

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016



ROCK ISLAND
ILLINOIS

Prepared by:
Finance Department
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ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS

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ROCK ISLAND
ILLINOIS



May 26, 2017

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

We are pleased to present the 2016 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 period ending December 31, 2016. This report is the fifteenth 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, 2016.

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, 2016. 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 of 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 446 full-time equivalent employees. The City's police department, with 83 sworn police officers, is located at 1212 – 5th Avenue. The fire department currently has four stations housing the department's 58 full-time personnel.

The City negotiates with the following bargaining units: Fraternal Order of Police (65 employees, contract expires December 31, 2020); Police Command (16 employees, contract expires December 31, 2018); Fire Fighters (56 employees, contract expires December 31, 2018); Library (10 full-time employees and 20 part-time employees, UAW contract expires December 31, 2019); Public Works (60 employees, AFSME A contract expires December 31, 2019), and Office/Professional (64 employees, AFSME B contract expires December 31, 2019). 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 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 with the opening of nationally known eating establishments like Subway and Bennigan's complementing more unique local restaurants like Moe's Burgers and Brews, Soi 2 (Thai cuisine), Gunchies Rock Island, El Patron, Erawan, Quad City Pancake House, Huckleberry's, and Atlante.

Aside from arts and entertainment, downtown Rock Island continues to benefit from the home office operations of four major insurance companies: Modern Woodman of America, Royal Neighbors of America, Illinois Casualty, and The Cleveland Agency. Several new businesses have also opened in the downtown including: Cabana's; Discounted Furniture, J Wild Marketing, COOL Closet, Coleman Florist, Gentry Boutique, Taste Buds and coming in May 2017, Healthy Harvest. 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 supports recreational boat users and provides 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 2016, the City assisted Bridges Catering, a premier local caterer, to relocate into the downtown. In addition, the City continues to offer incentives for façade improvements.

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 our 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, were the first loft developments in the downtown with 54 mixed-income apartments and first floor commercial space.
- Clipper Condos, completed in 2004, with nine condominium units and first floor commercial represented 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 vacant warehouse transformed into 35 rental apartments.
- DuMarche' Market on Third, completed in 2009, offers six 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.
- The Locks, a 36-unit mixed-income apartment building, was completed by Rock Island GROWTH in January 2015. The Locks was 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 eight 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. \$700,000 of federal funding was utilized for Phase 1 and is open.
- The Garden District was completed in 2016, bringing seven single-family, new construction homes to downtown Rock Island.

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

- Star Block Phase II redeveloping two additional 130+ year old buildings into multiple apartment units.
- Plans have been developed to renovate and redevelop (Estimated Cost of \$10 Million) the historic VanDerGinst (Best) office building into the Riverview Lofts. The project will create 44 market-rate loft apartments and five 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 has resulted in a planning document that articulates achievable actions to guide and catalyze further investment in the downtown. The plan also calls for the continuation of residential development especially on the upper floors of existing downtown buildings.

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 2015, FedEx opened its 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 including Hawk Technology a designer/maker of high tech manufacturing equipment.

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 national retail developer to build a new facility. Currently, all companies have relocated out of Watchtower Plaza to new locations and the former buildings demolished. This action 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 were joined by the new corporate headquarters of Missman Incorporated. Hill & Valley moved to the former Quad City Industrial Center (QCIC) building (i.e. former Farmall facility), and added 50 new jobs. The move has allowed Hill & Valley to add over 100 jobs and continue to expand their business. These new developments total over \$22 Million in new investment.

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 five loans totaling \$377,403. These program dollars partnered with \$2 Million in private funds. Approved loans supported the expansion of Healthy Harvest, Table 13 Production, Discounted Furniture, Wake Brewery, and Bridges Catering. Additionally, three micro-CIRLF loans (up to \$10,000) were approved including Pizano Electric, Rocket Bottom, and Taste Buds. A total of 213 jobs will be created and retained as a result of these projects.

Over the past fiscal year, 17 applications were processed through the City's Façade Improvement Program (FIP). A total of \$181,873 in facade grants was leveraged to generate \$711,881 in private investments.

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 2016-2017 are:

Policy Agenda

Top Priority

- Street Infrastructure Plan and Funding Mechanism
- Walmart Development: Final Agreement, Construction
- Outparcel development at Walmart Site: Investment Commitment
- Kmart Site Redevelopment: Direction
- Parks and Recreation: Needs Assessment, Reorganization and Facilities Plan
- Retail Attraction: Contract and Business Commitment

High Priority

- Body Cameras: Policy / Guidelines, Storage, Funding
- Downtown Business Attraction: Strategy, Business Commitment
- 2nd Avenue Project: Grant, Plan Direction, Funding
- Zoning Ordinance Change: Mayor-City Council Responsibility
- Alley "Paving" Program Enhancement: Project Priority, Funding Level
- College District Redevelopment: Plan Update, Property Acquisition, Off-Street Parking, Proposed Project

Management Agenda

Top Priority

- Bad Debt Collection
- City Facilities Security Plan
- Host "Investors Social": Development Opportunities and Available Properties
- 1st Street TIF Project: Litigation
- Police-Community Engagement Program: Implementation

High Priority

- Communications Center / Dispatch
- Zoning and Development Code: Revision
- Historic Development Plan: Completion, Adoption

The proposed 2017 budget incorporates the Capital Improvement Program, the Community Development Block Grant Program and other City funds. It allocates resources to enable 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 \$41,997,044 for capital and infrastructure maintenance projects and a total of \$94,357,206 is planned for the remaining four years. Significant capital and maintenance projects in the 2017 budget include:

Water Treatment Filter Building	12,500,000
Street Improvements	8,882,150
Blackhawk Lift Station Improvements	7,000,000
Combined Sewer Separation (26 th -30 th Street/5 th -9 th Ave)	1,800,000
Street Maintenance	1,080,048
Fleet Equipment Funding and Purchases	318,600
Body Worn Cameras	<u>165,543</u>
	<u>31,746,341</u>

2. Municipal Services will be retained at a high level of quality
3. The CY 2017 budget includes expenditures totaling \$5,892,525 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 is anticipated to increase for the second year out of the last five years. The valuation before exemptions is expected to increase 2.96% from last year. It is anticipated this pattern will continue into the future.

