6,640,480
Loss on disposal		(27,510)
Depreciation expense		<u>(1,575,242)</u>
		5,037,728
Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.		
		(13,905,993)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. The City had bond proceeds and principal payments:		
Issuance of long-term debt		(25,450,000)
Premium on issuance of long-term debt		(414,683)
Discount on issuance of long-term debt		28,013
Issuance of long payable		(2,884,398)
Principal payments		<u>17,032,100</u>
		(11,688,968)
Some items 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. These activities consist of changes in:		
Accrued interest		169,328
Bond premiums		28,166
Compensated absences		(339,824)
Accrued pension contribution		4,607,488
Net pension obligation		340,939
Net pension asset		805,132
Other postemployment benefits		<u>(757,983)</u>
Total additional expenses		4,853,246
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities and are from equipment maintenance, engineering, self-insurance, and employee health benefits in governmental funds.		
		<u>586,630</u>
Change in net position of governmental activities on the statement of activities	\$	<u><u>(8,677,704)</u></u>

See notes to financial statements

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Waterworks Fund	Business - Wastewater Treatment Fund
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 482,625	\$ 8,209,303
Receivables, net		
Taxes	-	-
Accounts, net of allowance for uncollectibles of \$593,238	659,533	753,198
Estimated unbilled usage	676,427	969,806
Accrued interest	299	3,394
Current portion of notes receivable	-	-
Other	-	-
Due from other funds	-	62,852
Due from other governmental agencies	-	399,250
Inventories	-	-
Assets held for resale	-	-
	<u>1,818,884</u>	<u>10,397,803</u>
Total Current Assets		
NONCURRENT ASSETS		
Long-term notes receivable, net of current portion, net of allowance for uncollectibles of \$1,672,114	-	-
Capital assets		
Land	39,426	94,450
Buildings and improvements	36,161	-
Equipment	168,422	320,056
Infrastructure	33,291,350	35,164,174
Construction in progress	202,363	55,206,411
Accumulated depreciation	(21,913,769)	(25,173,804)
	<u>11,823,953</u>	<u>65,611,287</u>
Net Capital assets		
Total Noncurrent Assets	<u>11,823,953</u>	<u>65,611,287</u>
Total Assets	<u>13,642,837</u>	<u>76,009,090</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	1,410	-
	<u>\$ 13,644,247</u>	<u>\$ 76,009,090</u>
Total Assets and Deferred Outflows of Resources		

type Activities - Enterprise Funds

Park and Recreation Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 1,030,003	\$ 1,805,125	\$ 11,527,056	\$ 5,588,602
1,859,727	-	1,859,727	-
32,994	139,166	1,584,891	-
-	218,864	1,865,097	-
739	5,688	10,120	4,961
-	189,216	189,216	-
-	-	-	17,486
-	258,677	321,529	845,636
-	-	399,250	240
8,393	-	8,393	438,287
-	-	-	12,391
<u>2,931,856</u>	<u>2,616,736</u>	<u>17,765,279</u>	<u>6,907,603</u>
-	1,268,048	1,268,048	-
1,452,600	-	1,586,476	17,500
16,544,756	837,142	17,418,059	1,799,903
1,770,669	713,674	2,972,821	10,366,938
5,578,771	5,622,032	79,656,327	481,971
-	-	55,408,774	-
<u>(12,057,674)</u>	<u>(4,520,743)</u>	<u>(63,665,990)</u>	<u>(6,827,883)</u>
<u>13,289,122</u>	<u>2,652,105</u>	<u>93,376,467</u>	<u>5,838,429</u>
<u>13,289,122</u>	<u>3,920,153</u>	<u>94,644,515</u>	<u>5,838,429</u>
<u>16,220,978</u>	<u>6,536,889</u>	<u>112,409,794</u>	<u>12,746,032</u>
-	12,762	14,172	-
<u>\$ 16,220,978</u>	<u>\$ 6,549,651</u>	<u>\$ 112,423,966</u>	<u>\$ 12,746,032</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Waterworks Fund	Business - Wastewater Treatment Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 132,224	\$ 865,578
Retainage payable	-	437,976
Deposits payable	-	-
Claims payable	-	-
Accrued wages and benefits	54,864	34,156
Compensated absences	147,871	82,428
Accrued interest payable	9,402	255,022
Due to other funds	-	-
Unearned revenue	-	-
Notes payable	-	1,861,589
General obligation bonds	551,042	770,958
Total Current Liabilities	895,403	4,307,707
LONG-TERM LIABILITIES		
Notes payable	-	39,733,244
General obligation bonds	2,796,677	8,234,826
Other postemployment benefits	490,819	178,287
Compensated absences	126,880	70,727
Total Long-term Liabilities	3,414,376	48,217,084
Total Liabilities	4,309,779	52,524,791
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	-	-
Total Deferred Inflows of Resources	-	-
Total Liabilities and Deferred Inflows of Resources	4,309,779	52,524,791
NET POSITION		
Net investment in capital assets	8,739,278	17,442,236
Unrestricted	595,190	6,042,063
Total Net Position	9,334,468	23,484,299
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 13,644,247	\$ 76,009,090

See notes to financial statements.

type Activities - Enterprise Funds			
Park and Recreation Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 90,685	\$ 57,679	\$ 1,146,166	\$ 448,193
-	-	437,976	-
180	-	180	-
-	-	-	751,343
58,302	16,290	163,612	59,906
222,301	34,380	486,980	186,197
6,313	659	271,396	4,894
-	62,852	62,852	932,270
230,604	-	230,604	-
-	-	1,861,589	-
260,000	40,000	1,622,000	116,667
<u>868,385</u>	<u>211,860</u>	<u>6,283,355</u>	<u>2,499,470</u>
-	-	39,733,244	-
1,821,119	589,464	13,442,086	1,551,667
439,133	106,645	1,214,884	-
190,745	29,500	417,852	159,765
<u>2,450,997</u>	<u>725,609</u>	<u>54,808,066</u>	<u>1,711,432</u>
<u>3,319,382</u>	<u>937,469</u>	<u>61,091,421</u>	<u>4,210,902</u>
1,744,635	-	1,744,635	-
<u>1,744,635</u>	<u>-</u>	<u>1,744,635</u>	<u>-</u>
<u>5,064,017</u>	<u>937,469</u>	<u>62,836,056</u>	<u>4,210,902</u>
11,208,003	2,035,403	39,424,920	4,170,095
(51,042)	3,576,779	10,162,990	4,365,035
<u>11,156,961</u>	<u>5,612,182</u>	<u>49,587,910</u>	<u>8,535,130</u>
<u>\$ 16,220,978</u>	<u>\$ 6,549,651</u>	<u>\$ 112,423,966</u>	<u>\$ 12,746,032</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
RECONCILIATION OF ENTERPRISE FUNDS NET POSITION TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Exhibit 5-1

Total enterprise funds net position	\$ 49,587,910
Amounts reported for enterprise activities in the statement of net position are different because:	
Adjustment to reflect the consolidation of the Hydro-Electric Plant Internal Service Fund activities which are related solely to business-type activities	<u>232,461</u>
Net position of business-type activities	<u><u>\$ 49,820,371</u></u>

See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES FUND IN NET POSITION
PROPRIETARY FUNDS
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Waterworks Fund	Business - Wastewater Treatment Fund
OPERATING REVENUES		
Charges for services	\$ 4,376,901	\$ 5,761,821
Sales of merchandise	-	-
Interest	-	-
Other	105,729	148,874
Total Operating Revenues	<u>4,482,630</u>	<u>5,910,695</u>
OPERATING EXPENSES		
Personnel	1,562,792	959,269
Cost of sales	-	-
Supplies	655,149	160,428
Services	1,490,007	1,541,769
Programs	-	-
Provision for uncollectible accounts	27,398	26,596
Depreciation	491,458	423,286
Other	49,306	74,515
Total Operating Expenses	<u>4,276,110</u>	<u>3,185,863</u>
OPERATING INCOME (LOSS)	<u>206,520</u>	<u>2,724,832</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	-	-
Intergovernmental	-	192,571
Contributions	-	-
Interest income	914	4,147
Interest expense	(83,852)	(843,531)
Net Nonoperating Revenues (Expenses)	<u>(82,938)</u>	<u>(646,813)</u>
INCOME BEFORE TRANSFERS	123,582	2,078,019
TRANSFERS FROM OTHER FUNDS	-	104,082
TRANSFERS TO OTHER FUNDS	-	-
CHANGE IN NET POSITION	123,582	2,182,101
NET POSITION, BEGINNING	<u>9,210,886</u>	<u>21,302,198</u>
NET POSITION, ENDING	<u>\$ 9,334,468</u>	<u>\$ 23,484,299</u>

See notes to financial statements.

type Activities - Enterprise Funds

Park and Recreation Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 1,909,435	\$ 1,722,070	\$ 13,770,227	\$ 8,441,992
815,748	116,020	931,768	509
-	32,611	32,611	-
40,382	10,902	305,887	131,368
<u>2,765,565</u>	<u>1,881,603</u>	<u>15,040,493</u>	<u>8,573,869</u>
2,449,414	468,004	5,439,479	1,664,143
193,555	114,416	307,971	220
536,539	84,951	1,437,067	975,522
1,156,407	853,470	5,041,653	5,010,234
2,615	33,065	35,680	-
23	170,517	224,534	-
378,746	129,595	1,423,085	446,013
104,462	4,502	232,785	41,410
<u>4,821,761</u>	<u>1,858,520</u>	<u>14,142,254</u>	<u>8,137,542</u>
(2,056,196)	23,083	898,239	436,327
8,767	-	8,767	-
24,678	-	217,249	73,478
37,138	-	37,138	-
1,716	5,362	12,139	7,219
(63,030)	(23,088)	(1,013,501)	(37,598)
<u>9,269</u>	<u>(17,726)</u>	<u>(738,208)</u>	<u>43,099</u>
(2,046,927)	5,357	160,031	479,426
275,259	-	379,341	107,202
-	-	-	-
<u>(1,771,668)</u>	<u>5,357</u>	<u>539,372</u>	<u>586,628</u>
<u>12,928,629</u>	<u>5,606,825</u>	<u>49,048,538</u>	<u>7,948,502</u>
<u>\$ 11,156,961</u>	<u>\$ 5,612,182</u>	<u>\$ 49,587,910</u>	<u>\$ 8,535,130</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
RECONCILIATION OF THE CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit 6-1

Net change in net position of enterprise funds	\$ 539,372
Amounts reported for proprietary activities in the statement of activities are different because:	
Adjustment to reflect the consolidation of the Hydro-Electric Plant Internal Service Fund activities which are related solely to business-type activities	(2)
	<hr/>
Change in net position of business-type activities	<u>\$ 539,370</u>

See notes to the financial statements

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Business-type		
	Waterworks	Wastewater	Park & Recreation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,486,760	\$ 5,791,027	\$ 2,695,925
Interest received on notes receivable	-	-	-
Cash payments to suppliers for goods and services	(2,293,121)	(2,099,634)	(2,022,231)
Cash payments to employees for services	(1,483,865)	(980,927)	(2,430,258)
Other operating revenue	105,729	148,874	40,382
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	815,503	2,859,340	(1,716,182)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	104,082	275,259
Transfer to other funds	-	-	-
Interfund loan or loan repayments received	-	-	-
Interfund loan or loan repayments (paid)	-	(30,143)	-
Property tax receipts	-	-	1,638,311
Contributions	-	-	37,138
Intergovernmental	-	4,468,065	24,678
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	4,542,004	1,975,386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of property and equipment	(746,999)	(3,512,638)	(149,544)
Proceeds from notes payable	-	1,495,141	-
Payment of general obligation bonds	(529,550)	(758,350)	(255,000)
Payment of notes payables	-	(1,140,337)	-
Interest paid	(125,323)	(1,018,351)	(87,114)
Intergovernmental loan proceeds	-	-	-
Intergovernmental grant proceeds	-	-	371,218
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,401,872)	(4,934,535)	(120,440)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	1,463	2,297	1,652
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(584,906)	2,469,106	140,416
CASH AND CASH EQUIVALENTS, BEGINNING	1,067,531	5,740,197	889,587
CASH AND CASH EQUIVALENTS, ENDING	\$ 482,625	\$ 8,209,303	\$ 1,030,003

 Activities Enterprise Funds

Other Enterprise Funds	Total	Internal Service Funds
\$ 1,778,963	\$ 14,752,675	\$ 8,459,243
32,095	32,095	-
(1,069,891)	(7,484,877)	(6,129,867)
(465,757)	(5,360,807)	(1,647,399)
10,902	305,887	158,141
286,312	2,244,973	840,118
-	379,341	107,202
-	-	-
206,371	206,371	271,894
(368,012)	(398,155)	(185,260)
-	1,638,311	-
-	37,138	-
-	4,492,743	73,718
(161,641)	6,355,749	267,554
(12,880)	(4,422,061)	(127,604)
-	1,495,141	-
(35,000)	(1,577,900)	(116,666)
-	(1,140,337)	-
(14,885)	(1,245,673)	(52,944)
-	-	-
-	371,218	-
(62,765)	(6,519,612)	(297,214)
5,177	10,589	7,560
67,083	2,091,699	818,018
1,738,042	9,435,357	4,770,584
\$ 1,805,125	\$ 11,527,056	\$ 5,588,602

(continued)

CITY OF ROCK ISLAND, ILLINOIS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Business-type		
	Waterworks	Wastewater	Park & Recreation Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 206,520	\$ 2,724,832	\$ (2,056,196)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	491,458	423,286	378,746
Changes in assets and liabilities	-	-	-
(Increase) decrease in receivables	137,257	75,891	17,512
(increase) decrease in inventories	-	-	7,412
(Increase) decrease in assets held for resale	-	-	-
Increase (decrease) in accounts, retainage, deposits, and claims payable	(98,659)	(322,922)	(36,065)
Increase (decrease) in accrued liabilities	78,927	(41,747)	19,156
Increase (decrease) in unearned revenue	-	-	(46,747)
Total Adjustments	608,983	134,508	340,014
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>815,503</u>	<u>2,859,340</u>	<u>(1,716,182)</u>

See notes to financial statements.

Activities Enterprise Funds

Other Enterprise Funds	Total	Internal Service Funds
\$ 23,083	\$ 898,239	\$ 436,327
129,595	1,423,085	446,013
-	-	-
181,726	412,386	43,755
-	7,412	(59,140)
-	-	(239)
20,513	(437,133)	(71,742)
2,247	58,583	45,144
(70,852)	(117,599)	-
263,229	1,346,734	403,791
286,312	2,244,973	840,118

CITY OF ROCK ISLAND, ILLINOIS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2014

Exhibit 8

		<u>Agency Fund</u>
	<u>Pension Trust Funds</u>	<u>Section 125 Cafeteria Plan Fund</u>
ASSETS		
Cash and equivalents	\$ 2,211,066	\$ 2,273
Stocks	29,700,204	-
Taxable bonds	25,263,969	-
Receivables		
Accrued interest	217,278	8
Total Assets	<u>57,392,517</u>	<u>2,281</u>
LIABILITIES		
Outstanding checks in excess of bank balance	3,207,224	-
Accounts payable	21,614	2,281
Total Liabilities	<u>3,228,838</u>	<u>2,281</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 54,163,679</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit 9

	Pension Trust Funds
ADDITIONS	
Contributions	
Plan members	\$ 708,445
Employer	4,607,488
Total Contributions	<u>5,315,933</u>
Net investment income	
Net increase in fair value of investments	1,095,131
Interest	1,018,652
Net Investment Income	<u>2,113,783</u>
Total Additions	<u>7,429,716</u>
DEDUCTIONS	
Benefits	6,426,663
Administrative expenses	79,461
Total Deductions	<u>6,506,124</u>
CHANGE IN NET POSITIONS HELD IN TRUST FOR PENSION BENEFITS	923,592
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING, AS RESTATED	<u>53,240,087</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	<u>\$ 54,163,679</u>

See notes to financial statements



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Rock Island, Illinois, provides public safety (police and fire), streets, cultural-recreation, public improvements, and planning and zoning services. The City also operates municipal water, wastewater, recreation, stormwater, marina, and parking systems/facilities. The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as applicable to governmental units.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City of Rock Island, Illinois, is a municipal corporation governed by a City Council, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and it has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

Discretely Presented Component Units

The City is considered to be financially accountable for the Martin Luther King Center (Center). The Center has a December 31 year-end and accounts for revenues and expenditures of various programs including the Department of Alcohol and Substance Abuse Program. The Center changed the fiscal year end from March 31 to December 31 effective April 1, 2014. Therefore, the financial transactions reported are for the nine month period of April 1, 2014 through December 31, 2014. The Center meets the component unit criteria because a voting majority of the Center's governing board is appointed by the City, and the Center is fiscally dependent on the City as the City has the authority to determine the Center's budget and approve and modify the budget. The Center is considered a discretely presented component unit as the two Boards are not substantially the same and the services provided by the Center are not entirely for the benefit of the City. Complete financial statements for the component unit may be obtained at the City of Rock Island, 1528 Third Avenue, Rock Island, Illinois 61201.

The Rock Island Public Library Foundation (Foundation) is a legally separate, tax-exempt component unit of the City. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the City in support of its Library. The board of the Foundation is self-perpetuating. Although the City does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the City's Library by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the City's Library, the Foundation is considered a component unit of the City and is discretely presented in the City's financial statements. The Foundation has a December 31 year-end. During the year ended December 31, 2014, the Foundation distributed \$49,883 to the City. The Foundation is presented as an enterprise fund type. Complete financial statements for the Foundation can be obtained from the Foundation Office at 401 19th Street, Rock Island, Illinois 61201.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and

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intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for service. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.

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 City 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 or matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt are reported as other financing sources.

Property taxes are recorded as receivables and deferred inflows of resources at the levy date and recognized as revenues in the succeeding year when services financed by the levy are provided. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after the end of the fiscal period. Income and other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

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.

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The *Public Library Fund* accounts for monies from contributions, grants, and a tax levy restricted to services related to the operation of the City Library.

The *Tax Increment Financing District Fund* accounts for monies from the state of Illinois to be applied to specific areas for rehabilitation of property.

The *Riverboat Gaming Fund* accounts for revenue and expenditures from riverboat gaming.

The *Community/Economic Development Fund* accounts for contributions and grants which support outside agencies and special economic development activities.

The *Capital Projects Fund* is used to account for the accumulation of resources for, and the payment of, acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs.

The City reports the following major proprietary funds:

The *Waterworks Fund* accounts for the revenue and expenses of the department responsible for providing a safe potable water supply and an adequate water supply for fire protection, domestic usage, and industrial usage.

The *Wastewater Treatment Fund* accounts for the revenue and expenses of the department responsible for maintaining a dependable system for collecting and treating the wastewater of the City.

The *Park and Recreation Fund* accounts for revenue and expenses associated with operating the recreation programs, park programs, fitness center, and golf courses of the City.

Additionally, the City reports the following fund types:

Internal service funds are used to account for goods and services provided by one department to other departments of the City on a cost-reimbursement basis. These goods and services include equipment maintenance, engineering, self-insurance, employee health benefits, and hydro-electricity.

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has two pension trust funds. Following are the City's fiduciary fund types:

Pension trust funds are those covering pension and retirement trust funds whose principal and income may be expended.

Agency funds function primarily as a clearing mechanism for Section 125 cafeteria plan which are collected by the City, held as such for a brief period, and then disbursed to the authorized recipient.

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

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*. Likewise, general revenues include all taxes.

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 City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

The Rock Island Public Library Foundation is a private nonprofit organization that reports under provisions of FASB Accounting Standards Codification Topic ASC 958-205. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the City's financial reporting entity for these differences.

Significant Accounting Policies

Fiscal Period – On June 10, 2013, the City Council approved the City changing the fiscal year-end from March 31 to December 31 effective April 1, 2014. Therefore, the financial transactions reported are for the nine month period of April 1, 2014 through December 31, 2014.

Cash and Cash Equivalents – For the purpose of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments – Investments are reported at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in four external investment pools not SEC registered, the Illinois Institutional Investors Trust, the Illinois Funds Money Market Fund and the Illinois Municipal Investment Fund 1-3 Year Fund, and the Illinois Municipal Investment Fund – Convenience Fund. The Illinois Funds Money Market Fund is regulated by the State Treasurer's Office. A board of directors provides administrative oversight for the Illinois Institutional Investors Trust and both of the Illinois Municipal Investment Funds. SEC registered investment advisors manage the portfolios of the Illinois institutional Investors Trust and the Illinois Municipal Investment Fund 1-3 Year Fund. The fair value of the positions of the external investment pools are recorded at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Property Taxes – Property taxes receivable represent the 2014 levy which is due and collectible in the December 31, 2015 fiscal year. Property taxes are levied in December and attached as an enforceable lien on the property as of the preceding January 1 and are collectible in June, August, September, and November of the fiscal period following the December tax levy. Because these property taxes are not available until the following fiscal period and are not available for current period operations, they are reported as deferred inflows of resources. An allowance is provided for estimated uncollectible property taxes.

Assets held for Resale – Properties acquired by the City for economic development are recorded at the lower of cost or market value. Therefore, costs incurred which are not recoverable upon resale and permanent declines in market value are charged to expense/expenditure.

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Due To/From Other Funds – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds.” 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 are reported in the government-wide financial statements as “internal balances.”

Inventories – Inventories are stated at cost (first-in, first-out) which approximates market. The consumption method of accounting is applied to the governmental fund type inventories.

Prepaid Expenses – Certain payments to vendors which will benefit future accounting periods are recorded as prepaid expenses in both government-wide and fund financial statements.

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 \$10,000 and an estimated useful life in excess of three years. 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.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	10 to 40
Improvements other than buildings	5 to 40
Machinery and equipment	3 to 20
Waterworks system	5 to 40
Wastewater treatment system	10 to 40
Stormwater system	10 to 40
Bridges and approaches	10 to 67
Marina facilities	10 to 20
Infrastructure	50 to 100
(1969 to present=50 years)	
(before 1969=100 years)	

Compensated Absences – City employees earn vacation and sick leave in varying amounts based upon length of employment with the City. Vacation days accrue up to one and one half of the employees’ yearly vacation rate, and total vested vacation will be paid upon termination of employment. Sick leave accumulates without limit for employees hired prior to February 1992. Employees hired after February 1992 accumulate sick leave up to a maximum of 1,040 hours. Employees terminating employment in good standing after twenty consecutive years of employment will be paid 50% of their total accumulated, or if

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hired after February 1992, the 1,040 hour maximum accrual of sick leave. The accumulated hours as of March 31, 1978, are paid at the employee's hourly rate of pay as of March 31, 1978. The employee's average hourly salary as of March 31 of each year following March 31, 1978, shall be the rate of pay at which sick leave hours accumulated after March 31, 1978, shall be paid.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statement. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current period to the extent it is paid during the period.

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. Bond premiums and discounts and deferred amount on refundings are deferred and amortized over the life of the bonds using a method which approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Self-Insurance – The City is self-insured for workers' compensation, general liability, property, and health benefits. The City's premiums and claims are accounted for in the internal service funds. Premiums are charged by the internal service funds to operating funds based upon historical workers' compensation, general liability, property, and health claims experience. Policy limits for health benefits were eliminated due to federal health reform legislation. The City has stop-loss insurance coverage as follows:

	Losses in Excess of		Policy Limit Per Incident
	Per Incident	Per Year	
General Liability	\$ 100,000	No Coverage	\$ 4,000,000
Property	200,000	No Coverage	131,753,000
Crime:			
Dishonesty	5,000	No Coverage	500,000
Forgery	5,000	No Coverage	500,000
Computer Fraud	5,000	No Coverage	500,000
Moneys & Securities	5,000	No Coverage	500,000
Marina Liability	1,000	No Coverage	1,000,000
Boiler & Machinery (equipment breakdown)	10,000	No Coverage	50,000,000
Liquor Liability	No deductible	No Coverage	1,000,000
Health Benefits	135,000	\$ 3,862,257	Eliminated
Workers' Compensation-police and fire	650,000	Statute	10,000,000
Workers' Compensation-all other	600,000	Statute	10,000,000

The liabilities recognized for the estimated workers' compensation, general liability, property, and health benefit claims represent an estimate of the eventual losses on those claims which arose prior to year-end, including claims incurred but not yet reported, and are classified as claims payable in the internal service and enterprise funds.

Fund Equity – In the fund financial statements, governmental funds report fund balance as follows:

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- Nonspendable: amounts that are either not in spendable form or legally or contractually required to be maintained intact.
- Restricted: amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the City.
- Committed: amounts constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the City that originally created the commitment.
- Assigned: amounts constrained by the City's intent to use them for a specific purpose. It is the City's policy for City Council to delegate the authority to assign fund balance to the Finance Director through the budgetary appropriation.
- Unassigned: any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first followed by assigned funds and then unassigned funds.

It is the goal of the City to maintain a General Fund balance at the end of the fiscal year at a level equal to an amount representing 90 days of budgeted operating expenditures for the following fiscal year. This is reported as part of unassigned fund balance.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge of refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue in the governmental funds balance sheet from three sources: property taxes, special assessments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements and proprietary fund statements, the property tax levy remains a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year they are levied and budgeted for.

Net Position Flow Assumption - Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Net Position - In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes

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unspent bond proceeds. Unspent bond proceeds are \$261,634 in the Waterworks Fund, \$2,431,566 in the Wastewater Treatment Fund, and \$16,625,747 in the Governmental Activities. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of \$588,253 for tax increment financing, \$583,369 for motor fuel taxes, \$1,387,110 for debt service, \$1,514,854 for public library, \$373,527 for drug prevention programs and \$653,581 for other programs. Restricted net position is reported for capital projects of \$666,567 due to bond requirements.

Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – DEFICIT BALANCES

The following individual funds have a fund balance/net position deficit as of December 31, 2014:

Governmental	
Neighborhood Stabilization Fund	\$ 12,470
Martin Luther King Facility Improvement Fund	99,609
Internal Service	
Engineering Fund	1,077,367
Self-Insurance Fund	1,891

NOTE 3 – CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City's funds. A reconciliation of cash, cash equivalents and investments (including fiduciary fund assets) as shown in the financial statements is as follows:

	Primary Government	Discretely Presented Component Units	
		Martin Luther King Center	Rock Island Public Library Foundation
Cash and other deposits including certificates of deposit	\$ 50,287,082	\$ 162,178	\$ 149,811
Investments, primarily pension funds	57,175,239	-	2,170,757
	<u>\$ 107,462,321</u>	<u>\$ 162,178</u>	<u>\$ 2,320,568</u>

	Primary Government	Discretely Presented Component Units	
		Martin Luther King Center	Rock Island Public Library Foundation
Government-wide financial statement of net position, Cash and other deposits and investments	\$ 53,492,033	\$ 162,178	\$ 2,320,568
Statement of fiduciary net position:			
Outstanding checks in excess of bank balance	(3,207,224)	-	-
Cash and investments, pension trust funds	57,177,512	-	-
	<u>\$ 107,462,321</u>	<u>\$ 162,178</u>	<u>\$ 2,320,568</u>

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Authorized investments: The City is authorized to invest in (a) United States governmental and agency obligations, (b) repurchase agreements, (c) short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000, (d) Illinois Funds Money Market Fund, (e) Illinois Metropolitan Investment Fund, and (f) Illinois Institutional Investors Trust. In addition, the City's police and fire pension funds are allowed by state statute to invest in other investment types including insurance annuity contracts and equities.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, maturities of investments of all funds shall not exceed five years and the majority of the funds would normally be invested with a life less than three years. The City's investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that may be reasonably anticipated in any City fund.