The City's tax rate is estimated to remain at \$2.4002 per \$100 of assessed value. The proposed 2017 budget includes a property tax levy of \$11,280,143. This is an increase of \$324,296 from the 2016 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 expand the City's tax base through economic development efforts.

The City was able to weather the economic downturn and prepare balanced budgets without noticeable changes in operations or service quality. This was accomplished through a combination of budget reductions, increases in local home rule taxes, user fee increases when appropriate as well as reallocation of revenue and expenses. The local option sales tax was increased in April 2010 from .75% to 1.25%, and since that time sales tax revenue continues to remain relatively flat. In recent years there have been modest increases in property values indicating relatively healthy local economic conditions. Economic condition improvement is also seen in the increases of income and use taxes but the continued downward trend in utility and telecommunication taxes along with replacement tax revenue is a concern that will be monitored. Another significant concern is the City's rising police and fire pension contribution. The City has historically funded this obligation through the property tax levy without raising the overall rate. The cumulative effect on the general fund has been to reduce revenues available for operations.

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 2017. Further progress will be aided by the City's Comprehensive Plan which was completed in late 2014. This grant funded document will help guide future projects and redevelopment throughout the community. The City also completed a downtown plan in 2015 which outlines specific strategies for continuing downtown development.

The downtown continues to benefit from an influx of investment and new residents. The City celebrated the opening of The Locks in January 2015, a 36 unit market rate rental complex developed by the Rock Island Economic Growth

Corporation that remains fully occupied as of November 2016. This organization also acquired and renovated the historic Star Block property, a project capitalizing on other projects and makes a bold statement about the future of Rock Island's downtown. In the fall of 2016, the Garden District, consisting of seven newly constructed townhome style residences were approved for final occupancy. Downtown residents are able to take advantage of a resurgent downtown atmosphere, newly completed transient boat docks, and Schwiebert Riverfront Park.

The City has recently experienced significant investment from institutional, private, and public stakeholders. Trinity Hospital completed construction of a \$61 million, 90,000 sq. ft. expansion to its Rock Island campus. The expansion includes a modern cardiac care, an emergency room, and psychiatric patient services. Hill & Valley, a large bakery employing 150 people, relocated within Rock Island to the Columbia Park area and continues to grow and expand. 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 include Federal Express' completion of an 189,000 sq. ft. facility in the Southwest Business Park. Another new business in the Southwest Business Park, GTI, completed its grow facility. Watchtower Plaza redevelopment efforts continue to progress despite the September 2016 news that Wal-Mart would not be coming to the Rock Island market. In anticipation of Wal-Mart building on the site, many of the existing businesses were successfully relocated within Rock Island and the plaza is an attractive shovel-ready site.

CVS completed its new store on the former Audubon School location in early 2016. The developer is currently in lease negotiations to build a second building.

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 was recently completed. There are four remaining components to the plan: 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.

In summation, the City of Rock Island, which celebrated its 175th birthday in 2016, continues to strive to attract private and public development projects which will enhance the tax base and improve public perception of this community.

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.

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 December 31, 2015. This was the thirty-fifth 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 period ending December 31, 2016. This was the twenty-ninth 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, 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,



Randall Tweet
Interim City Manager



Stephanie Masson
Finance Director

CITY OF ROCK ISLAND, ILLINOIS

OFFICIALS

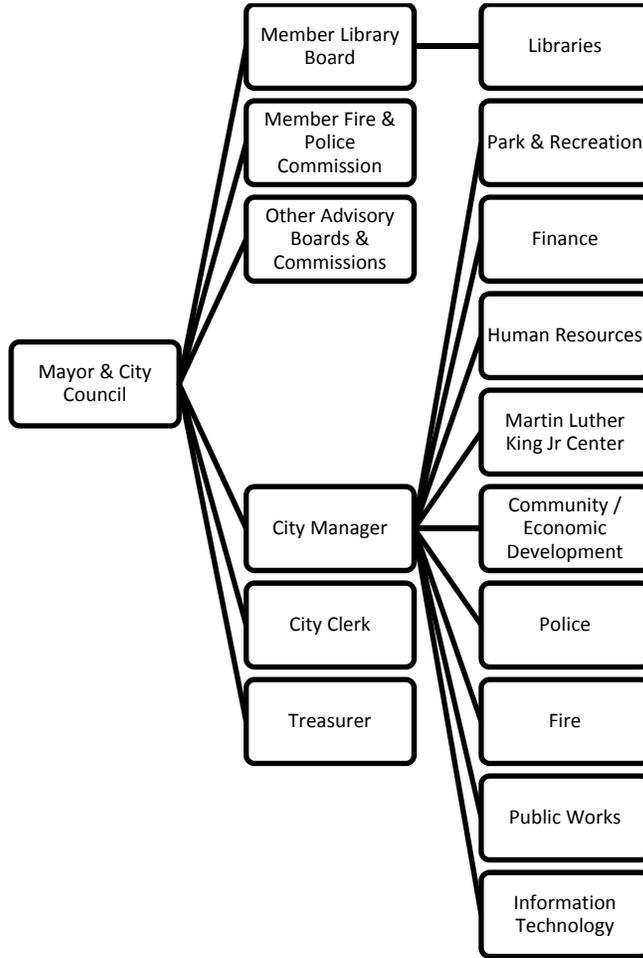
A Home Rule City Council/Manager - Form of Government

	Term Expiration Date of Elected Officials
MAYOR: Dennis Pauley	May 1, 2017
CITY MANAGER: Randy Tweet, Interim	Not Applicable
COUNCIL MEMBERS:	
1st Ward Alderman - Ivory Deaon Clark	May 1, 2017
2nd Ward Alderman - Virgil J. Mayberry	May 1, 2019
3rd Ward Alderman - Paul Foley	May 1, 2017
4th Ward Alderman - Stephen L. Tollenaer	May 1, 2019
5th Ward Alderwoman - Kate Hotle	May 1, 2017
6th Ward Alderman - Joshua Schipp	May 1, 2019
7th Ward Alderman - Charles Austin III	May 1, 2017



ROCK ISLAND
ILLINOIS

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 December 31, 2015. 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

December 31, 2015

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 year ended December 31, 2016, 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 0.9 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, pension plan schedules and budgetary comparison information, on pages 4-13 and 86-107 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 May 26, 2017 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 the effectiveness of the City of Rock Island's 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