Information about the sensitivity of the fair market values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

City of Rock Island Investments (excluding police and fire)	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Illinois Metropolitan Investment Funds (IMET) 20294-101	5,930,527	1,224,851	4,705,677	-	-
Illinois Metropolitan Investment Funds (IMET) 20294-203	154,546	-	154,546	-	-
Illinois Funds Money Market	15,465,965	15,465,965	-	-	-
Illinois Institutional Investment Trust Consolidated 450432	4,339,446	4,339,446	-	-	-
Illinois Institutional Investment Trust Consolidated 450435	332,362	332,362	-	-	-
Illinois Institutional Investment Trust Consolidated 450434	159,949	159,949	-	-	-
American Bank & Trust Money Market Funds	3,958,235	3,958,235	-	-	-
American Bank & Trust Certificates of Deposit	9,000,000	6,000,000	3,000,000	-	-
	<u>39,341,630</u>	<u>31,481,408</u>	<u>7,860,222</u>	<u>-</u>	<u>-</u>

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City of Rock Island may invest in any type of security allowed by law as set out in The Public Funds Investment Act of the State of Illinois. In addition, the investment policy states that the City of Rock Island may invest in short-term obligations of corporations (commercial paper) organized in the United States with assets exceeding \$500,000,000 if 1) such obligations are rated at the time of purchase at the highest classification established by at least two standard rating services and which mature no later than 180 days from the date of purchase, 2) no more than 10 percent of City funds are invested in such obligations at any time, and 3) such purchases do not exceed 10 percent of the City's outstanding obligations.

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As of December 31, 2014, the City's investments were rated as follows:

<u>City of Rock Island Cash Pool</u>	<u>Moody's Investors' Service</u>	<u>Standard & Poor's</u>
IMET 1-3 year fund	Aaa\MR1	Not rated
IMET convenience fund	Not rated	Not rated
Illinois Institutional Investors Trust	Not rated	AAAm
Illinois Funds Money Market	Not rated	AAAm

Concentration of credit risk: The City's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the City to meet all anticipated cash requirements. In order to reduce the risk of default, the investment portfolio of the City shall not exceed the following diversification limits: No financial institution shall hold more than 20 percent of the City of Rock Island's investment portfolio, exclusive of U.S. Treasury securities held in safekeeping unless specifically authorized by Council. Commercial paper shall not exceed 10 percent of the City's investment portfolio. Illinois Public Treasurer's Investment Pool shall not exceed 25 percent of the investment portfolio. As of December 31, 2014, the City holds 26 percent of its investment portfolio in one financial institution and 30 percent of its investment portfolio in Illinois Public Treasurer's Investment Pool. Maturities of investments of the various funds of the City shall be determined to enable the City to have available sufficient cash for all operating purposes. Investments may be purchased with maturities to match future project or liability requirements. However, any investments purchased with a maturity longer than two years must be supported by written documentation explaining the reason for the purchase and must be specifically pre-authorized by the Finance Director. Notwithstanding, no investment in any fund shall have a maturity longer than five years and must be supported by written documentation explaining the reason for the purchase and must be specifically pre-authorized by the Finance Director. The City's investments in the external pools are not subject to concentration of credit risk. The U.S. Government Obligations are explicitly guaranteed by the U.S. Government.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

It is the policy of the City of Rock Island to require that funds on deposit with banks and savings and loans in excess of FDIC or SAIF insurance limits be secured by some form of collateral. The City will accept any of the following assets as collateral: U.S. Government Securities, Obligations of Federal Agencies, Obligations of Federal Instrumentalities, Obligations of the State of Illinois, and Obligations of the City of Rock Island.

The amount of collateral provided will not be less than 110 percent of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly and additional collateral will be requested when the ratio declines below the level required. Pledged collateral will be held by the City of Rock Island or in safekeeping and evidenced by a safekeeping agreement. If collateral is held in safekeeping, it may be held by a third party or by an escrow agent of the pledging institution. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the City of Rock Island. Substitution or exchange of securities held in safekeeping cannot be done without prior approval of the City.

As of December 31, 2014, all of the City's deposits with financial institutions, with the exception of \$1,450,000 of certificates of deposits which were uninsured and uncollateralized, were fully covered by federal depository insurance or secured by some form of collateral authorized by the City's investment policy. The City's investments were not exposed to custodial credit risk.

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Firefighters' Pension Fund

Investment Policy – The Firefighters' Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the Firefighters' Pension Board by a majority vote of its members.

The Firefighters' Pension investment policy requires the investments to be in full compliance with statutes of the state of Illinois and applicable rules and regulations governing the investment of firefighters' pension funds. The trustees realize the importance of a well-defined and managed investment process. The primary investment objectives are:

- Reduce risk of loss of principal
- Achieve asset allocation goal
- Achieve highest possible return
- Maintain a low cost structure
- Achieve the actuarial assumption
- Meet or exceed the median of a universe of comparable managers
- Exceed the return of the appropriate index
- Lower fiduciary liability

Certain short-term investments may be made in order to provide the liquidity to the fund for the purpose of asset allocation, payment of benefits and expenses, and other items deemed necessary by the Firefighters' Pension Board.

The Firefighters' Pension Board established the following portfolio asset allocation guidelines to minimize risk and obtain investment objectives of the fund.

- Cash – 1 percent
- Fixed income – 49 percent
- Equities – 50 percent
 - ✓ Real estate stocks – 5 percent
 - ✓ Emerging markets stocks – 5 percent
 - ✓ International stocks – 10 percent
 - ✓ Small/Mid cap stocks – 13 percent
 - ✓ Large cap growth stocks – 3 percent
 - ✓ Large cap blend stocks – 3 percent
 - ✓ Large cap value stocks – 11 percent

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The fund investment time horizon is three to five years. Risk of fixed income investments shall be equal to the Lehman Brothers Intermediate Bond Index. Risk associated with the total portfolio shall not exceed a weighted beta of 1.00.

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The Firefighters' Pension Fund had the following investments as of December 31, 2014:

Firefighter's Pension Fund	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
	\$ -	\$ -	\$ -	\$ -	\$ -
Illinois Funds					
Money Market Fund	866,116	866,116	-	-	-
Taxable Bonds	10,466,785	2,112,571	5,464,351	2,579,473	310,390
Stocks	12,161,406	-	-	-	-
	<u>\$ 23,494,307</u>	<u>\$ 2,978,687</u>	<u>\$ 5,464,351</u>	<u>\$ 2,579,473</u>	<u>\$ 310,390</u>

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The fund policy limits investments to those authorized by state statutes and applicable rules and regulations governing investment of firefighters' pension funds. The fund policy further follows the same guidelines as discussed under the City's policy. The fund avoids a concentration of credit risk by diversifying its investments by security type as defined by the fund asset allocation policy.

As of December 31, 2014, the Firefighters' Pension investments were rated as follows:

Description	Moody Rating
AT&T INC 5.800 02/15/2019	BAA1
AT T INC 3.900 03/11/2024	BAA1
ABBAY NATL TREASURY SERV 4.000 04/27/2016	A2
AMERICAN CAMPUS CMNTYS 3.750 04/15/2023	BAA3
AMERICAN EXPRESS CO 1.550 05/22/2018	A3
AMERICAN HONDA FINANCE MEDIUM TERM NOTE	A1
AMGEN INC 3.875 11/15/2021	BAA1
ANADARKO PETROLEUM CORP 8.700 03/15/2019	BAA2
ANHEUSER BUSCH INBEV FIN 3.700 02/01/2024	A2
AON CORP 3.500 09/30/2015	BAA2
APPLE INC 2.400 05/03/2023	AA1
ASSURANT INC 2.500 03/15/2018	BAA2
AUTODESK INC 1.950 12/15/2017	BAA2
BB T CORPORATION MEDIUM TERM NOTE	A2
BP CAPITAL MARKETS PLC 3.245 05/06/2022	A2
BNP PARIBAS MEDIUM TERM NOTE	A1
BANK OF AMERICA CORP MEDIUM TERM NOTE	BAA2
BANK OF NY MELLON MEDIUM TERM NOTE	A1
BERKSHIRE HATHAWAY INC 3.750 08/15/2021	AA2
BORGWARNER INC 4.625 09/15/2020	BAA2

CITY OF ROCK ISLAND, ILLINOIS
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BURLINGTN NORTH SANTA FE	3.050	09/01/2022	A3
CF INDUSTRIES INC	3.450	06/01/2023	BAA2
ILLINOIS MONEY MARKET FUND	R I FIREFIGHTERS		
CAPITAL ONE FINANCIAL CO	3.500	06/15/2023	BAA1
CATERPILLAR INC	3.400	05/15/2024	A2
CISCO SYSTEMS INC	2.900	03/04/2021	A1
CITIGROUP INC	4.875	05/07/2015	BAA3
CONOCOPHILLIPS	6.000	01/15/2020	A1
RABOBANK NEDERLAND	MEDIUM TERM NOTE		A2
CREDIT SUISSE	MEDIUM TERM NOTE		BAA2
DEUTSCHE BANK AG LONDON	1.400	02/13/2017	A3
DIAGEO CAPITAL PLC	2.625	04/29/2023	A3
DIGITAL REALT TRUST LP	SER 144A		BAA2
DIRECTV HOLDINGS FING	4.600	02/15/2021	BAA2
DUKE ENERGY CORP	3.550	09/15/2021	A3
EMC CORP	2.650	06/01/2020	A1
EQT CORP	4.875	11/15/2021	BAA3
EBAY INC	2.600	07/15/2022	A2
EXELON GENERATION CO LLC	4.000	10/01/2020	BAA2
F N M A M T N	5.250	09/15/2016	AAA
F N M A DEB	0.875	10/26/2017	AAA
F N M A PARTN CERT	POOL #303876		N/A
F H L M C M T N	2.375	01/13/2022	AAA
FREEPORT MCMORAN C G	3.550	03/01/2022	BAA3
G N M A I I PASS THRU CERT	POOL #008103		N/A
G N M A PASS THRU CERT	POOL #781328		N/A
GENERAL ELEC CAP CORP	MEDIUM TERM NOTE		A1
GILEAD SCIENCES INC	4.400	12/01/2021	A3
HSBC HOLDINGS PLC	5.100	04/05/2021	AA3
HEWLETT PACKARD CO	4.375	09/15/2021	BAA1
INTEL CORP	3.300	10/01/2021	A1
KLA TENCOR CORP	4.125	11/01/2021	BAA2
KINDER MORGAN ENER PART	3.950	09/01/2022	BAA3
MERRILL LYNCH & CO	6.050	05/16/2016	BAA3
MORGAN STANLEY	MEDIUM TERM NOTE		BAA2
NORTHERN TRUST CORP	3.375	08/23/2021	A2
PETROBRAS INTL FIN CO	5.375	01/27/2021	BAA3

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REALTY INCOME CORP	3.250	10/15/2022	BAA1
REINSURANCE GRP OF AMER	6.450	11/15/2019	BAA1
REPUBLIC SERVICES INC	3.800	05/15/2018	BAA3
ROYAL BANK OF CANADA	1.200	09/19/2017	AAA
TEVA PHA FIN IV BV	3.650	11/10/2021	A3
THOMSON REUTERS CORP	3.850	09/29/2024	BAA2
TIME WARNER INC	4.700	01/15/2021	BAA2
TORONTO DOMINION BANK	2.125	07/02/2019	AA1
UNIONBANCAL CORP	3.500	06/18/2022	A3
US BANCORP		MEDIUM TERM NOTE	A2
U S TREASURY BOND	6.250	08/15/2023	AAA
U S TREASURY NOTE	1.500	01/31/2019	AAA
VERIZON COMMUNICATIONS	4.600	04/01/2021	BAA1
VIACOM INC	3.250	03/15/2023	BAA2
WAL MART STORES INC	3.625	07/08/2020	AA2
WEATHERFORD INTL LTD	5.125	09/15/2020	BAA3
WELLS FARGO AND COMPANY		MEDIUM TERM NOTE	A3
WILLIAMS PARTNERS LP	4.125	11/15/2020	BAA2
XCEL ENERGY INC	4.700	05/15/2020	A3
XILINX INC	3.000	03/15/2021	A3
XEROX CORPORATION		SENIOR NOTES	BAA2

The City had no investments held for the Firefighters' Pension Fund in any one issuer that exceeded more than 5 percent of the City's total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investments pools, and other pooled investments are excluded from this risk.

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the fund policy that all investments will be in the name of the City of Rock Island Firefighters' Pension Fund. Investment of the Firefighters' Pension Fund will be held in a designated custodial account. Safekeeping account receipts, including statements from custodial accounts, will be held by the City's finance department.

The deposits and investments held for the Firefighters' Pension Fund were not exposed to custodial credit risk as of December 31, 2014.

Rate of Return- For the year ended December 31, 2014, the annual money-weighted rate of return on firefighter's pension plan investments, net of pension plan investment expense was 3.53 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF ROCK ISLAND, ILLINOIS
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Police Pension Plan

Investment Policy – The Police Pension Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Police Pension Board by a majority vote of its members.

The Police Pension Plan investment policy requires the investments to be in full compliance with statutes of the state of Illinois and applicable rules and regulations governing the investment of police pension funds. The trustees realize the importance of a well-defined and managed investment process. The primary investment objectives are:

- Reduce risk of loss of principal
- Exceed the return of the appropriate index
- Lower fiduciary liability
- Achieve highest possible return
- Maintain a low cost structure
- Achieve asset allocation goal
- Achieve the actuarial assumption
- Meet or exceed the median of a universe of comparable managers

Certain short-term investments may be made in order to provide the liquidity to the fund for the purpose of asset allocation, payment of benefits and expenses, and other items deemed necessary by the Police Pension Board.

The Police Pension Board established the following portfolio asset allocation guidelines to minimize risk and obtain investment objectives of the fund:

- Cash – 1 percent
- Fixed income – 49 percent
- Equities – 50 percent
 - ✓ Real estate stocks – 2 percent
 - ✓ Emerging markets – 3 percent
 - ✓ International stocks – 6 percent
 - ✓ Small/mid cap stocks – 14 percent
 - ✓ Index stocks – 5 percent
 - ✓ Large cap blend stocks – 20 percent

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The fund investment time horizon is three to five years. Risk of fixed income investments shall be approximately equal to the appropriate indexes for the portfolio. Risk associated with the total portfolio shall not exceed a weighted beta of 1.03.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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The Police Pension Fund had the following investments as of December 31, 2014:

Police Pension Fund	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Illinois Funds					
Money Market Fund	\$ 1,344,950	\$ 1,344,950	\$-	\$-	\$-
Taxable Bonds	14,797,184	1,307,971	10,570,950	2,867,208	51,054
Stocks	17,538,798	-	-	-	-
	<u>\$ 33,680,932</u>	<u>\$ 2,652,921</u>	<u>\$ 10,570,950</u>	<u>\$ 2,867,208</u>	<u>\$ 51,054</u>

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The fund policy limits investments to those authorized by state statutes and applicable rules and regulations governing investment of police pension funds. It is the policy of the board to minimize credit risk through diversification by maturity, type (within Illinois pension code guidelines) and institution. The fund policy further follows the same guidelines as discussed under the City's policy. The fund avoids a concentration of credit risk by diversifying its investments by security type as defined by the fund asset allocation policy.

As of December 31, 2014, the Police Pension investments were rated as follows:

Description	Moody Rating
AT&T INC	5.800 02/15/2019 BAA1
ABBEY NATL TREASURY SERV	4.000 04/27/2016 A2
AMERICAN CAMPUS CMNTYS	3.750 04/15/2023 BAA3
AMERICAN EXPRESS CO	1.550 05/22/2018 A3
AMERICAN HONDA FINANCE	MEDIUM TERM NOTE A1
AMGEN INC	3.875 11/15/2021 BAA1
ANADARKO PETROLEUM CORP	8.700 03/15/2019 BAA2
ANHEUSER BUSCH INBEV FIN	3.700 02/01/2024 A2
AON CORP	3.500 09/30/2015 BAA2
APPLE INC	2.400 05/03/2023 AA1
ASSURANT INC	2.500 03/15/2018 BAA2
AUTODESK INC	1.950 12/15/2017 BAA2
BB T CORPORATION	MEDIUM TERM NOTE A2
BP CAPITAL MARKETS PLC	3.245 05/06/2022 A2
BNP PARIBAS	MEDIUM TERM NOTE A1
BANK OF AMERICA CORP	MEDIUM TERM NOTE BAA2
BANK OF NEW YORK MELLON	MEDIUM TERM NOTE A1
BERKSHIRE HATHAWAY INC	3.750 08/15/2021 AA2
BORGWARNER INC	4.625 09/15/2020 BAA2
BURLINGTN NORTH SANTA FE	3.050 09/01/2022 A3
CF INDUSTRIES INC	3.450 06/01/2023 BAA2
ILLINOIS MONEY MARKET FUND	R I FIREFIGHTERS
CAPITAL ONE FINANCIAL CO	3.500 06/15/2023 BAA1
CATERPILLAR INC	3.400 05/15/2024 A2

CITY OF ROCK ISLAND, ILLINOIS
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CISCO SYSTEMS INC	2.900 03/04/2021	A1
CITIGROUP INC	4.875 05/07/2015	BAA3
CONOCOPHILLIPS COMPANY	2.875 11/15/2021	A1
RABOBANK NEDERLAND	MEDIUM TERM NOTE	A2
CREDIT SUISSE	MEDIUM TERM NOTE	BAA2
DEUTSCHE BANK AG LONDON	1.400 02/13/2017	A3
DIAGEO CAPITAL PLC	2.625 04/29/2023	A3
DIGITAL REALT TRUST LP	SER 144A	BAA2
DIRECTV HOLDINGS FING	4.600 02/15/2021	BAA2
DUKE ENERGY CORP	3.550 09/15/2021	A3
EMC CORP	2.650 06/01/2020	A1
EQT CORP	4.875 11/15/2021	BAA3
EBAY INC	2.600 07/15/2022	A2
EXELON GENERATION CO LLC	4.000 10/01/2020	BAA2
F N M A M T N	5.250 09/15/2016	AAA
F N M A DEB	0.875 10/26/2017	AAA
F N M A PARTN CERT	POOL #303913	N/A
F H L M C M T N	2.375 01/13/2022	AAA
FREEMPORT MCMORAN C G	3.550 03/01/2022	BAA3
G N M A I I PASS THRU CERT	POOL #008103	N/A
GENERAL ELEC CAP CORP	MEDIUM TERM NOTE	A1
GILEAD SCIENCES INC	4.400 12/01/2021	A3
HSBC HOLDINGS PLC	5.100 04/05/2021	AA3
HEWLETT PACKARD CO	4.375 09/15/2021	BAA1
INTEL CORP	3.300 10/01/2021	A1
KLA TENCOR CORP	4.125 11/01/2021	BAA2
KINDER MORGAN ENER PART	3.950 09/01/2022	BAA3
MERRILL LYNCH & CO	6.050 05/16/2016	BAA3
MORGAN STANLEY	MEDIUM TERM NOTE	BAA2
NORTHERN TRUST CORP	3.375 08/23/2021	A2
PETROBRAS INTL FIN CO	5.375 01/27/2021	BAA3
REINSURANCE GRP OF AMER	6.450 11/15/2019	BAA1
REPUBLIC SERVICES INC	3.800 05/15/2018	BAA3
ROYAL BANK OF CANADA	1.200 09/19/2017	AAA
TEVA PHA FIN IV BV	3.650 11/10/2021	A3
THOMSON REUTERS CORP	3.850 09/29/2024	BAA2
TIME WARNER INC	4.700 01/15/2021	BAA2
TORONTO DOMINION BANK	2.125 07/02/2019	AA1
UNIONBANCAL CORP	3.500 06/18/2022	A3
US BANCORP	MEDIUM TERM NOTE	A2
U S TREASURY BOND	6.250 08/15/2023	AAA
U S TREASURY NOTE	1.500 01/31/2019	AAA
VERIZON COMMUNICATIONS	4.600 04/01/2021	BAA1
VIACOM INC	3.250 03/15/2023	BAA2
WAL MART STORES INC	3.625 07/08/2020	AA2

CITY OF ROCK ISLAND, ILLINOIS
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WEATHERFORD INTL LTD	5.125 09/15/2020	BAA3
WELLS FARGO AND COMPANY	MEDIUM TERM NOTE	A3
WILLIAMS PARTNERS LP	4.125 11/15/2020	BAA2
XCEL ENERGY INC	4.700 05/15/2020	A3
XILINX INC	3.000 03/15/2021	A3
XEROX CORPORATION	SENIOR NOTES	BAA2

The City had no investments held for the Police Pension Fund in any one issuer that exceeded more than 5 percent of the City's total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investments pools, and other pooled investments are excluded from this risk.

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the fund policy that all investments will be in the name of the City of Rock Island Police Pension Fund. Investment of the Police Pension Fund will be held in a designated custodial account. Safekeeping account receipts, including statements from custodial accounts, will be held by the City's finance department.

The deposits and investments held for the Police Pension Fund were not exposed to custodial credit risk as of December 31, 2014.

The City's investments during the period did not vary substantially from those at the end of the fiscal period in amounts or level of risk.

Rate of Return- For the year ended December 31, 2014, the annual money-weighted rate of return on police pension plan investments, net of pension plan investment expense was 4.36 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Rock Island Public Library Foundation

Management of the Rock Island Public Library Foundation believes the credit risk associated with these stocks, funds, and bonds is minimal.

The Foundation maintains its cash at several financial institutions. It maintains its operating cash balances at one bank and the balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The remaining cash is maintained in money market accounts at various financial institutions and these balances are uninsured. The financial institutions each have a strong credit rating and management believes that credit risk related to cash is minimal.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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The Rock Island Public Library Foundation's investments at fair value as of December 31, 2014, are as follows:

	Fair Value
Current Assets:	
Equity mutual funds	\$ 446,866
Fixed income mutual funds	227,046
Alternative Funds	<u>14,510</u>
Total investments in current assets	<u>688,422</u>
Endowment assets:	
Equity mutual funds	965,823
Fixed income mutual funds	372,418
Private REIT	42,803
Alternative funds	<u>101,291</u>
Total investments in endowment assets	<u>1,482,335</u>
Total Investments	\$ <u>2,170,757</u>

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 99,094	\$ -
TIF	-	475,685
Riverboat Gaming	910,973	-
Community/Economic Development	-	335,755
Nonmajor Governmental Funds	-	370,670
Major Enterprise:		
Wastewater	62,852	-
Nonmajor Enterprise:		
Housing and Community Development Loan	258,677	-
Sunset Marina	-	62,852
Internal Service Funds:		
Equipment Maintenance	-	845,636
Engineering	845,636	-
Hydroelectric Plant	-	86,634
	<u>\$ 2,177,232</u>	<u>\$ 2,177,232</u>

All of the above balances represent short-term loans to cover deficit cash balances at December 31, 2014. All the balances are expected to be repaid within one year.

Transfers are used to move revenues and bond proceeds from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them, or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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Interfund transfers for the period ended December 31, 2014, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 3,303,164	\$ 2,636,266
Library	12,700	3,500
TIF	-	1,255,017
Gaming	-	5,018,053
Community/Economic Development	866,483	-
Capital	3,221,966	933,768
Debt Service	2,800,377	-
Nonmajor Governmental Funds	141,000	985,629
Major Enterprise	-	-
Wastewater	104,082	-
Park	275,259	-
Internal Service Funds		
Equipment Maintenance	3,500	-
Engineering	103,702	-
	<u>\$ 10,832,233</u>	<u>\$ 10,832,233</u>

NOTE 5 – NOTES RECEIVABLE – GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS

As of December 31, 2014, the Governmental Funds and Enterprise Funds had the following notes receivable:

Notes issued to businesses with maturities typically at 5 years; interest on notes typically at 4%	\$ 2,191,387
Less allowance for uncollectible amounts	<u>(1,390,596)</u>
Total governmental funds	<u>\$ 800,791</u>

Enterprise Funds:

Notes issued to businesses with maturities typically at 5 years; interest on notes typically at 4%	2,125,745
Notes issued to residents with maturities ranging from 1 to 10 years; interest on notes ranging from 3% to 5%, collateralized by first or second mortgages on the borrowers' residences.	374,395
Notes issued to residents with no principal repayment due until the property is sold; 0% interest; collateralized by first or second mortgages on the borrowers' residences.	629,238
Less allowance for uncollectible amounts	<u>(1,672,115)</u>
Total enterprise funds	<u>\$ 1,457,263</u>
Total notes receivable	<u>\$ 2,258,055</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the period ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 7,830,011	\$ -	\$ -	\$ 7,830,011
Construction in Progress	6,753,936	5,972,750	5,152,801	7,573,885
Total Capital Assets Not Being Depreciated:	14,583,947	5,972,750	5,152,801	15,403,896
Capital Assets Being Depreciated:				
Buildings and Improvements	26,697,539	-	-	26,697,539
Machinery and Equipment	12,956,085	402,599	-	13,358,684
Infrastructure	66,696,940	5,545,536	515,991	71,726,485
Total Capital Assets Being Depreciated	106,350,564	5,948,135	515,991	111,782,708
Less Accumulated Depreciation:				
Buildings and Improvements	9,690,641	478,878	-	10,169,519
Machinery and Equipment	7,321,346	511,415	-	7,832,761
Infrastructure	33,034,030	986,812	488,481	33,532,361
Total Accumulated Depreciation	50,046,017	1,977,105	488,481	51,534,641
Total Capital Assets Being Depreciated, Net	56,304,547	3,971,030	27,510	60,248,067
Governmental Activities Capital Assets, Net	\$ 70,888,494	\$ 9,943,780	\$ 5,180,311	\$ 75,651,963
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,586,476	\$ -	\$ -	\$ 1,586,476
Construction in Progress	52,038,092	5,219,293	1,848,611	55,408,774
Total Capital Assets Not Being Depreciated:	53,624,568	5,219,293	1,848,611	56,995,250
Capital Assets Being Depreciated:				
Buildings and Improvements	19,069,601	-	-	19,069,601
Machinery and Equipment	3,073,215	134,391	11,400	3,196,206
Infrastructure	79,221,311	916,987	-	80,138,298
Total Capital Assets Being Depreciated	101,364,127	1,051,378	11,400	102,404,105
Less Accumulated Depreciation:				
Buildings and Improvements	6,539,602	335,254	-	6,874,856
Machinery and Equipment	2,334,920	58,246	11,400	2,381,766
Infrastructure	53,707,562	1,073,735	-	54,781,297
Total Accumulated Depreciation	62,582,084	1,467,235	11,400	64,037,919
Total Capital Assets Being Depreciated, Net	38,782,043	(415,857)	-	38,366,186
Business-type Activities Capital Assets, Net	\$ 92,406,611	\$ 4,803,436	\$ 1,848,611	\$ 95,361,436

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Governmental activities	
General Government	\$ 383,093
Police and fire	36,920
Highways and streets, including depreciation of general infrastructure assets	906,821
Libraries	83,212
Parks and recreation	165,196
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>401,863</u>
Total depreciation expense - governmental activities	<u>\$ 1,977,105</u>
Business-type activities	
Waterworks	\$ 491,458
Wastewater treatment	423,286
Parks and recreation	378,746
Stormwater	93,753
Sunset Marina	35,842
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>44,150</u>
Total depreciation expense - business-type activities	<u>\$ 1,467,235</u>

NOTE 7 – LONG-TERM DEBT

General obligation bonds outstanding as of December 31, 2014, consist of the following individual issues:

	Total	Governmental Activities	Business-Type Activities
\$2,655,000, 2005 refunding, Rock Island Fitness and Activity Center (\$129,887) wastewater (\$2,299,631), special assessments (\$225,483) due in annual installments of \$150,000 to \$325,000 through December 1, 2019, interest at 3.50% to 3.75%.	\$ 1,005,000	\$ -	\$ 1,005,000
\$4,885,000 2007 special assessments (\$1,330,000), wastewater treatment (\$3,555,000) due in annual installments of \$175,000 to \$250,000 through December 1, 2026; interest at 3.62% to 4.10%.	2,750,000	305,000	2,445,000
\$3,480,000 2008A general obligation bonds for the MLK Center expansion (\$1,015,000), software (\$440,000), special assessment street improvements (\$350,000) and hydroelectric plant improvements (\$1,675,000), due in annual installments of \$100,000 to \$295,000 to December 1, 2028.	1,900,000	605,000	1,295,000
\$2,640,000 2008B general obligation bonds, for construction of the First Avenue sewer and Armory Park, due in annual installments of \$160,000 to \$250,000 to December 1, 2021.	1,580,000	932,200	647,800
\$700,000 2008C clean renewable energy general obligations for hydroelectric plant improvements, due in annual installments of \$46,667 to December 15, 2022.	373,334	-	373,334

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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\$3,060,000 2008D general obligation bonds for construction of Armory Park, due in annual installments of \$180,000 to \$310,000 to December 1, 2021.	1,880,000	1,880,000	-
\$5,440,000 2009A general obligation bonds for construction of Armory Park due in annual; installments of \$265,000 to \$565,000 to December 1, 2021.	3,520,000	3,520,000	-
\$3,380,000 2009B general obligation bonds for RIFAC expansion, local street improvements and purchase of land due in annual installments of \$185,000 to \$295,000 to December 1, 2024.	2,125,000	265,000	1,860,000
\$1,440,000 2009C taxable general obligation bonds for Columbia Park redevelopment, including capitalized interest in annual installments of \$0 to \$180,000 to December 1, 2028.	1,440,000	1,440,000	-
\$7,270,000 2010A build america bonds for water system improvements and construction of a new street garage as part of the long-term control plan due in annual installments of \$295,000 to \$475,000 to December 1, 2030.	6,105,000	-	6,105,000
\$3,620,000 2010B general obligation refunding bonds and \$960,000 general obligation bonds for refunding of the 2001 general obligation bonds and new special assessment street improvement projects due in annual installments of \$100,000 to \$730,000 to December 1, 2020.	1,920,000	605,000	1,315,000
\$2,065,000, 2011A refunding bonds (\$1,480,000) for Wastewater Treatment, Sunset Marina, special assessments; and special assessment (\$585,000) for streets; installments of \$260,000 to \$70,000 to December 15, 2021.	1,020,000	430,000	590,000
\$3,890,000, 2012A general obligation bonds for Ridgewood Rd Industrial Park improvements (\$1,505,000), special assessments (\$625,000), refund series 2004 general obligations bonds (\$1,075,000), advance refund a portion of 2010B and 2011A general obligation bonds (\$685,000) due in annual installments of \$560,000 to \$360,000 to December 15, 2032	2,895,000	1,895,000	1,000,000
\$9,625,000, 2013A general obligation bonds for police facility construction (\$9,065,000) and the reconstruction of 23rd Avenue (\$560,000) due in annual installments of \$390,000 to \$640,000 to December 1, 2033.	9,235,000	9,235,000	-
\$1,000,000, 2013B taxable general obligation bonds for the acquisition of property at the intersection of Illinois State Route 92 and Interstate Highway I280 (Riverstone), due in annual installments of \$90,000 to \$115,000 to December 1, 2023.	910,000	910,000	-
\$9,585,000, 2014A general obligation bonds for police facility construction due in annual installments of \$375,000 to \$645,000 to December 1, 2034; interest rate 2.0% to 4.0%.	9,585,000	9,585,000	-
\$15,865,000, 2014B taxable general obligation bonds to refinance outstanding line of credit of the City and fund capitalized interest on the bonds; due in annual installments of \$475,000 to \$1,145,000 to December 1, 2034; interest rate 2.0% to 4.25%.	15,865,000	15,865,000	-
Total	\$ 64,108,334	\$ 47,472,200	\$ 16,636,134

Due to the home rule form of government, the City is not restricted by state law with respect to a legal debt limit.

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

Period Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 2,263,000	\$ 1,619,828	\$ 1,738,667	\$ 629,308
2016	2,785,950	1,604,251	1,815,718	578,544
2017	2,901,850	1,520,958	1,724,817	523,622
2018	2,977,750	1,435,998	1,398,916	469,022
2019	3,028,650	1,347,102	1,223,016	422,490
2020-2024	12,125,000	5,348,641	5,010,000	1,502,373
2025-2029	10,455,000	3,482,716	6,250,000	571,150
2030-2034	10,935,000	1,353,981	475,000	26,125
	<u>\$ 47,472,200</u>	<u>\$ 17,713,475</u>	<u>\$ 16,636,134</u>	<u>\$ 4,722,634</u>

On December 8, 2014, the City of Rock Island, Illinois issued \$9,585,000 of General Obligation Bonds, Series 2014A with an average interest rate of 3.465% and \$15,865,000 of Taxable General Obligation Bonds, Series 2014B with an average interest rate of 3.05%. The Series 2014A bonds were issued to pay a part of the cost of constructing a new police station. The Series 2014B bonds were issued to refinance the outstanding line of credit for the Walmart Development Project.

Long-term liability activity for the period ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds Payable					
General obligation bonds	\$ 24,054,300	\$ 25,450,000	\$ 2,032,100	\$ 47,472,200	\$ 2,263,000
Unamortized discounts	-	(28,013)	-	(28,013)	-
Unamortized premiums	463,774	414,683	28,166	850,291	-
Total bonds payable	<u>24,518,074</u>	<u>25,836,670</u>	<u>2,060,266</u>	<u>48,294,478</u>	<u>2,263,000</u>
Line of credit	12,115,602	2,884,398	15,000,000	-	-
Other postemployment benefits	4,626,623	757,983	-	5,384,606	-
Compensated absences	3,564,435	2,596,960	2,213,658	3,947,737	2,124,673
Net pension obligation	902,656	412,347	753,286	561,717	-
Governmental activities long-term liabilities	<u>\$ 45,727,930</u>	<u>\$ 32,488,358</u>	<u>\$ 20,027,210</u>	<u>\$ 58,188,538</u>	<u>\$ 4,387,673</u>

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Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	\$ 18,330,700	\$ -	\$ 1,694,566	\$ 16,636,134	\$ 1,738,667
Unamortized discounts	-	-	-	-	-
Unamortized premiums	114,729	-	18,443	96,286	-
Total bonds payable	18,445,429	-	1,713,009	\$ 16,732,420	1,738,667
Notes payable	41,240,029	1,495,141	1,140,337	41,594,833	1,861,589
Other postemployment benefits	1,043,867	171,017	-	1,214,884	-
Compensated absences	918,604	501,571	510,239	909,936	489,727
Business-type activities long-term liabilities	\$ 61,647,929	\$ 2,167,729	\$ 3,363,584	\$ 60,452,073	\$ 4,089,983

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds, except for the Hydro-Electric Plant Fund, are included as part of the above totals for governmental activities. At year-end \$345,962 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

The General Fund will liquidate the net pension and other postemployment benefit obligations in future years.

The City has the following loan agreements with the Illinois Environmental Protection Agency (IEPA):

- \$532,456 approved October 24, 2011 for modification of the store/treat basins. The loan interest rate is 1.25%. Loan principal of \$128,879 is forgiven by the IEPA. The City is required to make semi-annual payments of the principal and interest through December 6, 2030. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2015	\$ 19,721	\$ 4,276	\$ 23,997
2016	19,968	4,029	23,997
2017	20,219	3,779	23,998
2018	20,472	3,528	23,997
2019	20,729	3,268	23,997
2020-2024	107,609	12,377	119,986
2025-2029	114,527	5,460	119,987
2030	23,774	223	23,997
	<u>\$ 347,019</u>	<u>\$ 36,937</u>	<u>\$ 383,956</u>

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- \$20,000,000 approved July 25, 2011 for the Mill Street Wastewater Treatment Plant Expansion project. The loan interest rate is 1.25%. Loan principal of \$2,500,000 is forgiven by the IEPA. The City is required to make semi-annual payments of the principal and interest beginning February 1, 2013 through August 1, 2032. The maturity schedule is as follows:

<u>Period Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 818,829	\$ 209,084	\$ 1,027,913
2016	829,097	198,816	1,027,913
2017	839,493	188,420	1,027,913
2018	850,019	177,894	1,027,913
2019	860,678	167,235	1,027,913
2020-2024	4,468,001	671,564	5,139,565
2025-2029	4,755,237	384,327	5,139,565
2030-2033	3,101,273	88,282	3,189,555
	<u>\$ 16,522,627</u>	<u>\$ 2,085,622</u>	<u>\$ 18,608,249</u>

- \$15,000,000 approved August 1, 2012 for the Mill Street Wastewater Treatment Plant Expansion Phase 2 project. The loan interest rate is 2.2950%. The City is required to make semi-annual payments of the principal and interest beginning March 1, 2014 through September 1, 2033. The state has not yet established the repayment period.

<u>Period Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 624,847	\$ 333,637	\$ 958,484
2016	639,270	319,215	958,484
2017	654,025	304,459	958,484
2018	669,121	289,363	958,484
2019	684,565	273,919	958,484
2020-2024	3,667,263	1,125,157	4,792,420
2025-2029	4,110,490	681,931	4,792,421
2030-2034	3,643,302	190,635	3,833,937
	<u>\$ 14,692,883</u>	<u>\$ 3,518,316</u>	<u>\$ 18,211,199</u>

- \$9,961,146 approved September 30, 2013 for the Mill Street Wastewater Treatment Plant Expansion Phase 3 project. The loan interest rate is 1.93%. The City is required to make semi-annual payments of the principal and interest beginning February 6, 2015 through August 6, 2034. The City has drawn \$10,032,304 as of December 31, 2014 which includes capitalized interest and federal funds. The State of Illinois has not yet finalized the repayment schedule and period; however, an interim repayment schedule for a portion of the loan requires principal of \$387,956 and interest of \$179,833 to be paid during the year ending December 31, 2015.
- \$10,941,066 approved September 30, 2014 for the Wastewater Project (L174907). The loan interest rate is 1.995%. The City is required to make semi-annual payments of the principal and interest beginning June 30, 2016 through December 30, 2035. On April 16, 2015 Illinois EPA issued an amendment to provide an additional subsidy (principal forgiveness). This amendment reduced the principal amount to be repaid by \$275,000.

In prior years, the City defeased certain general obligation bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the

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deceased bonds are not included in the City's financial statements. At December 31, 2014, \$385,000 of bonds outstanding are considered deceased.

NOTE 8 – RISK MANAGEMENT

The City has established two internal service funds for self-insurance to meet potential losses from general liability, workers' compensation, property and casualty claims, and medical and other risks. The City carries stop-loss insurance as well.

There has been no significant changes in insurance coverage purchased compared to the prior year. For those exposures covered by insurance policies, settled claims have not exceeded the insurance coverage purchased for each of the past three fiscal periods.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are estimated by considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Changes in the balances of claims payable are as follows:

	Self-Insurance Fund		Employee Health Benefit Fund	
	2015	2014	2015	2014
Unpaid claims, beginning of year	\$ 425,000	\$ 420,000	\$ 239,250	\$ 168,637
Incurred claims (including IBNR)	433,040	1,056,752	2,861,777	4,284,810
Claim payments/settlements	(404,640)	(1,051,752)	(2,803,084)	(4,214,197)
Unpaid claims, end of year	\$ 453,400	\$ 425,000	\$ 297,943	\$ 239,250

Each participating fund makes payments to the self-insurance fund for amounts which are determined based on historical claims experience. Such payments are displayed on the financial statements as revenues and expenditures/expenses.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. The plan does not issue a stand-alone financial report. There are 327 active and 207 retired members in the Plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with CVS Pharmacy. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the period ended December 31, 2014, the amount actually contributed to the Plan and changes in the City's net OPEB obligation:

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Annual Required Contribution	\$ 1,421,000
Interest on net OPEB obligation	127,600
Adjustment to annual required contribution	<u>(88,500)</u>
Annual OPEB Cost	1,460,100
Contributions made	<u>531,100</u>
Increase in net OPEB obligation	929,000
Net OPEB obligation, beginning of the year	<u>5,670,490</u>
Net OPEB obligation, end of year	<u>\$ 6,599,490</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as April 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the period ended December 31, 2014.

For the period ended December 31, 2014, the City contributed \$531,100 to the medical plan. Plan members eligible for benefits contributed \$1,331,823 or 33% of the premium and claims costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of December 31, 2014, are summarized as follows:

Period Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 1,460,100	36.4%	\$ 6,599,490
March 31, 2014	\$ 1,917,778	33.8%	\$ 5,670,490
March 31, 2013	\$ 1,626,888	43.5%	\$ 4,461,024

Funded Status and Funding Progress – As of March 31, 2013, the most recent actuarial valuation date for the period April 1, 2014 through December 31, 2014, the actuarial accrued liability was \$24,781,731, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,781,731. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$24,158,513 and the ratio of the UAAL to covered payroll was 103%. As of December 31, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by the employer and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of

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benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the March 31, 2013, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate medical trend rate. The investment return of 4.0 percent inflation includes a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of pay on an open basis over 30 years.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Plan Descriptions and Provisions

Illinois Municipal Retirement – The City's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement and disability benefits, post retirement increases and death benefits to plan members and beneficiaries. The City's plan is affiliated with IMRF an agent multiple-employer pension plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2014 was 12.36 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF board of Trustees, while the supplemental retirement benefits rate is set by statute.

For December 31, 2014, the City's actual contributions for pension cost were \$1,662,929. The required contribution was \$1,662,929. The required contribution was determined as part of the December 31, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses and direct investment expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Three-Year Trend Information

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 1,662,959	100%	\$ -
12/31/2013	1,665,632	100%	-
12/31/2012	1,531,326	100%	-

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As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 80.05 percent funded. The actuarial accrued liability for benefits was \$43,887,572 and the actuarial value of assets was \$35,131,555, resulting in an underfunded actuarial accrued liability (UAAL) of \$8,756,017. The covered payroll (annual payroll of active employees covered by the plan) was \$13,454,611 and the ratio of the UAAL to the covered payroll was 65 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City has a net pension obligation of \$561,717 incurred during fiscal years March 31, 2011 and 2012 for contributions less than the annual required contribution.

Police Pension Plan

Plan Administration - The City administers the Police Pension Plan, a single-employer defined benefit pension plan that provides pensions for all police sworn personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The Police Pension Plan does not issue a separate stand-alone report. The City accounts for the plan as a Pension Trust Fund.

Management of the Police Pension Plan is vested in the Police Pension Board, which consists of five members consisting of two members appointed by the Mayor, two members elected from the active participants of the plan, and one member elected by and from the beneficiaries.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Membership – At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members and beneficiaries currently receiving benefits	94
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	83
	188

Benefits Provided – The Police Pension Plan provides retirement benefits, as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of credited service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years through 30 years of service to a maximum of 75% of such monthly salary. Employees are entitled to a minimum benefit of \$1,000 per month. Employees with at least eight years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased 3% annually. Effective July 1, 1993, the 3% increase is compounded annually.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50 and completion of 10 years of service.

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The employee's accrued benefit is based on the employee's final salary. Final salary is the salary attached to the rank held on the last day of service, or one year prior to the last date, whichever is greater. Final average salary is the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Salary will not exceed \$106,800 adjusted from January 1, 2011 with the lesser of 3 percent and 50 percent of the CPI on November 1.

For employees hired prior to January 1, 2011 who died in the line of duty, a death benefit equal to 100% of the final salary is provided to the survivor. For an employee who did not die in the line of duty, a benefit equal 100% of the accrued pension is paid to the survivor if 20 years of service was completed or 50% of the final salary if more than 10 years but less than 20 years of service is completed.

For employees hired after or on January 1, 2011 who died in the line of duty, a benefit equal to 100% of the final salary is provided to the survivor. For a participant who did not die in the line of duty, a benefit equal to 100% of the accrued pension is paid to the survivor.

Disability benefits are equal to the greater of 65% of the final salary or accrued pension if the participant is disabled in the line of duty or equal to 50% of the final salary if the participant did not become disabled in the line of duty.

A plan member who leaves City service with less than 20 years of service may withdraw his or her contributions without accumulated interest.

Contributions – Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan as established in 40 ILCS 5, Article 3 of the Illinois Compiled Statutes. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Net Pension Liability of the City – The components of the net pension liability of the City at December 31, 2014 were as follows:

Total pension liability	\$ 75,018,634
Plan fiduciary net position	(32,297,777)
City's net pension liability	<u>\$ 42,720,857</u>

Plan fiduciary net position as a percentage of the total pension liability 43.0%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the entry age method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases, including inflation	5.0 percent
Investment rate of return, including inflation, and net of investment expense	7.5 percent

Mortality rates were based on RP-2000 Mortality Table with a blue collar adjustment. Mortality of disabled lives were based on RP-2000 Disabled Table. The actuarial valuation assumptions included ad-hoc cost of living increases of 3.0% for those hired prior to January 1, 2011 and 1.25% for those hired after January 1, 2011.

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An actuarial experience study was provided September 26, 2012 to the Department of Insurance reflecting experience for the years 2004-2011 from numerous funds valued by the Department of Insurance including the City.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Real Estate	2.0 %	4.1 %
Emerging Markets	3.0 %	6.0 %
International	6.0 %	5.5 %
Small Mid Value	14.0 %	5.3 %
Blend	5.0 %	5.3 %
Large Value	20.0 %	5.3 %
Fixed Income	49.0 %	3.2 %
Cash	1.0 %	0.0 %
Total	<u>100.0 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 51,727,367	\$ 42,720,857	\$ 34,687,420

Annual Pension Cost and Net Pension Obligation – Plan member contributions are recognized in the period in which the contributions are due. The City's annual pension cost and net pension obligation to the Police Pension Plan for the current year were as follows:

Annual required contribution	\$ 1,815,432
Interest on net position obligation	12,549
Adjustments to annual required contribution	(8,184)
Annual pension cost	<u>1,819,797</u>
Annual contributions made	<u>2,421,323</u>
Change in net pension obligation	(601,526)
Net pension obligation, beginning of year	222,526
Net pension obligation (asset), end of year	<u>\$ (379,000)</u>

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The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the entry age normal cost funding method. The actuarial assumption included (a) 7.5% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) included an inflation component of 3% and post-retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a closed period, level percentage of payroll. The remaining amortization period as of December 31, 2014 was 25 years.

Fiscal Year Ended	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
December 31, 2014	\$ 1,819,797	\$ 133.4 %	\$ (379,000)
March 31, 2014	2,425,849	99.9 %	222,526
March 31, 2013	2,176,381	99.9 %	218,000

As of December 31, 2014, the most recent actuarial valuation date, the Police Pension Plan was 46.6 percent funded. The actuarial accrued liability for benefits was \$75,018,634 and the actuarial value of assets was \$34,981,353, resulting in an underfunded actuarial accrued liability (UAAL) of \$40,037,281. The covered payroll (annual payroll of active employees covered by the plan) was \$5,906,654 and the ratio of the UAAL to the covered payroll was 677.8 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Police Pension Plan's statement of net position is as follows:

Police Pension Fund	
ASSETS	
Cash and equivalents	\$ 1,344,950
Investments	
Stocks	17,538,798
Taxable Bonds	14,797,184
Receivables	
Accrued interest	129,920
Total Assets	<u>33,810,852</u>
LIABILITIES	
Outstanding checks in excess of bank balance	1,502,953
Accounts payable	10,122
Total Liabilities	<u>1,513,075</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 32,297,777</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
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The Police Pension Plan's statement of changes in net position is as follows:

ADDITIONS	
Contributions	
Plan members	\$ 419,739
Employer	<u>2,421,323</u>
Total Contributions	<u>2,841,062</u>
Net investment income	
Net increase in fair value of investments	727,054
Interest	<u>596,051</u>
Net Investment Income	<u>1,323,105</u>
Total Additions	<u>4,164,167</u>
DEDUCTIONS	
Benefits	3,238,767
Administrative expenses	<u>37,119</u>
Total Deductions	<u>3,275,886</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
	888,281
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING, AS RESTATED	
	<u>31,409,496</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	
	<u>\$ 32,297,777</u>

Firefighter Pension Plan

Plan Administration - The City administers the Firefighter Pension Plan, a single-employer defined benefit pension plan that provides pensions for all Firefighter sworn personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The Firefighter Pension Plan does not issue a separate stand-alone report. The City accounts for the plan as a Pension Trust Fund.

Management of the Firefighter Pension Plan is vested in the Firefighter Pension Board, which consists of five members consisting of two members appointed by the Mayor, two members elected from the active participants of the plan, and one member elected by and from the beneficiaries.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Plan Membership – At December 31, 2014, pension plan membership consisted of the following:

Inactive plan members and beneficiaries currently receiving benefits	88
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	58
	<u>149</u>

Benefits Provided – The Firefighter Pension Plan provides retirement benefits, as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of credited service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month of service over 20 years through 30 years of service to a maximum of 75% of such monthly salary. Employees are entitled to a minimum benefit of \$1,159.27 per month. Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased 3% annually.

For employees hired after January 1, 2011, the annual retirement benefit is 2.5% of final average salary for each year of service up to 30 years, to a maximum of 75% of such salary, and the normal retirement age is attainment of age 55 and completion of 10 years of service.

The employee’s accrued benefit is based on the employee’s final salary. Final salary is the salary attached to the rank held on the last day of service, or one year prior to the last date, whichever is greater. Final average salary is the average monthly salary obtained by dividing the total salary of the Firefighter officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Salary will not exceed \$106,800 adjusted from January 1, 2011 with the lessor of 3 percent and 50 percent of the CPI on November 1.

For employees hired prior to January 1, 2011, who died in the line of duty, a death benefit equal to 100% of the final salary is provided to the survivor. For an employee who did not die in the line of duty, a benefit equal 100% of the accrued pension is paid to the survivor if 20 years of service was completed or 54% of the final salary if more than 10 years but less than 20 years of service is completed.

For employees hired after or on January 1, 2011 who died in the line of duty, a benefit equal to 100% of the final salary is provided to the survivor. For a participant who did not die in the line of duty, a benefit equal to 66.67% of the accrued pension is paid to the survivor.

Disability benefits are equal to the greater of 65% of the final salary or accrued pension if the participant is disabled in the line of duty or equal to 50% of the final salary if the participant did not become disabled in the line of duty.

A plan member who leaves City service with less than 20 years of service may withdraw his or her contributions without accumulated interest.

Contributions – Covered employees are required to contribute 9.455% of their base salary to the Firefighter Pension Plan as established in 40 ILCS 5, Article 4 of the Illinois Compiled Statutes. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040, the City’s contributions must accumulate to the point where the past service cost for the Firefighter Pension Plan is fully funded.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Net Pension Liability of the City – The components of the net pension liability of the City at December 31, 2014 were as follows:

Total pension liability	\$ 64,216,278
Plan fiduciary net position	(21,865,902)
City's net pension liability	<u>\$ 42,350,376</u>

Plan fiduciary net position as a percentage of the total pension liability 34.0%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the entry age method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases, including inflation	5.0 percent
Investment rate of return, including inflation, and net of investment expense	7.5 percent

Mortality rates were based on RP-2000 Mortality Table with a blue collar adjustment. Mortality of disabled lives were based on RP-2000 Disabled Table. The actuarial valuation assumptions included ad-hoc cost of living increases of 3.0% for those hired prior to January 1, 2011 and 1.25% for those hired after January 1, 2011.

An actuarial experience study was provided September 26, 2012 to the Department of Insurance reflecting experience for the years 2004-2011 from numerous funds valued by the Department of Insurance including the City.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	49.0 %	3.2 %
U.S. Equity	30.0 %	5.3 %
Non-U.S. Equity	15.0 %	5.7 %
Real Estate	5.0 %	4.1 %
Cash	1.0 %	0.0 %
Total	<u>100.0 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 50,058,355	\$ 42,350,376	\$ 35,472,087

Annual Pension Cost and Net Pension Obligation – Plan member contributions are recognized in the period in which the contributions are due. The City's annual pension cost and net pension obligation to the Firefighter Pension Plan for the current year were as follows:

Annual required contribution	\$ 1,639,307
Interest on net position obligation	6,677
Adjustments to annual required contribution	(4,364)
Annual pension cost	1,641,620
Annual contributions made	2,186,165
Change in net pension obligation	(544,545)
Net pension obligation, beginning of year	118,413
Net pension obligation (asset), end of year	\$ (426,132)

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the entry age normal cost funding method. The actuarial assumption included (a) 7.5% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) included an inflation component of 3% and post-retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a closed period, level percentage of payroll. The remaining amortization period as of December 31, 2014 was 25 years.

Fiscal Year Ended	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
December 31, 2014	\$ 1,641,620	\$ 133.2 %	\$ (426,132)
March 31, 2014	2,188,549	99.9 %	118,413
March 31, 2013	1,981,591	99.9 %	116,029

As of December 31, 2014, the most recent actuarial valuation date, the Firefighter Pension Plan was 38.2 percent funded. The actuarial accrued liability for benefits was \$64,216,278 and the actuarial value of assets was \$24,540,200, resulting in an underfunded actuarial accrued liability (UAAL) of \$39,676,078. The covered payroll (annual payroll of active employees covered by the plan) was \$4,192,671 and the ratio of the UAAL to the covered payroll was 946.3 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Firefighters' Pension Plan's statement of net position is as follows:

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

	<u>Firefighters' Pension Fund</u>
ASSETS	
Cash and equivalents	\$ 866,116
Investments	
Stocks	12,161,406
Taxable Bonds	10,466,785
Receivables	
Accrued interest	87,358
Total Assets	<u>23,581,665</u>
LIABILITIES	
Outstanding checks in excess of bank balance	1,704,271
Accounts payable	11,492
Total Liabilities	<u>1,715,763</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 21,865,902</u>

The Firefighters' Pension Plan's statement of changes in net position is as follows:

ADDITIONS	
Contributions	
Plan members	\$ 288,706
Employer	2,186,165
Total Contributions	<u>2,474,871</u>
Net investment income	
Net increase in fair value of investments	368,077
Interest	422,601
Net Investment Income	<u>790,678</u>
Total Additions	<u>3,265,549</u>
DEDUCTIONS	
Benefits	3,187,896
Administrative expenses	42,342
Total Deductions	<u>3,230,238</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	35,311
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING, AS RESTATED	<u>21,830,591</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	<u>\$ 21,865,902</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(g). The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan holds its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

NOTE 12 – FUND BALANCE REPORTING

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

Components of Fund Balances	General Fund	Debt Service	Capital Projects Fund	Special Revenue	Total
Nonspendable	-	-	-	-	-
Total Nonspendable	-	-	-	-	-
Restricted for:					
Public Safety	319,444	-	-	-	319,444
Library Programs & Projects	-	-	-	1,514,854	1,514,854
TIF Improvements	-	-	-	588,253	588,253
Road Improvements	-	-	-	583,369	583,369
Housing & Community Development	-	-	-	94,445	94,445
Fire Services	-	-	-	176,135	176,135
Federal Programs	-	-	-	31,874	31,874
Drug Enforcement Efforts	-	-	-	373,527	373,527
Community Economic Development	-	-	-	1,255,149	1,255,149
Debt Service Payments	-	1,778,069	-	-	1,778,069
Unspent Bond Proceeds	-	-	15,322,298	-	15,322,298
Total Restricted	319,444	1,778,069	15,322,298	4,617,606	22,037,417
Committed to:					
Capital Improvements & Economic Development	-	-	-	6,742,510	6,742,510
Community Economic Development	-	-	-	6,660,476	6,660,476
Total Committed	-	-	-	13,402,986	13,402,986
Assigned to:					
MLK Community Center	-	-	-	24,462	24,462
Total Assigned	-	-	-	24,462	24,462
Unassigned	11,764,247	-	-	(112,079)	11,652,168
Total Fund Balances	12,083,691	1,778,069	15,322,298	17,932,975	47,117,033

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 13 – DEVELOPMENT, MORTGAGE REVENUE, AND RESIDUAL REVENUE CAPITAL APPRECIATION BONDS

From time to time, the City has issued Industrial 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 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.

As of December 31, 2014, there was one series of Industrial Revenue Bonds outstanding. The original issue amounts totaled \$8,650,000 includes refinancing of Series 2004 \$4,160,300 and \$4,489,700 for facility improvements. The aggregate principal amount outstanding was \$8,138,684.

NOTE 14 – COMMITMENTS AND CONTINGENCY

As of December 31, 2014, the City had the following outstanding commitments related to various development projects. All commitments operate as rebates so that funds are not paid until they are received.