Moline, Illinois
May 26, 2017



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, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,369,779 (net position). Of this amount \$61,817,395 represents a negative unrestricted, due basically to the City's investment in capital assets net of related debt and capital projects.
- In total, net position decreased by \$9,283,940. This represents a 27% decrease from 2015 and is a result of \$10,773,101 decrease and \$1,489,161 increase in the net position of governmental activities and business-type activities, respectively. The reduction in net position of governmental activities was due primarily to an increase in the net pension liability. The increase in the net position of business-type activities was mainly attributed to a rise in capital assets.
- The City of Rock Island's total long-term debt, including compensated absences, increased by \$14,097,972 (6 percent) to \$237,658,959 during the current fiscal period.
- At the close of the current fiscal year, the City of Rock Island's governmental funds reported combined ending fund balances of \$26,685,348, a decrease of \$4,402,209 in comparison with the prior period. Of this total amount, approximately 35 percent is unassigned and available for spending at the City's discretion.
- General revenues accounted for \$38,492,608 in revenue or 80 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$9,450,275 or 20 percent of total governmental revenues of \$47,942,883.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,959,210, or 27 percent of the total General Fund expenditures.

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, and libraries. The business-type activities of the City of Rock Island include a water utility, wastewater utility, storm water utility, solid waste, 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 sixteen 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, Community/Economic Development Fund, Capital Projects Fund and Debt Service Fund of which are considered to be major funds. Data from the other nine 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 a 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, solid waste 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.

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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 by \$25,369,779 at the close of the fiscal period ended December 31, 2016.

City of Rock Island's Net Position December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current assets	50,049,164	56,524,448	14,517,078	17,665,218	64,566,242	74,189,666
Noncurrent assets	517,381	517,217	1,421,713	1,268,861	1,939,094	1,786,078
Capital assets	94,652,716	93,748,672	111,928,182	105,413,454	206,580,898	199,162,126
Total assets	145,219,261	150,790,337	127,866,973	124,347,533	273,086,234	275,137,870
Deferred outflows of resources	9,542,030	8,426,323	3,426,805	1,600,965	12,968,835	10,027,288
Total assets and deferred outflows of resources	154,761,291	159,216,660	131,293,778	125,948,498	286,055,069	285,165,158
Current and other liabilities	9,569,263	11,195,362	6,320,207	9,710,319	15,889,470	20,905,681
Long-term liabilities	159,660,824	152,829,746	68,500,482	61,280,848	228,161,306	214,110,594
Total liabilities	169,230,087	164,025,108	74,820,689	70,991,167	244,050,776	235,016,275
Deferred inflows of resources	14,819,509	13,706,756	1,815,005	1,788,408	16,634,514	15,495,164
Total liabilities and deferred inflows of resources	184,049,596	177,731,864	76,635,694	72,779,575	260,685,290	250,511,439
Net position:						
Invested in capital assets	37,724,801	46,596,870	45,438,646	45,773,478	83,163,447	92,370,348
Restricted	4,023,727	4,486,649	-	-	4,023,727	4,486,649
Unrestricted	(71,036,833)	(69,598,723)	9,219,438	7,395,445	(61,817,395)	(62,203,278)
Total net position	(29,288,305)	(18,515,204)	54,658,084	53,168,923	25,369,779	34,653,719

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

An additional portion of the City of Rock Island's net position (16 percent) represents resources that are subject to external restrictions on how they may be used. Current assets exceed current liabilities in all three categories, both for the City as a whole, as well as for its separate governmental and business-type activities, in the amounts of \$48,676,772, \$40,479,901 and \$8,196,871 respectively.

The \$14,050,712 increase in total noncurrent liabilities is due mainly to the notes payable increase of \$5,734,323 and the increase in net pension liability by \$8,178,722.