Casino Rock Island – On March 22, 2004, City Council approved a development agreement with the Rock Island Boatworks to develop a \$150 million casino complex at the intersection of Interstate 280 and Illinois Route 92. Under the agreement, the City has created a tax increment finance district and is obligated to rebate to the developer 75% of the increment for TIF eligible improvements to the property. The complex includes a 45,000 square foot casino, a 205 room hotel, a parking structure and surface parking lot and a conference / meeting / theatre center. The total cost of the City's outstanding commitment is estimated to be \$20 million which will be paid using tax increments generated by the development per the development agreement. To date, \$8,241,307 has been reimbursed to the Casino with an estimated \$13 million yet to be paid out.

Property Tax Incentives – The City Council has approved agreements with various entities and residents which provide rebates of a portion of the property taxes as incentive for new construction, rehabilitation, and/or development of property in Rock Island. Estimated outstanding commitment for all projects as of December 31, 2014 is \$371,000.

Riverview Lofts Project – The City Council has approved a development agreement with Riverview Lofts, LLC. The City will pay this development agreement with TIF increment generated by the Blackhawk Commons site. As of December 31, 2014, the amount outstanding on this agreement is \$1,240,000.

Blackhawk Commons Project – The City Council has approved a development agreement with 11th Street Development Partners. The City will pay this development agreement with TIF increment generated by the Blackhawk Commons site. As of December 31, 2014, City Council had committed to \$2,000,000 of TIF payments that had not yet been paid out.

LRC Project – The City Council has approved a development agreement with LRC. The City will pay this development agreement with TIF increment generated by the LRC site within the Columbia Park TIF. As of December 31, 2014, City Council had committed \$200,000 of TIF payments that had not yet been paid out.

Kinseth Hospitality – The City Council has approved a development agreement with Kinseth Hospitality for improvements related to the Holiday Inn. The City will pay this development agreement with TIF increment generated by the Downtown TIF. As of December 31, 2014, City Council had committed \$500,000 of TIF payments that had not yet been paid out.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Circa 21 – The City Council has approved a development agreement with Circa 21. The City will pay this development agreement with TIF increment generated by the Downtown TIF. As of December 31, 2014, the amount outstanding on this agreement is \$100,000.

1st Avenue Corridor Study – The City Council approved the award for Missman, Inc to do a traffic study and preliminary engineering services. The amount outstanding on this contract on December 31, 2014 is \$18,700.

Shady Brook, Phase 1 Resurfacing Project – The City Council approved the bid award for General Asphalt to do the construction for this project. The amount outstanding on this contract on December 31, 2014 is \$368,528.

LTCP - WWTF Project – The City Council approved the bid award for Civil Construction to do the construction for this project. The amount outstanding on this contract on December 31, 2014 is \$790,501.

LTCP – 6th Avenue Relief Sewer Project – The City Council approved the bid award for Brandt Construction to do the construction for this project. The amount outstanding on this contract on December 31, 2014 is \$10,623,395.

Police Facility Construction Project – The City Council approved the bid award for Gilbane Building/Valley Construction to manage the construction of this project. The amount outstanding on this contract on December 31, 2014 is \$15,500,931.

The City has recognized as a liability only that portion of construction contracts representing construction completed through December 31, 2014. The City has additional commitments for signed construction contracts of approximately \$28,644,107 as of December 31, 2014. These commitments will be funded by federal and state grants, cash reserves, and bond proceeds.

The City has agreed to a consent decree issued by the United States Environmental Protection Agency (USEPA) to settle a lawsuit in regard to violations incurred by the City's wastewater treatment system. The provisions of the consent decree required the City to complete numerous improvements to the wastewater system. To identify the improvements needed, the City completed a major planning program called a Long Term Control Plan (LTCP). The LTCP was submitted in June 2006 and was subsequently approved by the U.S. Environmental Protection Agency. The LTCP yielded a USEPA approved construction program intended to enhance the City's ability to treat combined sewerage generated during rainstorms. The City has incurred LTCP costs of \$53,585,485 as of December 31, 2014. All of the construction must be completed by 2018.

NOTE 15 – LITIGATION

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The City adopted the following statement during the year ended December 31, 2014:

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement revised existing guidance for the financial reports of most pension plans. This Statement replaced the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement established accounting and financial reporting standards related to government combinations and disposals of government operations.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*: Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The implementation of GASB Statement No. 67 resulted in a restatement to the net position of the pension trust funds of \$5,364,174, additional note disclosures and required supplementary schedules to the City's financial statements. The implementation of the GASB Statements No. 69 and No. 70 did not have a material impact to the City's financial statements. As of December 31, 2014, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, issued June 2012, will be effective for the City beginning with its year ending December 31, 2015. This Statement* revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68*, issued November 2013, will be effective upon the implementation of GASB Statement No. 68, which for the City is the fiscal year ending December 31, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the City beginning with its year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The City's management has not yet determined the effect these GASB Statements will have on the City's financial statements.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 17 – SUBSEQUENT EVENT

On March 9, 2015, City Council approved a state contract for the City to purchase 20 vehicles for \$680,000 for the City's Police Department.

NOTE 18 – RESTATEMENT

The City changed the fiscal year-end from March 31 to December 31 and implemented GASB Statement No. 67, Financial Reporting for Pension Plans. As a result, net position for the pension trust funds was restated as follows:

	<u>Police Pension</u>	<u>Firefighter's Pension</u>
Beginning Net Position, April 1, 2014	\$34,097,346	\$24,506,915
Restatement	<u>(2,687,850)</u>	<u>(2,676,324)</u>
Net Position, Beginning restated	<u>\$31,409,496</u>	<u>\$21,830,591</u>

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/14*	3/31/13	\$ 0	\$24,781,731	\$24,781,731	0.0%	\$24,158,513	103%
03/31/14	3/31/13	0	24,781,731	24,781,731	0.0%	24,158,513	103%
03/31/13	3/31/13	0	24,781,731	24,781,731	0.0%	24,158,513	103%
03/31/12	3/31/11	0	23,199,368	23,199,368	0.0%	18,206,619	127%
03/31/11	3/31/11	0	23,199,368	23,199,368	0.0%	18,206,619	127%
03/31/10	3/31/09	0	20,109,915	20,109,915	0.0%	18,249,121	110%

*Reflects 9-month fiscal year (04/01/2014 – 12/31/2014)

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 ILLINOIS MUNICIPAL RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/14*	12/31/14	\$35,131,555	\$43,887,572	\$8,756,017	80.05	\$13,454,116	65.1%
03/31/14	12/31/13	\$33,939,155	41,402,642	7,463,487	81.97	13,220,611	56.5
03/31/13	12/31/12	34,620,528	44,103,882	9,483,354	78.50	13,110,671	72.3
03/31/12	12/31/11	35,407,534	45,053,545	9,646,011	78.59	13,430,647	71.8
03/31/11	12/31/10	40,102,870	48,093,457	7,990,587	83.39	13,307,489	60.1
03/31/10	12/31/09	40,298,534	49,148,808	8,850,274	81.99	13,830,645	64.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contributions (ARC) (a)	Total Contributions (b)	Percentage of ARC Contributed (b/a)
12/31/14*	\$ 1,662,929	\$ 1,662,929	100.0%
03/31/14	1,665,797	1,665,797	100.0%
03/31/13	1,531,326	1,531,326	100.0
03/31/12	1,600,933	1,259,794	79.0
03/31/11	1,465,155	1,135,129	77.0
03/31/10	950,165	950,165	100.0

*Reflects 9-month fiscal year (04/01/2014 – 12/31/2014)

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 POLICE PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/14*	01/01/15	\$34,981,353	\$75,018,634	\$40,037,281	46.6%	\$5,906,654	677.8%
03/31/14	04/01/14	34,097,345	71,434,656	37,337,311	47.7	5,787,213	645.2
03/31/13	04/01/13	31,856,007	67,375,623	35,519,616	47.3	5,233,761	678.7
03/31/12	04/01/12	29,548,212	64,782,383	35,234,171	45.9	5,201,289	677.4
03/31/11	04/01/11	29,123,415	62,765,455	33,642,040	46.4	5,113,544	657.9
03/31/10	04/01/10	26,776,063	55,108,039	28,331,976	48.6	5,123,411	553.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contributions (ARC) (a)	Total Contributions (b)	Percentage of ARC Contributed (b/a)
12/31/14*	\$ 1,815,432	\$ 2,421,323	133.4%
3/31/14	2,301,229	2,301,409	100.0
3/31/13	2,170,664	2,171,239	100.0
3/31/12	2,151,993	2,200,492	102.3
3/31/11	2,172,477	2,172,477	100.0
3/31/10	2,161,735	2,161,735	100.0

*Reflects 9-month fiscal year (04/01/2014 – 12/31/2014)

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FIREFIGHTERS' PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/14*	01/01/15	\$24,540,200	\$64,216,278	\$39,676,078	38.2%	4,192,671	946.3%
03/31/14	04/01/14	24,506,914	62,420,544	\$37,913,630	39.3	4,091,845	926.6
03/31/13	04/01/13	23,934,834	54,901,708	30,966,874	43.6	3,992,858	775.6
03/31/12	04/01/12	22,936,386	52,767,379	29,830,993	43.5	3,700,934	806.0
03/31/11	04/01/11	23,318,233	51,909,240	28,591,007	44.9	3,751,608	762.1
03/31/10	04/01/10	22,044,559	46,711,284	24,666,725	47.2	3,602,797	684.7

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contributions (ARC) (a)	Total Contributions (b)	Percentage of ARC Contributed (b/a)
12/31/14*	\$ 1,639,307	\$ 2,186,165	133.4%
3/31/14	\$ 2,030,686	\$ 2,030,816	100.0
3/31/13	1,978,545	1,978,959	100.0
3/31/12	2,005,883	\$ 2,006,224	100.0
3/31/11	2,059,308	2,059,308	100.0
3/31/10	2,048,212	2,048,212	100.0

*Reflects 9-month fiscal year (04/01/14 – 12/31/14)

City of Rock Island, Illinois
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Fund
Last 10 fiscal Years**

	December 31, 2014	March 31, 2014*	March 31, 2013*	March 31, 2012*
Total pension liability				
Service cost	\$ 844,175	\$ 1,034,507	\$ 1,001,348	\$ 980,831
Interest	3,974,594	4,994,369	2,701,419	2,295,324
Changes of benefit terms	-	-		
Differences between expected and actual experience	2,003,976	5,745,377	2,156,282	3,140,717
Changes of assumptions	-	(4,011,170)		
Benefit payments, including refunds of member contributions	(3,238,767)	(3,704,050)	(3,265,809)	(4,399,944)
Net change in total pension liability	3,583,978	4,059,033	2,593,240	2,016,928
Total pension liability - beginning	71,434,656	67,375,623	64,782,383	62,765,455
Total pension liability - ending (a)	\$ 75,018,634	\$ 71,434,656	\$ 67,375,623	\$ 64,782,383
Plan fiduciary net position				
Contributions - employer	\$ 2,421,323	\$ 2,301,409	\$ 2,171,239	\$ 2,200,492
Contributions - member	419,739	551,866	539,779	612,742
Net investment income	1,323,105	3,148,443	2,681,624	1,440,890
Benefit payments, including refunds of member contributions	(3,238,767)	(3,704,049)	(3,219,919)	(3,592,941)
Administrative expense	(37,119)	(56,329)	(45,892)	(55,423)
Other	-	-		
Net change in plan fiduciary net position	888,281	2,241,340	2,126,831	605,760
Plan fiduciary net position - beginning	31,409,496	29,168,156	27,041,325	26,435,565
Plan fiduciary net position - ending (b)	\$ 32,297,777	\$ 31,409,496	\$ 29,168,156	\$ 27,041,325
Net pension liability - ending (a)-(b)	\$ 42,720,857	40,025,160	38,207,467	37,741,058
Plan fiduciary net position as a percentage of the total pension liability	43.05%	43.97%	43.29%	41.74%
Covered employee payroll	\$ 5,906,654	\$ 5,787,213	\$ 5,233,761	\$ 5,201,289
Net pension liability as a percentage of covered employee payroll	723.27%	691.61%	730.02%	725.61%

*Fiscal year December 31, 2014 is the first year of GASB Statement No. 67 implementation. Information prior to December 31, 2014 is based on actuarial valuations pre-GASB Statement No. 67.

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

	March 31, 2011*	March 31, 2010*	March 31, 2009*	March 31, 2008*	March 31, 2007*	March 31, 2006*
\$	849,981	\$ 838,625	\$ 798,025	\$ 789,521	\$ 737,735	\$ 722,545
	2,392,818	4,121,974	(2,908,985)	618,224	2,057,645	1,939,631
	7,540,028	369,571	6,826,430	2,487,544	1,996,496	2,592,640
	(3,125,411)	(2,826,501)	(2,651,366)	(2,648,066)	(2,670,998)	(2,485,302)
	7,657,416	2,503,669	2,064,104	1,247,223	2,120,878	2,769,514
	55,108,039	52,604,370	50,540,266	49,293,043	47,172,165	44,402,651
\$	62,765,455	\$ 55,108,039	\$ 52,604,370	\$ 50,540,266	\$ 49,293,043	\$ 47,172,165
\$	2,172,477	\$ 2,161,735	\$ 1,772,107	\$ 1,673,809	\$ 1,587,396	\$ 1,470,326
	506,761	512,192	494,811	528,623	439,026	476,696
	2,392,819	4,121,974	(2,908,984)	617,223	2,057,645	1,939,631
	(3,064,096)	(2,769,984)	(2,618,038)	(2,597,974)	(2,621,665)	(2,446,765)
	(61,316)	(56,517)	(50,291)	(50,090)	(49,333)	(48,577)
	1,946,645	3,969,400	(3,310,395)	171,591	1,413,069	1,391,311
	24,488,920	20,519,520	23,829,915	23,658,324	22,245,255	20,853,944
\$	26,435,565	\$ 24,488,920	\$ 20,519,520	\$ 23,829,915	\$ 23,658,324	\$ 22,245,255
	36,329,890	30,619,119	32,084,850	26,710,351	25,634,719	24,926,910
	42.12%	44.44%	39.01%	47.15%	48.00%	47.16%
\$	5,113,544	\$ 5,123,411	\$ 4,988,969	\$ 4,815,819	\$ 4,708,505	\$ 4,343,655
	710.46%	597.63%	643.12%	554.64%	544.43%	573.87%

City of Rock Island, Illinois
 Required Supplementary Information
 Schedule of Contributions
 Police Pension Fund
 Last 10 fiscal Years**

	December 31, 2014	March 31, 2014	March 31, 2013	March 31, 2012
Actuarially determined contribution	\$ 1,815,432	\$ 2,301,229	\$ 2,170,664	\$ 2,151,993
Contributions in relation to the actuarial determined contribution	2,421,323	2,301,409	2,171,239	2,200,492
Contribution deficiency (excess)	(605,891)	(180)	(575)	(48,499)
Covered employee payroll	\$ 5,906,654	\$ 5,787,213	\$ 5,233,761	\$ 5,201,289
Contribution as a percentage of covered employee payroll	40.99%	39.77%	41.49%	42.31%

Notes to Schedule:

Valuation date:	January 1, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothing method
Inflation	3.00%
Salary increases	5.0% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Mortality	In the 2015 actuarial valuation, assumed life expectancies were based on the RP Mortality Table with a blue collar adjustment

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
\$ 2,172,477	\$ 1,777,057	\$ 1,674,468	\$ 1,674,468	\$ 1,589,374	\$ 1,465,424
2,172,477	1,761,030	1,666,961	1,673,809	1,587,396	1,373,441
-	16,027	7,507	659	1,978	91,983
\$ 5,113,544	\$ 5,123,411	\$ 4,988,969	\$ 4,815,819	\$ 4,708,505	\$ 4,343,655
42.48%	34.37%	33.41%	34.76%	33.71%	31.62%

City of Rock Island, Illinois
 Required Supplementary Information
 Schedule of Investment Returns
 Police Pension Fund
 Last 10 fiscal Years**

	2015	2014	2013	2012
Annual money-weighted rate of return, net of investment expense	4.36%	*	*	*

*Fiscal year December 31, 2014 is the first year of GASB Statement No. 67 implementation.
 Information is not available prior to December 31, 2014.

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

2011

2010

2009

2008

2007

2006

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City of Rock Island, Illinois
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters Pension Fund
Last 10 fiscal Years**

	December 31, 2014	March 31, 2014*	March 31, 2013*	March 31, 2012*
Total pension liability				
Service cost	\$ 713,494	\$ 921,569	\$ 921,569	\$ 857,827
Interest	3,461,630	4,052,348	1,677,168	1,385,909
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	808,506	9,944,374	2,815,174	2,521,295
Changes of assumptions	-	(3,749,536)	-	-
Benefit payments, including refunds of member contributions	(3,187,896)	(3,649,919)	(3,279,582)	(3,906,892)
Net change in total pension liability	1,795,734	7,518,836	2,134,329	858,139
Total pension liability - beginning	62,420,544	54,901,708	52,767,379	51,909,240
Total pension liability - ending (a)	\$ 64,216,278	\$ 62,420,544	\$ 54,901,708	\$ 52,767,379
Plan fiduciary net position				
Contributions - employer	\$ 2,186,165	\$ 2,030,816	\$ 1,978,959	\$ 2,006,224
Contributions - member	288,706	362,361	407,156	347,660
Net investment income	790,678	1,879,283	1,677,168	1,014,149
Benefit payments, including refunds of member contributions	(3,187,896)	(3,649,919)	(3,212,468)	(3,473,289)
Administrative expense	(42,342)	(50,461)	(67,117)	(61,842)
Other	-	-	-	-
Net change in plan fiduciary net position	35,311	572,080	783,698	(167,098)
Plan fiduciary net position - beginning	21,830,591	21,258,511	20,474,813	20,641,911
Plan fiduciary net position - ending (b)	\$ 21,865,902	\$ 21,830,591	\$ 21,258,511	\$ 20,474,813
Net pension liability - ending (a)-(b)	\$ 42,350,376	40,589,953	33,643,197	32,292,566
Plan fiduciary net position as a percentage of the total pension liability	34.05%	34.97%	38.72%	38.80%
Covered employee payroll	\$ 4,192,671	\$ 4,091,845	\$ 3,992,858	\$ 3,700,934
Net pension liability as a percentage of covered employee payroll	1010.10%	991.97%	842.58%	872.55%

*Fiscal year December 31, 2014 is the first year of GASB Statement No. 67 implementation.

Information prior to December 31, 2014 is based on actuarial valuations pre-GASB Statement No. 67.

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

	March 31, 2011*	March 31, 2010*	March 31, 2009*	March 31, 2008*	March 31, 2007*	March 31, 2006*
\$	882,067	\$ 761,109	\$ 764,309	\$ 728,637	\$ 682,869	\$ 683,958
	1,789,442	3,413,816	(2,436,685)	329,029	1,875,172	1,520,483
	-	-	-	-	-	-
	5,778,383	56,195	5,340,710	4,647,273	1,083,725	2,356,933
	-	-	-	-	-	-
	(3,251,936)	(3,151,604)	(2,974,240)	(2,815,978)	(2,582,557)	(2,558,335)
	5,197,956	1,079,516	694,094	2,888,961	1,059,209	2,003,039
	46,711,284	45,631,768	44,937,674	42,048,713	40,989,504	38,986,465
	51,909,240	46,711,284	45,631,768	44,937,674	42,048,713	40,989,504
\$	2,059,308	\$ 2,048,212	\$ 1,732,022	\$ 1,460,772	\$ 1,321,376	\$ 1,324,369
	349,491	347,641	337,829	334,797	299,791	325,351
	1,789,443	3,413,817	(2,436,786)	328,929	1,875,122	1,520,483
	(3,207,049)	(3,077,925)	(2,928,299)	(2,771,108)	(2,535,226)	(2,520,059)
	(44,890)	(73,678)	(53,677)	(44,870)	(47,331)	(46,659)
	-	-	-	-	-	-
	946,303	2,658,067	(3,348,911)	(691,480)	913,732	603,485
	19,695,608	17,037,541	20,386,452	21,077,932	20,164,200	19,560,715
\$	20,641,911	\$ 19,695,608	\$ 17,037,541	\$ 20,386,452	\$ 21,077,932	\$ 20,164,200
	31,267,329	27,015,676	28,594,227	24,551,222	20,970,781	20,825,304
	39.77%	42.16%	37.34%	45.37%	50.13%	49.19%
\$	3,751,608	\$ 3,602,797	\$ 3,577,979	\$ 3,462,194	\$ 3,267,175	\$ 3,289,090
	833.44%	749.85%	799.17%	709.12%	641.86%	633.16%

City of Rock Island, Illinois
 Required Supplementary Information
 Schedule of Contributions
 Firefighters Pension Fund
 Last 10 fiscal Years**

	December 31, 2014	March 31, 2014	March 31, 2013	March 31, 2012
Actuarially determined contribution	\$ 1,639,307	\$ 2,030,686	\$ 1,978,545	\$ 2,005,883
Contributions in relation to the actuarial determined contribution	2,186,165	2,030,816	1,978,959	2,006,224
Contribution deficiency (excess)	\$ (546,858)	\$ (130)	\$ (414)	\$ (341)
Covered employee payroll	\$ 4,192,671	\$ 4,091,845	\$ 3,992,858	\$ 3,700,934
Contribution as a percentage of covered employee payroll	52.14%	49.63%	49.56%	54.21%

Notes to Schedule:

Valuation date:	January 1, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothing method
Inflation	3.00%
Salary increases	5.0% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Mortality	In the 2015 actuarial valuation, assumed life expectancies were based on the RP Mortality Table with a blue collar adjustment

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
\$ 2,059,308	\$ 1,731,523	\$ 1,460,814	\$ 1,460,814	\$ 1,323,388	\$ 1,320,491
2,059,308	1,720,844	1,454,266	1,460,772	1,321,376	1,237,502
\$ -	\$ 10,679	\$ 6,548	\$ 42	\$ 2,012	\$ 82,989
\$ 3,751,608	\$ 3,602,797	\$ 3,577,979	\$ 3,462,194	\$ 3,267,175	\$ 3,289,090
54.89%	47.76%	40.64%	42.19%	40.44%	37.62%

City of Rock Island, Illinois
 Required Supplementary Information
 Schedule of Investment Returns
 Firefighters Pension Fund
 Last 10 fiscal Years**

	December 31, 2014	March 31 2014	March 31 2013	March 31 2012
Annual money-weighted rate of return, net of investment expense	3.53%	*	*	*

*Fiscal year December 31, 2014 is the first year of GASB Statement No. 67 implementation.
 Information is not available prior to December 31, 2014.

**The City changed from a March 31 to a December 31 fiscal period effective April 1, 2014.

March 31 2011	March 31 2010	March 31 2009	March 31 2008	March 31 2007	March 31 2006
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CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Property taxes	\$ 6,898,498	\$ 6,898,498	\$ 6,849,476	\$ (49,022)
Other taxes				
Replacement taxes	2,063,500	2,063,500	1,923,984	(139,516)
Sales taxes	3,746,300	3,746,300	3,896,747	150,447
Use taxes	435,800	435,800	569,064	133,264
Income taxes	2,744,600	2,744,600	2,779,496	34,896
Municipal utility taxes	1,502,500	1,502,500	1,426,617	(75,883)
Gasoline taxes	166,300	166,300	166,268	(32)
Hotel taxes	310,500	310,500	326,542	16,042
Other taxes	2,032,695	2,032,695	1,878,244	(154,451)
Fines and fees	256,675	256,675	212,346	(44,329)
Intergovernmental	35,381	122,482	61,605	(60,877)
Charges for services				
Public safety	647,773	647,773	587,772	(60,001)
Public works	931,500	931,500	947,409	15,909
Ambulance service	2,133,750	2,133,750	2,312,813	179,063
Waterworks department	537,748	537,748	537,748	-
Sunset marina	70,128	70,128	70,128	-
Equipment maintenance department	208,033	208,033	208,033	-
Engineering department	140,918	140,918	140,918	-
Sewer department	312,187	312,187	312,187	-
Stormwater department	202,917	202,917	202,917	-
Other departments	165,271	165,271	175,090	9,819
Interest	18,699	18,699	14,798	(3,901)
Licenses and permits	767,844	767,844	820,117	52,273
Contributions	8,375	115,609	97,488	(18,121)
Other	61,380	61,380	46,578	(14,802)
Total Revenues	<u>26,399,272</u>	<u>26,593,607</u>	<u>26,564,385</u>	<u>(29,222)</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 GENERAL FUND (continued)
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
EXPENDITURES				
Current				
General government				
Mayor and city council	\$ 188,825	\$ 188,825	\$ 164,200	\$ 24,625
General administration	374,678	378,378	289,089	89,289
Personnel	339,138	360,727	362,492	(1,765)
Legal	145,551	123,963	112,448	11,515
Finance and accounting	1,162,445	1,147,024	962,271	184,753
Information technology	1,079,345	1,212,233	1,016,763	195,470
Community development	129,055	129,565	139,814	(10,249)
Planning	267,345	266,995	271,135	(4,140)
Inspection	456,590	456,428	452,804	3,624
Public works administration	424,281	427,189	394,551	32,638
Building	342,476	436,097	416,461	19,636
Other	53,559	53,559	27,117	26,442
Police and fire				
Police	10,051,814	10,136,058	9,521,171	614,887
Fire	8,017,947	8,069,547	7,671,079	398,468
Police and fire commission	15,300	15,300	7,246	8,054
Electrical maintenance	442,130	442,383	406,574	35,809
Municipal vehicle parking system	188,390	164,744	127,269	37,475
Highways and streets	4,036,424	4,179,040	3,556,320	622,720
Refuse disposal	1,420,302	1,509,444	1,450,803	58,641
Capital outlay	76,250	223,454	183,196	40,258
Total Expenditures	<u>29,211,845</u>	<u>29,920,953</u>	<u>27,532,803</u>	<u>2,388,150</u>
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	<u>(2,812,573)</u>	<u>(3,327,346)</u>	<u>(968,418)</u>	<u>2,358,928</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	3,227,074	3,397,318	3,303,164	(94,154)
Transfers to other funds	<u>(414,501)</u>	<u>(422,001)</u>	<u>(2,636,266)</u>	<u>(2,214,265)</u>
Total Other Financing Sources (Uses)	<u>2,812,573</u>	<u>2,975,317</u>	<u>666,898</u>	<u>(2,308,419)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (352,029)</u>	<u>(301,520)</u>	<u>\$ 50,509</u>
FUND BALANCE, BEGINNING			12,385,211	
FUND BALANCE, ENDING			<u>\$ 12,083,691</u>	

See note to required supplementary information

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 PUBLIC LIBRARY FUND
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,970,277	\$ 1,970,277	\$ 1,970,678	\$ 401
Fines and fees	40,110	40,110	34,614	(5,496)
Intergovernmental	199,818	227,773	265,377	37,604
Charges for services	180	293	2,939	2,646
Interest	2,995	2,995	1,823	(1,172)
Contributions	84,375	102,600	85,743	(16,857)
Other	263	150	567	417
Total Revenues	<u>2,298,018</u>	<u>2,344,198</u>	<u>2,361,741</u>	<u>17,543</u>
EXPENDITURES				
Current				
General Government				
Services	23,900	34,340	35,137	(797)
Supplies	17,800	18,846	13,646	5,200
Libraries				
Personnel	1,299,255	1,299,946	1,243,942	56,004
Supplies	71,360	100,340	88,375	11,965
Services	268,806	374,831	296,953	77,878
Other	404,323	320,120	272,420	47,700
Capital outlay	-	1,084	834	250
Total Expenditures	<u>2,085,444</u>	<u>2,149,507</u>	<u>1,951,307</u>	<u>198,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>212,574</u>	<u>194,691</u>	<u>410,434</u>	<u>215,743</u>
Transfers from other funds	<u>17,800</u>	<u>17,800</u>	<u>12,700</u>	<u>(5,100)</u>
Transfers to other funds	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 226,874</u>	<u>\$ 208,991</u>	419,634	<u>\$ 210,643</u>
FUND BALANCE, BEGINNING			1,095,220	
FUND BALANCE, ENDING			<u>\$ 1,514,854</u>	

See note to required supplementary information

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 TIF FUND
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,962,811	\$ 4,793,862	\$ 4,665,246	\$ (128,616)
Interest	120	120	3,070	2,950
Other	-	-	1,350	1,350
Total Revenues	<u>4,962,931</u>	<u>4,793,982</u>	<u>4,669,666</u>	<u>(124,316)</u>
EXPENDITURES				
Current				
General government				
Personnel	103,729	103,729	74,992	28,737
Supplies	300	300	286	14
Services	2,458,890	2,605,508	1,929,128	676,380
Other	1,904,343	1,843,385	1,080,115	763,270
Capital outlay	-	104,000	97,110	6,890
Total Expenditures	<u>4,467,262</u>	<u>4,656,922</u>	<u>3,181,631</u>	<u>1,475,291</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	<u>495,669</u>	<u>137,060</u>	<u>1,488,035</u>	<u>1,350,975</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(1,345,149)</u>	<u>(1,345,149)</u>	<u>(1,255,017)</u>	<u>90,132</u>
Total Other Financing Sources (Uses)	<u>(1,345,149)</u>	<u>(1,345,149)</u>	<u>(1,255,017)</u>	<u>90,132</u>
NET CHANGE IN FUND BALANCE	<u>\$ (849,480)</u>	<u>\$ (1,208,089)</u>	<u>233,018</u>	<u>\$ 1,441,107</u>
FUND BALANCE, BEGINNING			<u>355,235</u>	
FUND BALANCE, ENDING			<u>\$ 588,253</u>	

See note to required supplementary information

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 RIVERBOAT GAMING FUND
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 4,230,000	\$ 4,230,000	\$ 3,738,747	\$ (491,253)
Interest	9,302	9,302	6,460	(2,842)
Total Revenues	<u>4,239,302</u>	<u>4,239,302</u>	<u>3,745,207</u>	<u>(494,095)</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(6,815,505)</u>	<u>(7,277,721)</u>	<u>(5,018,053)</u>	<u>2,259,668</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,576,203)</u>	<u>\$ (3,038,419)</u>	<u>(1,272,846)</u>	<u>\$ 1,765,573</u>
FUND BALANCE, BEGINNING			8,015,356	
FUND BALANCE, ENDING			<u>\$ 6,742,510</u>	

See note to required supplementary information

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 COMMUNITY ECONOMIC/ DEVELOPMENT FUND
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and fees	\$ -	\$ -	\$ 7,380	\$ 7,380
Intergovernmental	84,737	159,737	32,473	(127,264)
Charges for service	98,400	164,776	165,552	776
Interest	6,601	6,601	(660)	(7,261)
Contributions	7,000	7,000	238,266	231,266
Other	10,000	18,948	8,948	(10,000)
Total Revenues	<u>206,738</u>	<u>357,062</u>	<u>451,959</u>	<u>94,897</u>
EXPENDITURES				
Personnel	-	968	957	11
Services	568,197	4,645,773	3,647,582	998,191
Other	498,620	573,378	442,904	130,474
Capital outlay	-	230,182	124,103	106,079
Total Expenditures	<u>1,066,817</u>	<u>5,450,301</u>	<u>4,215,546</u>	<u>1,234,755</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(860,079)	(5,093,239)	(3,763,587)	1,329,652
OTHER FINANCING SOURCES (USES)				
Issuance of loan payable	-	2,884,398	2,884,398	-
Transfers from other funds	978,620	1,124,069	866,483	(257,586)
Transfers to other funds	(4,500,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(3,521,380)</u>	<u>4,008,467</u>	<u>3,750,881</u>	<u>(257,586)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (4,381,459)</u>	<u>\$ (1,084,772)</u>	(12,706)	<u>\$ 1,072,066</u>
FUND BALANCE, BEGINNING			6,673,182	
FUND BALANCE, ENDING			<u>\$ 6,660,476</u>	

See note to required supplementary information

CITY OF ROCK ISLAND, ILLINOIS
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

At least 45 days prior to December 31, the City Manager submits to the City Council a proposed operating budget for the general, special revenue, capital projects, and debt service funds for the fiscal year commencing January 1. The operating budget includes proposed expenditures and transfers to other funds and the means of financing them.