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

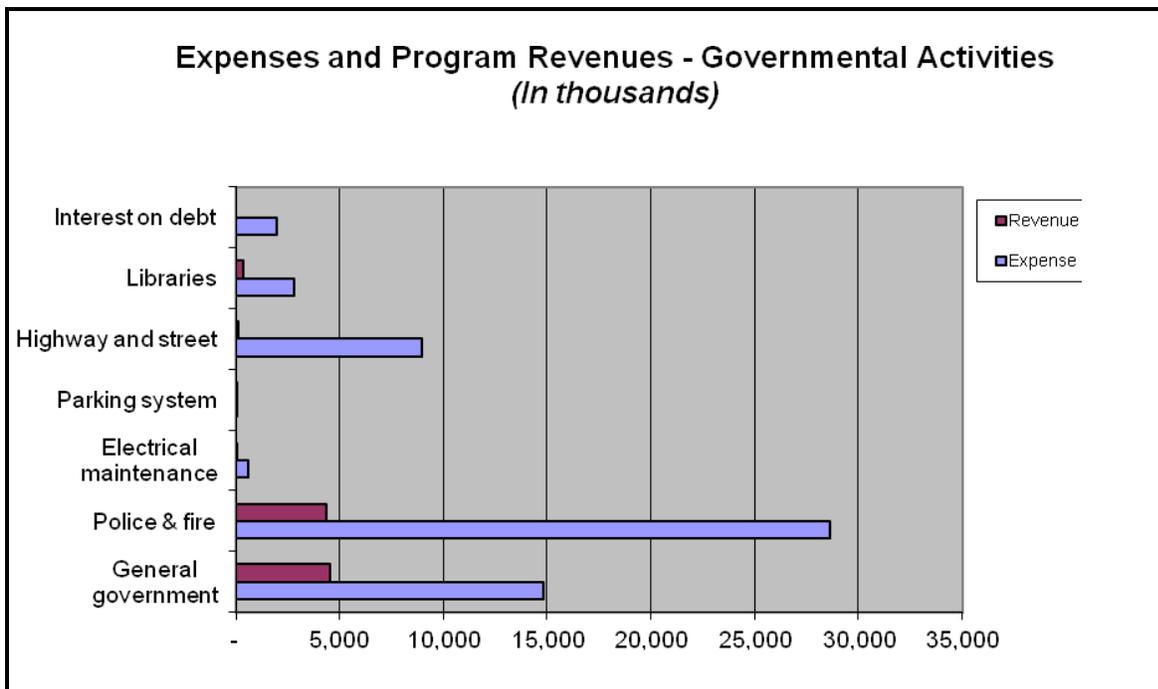
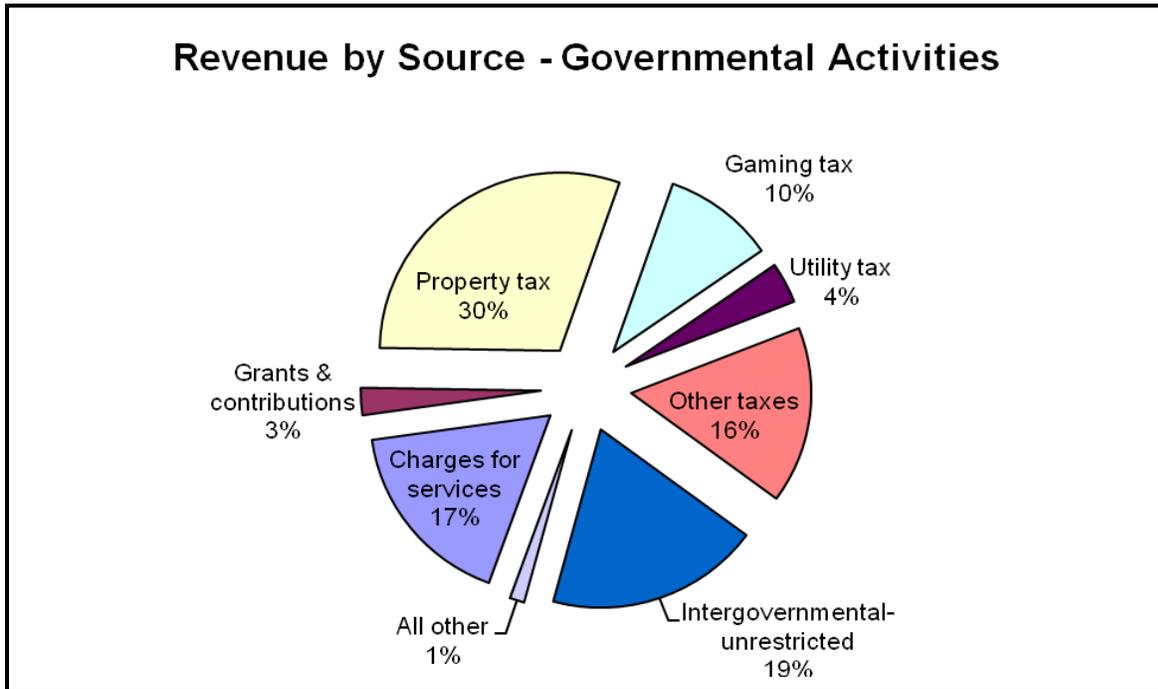
**City of Rock Island's Changes in Net Position
For the years ending December 31, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Revenues						
Program Revenues:						
Charges for services	8,266,828	9,709,486	21,887,656	20,022,944	30,154,484	29,732,430
Operating grants and contributions	1,183,447	931,168	224,754	266,443	1,408,201	1,197,611
Capital grants and contributions	-	-	354,281	-	354,281	-
General revenues						
Property tax	14,425,385	13,528,878	1,820,598	1,753,644	16,245,983	15,282,522
Gaming tax	4,803,366	4,872,918	-	-	4,803,366	4,872,918
Utility tax	1,770,537	1,872,737	-	-	1,770,537	1,872,737
Other taxes	7,678,787	7,474,643	-	-	7,678,787	7,474,643
Intergovernmental-unrestricted	9,191,190	9,501,573	-	-	9,191,190	9,501,573
Investment income	234,197	244,380	39,369	24,395	273,566	268,775
Other	389,146	60,364	-	142,228	389,146	202,592
Total revenues	47,942,883	48,196,147	24,326,658	22,209,654	72,269,541	70,405,801
Expenses						
General government	14,808,912	11,687,280	-	-	14,808,912	11,687,280
Police and fire	28,616,235	25,541,117	-	-	28,616,235	25,541,117
Electrical maintenance	620,045	610,131	-	-	620,045	610,131
Municipal vehicle parking system	21,146	102,961	-	-	21,146	102,961
Highway and street	8,955,820	10,288,905	-	-	8,955,820	10,288,905
Refuse disposal	-	1,923,146	-	-	-	1,923,146
Libraries	2,821,006	2,087,051	-	-	2,821,006	2,087,051
Interest on long-term debt	1,956,622	1,578,506	-	-	1,956,622	1,578,506
Waterworks	-	-	6,281,090	6,392,711	6,281,090	6,392,711
Wastewater	-	-	6,499,963	5,665,557	6,499,963	5,665,557
Park and recreation	-	-	5,748,258	5,869,086	5,748,258	5,869,086
Stormwater	-	-	1,754,785	1,468,921	1,754,785	1,468,921
Solid Waste	-	-	2,739,113	-	2,739,113	-
Sunset Marina	-	-	635,920	639,037	635,920	639,037
Housing and community development	-	-	94,566	1,613	94,566	1,613
Total expenses	57,799,786	53,819,097	23,753,695	20,036,925	81,553,481	73,856,022
Increase(decrease) in net position before Transfers	(9,856,903)	(5,622,950)	572,963	2,172,729	(9,283,940)	(3,450,221)
Transfers	(916,198)	(602,304)	916,198	602,304	-	-
Increase(decrease) in net position	(10,773,101)	(6,225,254)	1,489,161	2,775,033	(9,283,940)	(3,450,221)
Net position, beginning of year	(18,515,204)	(12,289,950)	53,168,923	50,393,890	34,653,719	38,103,940
Net position, end of year	(29,288,305)	(18,515,204)	54,658,084	53,168,923	25,369,779	34,653,719

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Governmental Activities. The net position attributed to governmental activities decreased by 58 percent or \$10,773,101. As noted earlier this is primarily due to increases in long-term liabilities, mainly net pension liabilities.