A public hearing is conducted to obtain citizen comments on the proposed budget. Prior to December 31, the budget is legally adopted for the general, special revenue, capital projects, and debt service funds through passage of a budget ordinance by the City Council.

The legal level of budgetary control is at the fund level, but management control is exercised at the department level. In addition, the City Manager may make adjustments between departments and within any departmental budget as it becomes necessary, providing that those revisions do not delete or basically change any activity or program approved by the City Council in the budget ordinance. Any such adjustments shall not cause total expenditures within the budget to exceed the revenue anticipated to finance them unless the City Council approval is obtained. Reported budget amounts represent the adopted budget as adjusted. Due to the City's power as a home rule unit and its ordinance establishing budget policies and procedures, an individual fund's total expenditures and transfers to other funds can exceed the budgeted amount without violating any state laws; however, such budget overages must be approved by the City Manager. Spending and administrative control of expenditures and transfers to other funds is monitored during the year through detailed line items of departmental budgets.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended. Encumbrances are re-appropriated for the following fiscal year.

Budgets are prepared using the same accounting basis and practices used to account for and prepare financial reports for the funds; thus, budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

The following individual funds had actual expenditures exceeding the budgeted amounts for the period April 1, 2014 through December 31, 2014:

	<u>Budget</u>	<u>Actual</u>	<u>Amount Over Budget</u>
Special Revenue			
Martin Luther King Community Center Operations Fund	\$ 179,095	\$ 187,078	\$ 7,983
Debt Service Fund	18,157,813	18,244,142	86,329

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. The City's special revenue funds and their purposes are:

Motor Fuel Tax Fund – Accounts for expenditures related to approved motor fuel tax projects and revenue from the state gasoline tax as collected and distributed by the State of Illinois.

Housing and Community Development Fund – Accounts for revenue and expenditures of the Community Development Block Grant.

Martin Luther King Community Center Operations Fund – Accounts for costs related to the operations of the Martin Luther King Community Center.

Foreign Fire Insurance Fund – Accounts for foreign fire insurance tax monies expended for Fire Department supplies and equipment approved by the Foreign Fire Insurance Committee.

Federal Programs Fund – Accounts for revenue and expenditures from selected federal grant programs.

Drug Prevention Fund – Accounts for revenues and expenditures of funds received under state and federal drug forfeiture laws.

Neighborhood Stabilization Fund – Accounts for revenue and expenditures of the Neighborhood Stabilization Program (NSP) authorized under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008.

Martin Luther King Facility Improvement Fund – Accounts for the costs related to the renovation and expansion of the Martin Luther King Community Center.

Schwiebert Park Boat Dock Fund – Accounts for revenue and expenditures related to the \$1.5 million grant award received from U.S. Fish and Wildlife Service.

Ridgewood Business Park Fund – Accounts for revenue and expenditures related to a \$1.4 million grant award from the U.S. Economic Development Administration to create a small lot business park with access from Ridgewood and Andalusia roads.

CITY OF ROCK ISLAND, ILLINOIS

COMBINING STATEMENT OF BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

			Martin Luther King Community Center Operations Fund	Foreign Fire Insurance Fund	Special Federal Programs Fund
	Motor Fuel Tax Fund	Housing and Community Development Fund			
ASSETS					
Cash and investments	\$ 477,802	\$ -	\$ 35,541	\$ 155,221	\$ 35,544
Receivables, net					
Accrued interest	1,136	-	28	120	28
Due from other governmental agencies	190,599	411,549	-	28,441	-
Total Assets	<u>\$ 669,537</u>	<u>\$ 411,549</u>	<u>\$ 35,569</u>	<u>\$ 183,782</u>	<u>\$ 35,572</u>
LIABILITIES					
Accounts payable	\$ -	\$ 27,882	\$ 5,530	\$ 7,647	\$ -
Interest payable	-	201	-	-	-
Deposits payable	-	-	-	-	-
Accrued wages and benefits	-	11,435	5,577	-	3,698
Due to other funds	-	258,677	-	-	-
Unearned revenue	86,168	-	-	-	-
Total Liabilities	<u>86,168</u>	<u>298,195</u>	<u>11,107</u>	<u>7,647</u>	<u>3,698</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-grants	-	18,909	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>18,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	583,369	94,445	-	176,135	31,874
Committed	-	-	-	-	-
Assigned	-	-	24,462	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>583,369</u>	<u>94,445</u>	<u>24,462</u>	<u>176,135</u>	<u>31,874</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 669,537</u>	<u>\$ 411,549</u>	<u>\$ 35,569</u>	<u>\$ 183,782</u>	<u>\$ 35,572</u>

Revenue Funds

Drug Prevention Fund	Neighborhood Stabilization Fund	Martin Luther King Facility Improvement Fund	Schweibert Park Boat Dock Fund	Ridgewood Business Park Fund	Total Nonmajor Governmental Funds
\$ 395,939	\$ -	\$ -	\$ 31,326	\$ 1,241,412	\$ 2,372,785
307	-	-	24	963	2,606
-	-	-	50,223	-	680,812
<u>\$ 396,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,573</u>	<u>\$ 1,242,375</u>	<u>\$ 3,056,203</u>
\$ 5,933	\$ -	\$ -	\$ 68,799	\$ -	\$ 115,791
-	10	76	-	-	287
14,279	-	-	-	-	14,279
2,507	-	-	-	-	23,217
-	12,460	99,533	-	-	370,670
-	-	-	-	-	86,168
<u>22,719</u>	<u>12,470</u>	<u>99,609</u>	<u>68,799</u>	<u>-</u>	<u>610,412</u>
-	-	-	-	-	18,909
-	-	-	-	-	18,909
373,527	-	-	12,774	1,242,375	2,514,499
-	-	-	-	-	-
-	-	-	-	-	24,462
-	(12,470)	(99,609)	-	-	(112,079)
<u>373,527</u>	<u>(12,470)</u>	<u>(99,609)</u>	<u>12,774</u>	<u>1,242,375</u>	<u>2,426,882</u>
<u>\$ 396,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,573</u>	<u>\$ 1,242,375</u>	<u>\$ 3,056,203</u>

CITY OF ROCK ISLAND, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES (DEFICIT)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Motor Fuel Tax Fund	Housing and Community Development Fund	Martin Luther King Community Center Operations Fund	Foreign Fire Insurance Fund	Special Federal Programs Fund
REVENUES					
Other taxes	\$ 888,666	\$ -	\$ -	\$ 41,426	\$ -
Intergovernmental	-	781,436	-	-	21,132
Charges for services	-	-	9,935	-	-
Interest	1,883	(397)	51	191	38
Contributions	-	-	-	-	-
Total Revenues	<u>890,549</u>	<u>781,039</u>	<u>9,986</u>	<u>41,617</u>	<u>21,170</u>
EXPENDITURES					
Current					
General government	-	608,934	187,078	24,420	738
Capital outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>608,934</u>	<u>187,078</u>	<u>24,420</u>	<u>738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>890,549</u>	<u>172,105</u>	<u>(177,092)</u>	<u>17,197</u>	<u>20,432</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	141,000	-	-
Transfers to other funds	(985,629)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(985,629)</u>	<u>-</u>	<u>141,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(95,080)	172,105	(36,092)	17,197	20,432
FUND BALANCES (DEFICIT), BEGINNING	<u>678,449</u>	<u>(77,660)</u>	<u>60,554</u>	<u>158,938</u>	<u>11,442</u>
FUND BALANCES (DEFICIT), ENDING	<u>\$ 583,369</u>	<u>\$ 94,445</u>	<u>\$ 24,462</u>	<u>\$ 176,135</u>	<u>\$ 31,874</u>

Revenue Funds

Drug Prevention Fund	Neighborhood Stabilization Fund	Martin Luther King Facility Improvement Fund	Schiebert Park Boat Dock Fund	Ridgewood Business Park Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 930,092
-	-	-	157,741	-	960,309
29,861	-	-	-	-	39,796
657	-	149	233	1,701	4,506
-	-	407,000	-	-	407,000
<u>30,518</u>	<u>-</u>	<u>407,149</u>	<u>157,974</u>	<u>1,701</u>	<u>2,341,703</u>
125,401	-	-	-	-	946,571
-	-	-	70,781	11,814	82,595
<u>125,401</u>	<u>-</u>	<u>-</u>	<u>70,781</u>	<u>11,814</u>	<u>1,029,166</u>
<u>(94,883)</u>	<u>-</u>	<u>407,149</u>	<u>87,193</u>	<u>(10,113)</u>	<u>1,312,537</u>
-	-	-	-	-	141,000
-	-	-	-	-	(985,629)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(844,629)</u>
(94,883)	-	407,149	87,193	(10,113)	467,908
468,410	(12,470)	(506,758)	(74,419)	1,252,488	1,958,974
<u>\$ 373,527</u>	<u>\$ (12,470)</u>	<u>\$ (99,609)</u>	<u>\$ 12,774</u>	<u>\$ 1,242,375</u>	<u>\$ 2,426,882</u>

MOTOR FUEL TAX FUND

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

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Other taxes		
Motor fuel taxes	\$ 834,252	\$ 888,666
Interest	574	1,883
Total Revenues	<u>834,826</u>	<u>890,549</u>
EXPENDITURES		
Current		
Total Expenditures	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	834,826	890,549
OTHER FINANCING USES		
Transfers to other funds	<u>(985,629)</u>	<u>(985,629)</u>
NET CHANGE IN FUND BALANCE	<u>(150,803)</u>	(95,080)
FUND BALANCE, BEGINNING		<u>678,449</u>
FUND BALANCE, ENDING		<u>\$ 583,369</u>

HOUSING AND COMMUNITY DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget	Actual
REVENUES		
Intergovernmental	\$ 1,177,366	\$ 781,436
Interest	120	(397)
Total Revenues	<u>1,177,486</u>	<u>781,039</u>
EXPENDITURES		
Current		
General government		
Personnel	446,945	444,403
Supplies	4,506	3,251
Services	321,449	84,860
Other	2,475	76,420
Capital outlay	281,082	-
Total Expenditures	<u>1,056,457</u>	<u>608,934</u>
EXCESS OF REVENUES OVER EXPENDITURES	121,029	172,105
OTHER FINANCING USES		
Transfers to other funds	<u>(120,909)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>120</u>	172,105
FUND BALANCE (DEFICIT), BEGINNING		(77,660)
FUND BALANCE, ENDING		<u>\$ 94,445</u>

CITY OF ROCK ISLAND, ILLINOIS
MARTIN LUTHER KING COMMUNITY CENTER OPERATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-3

	Budget	Actual
REVENUES		
Charges for services	\$ 11,250	\$ 9,935
Interest	147	51
Total Revenues	<u>11,397</u>	<u>9,986</u>
EXPENDITURES		
Current		
General government		
Personnel	137,093	145,985
Supplies	1,701	1,649
Services	40,301	39,444
Total Expenditures	<u>179,095</u>	<u>187,078</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(167,698)</u>	<u>(177,092)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	167,319	141,000
Total Other Financing Sources (Uses)	<u>167,319</u>	<u>141,000</u>
NET CHANGE IN FUND BALANCE	<u>(379)</u>	(36,092)
FUND BALANCE, BEGINNING		60,554
FUND BALANCE, ENDING		<u>\$ 24,462</u>

CITY OF ROCK ISLAND, ILLINOIS
FOREIGN FIRE INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-4

	Budget	Actual
REVENUES		
Other taxes	\$ 100,729	\$ 41,426
Interest	65	191
Total Revenues	<u>100,794</u>	<u>41,617</u>
EXPENDITURES		
Current		
General government		
Personnel	18,000	9,858
Supplies	78,498	12,656
Services	640	640
Other	1,268	1,266
Capital outlay	68,939	-
Total Expenditures	<u>167,345</u>	<u>24,420</u>
NET CHANGE IN FUND BALANCE	<u>(66,551)</u>	17,197
FUND BALANCE, BEGINNING		158,938
FUND BALANCE, ENDING		<u>\$ 176,135</u>

FEDERAL PROGRAMS FUND

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

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Intergovernmental	\$ -	\$ 21,132
Interest	24	38
Total Revenues	<u>24</u>	<u>21,170</u>
EXPENDITURES		
Current		
General government		
Personnel	-	738
Total Expenditures	<u>-</u>	<u>738</u>
NET CHANGE IN FUND BALANCE	<u>24</u>	20,432
FUND BALANCE, BEGINNING		<u>11,442</u>
FUND BALANCE, ENDING		<u>\$ 31,874</u>

DRUG PREVENTION FUND

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

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Charges for services	\$ 65,300	\$ 29,861
Interest	704	657
Total Revenues	<u>66,004</u>	<u>30,518</u>
EXPENDITURES		
Current		
General government		
Personnel	194,874	95,306
Supplies	35,655	9,263
Services	27,617	20,452
Other	931	380
Total Expenditures	<u>259,077</u>	<u>125,401</u>
NET CHANGE IN FUND BALANCE	<u>(193,073)</u>	(94,883)
FUND BALANCE, BEGINNING		468,410
FUND BALANCE, ENDING		<u>\$ 373,527</u>

CITY OF ROCK ISLAND, ILLINOIS
 NEIGHBORHOOD STABILIZATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-7

	<u>Budget</u>	<u>Actual</u>
REVENUES		
EXPENDITURES		
Current		
General government		
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT), BEGINNING		(12,470)
FUND BALANCE (DEFICIT), ENDING		<u>\$ (12,470)</u>

MARTIN LUTHER KING FACILITY IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Budget	Actual
REVENUES		
Contributions	-	407,000
Interest	-	149
Total Revenues	-	407,149
EXPENDITURES		
Current		
General government	-	-
Services	-	-
Total Expenditures	-	-
NET CHANGE IN FUND BALANCE	-	407,149
FUND BALANCE (DEFICIT), BEGINNING		(506,758)
FUND BALANCE (DEFICIT), ENDING		\$ (99,609)

CITY OF ROCK ISLAND, ILLINOIS
 SCHWIEBERT PARK BOAT DOCK
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) -
 BUDGET AND ACTUAL
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-9

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Intergovernmental	\$ 1,500,000	\$ 157,741
Interest	3,331	233
Total Revenues	<u>1,503,331</u>	<u>157,974</u>
EXPENDITURES		
Current		
General government		
Capital outlay	151,279	70,781
Total Expenditures	<u>151,279</u>	<u>70,781</u>
NET CHANGE IN FUND BALANCE	<u>1,352,052</u>	87,193
FUND BALANCE (DEFICIT), BEGINNING		(74,419)
FUND BALANCE, ENDING		<u>\$ 12,774</u>

CITY OF ROCK ISLAND, ILLINOIS
 RIDGEWOOD BUSINESS PARK
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-10

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Intergovernmental	\$ 1,498,619	\$ -
Interest	-	1,701
Total Revenues	<u>1,498,619</u>	<u>1,701</u>
EXPENDITURES		
Current		
General government		
Services	118	-
Capital outlay	2,878,862	11,814
Total Expenditures	<u>2,878,980</u>	<u>11,814</u>
NET CHANGE IN FUND BALANCE	<u>(1,380,361)</u>	(10,113)
FUND BALANCE, BEGINNING		1,252,488
FUND BALANCE, ENDING		<u>\$ 1,242,375</u>

CITY OF ROCK ISLAND, ILLINOIS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-11

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Property taxes	\$ 223,245	\$ 303,666
Interest	1,974	40,939
Total Revenues	<u>225,219</u>	<u>344,605</u>
EXPENDITURES		
Current		
General government		
Services	18,835	19,956
Debt Service		
Principal	17,032,100	17,032,100
Interest	1,106,878	1,192,086
Total Expenditures	<u>18,157,813</u>	<u>18,244,142</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(17,932,594)	(17,899,537)
OTHER FINANCING SOURCES (USES)		
Issuance of Debt	15,000,000	15,865,000
Discount on bonds sold	-	(28,013)
Transfers from other funds	2,904,173	2,800,377
Total Other Financing Sources (Uses)	<u>17,904,173</u>	<u>18,637,364</u>
NET CHANGE IN FUND BALANCE	<u>(28,421)</u>	737,827
FUND BALANCE, BEGINNING		<u>1,040,242</u>
FUND BALANCE, ENDING		<u>\$ 1,778,069</u>

CITY OF ROCK ISLAND, ILLINOIS
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit A-2-12

	Budget	Actual
REVENUES		
Intergovernmental	\$ 750,000	\$ -
Charges for services	35,000	14,646
Interest	-	22,475
Total Revenues	<u>785,000</u>	<u>37,121</u>
EXPENDITURES		
Capital outlay	19,861,390	6,083,176
Debt Service		
Interest	-	73,488
Total Expenditures	<u>19,861,390</u>	<u>6,156,664</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(19,076,390)</u>	<u>(6,119,543)</u>
OTHER FINANCING SOURCES (USES)		
Issuance of debt	10,000,000	9,585,000
Premium on bonds sold	-	414,683
Transfers from other funds	2,841,824	3,221,966
Transfers to other funds	(945,768)	(933,768)
Total Other Financing Sources (Uses)	<u>11,896,056</u>	<u>12,287,881</u>
NET CHANGE IN FUND BALANCE	<u>(7,180,334)</u>	6,168,338
FUND BALANCE, BEGINNING		9,153,960
FUND BALANCE, ENDING		<u>\$ 15,322,298</u>



ROCK ISLAND
ILLINOIS

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; or where the City has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Stormwater Fund – Accounts for the operating revenue and expenses for maintaining a dependable system for collecting and treating the stormwaters of the City of Rock Island, Illinois.

Sunset Marina Fund – Accounts for the revenue and expenses associated with the operation and maintenance of Sunset Marina.

Housing and Community Development Loan Fund – Accounts for the revenue and expenses associated with the issuance and collection of housing rehabilitation loans to homeowners who fall into an established neighborhood strategy area.

CITY OF ROCK ISLAND, ILLINOIS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Stormwater Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 991,919	\$ 200	\$ 813,006	\$ 1,805,125
Receivables, net				
Accounts, net of allowance for uncollectible of \$428,756	136,661	2,505	-	139,166
Estimated unbilled usage	218,864	-	-	218,864
Accrued interest	771	-	4,917	5,688
Current portion of notes receivable	-	-	189,216	189,216
Due from other funds	-	-	258,677	258,677
Total Current Assets	<u>1,348,215</u>	<u>2,705</u>	<u>1,265,816</u>	<u>2,616,736</u>
NONCURRENT ASSETS				
Long-term notes receivable (net of current portion, net of allowance for uncollectibles of \$1,672,114)	-	-	1,268,048	1,268,048
Capital assets				
Buildings and improvements	-	837,142	-	837,142
Equipment	199,287	514,387	-	713,674
Infrastructure	3,585,292	2,036,740	-	5,622,032
Accumulated depreciation	(1,934,730)	(2,586,013)	-	(4,520,743)
Net Capital assets	<u>1,849,849</u>	<u>802,256</u>	<u>-</u>	<u>2,652,105</u>
Total Noncurrent Assets	<u>1,849,849</u>	<u>802,256</u>	<u>1,268,048</u>	<u>3,920,153</u>
Total Assets	<u>3,198,064</u>	<u>804,961</u>	<u>2,533,864</u>	<u>6,536,889</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Amount on Refunding	-	12,762	-	12,762
Total Deferred Outflows of Resources	<u>-</u>	<u>12,762</u>	<u>-</u>	<u>12,762</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 3,198,064</u>	<u>\$ 817,723</u>	<u>\$ 2,533,864</u>	<u>\$ 6,549,651</u>

	Stormwater Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 48,118	\$ 8,359	\$ 1,202	\$ 57,679
Accrued wages and benefits	9,985	6,305	-	16,290
Compensated absences	22,023	12,357	-	34,380
Accrued interest payable	-	659	-	659
Due to other funds	-	62,852	-	62,852
General obligation bonds	-	40,000	-	40,000
Total Current Liabilities	<u>80,126</u>	<u>130,532</u>	<u>1,202</u>	<u>211,860</u>
LONG-TERM LIABILITIES				
General obligation bonds	-	589,464	-	589,464
Other postemployment benefits	81,301	25,344	-	106,645
Compensated absences	18,897	10,603	-	29,500
Total Long-term Liabilities	<u>100,198</u>	<u>625,411</u>	<u>-</u>	<u>725,609</u>
Total Liabilities	<u>180,324</u>	<u>755,943</u>	<u>1,202</u>	<u>937,469</u>
NET POSITION				
Net investment in capital assets	1,849,849	185,554	-	2,035,403
Unrestricted	1,167,891	(123,774)	2,532,662	3,576,779
Total Net Position	<u>3,017,740</u>	<u>61,780</u>	<u>2,532,662</u>	<u>5,612,182</u>
Total Liabilities and Net Position	<u>\$ 3,198,064</u>	<u>\$ 817,723</u>	<u>\$ 2,533,864</u>	<u>\$ 6,549,651</u>

CITY OF ROCK ISLAND, ILLINOIS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Exhibit B-2

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Stormwater Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 1,212,238	\$ 509,832	\$ -	\$ 1,722,070
Sale of merchandise	-	116,020	-	116,020
Interest	-	-	32,611	32,611
Other	-	10,902	-	10,902
Total Operating Revenues	<u>1,212,238</u>	<u>636,754</u>	<u>32,611</u>	<u>1,881,603</u>
OPERATING EXPENSES				
Personnel	290,303	177,701	-	468,004
Cost of sales	-	114,416	-	114,416
Supplies	57,675	27,248	28	84,951
Services	621,019	221,024	11,427	853,470
Programs	30,935	674	1,456	33,065
Provision for uncollectible accounts	8,751	-	161,766	170,517
Depreciation	93,753	35,842	-	129,595
Other	4,087	415	-	4,502
Total Operating Expenses	<u>1,106,523</u>	<u>577,320</u>	<u>174,677</u>	<u>1,858,520</u>
OPERATING INCOME (LOSS)	<u>105,715</u>	<u>59,434</u>	<u>(142,066)</u>	<u>23,083</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,388	12	3,962	5,362
Interest expense	-	(23,088)	-	(23,088)
Net Nonoperating Revenues (Expenses)	<u>1,388</u>	<u>(23,076)</u>	<u>3,962</u>	<u>(17,726)</u>
CHANGE IN NET POSITION	107,103	36,358	(138,104)	5,357
NET POSITION, BEGINNING	2,910,637	25,422	2,670,766	5,606,825
NET POSITION, ENDING	<u>\$ 3,017,740</u>	<u>\$ 61,780</u>	<u>\$ 2,532,662</u>	<u>\$ 5,612,182</u>

CITY OF ROCK ISLAND, ILLINOIS
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 PERIOD ENDED APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit B-3

	Stormwater Fund	Sunset Marina Fund	Housing & Community Development Loan Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,203,321	\$ 575,642	\$ -	\$ 1,778,963
Interest received on notes receivable	-	-	32,095	32,095
Cash payments to suppliers for goods and services	(676,939)	(368,295)	(24,657)	(1,069,891)
Cash payments to employees for services	(279,507)	(186,250)	-	(465,757)
Other operating revenue	-	10,902	-	10,902
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>246,875</u>	<u>31,999</u>	<u>7,438</u>	<u>286,312</u>
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	-	-	-	-
Interfund loan or loan repayments received	-	30,143	176,228	206,371
Interfund loan or loan repayments (paid)	-	-	(368,012)	(368,012)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>30,143</u>	<u>(191,784)</u>	<u>(161,641)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of general obligation bonds	-	(35,000)	-	(35,000)
Interest paid	-	(14,876)	(9)	(14,885)
Proceeds from sale of assets	-	(12,880)	-	(12,880)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(62,756)</u>	<u>(9)</u>	<u>(62,765)</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES				
Interest received on cash and investments	<u>1,202</u>	<u>14</u>	<u>3,961</u>	<u>5,177</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	248,077	(600)	(180,394)	67,083
CASH AND CASH EQUIVALENTS, BEGINNING	<u>743,842</u>	<u>800</u>	<u>993,400</u>	<u>1,738,042</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 991,919</u>	<u>\$ 200</u>	<u>\$ 813,006</u>	<u>\$ 1,805,125</u>

(continued)

	<u>Stormwater Fund</u>	<u>Sunset Marina Fund</u>	<u>Housing & Community Development Loan Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 105,715	\$ 59,434	\$ (142,066)	\$ 23,083
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	93,753	35,842	-	129,595
Changes in assets and liabilities				
(Increase) decrease in receivables	(166)	20,642	161,250	181,726
Increase in accounts, retainage, deposits, and claims payable	36,777	(4,518)	(11,746)	20,513
Increase (decrease) in accrued liabilities	10,796	(8,549)	-	2,247
(Decrease) in unearned revenue	-	(70,852)	-	(70,852)
Total Adjustments	<u>141,160</u>	<u>(27,435)</u>	<u>149,504</u>	<u>263,229</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 246,875</u>	<u>\$ 31,999</u>	<u>\$ 7,438</u>	<u>\$ 286,312</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Equipment Maintenance Fund – Provides for the maintenance, repair, and purchase of vehicles used in the operation of City services. Revenue is from rental charges to user departments. Expenses include cost of labor, materials, supplies, and services. Replacement of equipment is part of the rental rate for equipment.