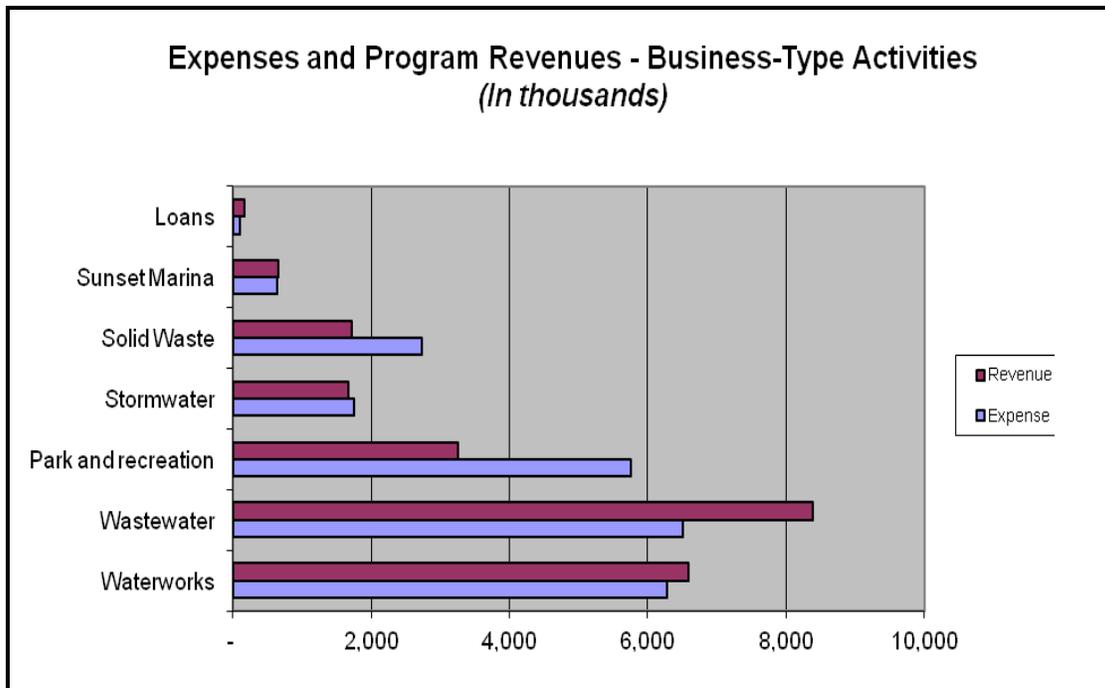
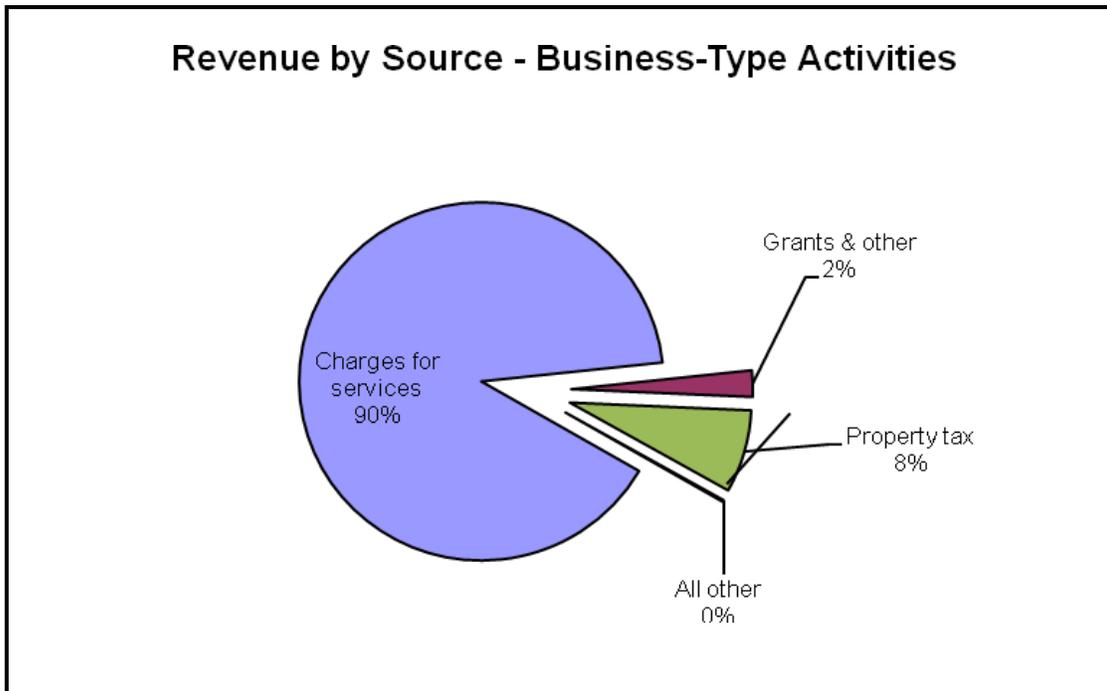
The City experienced a slight decrease in revenue due primarily to charges for services which decreased 15% from \$9,709,486 in the prior period to \$8,266,828 for year ending December 31, 2016 primarily due to moving solid waste activities to a new enterprise fund. Expenses increased by \$3,980,689.



Business-type activities. Business-type activities increased the City of Rock Island's net position by \$1,489,161. Following are the key elements:

Charges for services increased \$1,864,712 largely as a result of the creation of the Solid Waste fund.

Significant future capital improvements impacting the Wastewater fund are associated with the consent decree issued by the United States Environmental Protection Agency (Note 15). By the time construction is completed in 2018, the City will have invested over \$70 million.



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 \$26,685,348, a decrease of \$4,402,209 from the prior period. Approximately, 35 percent or \$9,470,570 is designated as unassigned funds; \$12,516,168 or 47 percent is classified as committed which includes \$6,114,089 from the Riverboat Gaming Fund and \$6,402,079 from the Community and Economic Development Fund. The remainder of fund balance is classified as restricted which includes major funds such as TIF \$625,899, Public Library \$1,204,983, Capital Projects \$1,061,464, and Debt Service \$1,048,523.

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 \$9,959,210 and total fund balance was \$10,165,155. 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 27 percent of total General Fund expenditures, a 1% increase from the prior year.

The fund balance of the City of Rock Island's General Fund increased \$65,220 during the fiscal period. Key factors of this increase are explained in the General Fund Budgetary Highlights below.

The Riverboat Gaming Fund has a total fund balance of \$6,114,089 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 \$1,204,983. The fund reported a decrease in fund balance of \$66,031.

The Tax Increment Financing District Fund experienced an increase in property tax revenue. The increase in fund balance of \$123,951 is attributed primarily to the 15% increase in property taxes.

The Capital Projects fund has a total fund balance of \$1,061,464. The fund reported a decrease in fund balance of \$3,620,929 primarily due costs related to the construction of the new police facility.

The Community/Economic Development Fund has a total fund balance of \$6,402,079. The fund reported a net increase in fund balance of \$33,261.

The Debt Service Fund has a total fund balance of \$1,048,523, a decrease of \$574,477 from the prior year.

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 \$(713,660) for the Waterworks, \$6,900,436 for the Wastewater Treatment, \$(252,572) for Park and Recreation and \$3,282,810 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. In addition, net pension liabilities increased across the proprietary funds by \$2,517,497.

In fiscal year 2016, refuse disposal was removed from the general fund and placed in a separate proprietary fund called solid waste along with related capital assets. In 2015, the refuse disposal expenses were \$1,923,146. This year the solid waste fund had a total expense of \$2,739,113.

General Fund Budgetary Highlights

Overall General Fund revenue was less than the revised budget by \$289,459 and expenditures were \$254,059 less than the revised budget. Specific highlights of General Fund revenue and expenditures are as follows:

- Sales and use tax revenues were higher than the revised budget in the amounts of \$350,059 and \$121,146 respectively.
- The City budgeted replacement, income and municipal utility taxes conservatively due to anticipated slow economic growth.
- Ambulance service revenue was \$450,099 higher than the budget.
- Police department and highways and streets expenditures were \$275,421 and \$294,823 less than budgeted expenditures, respectively.
- Fire expenditures were \$809,211 higher than the 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, 2016, amounts to \$206,580,898 (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 4 percent or \$7,418,772.

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

- LTCP – Wet Weather Treatment (\$54,778,478)
- LTCP - Storage Tank (\$4,959,944)
- Various Street Reconstruction Projects (\$4,198,138)
- Pierce Arrow Pumper Truck (\$513,584)
- Freightliner/Vactor Machine (\$216,936)

**City of Rock Island's Capital Assets
As of December 31, 2016 and 2015
(net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	8,445,734	8,571,284	1,712,026	1,586,476	10,157,760	10,157,760
Construction-in-progress	1,886,430	3,621,485	15,357,763	67,241,412	17,244,193	70,862,897
Buildings	36,281,920	36,278,143	16,544,352	11,754,241	52,826,272	48,032,384
Machinery and equipment	7,801,247	7,677,799	793,425	758,885	8,594,672	8,436,684
Infrastructure	40,237,385	37,599,961	77,520,616	24,072,440	117,758,001	61,672,401
Total net capital assets	94,652,716	93,748,672	111,928,182	105,413,454	206,580,898	199,162,126

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 \$65,060,000 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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Compensated Absences	3,634,675	3,882,426	727,162	718,742	4,361,837	4,601,168
General obligation bonds	52,153,250	51,247,200	12,906,750	14,694,467	65,060,000	65,941,667
Unamortized discounts	-	(26,612)	-	-	-	(26,612)
Unamortized premiums	1,108,860	988,723	274,044	313,952	1,382,904	1,302,675
Notes Payable	-	-	53,333,439	47,094,293	53,333,439	47,094,293
Other postemployment benefits	5,852,734	5,897,816	2,070,019	1,330,676	7,922,753	7,228,492
Net pension liability	101,840,322	96,179,097	3,757,704	1,240,207	105,598,026	97,419,304
Total	164,589,841	158,168,650	73,069,118	65,392,337	237,658,959	223,560,987

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 Aa3 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 2016 unemployment rate for the City of Rock Island was 6.5 percent. This is a 12.2 percent decrease since December 2015.
- 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 2017 calendar year. Management anticipates that actual revenue and expenditures will closely approximate budgeted revenue and expenditures for calendar 2017.

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 addressed 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
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CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
DECEMBER 31, 2016

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	\$ 20,917,711	\$ 2,745,919	\$ 23,663,630	\$ 100	\$ 2,348,223
Receivables, net					
Taxes	16,494,379	1,926,131	18,420,510	-	-
Accounts, net of allowance for uncollectibles of \$4,047,900	1,039,310	1,627,297	2,666,607	-	-
Estimated unbilled usage	-	2,303,874	2,303,874	-	-
Accrued interest	72,447	16,744	89,191	224	-
Current portion of notes receivable	7,645	338,795	346,440	-	-
Special assessments	179,914	-	179,914	-	-
Other	28,104	-	28,104	-	-
Internal balances	(72,933)	72,933	-	-	-
Assets held for resale	6,925,600	14,007	6,939,607	-	-
Due from other governmental agencies	4,004,139	5,467,967	9,472,106	156,919	-
Inventories	452,848	3,411	456,259	-	-
Prepays	-	-	-	-	1,034
Total Current Assets	<u>50,049,164</u>	<u>14,517,078</u>	<u>64,566,242</u>	<u>157,243</u>	<u>2,349,257</u>
NONCURRENT ASSETS					
Long-term notes receivable, net of current portion, net of allowance for uncollectibles of \$2,716,698	517,381	1,421,713	1,939,094	-	-
Capital Assets					
Land	8,445,734	1,712,026	10,157,760	-	-
Buildings and improvements	47,520,903	24,355,961	71,876,864	-	-
Equipment	16,756,977	3,342,457	20,099,434	-	1,451
Infrastructure	76,572,141	135,354,137	211,926,278	-	-
Construction in progress	1,886,430	15,357,763	17,244,193	-	-
Accumulated depreciation	(56,529,469)	(68,194,162)	(124,723,631)	-	(1,451)
Net capital assets	<u>94,652,716</u>	<u>111,928,182</u>	<u>206,580,898</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>95,170,097</u>	<u>113,349,895</u>	<u>208,519,992</u>	<u>-</u>	<u>-</u>
Total Assets	<u>145,219,261</u>	<u>127,866,973</u>	<u>273,086,234</u>	<u>157,243</u>	<u>2,349,257</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on pension	9,430,117	3,402,108	12,832,225	187,771	-
Deferred charge on refunding	111,913	24,697	136,610	-	-
Total deferred outflows of resources	<u>9,542,030</u>	<u>3,426,805</u>	<u>12,968,835</u>	<u>187,771</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>154,761,291</u>	<u>131,293,778</u>	<u>286,055,069</u>	<u>345,014</u>	<u>2,349,257</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Exhibit 1
(continued)