Engineering Fund – Provides engineering services for all capital and major infrastructure maintenance projects.

Self-Insurance Fund – Accounts for premium and claim payments for workers' compensation, general liability, and property insurance for most of the City. Stop-loss insurance is also purchased.

Employee Health Benefit Fund – Accounts for premium and claim payments for the self-insured group health insurance plan for City employees. Stop-loss insurance is also purchased.

Hydro-Electric Plant Fund – Accounts for charges and expenses of the Hydro-Electric Plant to the City's departments.

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Equipment Maintenance Fund	Engineering Fund	Self-Insurance Fund	Employee Health Benefit Fund
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 764,842	\$ 100	\$ 504,895	\$ 4,318,765
Receivables, net				
Accrued interest	1,232	-	380	3,349
Other	-	-	12,468	5,018
Due from other funds	845,636	-	-	-
Due from other governmental agencies	-	240	-	-
Inventories	438,287	-	-	-
Assets held for resale	-	-	-	-
Total Current Assets	<u>2,049,997</u>	<u>340</u>	<u>517,743</u>	<u>4,327,132</u>
CAPITAL ASSETS				
Land	17,500	-	-	-
Buildings and improvements	148,361	-	-	-
Equipment	10,143,553	-	-	-
Infrastructure	-	-	-	-
Accumulated depreciation	(6,455,954)	-	-	-
Net Capital assets	<u>3,853,460</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 5,903,457</u>	<u>\$ 340</u>	<u>\$ 517,743</u>	<u>\$ 4,327,132</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 45,227	\$ 6,209	\$ 52,648	\$ 343,865
Claims payable	-	-	453,400	297,943
Accrued wages and benefits	30,413	25,932	2,302	876
Compensated absences	65,359	107,229	6,073	4,789
Accrued interest payable	-	694	-	-
Due to other funds	-	845,636	-	-
General obligation bonds	-	-	-	-
Total Current Liabilities	<u>140,999</u>	<u>985,700</u>	<u>514,423</u>	<u>647,473</u>
LONG-TERM LIABILITIES				
General obligation bonds	-	-	-	-
Compensated absences	56,081	92,007	5,211	4,109
Total long-term liabilities	<u>56,081</u>	<u>92,007</u>	<u>5,211</u>	<u>4,109</u>
Total Liabilities	<u>197,080</u>	<u>1,077,707</u>	<u>519,634</u>	<u>651,582</u>
NET POSITION				
Net investment in capital assets	3,853,460	-	-	-
Unrestricted	1,852,917	(1,077,367)	(1,891)	3,675,550
Total Net Position	<u>5,706,377</u>	<u>(1,077,367)</u>	<u>(1,891)</u>	<u>3,675,550</u>
Total Liabilities and Net Position	<u>\$ 5,903,457</u>	<u>\$ 340</u>	<u>\$ 517,743</u>	<u>\$ 4,327,132</u>

Hydro-Electric Plant Fund	Total
\$ -	\$ 5,588,602
-	4,961
-	17,486
-	845,636
-	240
-	438,287
12,391	12,391
<u>12,391</u>	<u>6,907,603</u>
-	17,500
1,651,542	1,799,903
223,385	10,366,938
481,971	481,971
(371,929)	(6,827,883)
<u>1,984,969</u>	<u>5,838,429</u>
<u>\$ 1,997,360</u>	<u>\$ 12,746,032</u>
\$ 244	\$ 448,193
-	751,343
383	59,906
2,747	186,197
4,200	4,894
86,634	932,270
116,667	116,667
<u>210,875</u>	<u>2,499,470</u>
1,551,667	1,551,667
2,357	159,765
<u>1,554,024</u>	<u>1,711,432</u>
<u>1,764,899</u>	<u>4,210,902</u>
316,635	4,170,095
(84,174)	4,365,035
<u>232,461</u>	<u>8,535,130</u>
<u>\$ 1,997,360</u>	<u>\$ 12,746,032</u>

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Equipment Maintenance Fund	Engineering Fund	Self-Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 2,688,069	\$ 733,804	\$ 1,020,150
Sales of merchandise	-	-	-
Other	3,687	-	11,001
Total Operating Revenues	<u>2,691,756</u>	<u>733,804</u>	<u>1,031,151</u>
OPERATING EXPENSES			
Personnel	743,706	806,547	77,828
Cost of sales	-	-	-
Supplies	936,736	35,295	92
Services	375,093	180,521	854,841
Depreciation	401,863	-	-
Other	20,427	1,700	1,032
Total Operating Expenses	<u>2,477,825</u>	<u>1,024,063</u>	<u>933,793</u>
OPERATING INCOME (LOSS)	<u>213,931</u>	<u>(290,259)</u>	<u>97,358</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	-	-
Interest income	1,856	(1,176)	506
Interest expense	-	-	-
Net Nonoperating Revenues (Expenses)	<u>1,856</u>	<u>(1,176)</u>	<u>506</u>
INCOME BEFORE TRANSFERS	215,787	(291,435)	97,864
TRANSFERS FROM OTHER FUNDS	<u>3,500</u>	<u>103,702</u>	<u>-</u>
CHANGE IN NET POSITION	219,287	(187,733)	97,864
NET POSITION (DEFICIT), BEGINNING	5,487,090	(889,634)	(99,755)
NET POSITION (DEFICIT), ENDING	<u>\$ 5,706,377</u>	<u>\$ (1,077,367)</u>	<u>\$ (1,891)</u>

Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
\$ 3,875,875	\$ 124,094	\$ 8,441,992
-	509	509
116,680	-	131,368
<u>3,992,555</u>	<u>124,603</u>	<u>8,573,869</u>
24,438	11,624	1,664,143
-	220	220
497	2,902	975,522
3,587,871	11,908	5,010,234
-	44,150	446,013
2,062	16,189	41,410
<u>3,614,868</u>	<u>86,993</u>	<u>8,137,542</u>
<u>377,687</u>	<u>37,610</u>	<u>436,327</u>
73,478	-	73,478
6,047	(14)	7,219
-	(37,598)	(37,598)
<u>79,525</u>	<u>(37,612)</u>	<u>43,099</u>
457,212	(2)	479,426
-	-	107,202
457,212	(2)	586,628
3,218,338	232,463	7,948,502
<u>\$ 3,675,550</u>	<u>\$ 232,461</u>	<u>\$ 8,535,130</u>

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	Equipment Maintenance Fund	Engineering Fund	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,705,050	\$ 733,804	\$ 1,020,150
Cash payments to suppliers for goods and services	(1,388,697)	(229,119)	(965,846)
Cash payments to employees for services	(743,003)	(792,819)	(76,446)
Other operating revenue	3,687	-	11,001
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>577,037</u>	<u>(288,134)</u>	<u>(11,141)</u>
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,500	103,702	-
Transfer to other funds	-	-	-
Interfund loan or loan repayments received	-	185,260	-
Interfund loan or loan repayments received (paid)	(185,260)	-	-
Payments received from governmental agencies	-	240	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(181,760)</u>	<u>289,202</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of property and equipment	(127,604)	-	-
Proceeds from sale of property and equipment	-	-	-
Payment of general obligation bonds	-	-	-
Interest paid	-	(1,068)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(127,604)</u>	<u>(1,068)</u>	<u>-</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES			
Interest received on cash and investments	1,406	-	530
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	269,079	-	(10,611)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>495,763</u>	<u>100</u>	<u>515,506</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 764,842</u>	<u>\$ 100</u>	<u>\$ 504,895</u>

Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
\$ 3,875,875	\$ 124,364	\$ 8,459,243
(3,514,869)	(31,336)	(6,129,867)
(24,011)	(11,120)	(1,647,399)
<u>143,453</u>	<u>-</u>	<u>158,141</u>
<u>480,448</u>	<u>81,908</u>	<u>840,118</u>
-	-	107,202
-	-	-
-	86,634	271,894
-	-	(185,260)
<u>73,478</u>	<u>-</u>	<u>73,718</u>
<u>73,478</u>	<u>86,634</u>	<u>267,554</u>
-	-	(127,604)
-	-	-
-	(116,666)	(116,666)
<u>-</u>	<u>(51,876)</u>	<u>(52,944)</u>
<u>-</u>	<u>(168,542)</u>	<u>(297,214)</u>
<u>5,624</u>	<u>-</u>	<u>7,560</u>
559,550	-	818,018
<u>3,759,215</u>	<u>-</u>	<u>4,770,584</u>
<u>\$ 4,318,765</u>	<u>\$ -</u>	<u>\$ 5,588,602</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

	<u>Equipment Maintenance Fund</u>	<u>Engineering Fund</u>	<u>Self-Insurance Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	<u>213,931</u>	<u>(290,259)</u>	<u>97,358</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	401,863	-	-
Changes in assets and liabilities			
(Increase) decrease in receivables	16,982	-	-
(Increase) decrease in inventories	(59,140)	-	-
Decrease in assets held for resale	-	-	-
Increase (decrease) in accounts, retainage, deposits, and claims payable	2,698	(11,603)	(138,281)
Increase (decrease) in accrued liabilities	<u>703</u>	<u>13,728</u>	<u>29,782</u>
Total Adjustments	<u>363,106</u>	<u>2,125</u>	<u>(108,499)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 577,037</u>	<u>\$ (288,134)</u>	<u>\$ (11,141)</u>

Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
377,687	37,610	436,327
-	44,150	446,013
26,773	-	43,755
-	-	(59,140)
-	(239)	(239)
75,561	(117)	(71,742)
427	504	45,144
102,761	44,298	403,791
<u>\$ 480,448</u>	<u>\$ 81,908</u>	<u>\$ 840,118</u>



ROCK ISLAND
ILLINOIS

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by a governmental unit as a trustee or agent for individuals, private organizations, and other governmental units. The following are the City's fiduciary fund types:

Police Pension Fund – To account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from police force members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

Firefighters' Pension Fund – To account for the accumulation of resources needed to pay pension costs when due. Resources are contributions from fire department members at rates fixed by state statutes and City contributions in the form of an annual property tax levy.

Section 125 Cafeteria Plan Fund – An agency fund that accounts for employees' tax-exempt payments for health insurance and health expenditures.

CITY OF ROCK ISLAND, ILLINOIS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PENSION TRUST FUNDS
 DECEMBER 31, 2014

EXHIBIT D-1

	Police Pension Fund	Firefighters' Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and equivalents	\$ 1,344,950	\$ 866,116	\$ 2,211,066
Investments			
Stocks	17,538,798	12,161,406	29,700,204
Taxable Bonds	14,797,184	10,466,785	25,263,969
Receivables			
Accrued interest	129,920	87,358	217,278
 Total Assets	 <u>33,810,852</u>	 <u>23,581,665</u>	 <u>57,392,517</u>
LIABILITIES			
Outstanding checks in excess of bank balance	1,502,953	1,704,271	3,207,224
Accounts payable	10,122	11,492	21,614
 Total Liabilities	 <u>1,513,075</u>	 <u>1,715,763</u>	 <u>3,228,838</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 32,297,777</u>	<u>\$ 21,865,902</u>	<u>\$ 54,163,679</u>

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FUNDS

FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER, 31, 2014

	Police Pension Fund	Firefighters' Pension Fund	Total Pension Trust Funds
ADDITIONS			
Contributions			
Plan members	\$ 419,739	\$ 288,706	\$ 708,445
Employer	2,421,323	2,186,165	4,607,488
Total Contributions	<u>2,841,062</u>	<u>2,474,871</u>	<u>5,315,933</u>
Net investment income			
Net increase in fair value of investments	727,054	368,077	1,095,131
Interest	596,051	422,601	1,018,652
Net Investment Income	<u>1,323,105</u>	<u>790,678</u>	<u>2,113,783</u>
Total Additions	<u>4,164,167</u>	<u>3,265,549</u>	<u>7,429,716</u>
DEDUCTIONS			
Benefits	3,238,767	3,187,896	6,426,663
Administrative expenses	37,119	42,342	79,461
Total Deductions	<u>3,275,886</u>	<u>3,230,238</u>	<u>6,506,124</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	888,281	35,311	923,592
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING, AS RESTATED	<u>31,409,496</u>	<u>21,830,591</u>	<u>53,240,087</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	<u>\$ 32,297,777</u>	<u>\$ 21,865,902</u>	<u>\$ 54,163,679</u>

CITY OF ROCK ISLAND, ILLINOIS
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Exhibit D-3

	Balance March 31, 2014	Additions	Deletions	Balance December 31, 2014
<u>Section 125 Cafeteria Plan</u>				
ASSETS				
Cash and investments	\$ 2,872	\$ 58,009	\$ 58,608	\$ 2,273
Receivables				
Accounts	-	-	-	-
Accrued Interest	5	3	-	8
Total Assets	<u>\$ 2,877</u>	<u>\$ 58,012</u>	<u>\$ 58,608</u>	<u>\$ 2,281</u>
LIABILITIES				
Accounts payable	<u>\$ 2,877</u>	<u>\$ 2,281</u>	<u>\$ 2,877</u>	<u>\$ 2,281</u>
Total Liabilities	<u>\$ 2,877</u>	<u>\$ 2,281</u>	<u>\$ 2,877</u>	<u>\$ 2,281</u>

CITY OF ROCK ISLAND, ILLINOIS
STATISTICAL SECTION (UNAUDITED)
CONTENTS

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health.

Contents	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	143-156
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax (or sales tax).	157-164
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	165-168
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	169-170
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	171-179

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant period.



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
STATISCAL SECTION (UNAUDITED)
COMMENTS RELATIVE TO STATISTICAL SECTION

The Legal Debt Margin information table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

As a "Home Rule" unit established by the 1970 Illinois Constitution, the City of Rock Island has no statutory debt limit. Nonhome Rule units in Illinois may issue bonds up to 8.625% of Assessed Valuation. Some types of General Obligation Bonds may be issued up to 5% of Assessed Valuation.

CITY OF ROCK ISLAND, ILLINOIS
NET POSITION BY COMPONENT
LAST TEN FISCAL PERIODS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	<u>3/31/2006</u>	<u>3/31/2007</u>	<u>3/31/2008</u>	<u>3/31/2009</u>
Governmental activities				
Net investment in capital assets	\$ 35,871,239	\$ 37,070,744	\$ 39,756,019	\$ 38,536,816
Restricted	6,212,479	6,647,989	5,867,481	2,550,529
Unrestricted	<u>24,753,989</u>	<u>25,977,855</u>	<u>26,295,567</u>	<u>27,706,560</u>
Total governmental activities net position	<u>\$ 66,837,707</u>	<u>\$ 69,696,588</u>	<u>\$ 71,919,067</u>	<u>\$ 68,793,905</u>
Business-type activities				
Net investment in capital assets	\$ 30,267,499	\$ 30,541,517	\$ 30,482,589	\$ 26,844,821
Unrestricted	<u>2,446,933</u>	<u>2,845,532</u>	<u>3,915,610</u>	<u>8,915,241</u>
Total business-type activities net position	<u>\$ 32,714,432</u>	<u>\$ 33,387,049</u>	<u>\$ 34,398,199</u>	<u>\$ 35,760,062</u>
Primary government				
Net investment in capital assets	\$ 66,138,738	\$ 67,612,261	\$ 70,238,608	\$ 65,381,637
Restricted	6,212,479	6,647,989	5,867,481	2,550,529
Unrestricted	<u>27,200,922</u>	<u>28,823,387</u>	<u>30,211,177</u>	<u>36,621,801</u>
Total primary government net position	<u>\$ 99,552,139</u>	<u>\$ 103,083,637</u>	<u>\$ 106,317,266</u>	<u>\$ 104,553,967</u>

Source: City records

	<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
\$	40,129,365	\$ 43,490,571	\$ 51,178,766	\$ 52,918,208	\$ 57,092,829	\$ 44,250,721
	4,755,754	7,719,598	6,738,901	6,913,550	3,981,884	5,767,261
	<u>28,216,439</u>	<u>25,027,339</u>	<u>27,625,864</u>	<u>27,309,246</u>	<u>19,444,812</u>	<u>21,823,839</u>
\$	<u>73,101,558</u>	<u>76,237,508</u>	<u>85,543,531</u>	<u>87,141,004</u>	<u>80,519,525</u>	<u>71,841,821</u>
\$	30,884,254	\$ 34,209,461	\$ 33,220,808	\$ 38,472,481	\$ 35,448,346	\$ 39,741,555
	<u>8,537,642</u>	<u>9,289,668</u>	<u>11,189,073</u>	<u>8,674,173</u>	<u>13,832,655</u>	<u>10,078,816</u>
\$	<u>39,421,896</u>	<u>43,499,129</u>	<u>44,409,881</u>	<u>47,146,654</u>	<u>49,281,001</u>	<u>49,820,371</u>
\$	71,013,619	\$ 77,700,032	\$ 84,399,574	\$ 91,390,689	\$ 92,541,175	\$ 83,992,276
	4,755,754	7,719,598	6,738,901	6,913,550	3,981,884	5,767,261
	<u>36,754,081</u>	<u>34,317,007</u>	<u>38,814,937</u>	<u>35,983,419</u>	<u>33,277,467</u>	<u>31,902,655</u>
\$	<u>112,523,454</u>	<u>119,736,637</u>	<u>129,953,412</u>	<u>134,287,658</u>	<u>129,800,526</u>	<u>121,662,192</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Primary Government Expenses				
Governmental activities:				
General government	\$ 10,754,191	\$ 10,313,028	\$ 11,439,119	\$ 16,858,777
Police and fire	16,811,183	16,635,503	17,272,974	17,764,363
Electrical maintenance	749,871	693,952	650,687	603,178
Municipal vehicle parking system	447,709	373,217	341,308	181,743
Highways and streets	9,392,489	6,361,422	7,774,998	6,975,777
Refuse disposal	1,902,190	1,267,734	1,350,580	1,433,656
Libraries	2,122,341	2,371,814	2,286,176	2,185,185
Community development	234,499	-	-	-
Interest on long-term debt	-	200,078	183,765	280,358
Total governmental activities expenses	42,414,473	38,216,748	41,299,607	46,283,037
Business-type activities:				
Waterworks	4,880,350	5,516,896	5,342,035	5,432,620
Wastewater	4,409,557	4,036,906	3,278,239	3,926,401
Centennial Bridge	573,606	-	-	-
Park and recreation	5,358,909	5,191,258	5,252,128	5,968,430
Stormwater	1,643,662	1,340,031	1,042,504	1,639,184
Sunset Marina	734,565	731,088	734,403	863,714
Housing/community development loans	90,582	248,328	75,975	85,608
Total business-type activities expenses	17,691,231	17,064,507	15,725,284	17,915,957
Total primary government expenses	60,105,704	55,281,255	57,024,891	64,198,994
Primary Government Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,024,452	3,008,024	1,118,464	3,207,592
Police and fire	2,571,667	2,818,459	3,257,362	3,447,520
Electrical maintenance	41,535	38,725	26,274	3,601
Municipal vehicle parking system	373,516	286,429	225,358	219,188
Highways and streets	293,913	314,630	169,367	165,724
Refuse disposal	57,000	72,914	79,374	109,907
Libraries	253,721	232,449	226,361	222,008
Operating grants and contributions:				
General government	2,310,189	1,480,324	1,101,764	1,364,287
Police and fire	371,470	238,838	1,209,857	818,528
Highways and streets	-	150,000	-	-
Refuse disposal	-	-	-	-
Libraries	99,094	157,030	156,445	124,449
Capital grants and contributions,				
general government	-	-	-	-
Capital grants and contributions,				
highways and streets	-	176,739	1,121,054	-
Capital grants and contributions,				
libraries	-	-	-	-
Total governmental activities program revenue	9,396,557	8,974,561	8,691,680	9,682,804

	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	12/31/2014
\$	11,305,249	\$ 16,417,739	\$ 12,657,949	\$ 13,943,857	\$ 24,861,534	\$ 8,735,475
	19,608,468	19,976,357	20,830,554	20,847,960	21,771,346	18,079,614
	585,374	597,462	602,202	595,066	613,300	406,529
	350,756	328,550	281,012	274,917	265,338	180,795
	5,914,981	7,879,571	7,267,676	8,585,805	5,601,354	3,656,603
	1,661,963	1,602,467	1,457,974	1,440,900	1,581,240	1,364,209
	2,319,225	1,966,454	2,559,060	2,400,381	2,516,131	1,961,467
	-	-	-	-	-	-
	616,283	615,878	596,127	557,361	822,915	1,068,080
	42,362,299	49,384,478	46,252,554	48,646,247	58,033,158	35,452,772
	5,381,733	5,159,034	6,074,685	6,232,948	5,636,469	4,359,962
	4,303,243	4,305,904	4,530,716	4,732,170	6,763,891	4,029,394
	-	-	-	-	-	-
	6,169,575	5,169,656	6,133,119	6,294,865	5,778,743	4,884,791
	1,528,442	1,530,430	1,546,392	1,409,651	1,643,294	1,106,523
	881,513	658,526	716,337	757,879	709,573	600,408
	103,749	296,616	309,965	235,295	19,238	174,677
	18,368,255	17,120,166	19,311,214	19,662,808	20,551,208	15,155,755
	60,730,554	66,504,644	65,563,768	68,309,055	78,584,366	50,608,527
	3,056,182	3,335,724	3,678,321	3,634,169	3,940,813	2,731,745
	3,578,985	3,633,014	3,994,407	4,025,783	4,029,954	3,142,297
	24,152	23,611	30,788	17,597	18,331	16,797
	207,623	204,369	173,721	169,272	141,122	147,837
	131,511	185,692	144,680	211,332	178,801	151,484
	182,614	505,964	492,807	781,637	885,723	651,207
	212,397	224,432	227,054	222,090	222,087	201,926
	2,102,695	4,891,932	2,096,150	2,399,271	2,977,297	1,415,454
	191,659	255,264	302,105	99,192	155,522	47,565
	128,085	-	1,056,163	43,850	114,714	-
	-	-	-	-	-	-
	56,206	101,045	52,108	179,626	132,009	152,698
	-	400,000	91,770	507,112	7,000	407,000
	1,631,814	837,814	-	-	-	-
	-	-	-	-	-	-
	11,503,923	14,598,861	12,340,074	12,290,931	12,803,373	9,066,010

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Business-type activities:				
Charges for services:				
Waterworks	\$ 4,535,853	\$ 4,921,769	\$ 5,189,174	\$ 5,492,376
Wastewater	3,883,344	4,195,871	4,994,983	5,825,018
Park and recreation	3,215,321	3,582,675	3,113,840	3,326,601
Stormwater	1,259,829	1,307,083	1,439,598	1,518,520
Sunset Marina	821,919	846,562	829,506	695,671
Housing/community development loans	-	-	80,908	76,526
Operating grants and contributions				
Park and recreation	35,759	17,089	22,946	129,812
Stormwater	-	-	-	77,493
Other programs	-	-	-	-
Sunset Marina	-	-	-	119,071
Housing/community development loans	48,747	99,400	-	-
Wastewater Treatment	-	-	-	-
Capital grants and contributions				
Waterworks	-	-	-	-
Wastewater	2,634	1,847	-	-
Park and recreation	5,000	-	-	-
Sunset Marina	-	-	-	-
Total business-type activities program revenues	<u>13,808,406</u>	<u>14,972,296</u>	<u>15,670,955</u>	<u>17,261,088</u>
Total primary government program revenues	<u>23,204,963</u>	<u>23,946,857</u>	<u>24,362,635</u>	<u>26,943,892</u>
Primary government net expense				
Governmental activities	(33,017,916)	(29,242,187)	(32,607,927)	(36,600,233)
Business-type activities	<u>(3,882,825)</u>	<u>(2,092,211)</u>	<u>(54,329)</u>	<u>(654,869)</u>
Total primary government net expense	<u>(36,900,741)</u>	<u>(31,334,398)</u>	<u>(32,662,256)</u>	<u>(37,255,102)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	11,035,736	11,049,737	11,593,383	12,329,857
Gaming taxes	4,580,442	4,291,728	3,712,282	3,679,842
Sales taxes	3,690,341	3,748,672	3,936,082	4,046,545
Utility taxes	2,508,223	2,178,733	2,312,387	2,314,220
Income taxes	3,032,338	3,344,704	3,653,838	3,615,800
Other taxes	6,704,149	6,803,324	7,326,715	7,108,060
Intergovernmental (sales & income)	-	-	-	-
Investment earnings	1,038,782	1,183,573	1,174,061	510,487
Miscellaneous	136,060	166,514	344,133	26,899
Transfers	<u>1,780,763</u>	<u>(665,917)</u>	<u>777,525</u>	<u>(156,639)</u>
Total governmental activities	<u>34,506,834</u>	<u>32,101,068</u>	<u>34,830,406</u>	<u>33,475,071</u>

	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	12/31/2014
\$	5,670,815	\$ 5,821,792	\$ 6,152,049	\$ 6,362,762	\$ 6,271,366	\$ 4,482,630
	6,687,063	7,395,538	7,995,233	7,834,599	7,833,530	5,910,695
	3,235,998	3,300,041	3,445,286	3,492,199	3,249,990	2,765,565
	1,561,805	1,589,808	1,645,864	1,539,720	1,619,310	1,212,238
	834,026	800,474	769,993	712,057	669,717	636,754
	159,739	72,036	63,064	49,871	100,721	32,611
	15,723	42,177	34,144	281,233	445,164	61,816
	-	-	-	-	34,880	-
	-	13,538	-	-	-	-
	-	-	-	-	2,237	-
	-	100,000	223,240	11,859	-	-
	-	-	-	48,883	268,877	192,571
	-	-	-	-	-	-
	-	-	2,628,879	-	-	-
	2,000,000	-	-	-	-	-
	-	-	-	-	-	-
	<u>20,165,169</u>	<u>19,135,404</u>	<u>22,957,752</u>	<u>20,333,183</u>	<u>20,495,792</u>	<u>15,294,880</u>
	<u>31,669,092</u>	<u>33,734,265</u>	<u>35,297,826</u>	<u>32,624,114</u>	<u>33,299,165</u>	<u>24,360,890</u>
	(30,858,376)	(34,785,617)	(33,912,480)	(36,355,316)	(45,229,785)	(26,386,762)
	<u>1,796,914</u>	<u>2,015,238</u>	<u>3,646,538</u>	<u>670,375</u>	<u>(55,416)</u>	<u>139,125</u>
	<u>(29,061,462)</u>	<u>(32,770,379)</u>	<u>(30,265,942)</u>	<u>(35,684,941)</u>	<u>(45,285,201)</u>	<u>(26,247,637)</u>
	14,363,101	14,886,144	14,931,405	14,138,304	13,870,933	128,534
	4,955,625	5,441,339	5,712,621	5,576,018	5,115,322	3,738,747
	3,866,877	4,689,611	4,978,042	5,008,704	-	-
	1,752,772	2,090,368	2,010,828	2,089,790	2,244,178	1,427,556
	3,151,854	3,094,030	3,184,753	3,516,323	-	-
	6,703,234	7,503,529	7,504,239	7,657,440	8,407,329	5,727,344
	-	-	-	-	8,843,026	6,699,854
	347,183	266,892	121,859	121,958	94,752	100,644
	59,633	213,972	86,444	129,781	418,279	265,720
	<u>(34,250)</u>	<u>(264,318)</u>	<u>4,688,312</u>	<u>(285,529)</u>	<u>(385,513)</u>	<u>(379,341)</u>
	<u>35,166,029</u>	<u>37,921,567</u>	<u>43,218,503</u>	<u>37,952,789</u>	<u>38,608,306</u>	<u>17,709,058</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	<u>3/31/2006</u>	<u>3/31/2007</u>	<u>3/31/2008</u>	<u>3/31/2009</u>
Business-type activities:				
Property taxes	\$ 1,510,260	\$ 1,652,230	\$ 1,276,505	\$ 1,691,929
Investment earnings	346,291	418,457	566,499	168,164
Miscellaneous	45,509	28,224	-	-
Special item: loss on transfer of Centennial Bridge to states	(30,779,461)	-	-	-
Transfers	<u>(1,780,763)</u>	<u>665,917</u>	<u>(777,525)</u>	<u>156,639</u>
Total business-type activities	<u>(30,658,164)</u>	<u>2,764,828</u>	<u>1,065,479</u>	<u>2,016,732</u>
Total primary government	<u><u>3,848,670</u></u>	<u><u>34,865,896</u></u>	<u><u>35,895,885</u></u>	<u><u>35,491,803</u></u>
Changes in net position				
Governmental activities	1,488,918	2,858,881	2,222,479	(3,125,162)
Business-type activities	<u>(34,540,989)</u>	<u>672,617</u>	<u>1,011,150</u>	<u>1,361,863</u>
Total primary government	<u><u>\$ (33,052,071)</u></u>	<u><u>\$ 3,531,498</u></u>	<u><u>\$ 3,233,629</u></u>	<u><u>\$ (1,763,299)</u></u>