	Primary Government			Component Units	
	Governmental	Business-type	Total	Martin	Rock Island
	Activities	Activities		Luther King Center	Public Library Foundation
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 2,322,391	\$ 827,174	\$ 3,149,565	\$ 14,270	\$ -
Retainage payable	-	186,860	186,860	-	-
Deposits payable	38,317	-	38,317	-	-
Claims payable	1,281,625	-	1,281,625	-	-
Accrued wages and benefits	790,597	216,461	1,007,058	12,015	-
Compensated absences	2,182,167	436,569	2,618,736	-	-
Accrued interest payable	156,149	318,967	475,116	244	-
Unearned revenue	51,167	202,109	253,276	-	-
Notes payable	-	2,422,250	2,422,250	-	-
General obligation bonds	2,746,850	1,709,817	4,456,667	-	-
Total Current Liabilities	<u>9,569,263</u>	<u>6,320,207</u>	<u>15,889,470</u>	<u>26,529</u>	<u>-</u>
NONCURRENT LIABILITIES					
Notes payable	-	50,911,189	50,911,189	-	-
General obligation bonds	50,515,260	11,470,977	61,986,237	-	-
Net pension liability	101,840,322	3,757,704	105,598,026	207,397	-
Other postemployment benefits	5,852,734	2,070,019	7,922,753	-	-
Compensated absences	1,452,508	290,593	1,743,101	-	-
Total Noncurrent Liabilities	<u>159,660,824</u>	<u>68,500,482</u>	<u>228,161,306</u>	<u>207,397</u>	<u>-</u>
Total Liabilities	<u>169,230,087</u>	<u>74,820,689</u>	<u>244,050,776</u>	<u>233,926</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on pension	224,845	-	224,845	-	-
Deferred revenue - property taxes	14,594,664	1,815,005	16,409,669	-	-
Total Deferred Inflows of Resources	<u>14,819,509</u>	<u>1,815,005</u>	<u>16,634,514</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>184,049,596</u>	<u>76,635,694</u>	<u>260,685,290</u>	<u>233,926</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	37,724,801	45,438,646	83,163,447	-	-
Restricted for					
Library, expendable	-	-	-	-	339,283
Library, nonexpendable	-	-	-	-	1,965,958
Public Library	1,204,983	-	1,204,983	-	-
Tax increment financing	625,899	-	625,899	-	-
Motor fuel taxes	179,717	-	179,717	-	-
Capital projects	101,939	-	101,939	-	-
Debt service	1,228,435	-	1,228,435	-	-
Drug prevention	235,255	-	235,255	-	-
Other	447,499	-	447,499	-	-
Unrestricted	(71,036,833)	9,219,438	(61,817,395)	111,088	44,016
Total Net Position	<u>\$ (29,288,305)</u>	<u>\$ 54,658,084</u>	<u>\$ 25,369,779</u>	<u>\$ 111,088</u>	<u>\$ 2,349,257</u>

See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 14,808,912	\$ 3,508,018	\$ 1,038,181	\$ -
Police and fire	28,616,235	4,266,155	67,499	-
Electrical maintenance	620,045	14,121	-	-
Municipal vehicle parking system	21,146	84,137	-	-
Highways and streets	8,955,820	140,010	-	-
Libraries	2,821,006	254,387	77,767	-
Interest on long-term debt	1,956,622	-	-	-
Total governmental activities	<u>57,799,786</u>	<u>8,266,828</u>	<u>1,183,447</u>	<u>-</u>
Business-type activities				
Waterworks	6,281,090	6,592,252	-	-
Wastewater treatment	6,499,963	8,028,082	-	354,281
Park and recreation	5,748,258	3,157,753	95,490	-
Stormwater	1,754,785	1,678,363	-	-
Solid Waste	2,739,113	1,697,287	29,264	-
Sunset Marina	635,920	666,454	-	-
Housing and community development loan	94,566	67,465	100,000	-
Total business-type activities	<u>23,753,695</u>	<u>21,887,656</u>	<u>224,754</u>	<u>354,281</u>
Total primary government	<u>\$ 81,553,481</u>	<u>\$ 30,154,484</u>	<u>\$ 1,408,201</u>	<u>\$ 354,281</u>
Component units				
Martin Luther King Center	\$ 598,823	\$ 5,292	\$ 522,242	\$ -
Rock Island Public Library Foundation	130,637	-	55,508	-
Total component units	<u>\$ 729,460</u>	<u>\$ 5,292</u>	<u>\$ 577,750</u>	<u>\$ -</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
\$ (10,262,713)	\$ -	\$ (10,262,713)	\$ -	\$ -
(24,282,581)	-	(24,282,581)	-	-
(605,924)	-	(605,924)	-	-
62,991	-	62,991	-	-
(8,815,810)	-	(8,815,810)	-	-
(2,488,852)	-	(2,488,852)	-	-
(1,956,622)	-	(1,956,622)	-	-
<u>(48,349,511)</u>	<u>-</u>	<u>(48,349,511)</u>	<u>-</u>	<u>-</u>
-	311,162	311,162	-	-
-	1,882,400	1,882,400	-	-
-	(2,495,015)	(2,495,015)	-	-
-	(76,422)	(76,422)	-	-
-	(1,012,562)	(1,012,562)	-	-
-	30,534	30,534	-	-
-	72,899	72,899	-	-
<u>-</u>	<u>(1,287,004)</u>	<u>(1,287,004)</u>	<u>-</u>	<u>-</u>
\$ (48,349,511)	\$ (1,287,004)	\$ (49,636,515)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (71,289)	\$ -
-	-	-	-	(75,129)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,289)</u>	<u>\$ (75,129)</u>
\$ 14,425,385	\$ 1,820,598	\$ 16,245,983	\$ -	\$ -
4,803,366	-	4,803,366	-	-
1,770,537	-	1,770,537	-	-
2,626,781	-	2,626,781	-	-
912,210	-	912,210	-	-
996,359	-	996,359	-	-
947,685	-	947,685	-	-
2,195,752	-	2,195,752	-	-
9,191,190	-	9,191,190	-	-
234,197	39,369	273,566	149	212,694
389,146	-	389,146	-	-
(916,198)	916,198	-	-	-
<u>37,576,410</u>	<u>2,776,165</u>	<u>40,352,575</u>	<u>149</u>	<u>212,694</u>
(10,773,101)	1,489,161	(9,283,940)	(71,140)	137,565
(18,515,204)	53,168,923	34,653,719	182,228	2,211,692
<u>\$ (29,288,305)</u>	<u>\$ 54,658,084</u>	<u>\$ 25,369,779</u>	<u>\$ 111,088</u>	<u>\$ 2,349,257</u>