	<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
\$	1,689,383	\$ 1,700,328	\$ 1,751,391	\$ 1,752,884	\$ 1,753,400	\$ 8,767
	140,039	97,349	201,135	27,985	50,850	12,125
	1,248	-	-	-	-	12
	-	-	-	-	-	-
	<u>34,250</u>	<u>264,318</u>	<u>(4,688,312)</u>	<u>285,529</u>	<u>385,513</u>	<u>379,341</u>
	<u>1,864,920</u>	<u>2,061,995</u>	<u>(2,735,786)</u>	<u>2,066,398</u>	<u>2,189,763</u>	<u>400,245</u>
	<u><u>37,030,949</u></u>	<u><u>39,983,562</u></u>	<u><u>40,482,717</u></u>	<u><u>40,019,187</u></u>	<u><u>40,798,069</u></u>	<u><u>18,109,303</u></u>
	4,307,653	3,135,950	9,306,023	1,597,473	(6,621,479)	(8,677,704)
	<u>3,661,834</u>	<u>4,077,233</u>	<u>910,752</u>	<u>2,736,773</u>	<u>2,134,347</u>	<u>539,370</u>
\$	<u><u>7,969,487</u></u>	<u><u>7,213,183</u></u>	<u><u>10,216,775</u></u>	<u><u>4,334,246</u></u>	<u><u>(4,487,132)</u></u>	<u><u>(8,138,334)</u></u>

CITY OF ROCK ISLAND, ILLINOIS
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Function / Program	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Governmental activities:				
General government	\$ 5,334,641	\$ 4,488,348	\$ 2,220,228	\$ 4,571,879
Police and fire	2,943,137	3,057,297	4,467,219	4,266,048
Electrical maintenance	41,535	38,725	26,274	3,601
Municipal vehicle parking system	373,516	286,429	225,358	219,188
Highways and streets	293,913	641,369	1,290,421	165,724
Refuse disposal	57,000	72,914	79,374	109,907
Libraries	352,815	389,479	382,806	346,457
Total governmental activities	<u>9,396,557</u>	<u>8,974,561</u>	<u>8,691,680</u>	<u>9,682,804</u>
Business-type activities:				
Water	4,535,853	4,921,769	5,189,174	5,492,376
Wastewater treatment	3,885,978	4,197,718	4,994,983	5,825,018
Park and recreation	3,256,080	3,599,764	3,136,786	3,456,413
Stormwater	1,259,829	1,307,083	1,439,598	1,596,013
Sunset Marina	821,919	846,562	829,506	814,742
Housing and community development loan	48,747	99,400	80,908	76,526
Total business-type activities	<u>13,808,406</u>	<u>14,972,296</u>	<u>15,670,955</u>	<u>17,261,088</u>
Total government	<u>\$ 23,204,963</u>	<u>\$ 23,946,857</u>	<u>\$ 24,362,635</u>	<u>\$ 26,943,892</u>

Source: City records

	<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
\$	5,158,877	\$ 8,627,656	\$ 5,866,241	\$ 6,540,552	\$ 6,925,110	\$ 4,554,199
	3,770,644	3,888,278	4,296,512	4,124,975	4,185,476	3,189,862
	24,152	23,611	30,788	17,597	18,331	16,797
	207,623	204,369	173,721	169,272	141,122	147,837
	1,891,410	1,023,506	1,200,843	255,182	293,515	151,484
	182,614	505,964	492,807	781,637	885,723	651,207
	268,603	325,477	279,162	401,716	354,096	354,624
	<u>11,503,923</u>	<u>14,598,861</u>	<u>12,340,074</u>	<u>12,290,931</u>	<u>12,803,373</u>	<u>9,066,010</u>
	5,670,815	5,821,792	6,152,049	6,362,762	6,271,366	4,482,630
	6,687,063	7,395,538	10,624,112	7,883,482	8,102,407	6,103,266
	5,251,721	3,342,218	3,479,430	3,773,432	3,695,154	2,827,381
	1,561,805	1,603,346	1,645,864	1,539,720	1,654,190	1,212,238
	834,026	800,474	769,993	712,057	671,954	636,754
	159,739	172,036	286,304	61,730	100,721	32,611
	<u>20,165,169</u>	<u>19,135,404</u>	<u>22,957,752</u>	<u>20,333,183</u>	<u>20,495,792</u>	<u>15,294,880</u>
\$	<u><u>31,669,092</u></u>	<u><u>33,734,265</u></u>	<u><u>35,297,826</u></u>	<u><u>32,624,114</u></u>	<u><u>33,299,165</u></u>	<u><u>24,360,890</u></u>

CITY OF ROCK ISLAND, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	<u>3/31/2006</u>	<u>3/31/2007</u>	<u>3/31/2008</u>	<u>3/31/2009</u>
General fund				
Reserved	\$ 1,301,833	\$ 1,123,268	\$ 827,312	\$ 1,455,903
Unreserved	6,020,845	6,973,846	8,484,627	8,196,559
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 7,322,678</u>	<u>\$ 8,097,114</u>	<u>\$ 9,311,939</u>	<u>\$ 9,652,462</u>
All other governmental funds				
Reserved	\$ 6,688,701	\$ 5,991,570	\$ 2,699,964	\$ 4,070,939
Unreserved, reported in:				
Special revenue funds	9,769,059	10,414,324	10,686,521	8,204,905
Debt service funds	1,608,484	1,306,835	1,308,302	171,543
Capital projects funds	(1,489,471)	(669,188)	653,267	5,708,661
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 16,576,773</u>	<u>\$ 17,043,541</u>	<u>\$ 15,348,054</u>	<u>\$ 18,156,048</u>

GASB Statement No. 54 implemented in fiscal year 2011

	<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
\$	737,694	\$ -	\$ -	\$ -	\$ -	\$ -
	7,716,892	-	-	-	-	-
	-	1,336	1,336	-	-	-
	-	128,455	157,611	273,308	279,058	319,444
	-	640	-	-	-	-
	-	238,643	378,509	-	-	-
	-	<u>9,443,347</u>	<u>10,375,695</u>	<u>11,145,921</u>	<u>12,106,153</u>	<u>11,764,247</u>
\$	8,454,586	\$ 9,812,421	\$ 10,913,151	\$ 11,419,229	\$ 12,385,211	\$ 12,083,691
\$	3,063,439	\$ -	\$ -	\$ -	\$ -	\$ -
	11,999,807	-	-	-	-	-
	248,370	-	-	-	-	-
	5,321,073	-	-	-	-	-
	-	-	-	-	-	-
	-	7,591,142	6,626,079	10,253,731	14,214,384	21,717,973
	-	9,699,484	11,762,242	13,668,164	14,688,538	13,402,986
	-	335,451	64,748	118,646	60,554	24,462
	-	<u>(1,908,876)</u>	<u>(2,801,588)</u>	<u>(2,447,709)</u>	<u>(671,307)</u>	<u>(112,079)</u>
\$	20,632,689	\$ 15,717,201	\$ 15,651,481	\$ 21,592,832	\$ 28,292,169	\$ 35,033,342

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Revenues				
Property taxes	\$ 10,981,350	\$ 10,942,864	\$ 11,057,085	\$ 11,471,164
Other taxes	20,530,101	20,349,952	20,949,799	20,777,465
Fines and fees	229,343	294,354	324,401	694,817
Intergovernmental	2,633,043	2,077,471	2,364,724	2,079,869
Charges for services	4,747,641	4,942,121	4,016,137	6,027,371
Use of money and property	780,663	1,081,282	1,174,061	510,487
Licenses and permits	985,299	673,077	762,022	708,877
Contributions	89,202	62,126	103,342	131,798
Other	19,928	75,136	276,265	35,309
Total revenues	<u>40,996,570</u>	<u>40,498,383</u>	<u>41,027,836</u>	<u>42,437,157</u>
Expenditures				
Current:				
General government	10,021,626	9,642,529	10,696,556	13,450,852
Police and Fire	16,065,401	16,284,239	17,476,908	18,144,315
Electrical maintenance	744,937	690,957	659,805	612,471
Motor Vehicle Parking System	300,385	226,491	191,111	183,996
Highways and streets	4,961,394	4,508,711	5,469,273	5,882,079
Refuse disposal	1,906,294	1,207,288	1,380,584	1,516,897
Libraries	1,995,886	2,255,921	2,194,964	2,207,697
Capital outlay	5,103,593	3,531,463	3,518,066	2,570,128
Debt Service:				
Principal	1,357,045	1,064,165	688,145	681,829
Interest	245,856	174,498	183,765	211,351
Bond Issuance costs	5,235	-	-	-
Total expenditures	<u>42,707,652</u>	<u>39,586,262</u>	<u>42,459,177</u>	<u>45,461,615</u>
Excess of revenues (under) expenditures	<u>(1,711,082)</u>	<u>912,121</u>	<u>(1,431,341)</u>	<u>(3,024,458)</u>
Other financing sources (uses)				
Issuance of long-term debt	225,483	1,330,000	-	6,422,600
Bond discount	(372)	-	-	(92,986)
Bond premium	-	-	-	-
Issuance of loan payable	-	-	-	-
Payment to bond escrow agent	(205,000)	-	-	-
Transfers in	9,273,896	6,349,799	8,365,594	8,238,999
Transfers out	(8,070,506)	(7,350,716)	(7,414,915)	(8,395,638)
Total other financing sources (uses)	<u>1,223,501</u>	<u>329,083</u>	<u>950,679</u>	<u>6,172,975</u>
Net change in fund balances	<u>\$ (487,581)</u>	<u>\$ 1,241,204</u>	<u>\$ (480,662)</u>	<u>\$ 3,148,517</u>
Debt service as a percentage of noncapital expenditures	4.28%	3.44%	2.15%	2.05%

Source: City records

	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	12/31/2014
\$	12,322,519	\$ 14,569,113	\$ 14,814,509	\$ 14,926,606	\$ 14,237,213	\$ 13,789,066
	19,383,563	22,910,039	23,591,116	24,051,197	24,100,438	17,635,801
	485,330	426,868	504,812	440,067	396,131	254,340
	1,892,996	4,355,646	3,163,924	2,478,842	3,337,053	1,319,764
	6,193,416	6,657,901	6,971,289	7,132,888	7,393,462	5,717,948
	350,621	374,704	186,852	349,556	204,542	93,411
	719,378	863,006	901,395	1,125,729	1,172,228	820,117
	479,680	533,194	760,863	659,198	181,653	828,497
	226,214	267,101	65,848	90,368	87,257	57,443
	<u>42,053,717</u>	<u>50,957,572</u>	<u>50,960,608</u>	<u>51,254,451</u>	<u>51,109,977</u>	<u>40,516,387</u>
	9,926,146	13,911,083	12,871,649	12,432,804	21,513,727	12,800,419
	19,442,894	20,255,984	20,704,873	20,788,783	21,343,536	17,199,496
	587,492	592,644	580,692	604,893	621,642	406,574
	181,204	181,243	185,157	190,179	194,694	127,269
	4,690,385	4,065,960	3,959,920	4,503,406	4,270,551	3,556,320
	1,675,429	1,704,845	1,553,325	1,541,430	1,684,440	1,450,803
	2,203,791	2,268,601	2,336,234	2,296,800	2,401,209	1,901,690
	8,385,641	9,973,140	5,501,375	5,083,118	8,585,290	6,571,014
	1,104,400	1,440,300	1,728,250	1,666,965	1,759,150	17,032,100
	334,016	824,430	584,816	566,000	827,665	1,265,574
	-	-	-	-	-	-
	<u>48,531,398</u>	<u>55,218,230</u>	<u>50,006,291</u>	<u>49,674,378</u>	<u>63,201,904</u>	<u>62,311,259</u>
	<u>(6,477,681)</u>	<u>(4,260,658)</u>	<u>954,317</u>	<u>1,580,073</u>	<u>(12,091,927)</u>	<u>(21,794,872)</u>
	7,760,000	960,000	585,000	2,520,000	10,625,000	25,450,000
	(10,898)	-	(16,492)	(60,934)	-	(28,013)
	10,594	29,477	40,887	60,765	370,408	414,683
	-	-	-	3,022,538	9,093,064	2,884,398
	-	-	-	(391,606)	-	-
	5,942,996	8,001,391	9,376,020	9,350,372	10,805,792	10,345,690
	<u>(5,946,246)</u>	<u>(8,287,863)</u>	<u>(9,904,721)</u>	<u>(9,633,779)</u>	<u>(11,137,018)</u>	<u>(10,832,233)</u>
	<u>7,756,446</u>	<u>703,005</u>	<u>80,694</u>	<u>4,867,356</u>	<u>19,757,246</u>	<u>28,234,525</u>
\$	<u>1,278,765</u>	<u>\$ (3,557,653)</u>	<u>\$ 1,035,011</u>	<u>\$ 6,447,429</u>	<u>\$ 7,665,319</u>	<u>\$ 6,439,653</u>
	3.16%	4.65%	5.05%	4.83%	4.70%	32.87%

CITY OF ROCK ISLAND, ILLINOIS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Period Ended	Property Tax	Replacement Tax	Sales Tax	Use Tax	Income Tax	Utility Tax
3/31/2006	10,981,350	2,438,447	3,677,610	479,842	3,032,339	2,391,029
3/31/2007	10,942,864	2,650,986	3,746,709	505,459	3,344,704	2,074,929
3/31/2008	11,057,085	3,021,952	3,925,609	556,412	3,653,838	2,312,387
3/31/2009	11,471,164	2,766,980	4,042,435	585,092	3,615,800	2,314,220
3/31/2010	12,322,519	2,450,551	3,879,261	465,283	2,056,466	1,734,784
3/31/2011	14,569,113	2,725,111	4,582,230	566,748	3,395,729	2,032,070
3/31/2012	14,814,509	2,466,745	4,970,577	569,066	3,423,316	1,957,597
3/31/2013	14,926,606	2,444,370	5,027,347	619,887	3,711,030	2,044,178
3/31/2014	14,237,213	2,800,493	5,071,240	672,361	3,782,583	2,173,089
12/31/2014	13,789,066	1,923,984	3,896,747	569,064	2,779,496	1,426,617
Change						
3/31/06-12/31/14	26%	-21%	6%	19%	-8%	-40%

Source: City records

Gasoline Tax	Other Tax	Wagering Tax	Motor Fuel Tax	Foreign Fire Insurance Tax	Hotel/Motel Tax	Total
175,328	2,324,936	4,580,442	1,238,354	31,055	160,719	31,511,451
152,571	2,264,644	4,291,728	1,151,445	31,515	135,262	31,292,816
158,669	2,315,722	3,712,282	1,122,474	31,330	139,124	32,006,884
141,055	2,373,582	3,679,842	1,020,980	29,461	208,018	32,248,629
137,171	2,348,880	4,955,625	1,001,508	39,478	314,556	31,706,082
252,970	2,353,219	5,441,339	1,176,269	40,588	343,766	37,479,152
257,220	2,690,653	5,712,621	1,138,203	42,273	362,845	38,405,625
216,733	2,870,325	5,576,018	1,101,454	74,388	365,467	38,977,803
209,290	2,569,313	5,115,322	1,264,855	61,896	379,996	38,337,651
166,268	1,878,244	3,738,747	888,666	41,426	326,542	31,424,867
-5%	-19%	-18%	-28%	33%	103%	-0.3%

CITY OF ROCK ISLAND, ILLINOIS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Fiscal Period Ended	Residential Property	Commercial Property	Industrial Property	Farm Property
3/31/2006	297,296,248	73,967,953	50,351,852	457,018
3/31/2007	307,710,810	77,070,123	52,470,854	348,638
3/31/2008	325,002,566	79,206,138	50,181,800	361,695
3/31/2009	330,336,634	82,881,302	51,663,392	373,402
3/31/2010	334,234,771	84,908,535	51,987,674	382,903
3/31/2011	336,600,874	85,399,438	51,483,914	364,329
3/31/2012	338,533,938	86,157,275	51,038,902	379,853
3/31/2013	324,124,044	80,313,679	50,786,603	398,366
3/31/2014	310,848,722	77,148,017	55,034,580	487,151
12/31/2014	310,067,178	78,706,665	54,964,548	489,050

Source: County records

Note: There is no personal property tax (on cars or jewelry); only real property is taxed. The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year. The farmland value is based upon productivity instead of actual market value.

Railway Property	Assessed Value	Percent Growth	Total Direct Tax Rate	Taxable Value	Percentage of Actual Value
447,978	422,521,049	5.7%	2.4382	1,267,563,147	33.3%
565,136	438,165,561	3.7%	2.3652	1,314,496,683	33.3%
719,106	455,471,305	3.9%	2.3502	1,366,413,915	33.3%
843,858	466,098,588	2.3%	2.3638	1,398,295,764	33.3%
946,217	472,460,100	1.4%	2.3852	1,417,380,300	33.3%
1,220,693	475,069,248	0.6%	2.4092	1,425,207,744	33.3%
1,512,339	477,622,307	0.5%	2.4084	1,432,866,921	33.3%
3,007,939	458,630,631	-4.0%	2.4002	1,367,004,776	33.6%
3,549,995	447,068,465	-6.4%	2.3978	1,335,253,423	33.5%
3,816,687	448,044,128	0.2%	2.3852	1,344,266,811	33.3%

CITY OF ROCK ISLAND, ILLINOIS
DIRECT AND OVERLAPPING GOVERNMENTAL PROPERTY TAX RATES
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Tax Collection Year	City Direct Rates							Special Service Fund
	General Fund	Fire Pension Fund	Police Pension Fund	Public Benefit Fund	Public Library Fund	Park Fund	Total Direct	
3/31/2006	0.95160	0.31620	0.35100	0.05060	0.41420	0.35460	2.43820	-
3/31/2007	0.85840	0.30380	0.36500	0.05020	0.41620	0.37160	2.36520	-
3/31/2008	0.82100	0.32080	0.36780	0.04800	0.41940	0.37320	2.35020	-
3/31/2009	0.78680	0.37160	0.38020	0.05040	0.41000	0.36480	2.36380	-
3/31/2010	0.66100	0.43940	0.46360	0.05060	0.40780	0.36280	2.38520	-
3/31/2011	0.68920	0.42500	0.45600	0.05060	0.41720	0.37120	2.40920	-
3/31/2012	0.70440	0.41580	0.45620	0.05000	0.41380	0.36820	2.40840	-
3/31/2013	0.59380	0.44280	0.50180	0.05000	0.42960	0.38220	2.40020	-
3/31/2014	0.48420	0.48900	0.54160	0.05000	0.44080	0.39220	2.39780	5.82160
12/31/2014	0.30660	0.59740	0.60000	0.04980	0.44000	0.39140	2.38520	5.92100

Source: City and County records

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners, although the County property tax rates apply to all City property owners; the Airport Authority rates apply to the property owners within that Authority's geographic boundaries.

Overlapping Rates

Rock Island School District	Rock Island County	Township	Airport Authority	Transit	Blackhawk Community College
5.14500	0.79800	0.36700	0.07200	0.16500	0.41500
5.11920	0.79560	0.38080	0.07260	0.17540	0.45790
5.07880	0.78900	0.37960	0.07160	0.17420	0.50160
5.05580	0.84800	0.38160	0.07340	0.17680	0.53560
5.06100	0.85420	0.39840	0.07400	0.18120	0.53370
5.11480	0.85740	0.41480	0.07340	0.18220	0.53240
5.12000	0.86840	0.41080	0.07500	0.18720	0.53690
5.25900	0.88720	0.42960	0.07500	0.19480	0.54030
5.30660	1.01840	0.44540	0.07500	0.20540	0.54270
5.29820	1.05960	0.43880	0.07500	0.20820	0.54850

CITY OF ROCK ISLAND, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT PERIOD AND TEN PERIODS AGO
DECEMBER 31, 2014
(UNAUDITED)

Taxpayer	12/31/2014		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value
DNC Gaming & Entertainment	\$ 22,000,375	1	4.91%
Modern Woodmen of America	7,692,555	2	1.72%
Mid American Energy Co.	4,858,742	5	1.08%
PFG Thoms Proestler Co	4,640,955	3	1.04%
Friendship Manor	3,031,571	4	0.68%
Deere & Co/Tax Dept	2,338,072	5	0.52%
First Equality Management	2,333,100	6	0.52%
Illinois Housing Development Authority	1,901,794	8	0.42%
Rock Island River Terminal	1,806,236	9	0.40%
Eye Surgeons Facilities	1,583,632	10	0.35%
Total	\$ 52,187,032		11.6%

Notes:

1. Valuation as of January 1, 2014, for taxes collected in 2015.
2. Total City assessed valuation of \$ 448,044,128

Taxpayer	3/31/2006		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value
Modern Woodmen of America	9,216,159	1	2.1%
Thoms-Proestler Co.	5,336,516	2	1.2%
Mid American Energy Co.	4,700,560	3	1.1%
Barjan Products LLC	4,693,660	4	1.1%
Miller Container Corp.	4,045,184	5	0.9%
Friendship Manor	2,863,679	6	0.6%
LRC Developers, Inc.	1,889,811	7	0.4%
Illinois Housing Development Authority	1,883,913	8	0.4%
Quad Cities Steel Warehouse	1,815,855	9	0.4%
Kinseth Hospitality III	1,570,766	10	0.4%
Total	\$ 38,016,103		8.6%

Notes:

Total City assessed valuation of \$441,231,008.

Source: County records

CITY OF ROCK ISLAND, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Fiscal Period Ended	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
3/31/2006	2005	10,183,702	10,170,980	99.88%	-	10,170,980	99.88%
3/31/2007	2006	10,299,869	10,018,023	97.26%	-	10,018,023	97.26%
3/31/2008	2007	10,701,964	10,654,478	99.56%	-	10,654,478	99.56%
3/31/2009	2008	11,017,638	10,915,238	99.07%	-	10,915,238	99.07%
3/31/2010	2009	11,177,394	11,068,018	99.02%	-	11,068,018	99.02%
3/31/2011	2010	11,368,745	11,285,730	99.27%	-	11,285,730	99.27%
3/31/2012	2011	11,460,972	11,348,093	99.02%	9,364	11,357,457	99.10%
3/31/2013	2012	11,005,492	11,004,896	99.99%	-	11,004,896	99.99%
3/31/2014	2013	10,799,940	10,797,090	99.97%	-	10,797,090	99.97%
12/31/2014	2014	10,764,815	-	-	-	-	-

Source: City records

Note:

There is no personal property tax (on cars or jewelry); only real property is taxed.
The above information presents the information for each period for which it is levied.
A tax levy provides taxes remitted in the following year.
Amount collected includes payments in lieu of taxes from certain non-profit agencies.

CITY OF ROCK ISLAND, ILLINOIS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING BY TYPE
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Fiscal Period Ended	Governmental Activities				Percentage of Actual Property Value	Debt Per Capita	Other Governmental
	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Net General Bonded Debt			Activities Debt Line of Credit
3/31/2006	4,016,140	1,608,484	2,407,656	0.2%	60.67	-	
3/31/2007	4,484,975	1,306,835	3,178,140	0.2%	80.09	-	
3/31/2008	3,886,830	1,308,302	2,578,528	0.2%	64.98	-	
3/31/2009	9,697,600	171,543	9,526,057	0.7%	240.05	-	
3/31/2010	16,353,200	230,382	16,122,818	1.1%	406.28	-	
3/31/2011	15,872,900	926,460	14,946,440	1.0%	383.07	-	
3/31/2012	14,727,021	738,441	13,988,580	1.0%	358.52	-	
3/31/2013	15,188,450	834,053	14,354,397	1.1%	367.89	3,022,538	
3/31/2014	24,054,300	758,315	23,295,985	1.7%	597.06	12,115,602	
12/31/2014	48,294,478	2,117,024	46,177,454	3.4%	1183.49	-	

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
As a "Home Rule" entity, under the State of Illinois Constitution, the City has no statutory debt limit.

Source: City records

Business-Type Activities

Loan Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Per Capita Income	Per Capita
-	12,948,860	-	15,356,516	442.2 %	386.97
-	15,395,025	-	18,573,165	534.8 %	468.03
-	14,268,170	-	16,846,698	485.1 %	424.52
-	16,630,733	-	26,156,790	753.2 %	659.13
-	17,888,466	-	34,011,284	979.3 %	857.05
-	23,727,100	-	38,673,540	887.9 %	991.17
4,100,381	21,896,315	-	39,985,276	918.0 %	1,024.79
18,892,687	20,108,217	-	56,377,839	1294.3 %	1,444.92
41,240,029	18,330,700	-	94,982,316	2180.6 %	2,434.32
41,594,833	16,732,420	-	104,504,707	2399.2 %	2,678.37

CITY OF ROCK ISLAND, ILLINOIS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE PERIOD ENDED DECEMBER 31, 2014
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Schools			
Rock Island School District No. 41	\$ 35,980,000	80.560%	\$ 28,985,488
Rockridge School district No. 300	9,140,000	14.850%	1,357,290
Blackhawk College	27,565,000	12.380%	3,412,547
			33,755,325
Other Than Schools			
Rock Island County (1)	5,185,000	18.990%	984,632
Rock Island County Forest Preserve District	5,775,000	18.990%	1,096,673
Rock Island County Nursing Home	17,330,000	18.990%	3,290,967
Metropolitan Airport Authority	22,730,000	24.390%	5,543,847
			10,916,118
Subtotal, overlapping debt			44,671,443
City Direct Debt			48,294,478
Total direct and overlapping debt			\$ 92,965,921

Sources:

(1) City and County records

Sources: Assessed value data used to estimate applicable percentages provided by Rock Island County Auditor.
Debt outstanding data was provided by each governmental unit.

CITY OF ROCK ISLAND, ILLINOIS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL PERIODS
(UNAUDITED)

Fiscal Period Ended	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
3/31/2006	255,000	363,000	34,981	0.6
3/31/2007	224,331	160,000	13,650	1.3
3/31/2008	99,485	70,000	4,165	1.3
3/31/2009	74,165	-	-	0.0
3/31/2010	-	-	-	0.0
3/31/2011	-	-	-	0.0
3/31/2012	-	-	-	0.0
3/31/2013	-	-	-	0.0
3/31/2014	-	-	-	0.0
12/31/2014	-	-	-	0.0

CITY OF ROCK ISLAND, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Fiscal Period Ended	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
3/31/2006	39,684	NA	34,729	36.4	7,215	4.6%
3/31/2007	39,684	NA	34,729	36.4	7,215	4.6%
3/31/2008	39,684	NA	34,729	36.4	7,215	5.2%
3/31/2009	39,684	NA	34,729	36.4	6,122	8.2%
3/31/2010	39,684	NA	34,729	36.4	6,122	11.8%
3/31/2011	39,018	NA	43,558	37.0	6,979	8.7%
3/31/2012	39,018	NA	43,558	37.0	6,979	8.7%
3/31/2013	39,018	NA	43,558	37.0	6,269	8.3%
3/31/2014	39,018	NA	43,558	37.0	6,334	7.9%
12/31/2014	39,018	NA	43,558	37.0	6,334	6.6%

Sources: Bi-State regional planning commission and city records

NA - Not Available

CITY OF ROCK ISLAND, ILLINOIS
PRINCIPAL EMPLOYERS (WITHIN THE CITY LIMITS OF ROCK ISLAND)
CURRENT PERIOD AND TEN PERIODS AGO
DECEMBER 31, 2014
(UNAUDITED)

Employer	12/31/2014		
	Employees	Rank	Percent
Rock Island Arsenal	7,900	1	46%
Unity Point - Trinity (Rock Island)	1,848	2	11%
Rock Island County Government	728	3	4%
Rock Island CSD	684	4	4%
City of Rock Island Government	636	5	4%
Jumers Casino	550	6	3%
Augustana College	550	7	3%
Modern Woodmen of America	435	8	3%
US Post Office (Rock Island)	300	9	2%
Royal Neighbors of America	257	10	1%
	13,888		33%
Total City Employment	17,187		

Employer	3/31/2006	
	Employees	Rank
Unity Point Health - Trinity Medical Center	1,800	1
Rock Island-Milan School District	950	2
Augustana College	480	3
Performance Food Group (Thoms Proestler Co.)	600	4
Jumer's Casino Rock Island	425	5
City of Rock Island Government	419	6
Modern Woodmen of America	405	7
Rock Island County Government	350	8
Seafood Clothing Company	315	9
Norcross Safety Products	400	10
	6,144	

Sources: City and Bi-State Regional Planning Commission records

CITY OF ROCK ISLAND, ILLINOIS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of Fiscal Period Ended									
	12/31/14	03/31/14	03/31/13	03/31/12	03/31/11	03/31/10	03/31/09	03/31/08	03/31/07	03/31/06
General Government										
Mayor and Council	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
City Clerk	1.00	1.00	1.00	1.45	1.50	1.50	1.00	1.00	1.00	1.00
General administration	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Administrative Services										
Administration	-	-	3.40	3.10	3.00	-	-	-	-	-
Personnel Services	-	-	0.40	0.70	1.00	-	-	-	-	-
Insurance	-	-	1.60	1.60	1.00	-	-	-	-	-
IT Services	-	-	5.35	5.35	6.00	-	-	-	-	-
GIS	-	-	0.25	0.25	-	-	-	-	-	-
	-	-	11.00	11.00	11.00	-	-	-	-	-
Personnel										
Administration	2.20	2.20	-	-	-	2.20	2.20	2.20	2.20	2.20
Personnel services	0.40	0.40	-	-	-	0.40	0.40	0.40	0.40	0.40
Insurance	1.40	1.40	-	-	-	1.40	1.40	1.40	1.40	1.40
	4.00	4.00	-	-	-	4.00	4.00	4.00	4.00	4.00
Finance										
Administration	1.00	1.00	1.00	1.25	1.25	1.00	2.00	2.00	2.00	2.00
Customer service	4.31	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Accounting	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00
	10.31	10.00	10.00	10.25	10.25	10.00	10.00	10.00	10.00	10.00
Information Technology										
Administration	2.00	2.00	-	-	-	1.30	2.35	2.35	2.30	2.10
Services	4.50	4.80	-	-	-	5.35	5.40	5.40	5.50	4.80
GIS	0.50	0.20	-	-	-	0.35	0.25	0.25	0.20	0.10
	7.00	7.00	-	-	-	7.00	8.00	8.00	8.00	7.00
Community/Economic Development										
Administration	0.86	0.75	0.50	0.50	0.50	0.50	0.60	0.60	1.27	1.27
Economic development	3.23	2.50	1.88	2.70	2.80	2.80	2.60	2.60	2.63	2.49
Planning/zoning/historic										
Preservation	3.77	4.85	5.72	6.62	6.52	6.26	6.43	6.43	6.58	6.15
Neighborhood redevelopment	2.25	1.90	1.90	1.90	1.90	1.90	2.80	2.80	2.95	2.09
Inspection	6.07	4.92	4.95	4.85	5.85	5.85	5.85	5.85	6.00	7.25
Rental inspection	4.05	5.08	5.05	5.15	5.15	4.15	4.15	4.15	4.00	2.75
	20.23	20.00	20.00	21.72	22.72	21.46	22.43	22.43	23.43	22.00
Martin Luther King Jr. Center										
Administration	3.05	3.75	2.20	2.00	1.15	1.15	1.10	1.10	1.70	1.70
Sponsored programs	11.62	10.27	7.56	9.58	6.68	3.85	4.90	4.90	4.30	4.30
	14.67	14.02	9.76	11.58	7.83	5.00	6.00	6.00	6.00	6.00
Police										
Administration	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Patrol	58.35	57.00	56.00	56.00	56.00	58.48	58.80	58.80	58.80	57.80
Community services	2.45	2.45	2.45	2.45	3.45	3.45	3.45	3.45	3.40	3.40
Auxiliary police	-	-	-	-	-	0.17	0.20	0.20	0.20	0.20
Resource services	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53	3.08	3.08

CITY OF ROCK ISLAND, ILLINOIS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of Fiscal Period Ended									
	12/31/14	03/31/14	03/31/13	03/31/12	03/31/11	03/31/10	03/31/09	03/31/08	03/31/07	03/31/06
Communication	13.16	13.16	13.16	13.16	13.16	13.16	13.16	13.16	12.84	12.84
Technical services	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.44	2.44
Records	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.24	5.24
Major crime	9.90	10.20	10.20	10.10	10.40	10.40	10.25	10.25	10.25	10.25
Narcotics/vice	5.30	7.30	7.30	7.30	7.30	5.40	5.30	5.30	5.30	6.30
Juvenile	6.50	6.50	6.50	6.60	7.30	7.55	7.45	7.45	7.45	7.45
	110.05	111.00	110.00	110.00	112.00	112.00	112.00	112.00	112.00	112.00
Fire										
Administration	8.94	8.94	8.94	8.98	9.16	9.16	10.16	10.16	9.16	9.27
Fire prevention	6.94	6.94	6.94	6.98	7.16	7.16	7.16	7.16	7.16	7.27
Emergency/disaster services	20.52	20.52	20.52	20.65	21.28	21.28	21.28	21.28	21.28	21.66
Ambulance	22.60	22.60	22.60	22.74	23.40	23.40	22.40	22.40	23.40	23.80
	59.00	59.00	59.00	59.35	61.00	61.00	61.00	61.00	61.00	62.00
Public Works										
Administration	19.74	20.50	20.46	21.11	19.98	20.65	20.70	20.70	21.39	19.61
Street maintenance & repair	8.88	8.32	8.32	7.69	7.57	8.22	9.00	9.00	7.40	7.53
Snow & ice control	0.34	0.64	0.64	0.64	0.64	0.68	0.73	0.73	0.65	0.69
Refuse collection	8.09	8.02	8.02	8.02	8.02	8.02	8.02	8.02	6.97	9.62
Levee/ROW maintenance	6.66	5.92	5.92	5.92	6.01	6.52	7.78	7.78	7.60	7.30
Water distribution	12.78	13.75	13.75	13.68	14.28	14.28	14.03	14.03	14.25	14.60
Wastewater collection	2.85	2.97	3.02	3.67	2.87	2.87	2.90	2.90	2.79	2.80
Motor vehicle parking	1.88	1.88	1.88	1.38	1.53	1.53	1.58	1.58	2.83	2.96
Water treatment	10.27	10.28	10.63	10.68	10.98	11.08	10.98	10.98	11.12	11.12
Wastewater treatment	9.52	9.68	9.68	9.68	9.08	9.68	9.58	9.58	9.72	9.72
Fleet services	10.00	9.15	9.15	9.15	9.15	9.15	9.20	9.20	9.25	9.25
Electrical maintenance	2.00	2.00	3.00	2.55	2.45	2.45	3.00	3.00	3.00	3.00
Engineering services	9.91	10.28	10.62	10.28	10.55	10.98	10.98	9.25	9.51	10.54
Building maintenance	1.28	1.70	1.70	2.00	2.10	1.95	1.20	1.20	1.70	1.55
Sunset Marina	1.84	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.86	2.31
Hydroelectric	0.05	-	-	0.15	0.15	0.30	0.25	0.25	-	-
Stormwater	5.06	5.95	5.75	5.95	7.13	7.13	6.56	6.56	5.96	4.40
Centennial Bridge	-	-	-	-	-	-	-	-	-	-
	111.15	112.28	113.78	113.79	113.73	116.73	117.73	116.00	116.00	117.00
Parks & Recreation										
Administration	2.50	2.45	2.45	2.20	2.25	3.50	3.50	3.50	3.50	3.28
Park maintenance	16.64	14.73	14.77	16.08	15.17	18.02	19.16	19.16	17.03	13.46
Recreation programs	11.27	9.59	12.17	14.02	11.23	15.88	16.63	16.63	16.47	17.60
Highland Springs Golf	16.90	14.10	14.12	13.98	14.18	14.41	14.41	14.41	14.45	13.93
Saukie Golf	10.87	8.74	8.73	9.64	9.66	10.28	10.28	10.28	10.34	10.11
Golf Pro Shop	0.19	0.14	0.14	0.14	0.14	0.26	0.26	0.26	0.26	0.57
Whitewater Junction	9.37	7.06	7.09	7.09	7.09	8.57	8.25	8.25	8.06	7.35
RI Fitness Center	18.10	16.28	14.92	15.66	17.01	15.80	14.67	14.67	14.43	13.56
Riverfront Park	2.38	2.31	2.27	2.17	1.77	-	-	-	-	-
	88.22	75.40	76.66	80.98	78.50	86.72	87.16	87.16	84.54	79.86
Library										
Administration	4.00	2.00	2.00	1.91	2.00	2.00	2.00	2.00	2.00	2.00

CITY OF ROCK ISLAND, ILLINOIS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of Fiscal Period Ended									
	12/31/14	03/31/14	03/31/13	03/31/12	03/31/11	03/31/10	03/31/09	03/31/08	03/31/07	03/31/06
Main library	20.17	21.80	21.98	21.28	22.36	22.08	21.38	21.38	21.38	21.38
30/31 library	4.00	4.00	4.00	3.82	4.00	4.00	4.00	4.00	4.00	4.00
Southwest library	3.25	3.25	3.25	3.10	3.25	3.25	3.87	3.87	2.75	2.75
	31.42	31.05	31.23	30.11	31.61	31.33	31.25	31.25	30.13	30.13
Total	<u>468.05</u>	<u>455.75</u>	<u>453.43</u>	<u>460.23</u>	<u>460.14</u>	<u>466.74</u>	<u>470.57</u>	<u>468.84</u>	<u>466.10</u>	<u>460.99</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Police				
Calls for service	44,563	47,200	47,317	47,317
Adult arrest	4,381	4,738	4,299	4,299
Juvenile arrest	994	876	937	937
Speeding citations only	1,255	1,255	1,884	1,884
Traffic citations	6,515	8,750	8,857	8,857
Fire				
Total fire runs	1,339	1,487	1,550	1,617
Total rescue runs	3,179	4,068	4,898	4,798
Property loss	\$ 429,350	\$ 429,350	\$ 670,009	\$ 1,385,260
Public Works				
Garbage collected (ton)	17,978	16,800	18,900	18,900
Other collected (ton)	1,622	1,953	2,761	2,761
Water average daily treatment (millions of gallons)	5.33	5.30	5.12	5.28
Wastewater average daily treatment (millions of gallons)	6.14	7.45	8.85	10.64
Library, volumes in collection	227,512	241,113	254,126	254,126
Parks and Recreation				
RIFAC memberships	2,748	2,670	2,650	2,554
Aquatics program attendance	37,929	29,839	29,222	29,222
Golf rounds played	66,967	56,000	48,000	50,918
Recreation programs offered	203	217	287	304
Park maintenance hours	41,500	41,500	41,500	**
RIFAC and Whitewater members	**	**	**	**
Registrations for programs	**	**	**	**
Rentals at facilities	**	**	**	**

Source: City records

Note: ** The City changed its Budget format for CY14. Tracking of operating indicators has been revised in the new format resulting in some p

Fiscal Period Ending					
3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	12/31/2014
32,897	28,032	28,227	29,826	54,157	35,396
3,069	2,903	3,978	3,716	2,696	1,829
800	617	678	403	413	453
1,536	849	919	1,079	861	811
7,105	5,990	6,190	5,726	4,495	3,754
1,420	1,482	1,525	1,543	1,570	1,194
4,973	4,562	4,666	4,516	4,600	3,569
\$ 5,609,267	\$ 1,652,466	\$ 1,298,231	\$ 791,177	\$ 1,130,000	\$ 2,902,933
17,750	15,778	14,858	15,085	14,220	12,587
2,298	2,200	2,207	2,250	**	**
5.00	5.50	5.69	5.30	5.25	5.37
12.00	11.14	9.72	7.47	8.69	7.75
247,414	249,218	250,014	243,412	238,904	233,228
2,685	2,717	2,641	2,830	**	**
29,415	29,451	32,177	32,000	**	**
55,586	52,196	51,527	54,305	46,633	49,521
417	395	281	276	**	**
**	**	**	**	**	**
**	**	5,048	5,178	4,869	7,109
**	**	8,448	7,487	7,865	4,597
**	**	733	775	759	755

rior indicator information unavailable.

CITY OF ROCK ISLAND, ILLINOIS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Police and fire				
Police stations	1	1	1	1
Fire stations	4	4	4	4
Electrical maintenance				
Traffic signaled intersections	62	62	62	62
Warning lights	17	17	17	17
Street lights	1,157	1,157	1,157	1,157
Mobile radios	225	225	225	225
Municipal vehicle parking system				
Parking lot/ramp spaces	1,352	1,352	1,352	1,352
On-street parking	1,375	1,375	1,375	1,375
Parking meters	140	140	140	140
Highways and streets				
Miles of streets	166	166	166	166
Refuse disposal				
Refuse trucks	5	6	6	6
Libraries				
Facilities	3	3	3	3
Volumes	227,512	241,113	254,126	254,126
Waterworks				
Storage capacity (MGPD)	10.85	10.85	10.85	10.85
Average water treated (MGPD)	5.00	5.00	5.00	5.12
Miles of water main	224	226	226	228
Fire hydrants	1,902	1,915	1,915	1,928
Control valves	4,230	4,251	4,251	4,315
Wastewater treatment				
Storage capacity (MGPD)	9.50	9.50	9.50	9.50
Average wastewater treated (MGPD)	6.14	7.45	8.85	10.64
Sanitary sewers (miles)	250	250	250	250
Storm sewers (miles)	95	95	95	95
Stormwater catch basins	3,667	3,667	3,667	3,667
Stormwater				
Stormsewer mains (miles)	104	104	104	115
Stormwater catch basins	4,931	4,956	4,956	4,947
Total raingardens	88	88	131	155
Total raingardens (sq ft)	34,245	34,245	50,800	57,855
Parks & recreation				
Acreage	900	900	900	900

<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
1	1	1	1	1	1
4	4	4	4	4	4
64	64	64	64	64	64
16	16	18	18	18	18
1,204	1,204	1,204	1,204	1,204	1,204
214	214	214	120	120	120
1,352	1,352	1,352	1,352	1,352	1,352
1,375	1,375	1,375	1,375	1,375	1,375
100	92	92	104	104	96
166	166	166	166	166	166
6	6	6	6	6	6
3	3	3	3	3	3
247,414	249,218	250,014	243,412	238,904	233,228
10.85	10.85	10.85	10.85	10.85	11
5.35	5.50	5.69	5.30	5.25	5.28
228	228	228	228	229	229
1,932	1,928	1,929	1,929	1,930	1,935
4,327	4,315	4,322	4,330	4,332	4,340
17.50	18.00	17.50	17.50	17.50	18
12.00	11.14	9.72	7.75	7.84	7
250	185	185	185	185	185
95	95	95	95	95	95
3,667	3,667	3,667	3,667	3,667	3,667
115	115	115	115	115	115
4,947	4,947	4,947	5,011	5,011	5,011
192	210	231	244	251	257
67,926	73,510	80,812	83,995	86,327	87,143
900	900	900	860	860	860

CITY OF ROCK ISLAND, ILLINOIS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2014
(UNAUDITED)

Function/Program	3/31/2006	3/31/2007	3/31/2008	3/31/2009
Playgrounds	23	23	23	23
Golf course	2	2	2	2
Swimming pools	2	2	2	2
Sunset marina				
Summer slips available	473	473	473	473
Winter storage available	250	250	250	250
Housing and community development loans				
CIRLF Loans	12	14	8	5
TIF District Projects	14	23	18	14
Agencies receiving funding	11	12	12	9

Source: City records

<u>3/31/2010</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>
23	24	25	25	26	26
2	2	2	2	2	2
2	2	2	2	2	2
473	473	473	473	473	473
250	250	250	250	250	250
10	11	8	10	6	5
15	17	50	50	46	18
9	9	9	9	**	**



ROCK ISLAND
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CITY OF ROCK ISLAND, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/Entitlement Grants (Direct)	14.218	B13MC170021	\$ 738,297
Indirect Programs, Pass-Through Programs From:			
Illinois Department of Commerce & Economic Opportunity:			
IKE Public Infrastructure Program	14.228	08-354083	192,571
IKE Public Infrastructure Program	14.228	B-08-DI-17-001	4,990
Total U.S. Department of Housing and Urban Development			<u>935,858</u>
U.S. Department of Justice:			
2013 Byrne Justice Assistance Grant Program (Direct)	16.738	2013-H5065-IL-DJ	<u>21,132</u>
U.S. Environmental Protection Agency			
Indirect Program, Pass-Through Programs From:			
Illinois Environmental Protection Agency:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	L17136700	<u>1,185,199</u>
U.S. Department of Commerce			
Economic Development Administration (Direct)	11.307	06-79-05699	<u>11,815</u>
U.S. Department of Interior / National Park Service			
U.S. Fish and Wildlife Service/			
Illinois Department of Natural Resources (ILDNR):			
Boating Infrastructure Grant Program (BIG-P)	15.622	F13AP00149	<u>51,670</u>
U.S. Department of Transportation			
Indirect Programs, Pass-Through Programs From:			
Illinois Department of Transportation:			
State and Community Highway Safety	20.600	AP-14-0274	36,797
National Priority Safety Programs	20.616	OP-15-0171	13,745
Federal Highway Administration/			
Illinois Department of Transportation:			
2005 National Scenic Byway Grant	20.205	SBIL-IL05 (009)	<u>16,861</u>
Total U.S. Department of Transportation			<u>67,403</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 FOR THE YEAR PERIOD APRIL 1, 2014 THROUGH DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Indirect Programs, Pass-Through Programs From:			
Illinois Department of Human Services:			
Temporary Assistance for Needy Families	93.558	FCSSR00987	40,363
Prevention and Treatment of Substance Abuse	93.959	FCSRE01868	81,852
Prevention and Treatment of Substance Abuse	93.959	FCSSP01868	32,038
Teen Pregnancy Prevention Prep	93.092	FCSRE01839	38,722
Teen Pregnancy Prevention Prep	93.092	FCSSP01839	8,978
Total U.S. Department of Health and Human Services			<u>201,953</u>
Total			<u>\$ 2,475,030</u>

*See notes to Schedule of Expenditures of Federal Awards

City of Rock Island, Illinois

**Notes to the Schedule of Expenditures of Federal Awards
Period April 1, 2014 Through December 31, 2014**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Rock Island, Illinois under programs of the federal government for the period April 1, 2014 through December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual or accrual basis of accounting based on the fund type of the program. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles of State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Therefore, some accounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City of Rock Island, Illinois provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
None		

City of Rock Island, Illinois

Summary Schedule of Prior Audit Findings
Period April 1, 2014 Through December 31, 2014

Findings	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies Related to the Basic Financial Statements:		
2014-001 The City has inadequate segregation of duties over the Parks and Recreation Department cash receipts	Not corrected.	See corrective action plan at 2014-001
2014-002 The City has insufficient segregation of duties over the payroll process.	Not corrected.	See corrective action plan at 2014-002
2014-003 The City has insufficient segregation of duties over the cash disbursement transaction cycle.	Not corrected.	See corrective action plan at 2014-003

**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***

To the Honorable Mayor and
Members of City Council
City of Rock Island, Illinois
Rock Island, Illinois

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 discretely presented component units and remaining fund information of the City of Rock Island, Illinois as of and for the period April 1, 2014 through December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Rock Island, Illinois's basic financial statements, and have issued our report thereon dated June 1, 2015. Our report includes a reference to other auditors who audited the financial statements of the Rock Island Public Library Foundation, a discretely presented component unit, as described in our report on City of Rock Island, Illinois's financial statements. The financial statements of the Rock Island Public Library Foundation were not audited in accordance with *Government Auditing Standards*.

Our report includes an *emphasis of matter* paragraph due to the adoption of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* for the period April 1, 2014 through December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Rock Island, Illinois'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 City of Rock Island, Illinois's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rock Island, Illinois's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, 2014-002, 2014-003 and 2014-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rock Island, Illinois'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*.

City of Rock Island, Illinois's Response to Findings

City of Rock Island, Illinois's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
June 1, 2015

**Independent Auditor's Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and
Members of City Council
City of Rock Island, Illinois
Rock Island, Illinois

Report on Compliance for Each Major Federal Program

We have audited City of Rock Island, Illinois's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Rock Island, Illinois's major federal programs for the period April 1, 2014 through December 31, 2014. City of Rock Island, Illinois's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Rock Island, Illinois's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Rock Island, Illinois's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Rock Island, Illinois's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Rock Island, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period April 1, 2014 through December 31, 2014.

Report on Internal Control Over Compliance

Management of City of Rock Island, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Rock Island, Illinois's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Rock Island, Illinois's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
June 1, 2015

City of Rock Island, Illinois

**Schedule of Findings and Questioned Costs
Period April 1, 2014 Through December 31, 2014**

Part I: Summary of the Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses or significant deficiencies in internal control over major federal programs were identified.
- e) Unmodified opinions were issued on compliance with requirements applicable to each major program.
- f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds

- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Rock Island, Illinois did not qualify as a low-risk auditee.

(Continued)

Schedule of Findings and Questioned Costs
Period April 1, 2014 Through December 31, 2014

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

None reported.

Significant Deficiencies:

2014-001

Finding: The Parks and Recreation Department of the City has inadequate segregation of duties over cash receipts.

Condition: The Office Manager has access to cash, prepares the deposit, makes adjustments to the cash receipt system, and reconciles receipts to system reporting.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash receipt function.

Recommendation: An employee without access to cash receipts should reconcile the deposits to the system reports detailing cash receipts each day. Any adjustments to transactions would be prepared by the employee reconciling and then reviewed and approved by a supervisor prior to posting.

Response and Corrective Action Plan: The City is currently evaluating processes to determine realignment of duties in light of personnel changes and new system implementation.

**Schedule of Findings and Questioned Costs
Period April 1, 2014 Through December 31, 2014**

2014-002

Finding: The City has insufficient segregation of duties over the payroll process.

Condition: One individual at the City has the ability to change the employee master file, including entering new employees, modifying pay rates and adding deductions; has the ability to edit time entered into the payroll system and processes the bi-weekly payroll.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the payroll function.

Recommendation: Ideally, the position responsible for processing the payroll should be segregated from the position with the ability to make employee master file changes. The City should evaluate the payroll software to determine if password protections within applications in regard to the master file could be limited to another position in Human Resources Department. The Human Resources Department should make all changes to the employee master file including, adding new employees, terminating employees, and pay rate changes.

Ideally, changes and edits to an employees' time sheet should be completed by the timekeeper in each department. Alternatively, along with the manual paychecks or Notice of Deposit slips, the timekeeper should receive a listing of all hours paid from their respective department. They should compare the hours in total to total submitted for payroll processing through the Attendance Enterprise system.

Key compensating controls include the Finance Director receiving a payroll register and specifically reviewing the Fiscal Technician's and the timekeepers' hours and rate of pay. In addition, the total pay per the payroll register is agreed to the sum of the total of the ACH file submitted to the financial institution and manual check listing.

In addition, PSS now delivers the checks and notice of deposits directly to Human Resources Department. PSS should send a paper copy of the payroll file. Human Resources should randomly compare employees' checks to the file scanning for unusual payees or amounts.

Response and Corrective Action Plan: The City is in the process of implementing changes to realign duties where possible to improve internal controls.

**Schedule of Findings and Questioned Costs
Period April 1, 2014 Through December 31, 2014**

2014-003

Finding: The City has insufficient segregation of duties over the cash disbursement transaction cycle.

Condition: One individual at the City has the ability to change the vendor master file, has access to the purchase order and requisition module, access to the check processor files and access to positive pay file for the financial institution, has the ability to void and reissue a check and files invoices. This individual is also responsible for preparing the bank reconciliation.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash disbursement function.

Recommendation: Ideally, the position responsible for processing disbursements should be segregated from the position with the ability to make vendor master file changes. The City should evaluate the software to determine if password protections within applications in regard to the master file could be limited to another position. Check register edit reports should be reviewed by an employee outside of the processing duties. When checks are processed, the system should identify the next check in sequence instead of a manual entry by staff. Ideally, the bank reconciliation would be prepared by someone other than the position responsible for cash disbursements.

Response and Corrective Action Plan: Several changes will be instituted to address this issue. The Accountant's security access will be revised for inquiry only of vendor master file as well as in the purchase order and requisition module. The ability to add or update the vendor master file will continue to be performed by the Junior Accountant. The financial system has the ability to assign the next check number automatically. This function will be instituted.

2014-004

Finding: The Parks and Recreation Department has insufficient segregation of duties over the cash disbursement transaction cycle.

Condition: The Parks and Recreation Department is not utilizing the Requisition and Purchase Order module of the City's Accounts Payable system until it is time to pay an invoice.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: A limited number of personnel are involved in the cash disbursement function.

**Schedule of Findings and Questioned Costs
Period April 1, 2014 Through December 31, 2014**

Recommendation: Ideally, the requisition or purchase order for goods would be entered by a department head at the time it is needed. Approval would be given by the appropriate Director and then the item would be purchased. These approvals should be documented in the City's Accounts Payable system before payment from an invoice is needed per City policy.

Response and Corrective Action Plan: The City is in the process of implementing changes to realign duties where possible to improve internal controls.

Part III: Findings and Questioned Costs for Federal Awards

Significant Deficiencies over Federal Awards:

None Reported.

Instances of Noncompliance:

None Reported.

City of Rock Island, Illinois

Corrective Action Plan

Period April 1, 2014 Through December 31, 2014

	Findings	Corrective Action Plan	Anticipated Date of Completion
Significant Deficiencies Over Basic Financial Statements:			
2014-001	The City has inadequate segregation of duties over the Parks and Recreation Department cash receipts.	See response and corrective action plan at 2014-001	Fiscal Year December 31, 2015
2014-002	The City has insufficient segregation of duties over the payroll process.	See response and corrective action plan at 2014-002	Fiscal Year December 31, 2015
2014-003	The City has insufficient segregation of duties over the cash disbursement transaction cycle.	See response and corrective action plan at 2014-003	Fiscal Year December 31, 2015
2014-004	The City has insufficient segregation of duties over the Parks and Recreation Department disbursement transaction cycle.	See response and corrective action plan at 2014-004	Fiscal Year December 31, 2015