CITY OF ROCK ISLAND, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special		
	General Fund	Public Library Fund	TIF Fund
ASSETS			
Cash and investments	\$ 7,629,926	\$ 1,151,352	\$ 964,202
Receivables, net			
Taxes	8,794,826	2,165,797	5,285,722
Accounts, net of allowance for uncollectibles of \$2,946,408	1,037,977	600	-
Accrued interest	23,974	3,648	3,247
Notes, net of allowance for uncollectibles of \$994,002	-	-	275,026
Special assessments	-	-	-
Assets held for resale	7,703	-	295,559
Due from other funds	831	-	-
Due from other governmental agencies	2,596,382	-	-
Total Assets	<u>\$ 20,091,619</u>	<u>\$ 3,321,397</u>	<u>\$ 6,823,756</u>
LIABILITIES			
Accounts payable	\$ 760,868	\$ 17,950	\$ 792,578
Interest payable	-	-	613
Deposits payable	-	-	-
Accrued wages and benefits	641,852	57,620	3,700
Due to other funds	-	-	215,039
Unearned revenue	36,489	-	-
Total Liabilities	<u>1,439,209</u>	<u>75,570</u>	<u>1,011,930</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	7,134,081	2,040,844	5,185,927
Unavailable revenue-grants	-	-	-
Unavailable revenue-other taxes	1,353,174	-	-
Unavailable revenue-special assessments	-	-	-
Total deferred inflows of resources	<u>8,487,255</u>	<u>2,040,844</u>	<u>5,185,927</u>
FUND BALANCES			
Restricted	205,945	1,204,983	625,899
Committed	-	-	-
Unassigned	9,959,210	-	-
Total Fund Balances	<u>10,165,155</u>	<u>1,204,983</u>	<u>625,899</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,091,619</u>	<u>\$ 3,321,397</u>	<u>\$ 6,823,756</u>

See notes to the financial statements.

Revenue Funds					
Riverboat Gaming Fund	Community/Economic Development Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,247,282	\$ -	\$ 982,404	\$ 1,032,370	\$ 393,008	\$ 16,400,544
-	-	-	248,034	-	16,494,379
-	-	-	-	733	1,039,310
13,875	-	5,902	3,396	1,269	55,311
-	-	250,000	-	-	525,026
-	-	-	179,914	-	179,914
-	6,622,338	-	-	-	6,925,600
1,363,901	-	-	-	12,460	1,377,192
489,031	-	-	-	918,166	4,003,579
<u>\$ 6,114,089</u>	<u>\$ 6,622,338</u>	<u>\$ 1,238,306</u>	<u>\$ 1,463,714</u>	<u>\$ 1,325,636</u>	<u>\$ 47,000,855</u>
\$ -	\$ 71,334	\$ 176,842	\$ 1,467	\$ 67,590	\$ 1,888,629
-	380	-	-	3,176	4,169
-	-	-	-	38,317	38,317
-	-	-	-	20,381	723,553
-	148,545	-	-	1,013,608	1,377,192
-	-	-	-	14,678	51,167
<u>-</u>	<u>220,259</u>	<u>176,842</u>	<u>1,467</u>	<u>1,157,750</u>	<u>4,083,027</u>
-	-	-	233,812	-	14,594,664
-	-	-	-	104,730	104,730
-	-	-	-	-	1,353,174
-	-	-	179,912	-	179,912
<u>-</u>	<u>-</u>	<u>-</u>	<u>413,724</u>	<u>104,730</u>	<u>16,232,480</u>
-	-	1,061,464	1,048,523	551,796	4,698,610
6,114,089	6,402,079	-	-	-	12,516,168
-	-	-	-	(488,640)	9,470,570
<u>6,114,089</u>	<u>6,402,079</u>	<u>1,061,464</u>	<u>1,048,523</u>	<u>63,156</u>	<u>26,685,348</u>
<u>\$ 6,114,089</u>	<u>\$ 6,622,338</u>	<u>\$ 1,238,306</u>	<u>\$ 1,463,714</u>	<u>\$ 1,325,636</u>	<u>\$ 47,000,855</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2016

Exhibit 3-1

Total governmental fund balances	\$ 26,685,348
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	8,428,234
Construction in progress	1,886,430
Equipment	4,827,101
Buildings and improvements	47,372,542
Infrastructure	76,572,141
Accumulated depreciation	<u>(49,170,975)</u>
	89,915,473
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.	
	1,637,816
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.	
	7,468,952
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:	
Deferred outflows of resources-IMRF pension	4,933,053
Deferred outflows of resources-police and fire pensions	3,421,364
Deferred inflows of resources-police and fire pensions	<u>(224,845)</u>
	8,129,572
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	(52,153,250)
Bond premiums	(1,108,860)
Deferred amount on refunding	111,913
Accrued interest on the bonds	(147,856)
Compensated absences	(3,322,492)
Net pension liability-IMRF	(5,448,663)
Net pension liability-police and fire pensions	(95,203,524)
Other postemployment benefits	<u>(5,852,734)</u>
	<u>(163,125,466)</u>
Net position of governmental activities	<u>\$ (29,288,305)</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 YEAR ENDED DECEMBER, 31 2016

	General Fund	Public Library Fund	TIF Fund	Riverboat Gaming Fund
REVENUES				
Property taxes	\$ 6,979,516	\$ 2,047,133	\$ 5,165,729	\$ -
Other taxes	17,781,360	-	-	4,803,366
Fines and fees	212,552	40,423	-	-
Intergovernmental	63,886	272,485	-	-
Charges for services	6,915,940	4,874	-	-
Interest	56,821	6,759	7,351	29,898
Licenses and permits	811,535	-	-	-
Contributions	11,543	72,613	-	-
Other	83,291	3,475	25,604	9,069
Total revenues	<u>32,916,444</u>	<u>2,447,762</u>	<u>5,198,684</u>	<u>4,842,333</u>
EXPENDITURES				
Current				
General government	6,477,512	5,276	3,776,259	-
Police and fire	24,216,476	-	-	-
Electrical maintenance	581,775	-	-	-
Municipal vehicle parking system	23,491	-	-	-
Highway and street	4,949,812	-	-	-
Refuse disposal	69,984	-	-	-
Libraries	-	2,536,922	-	-
Capital outlay	37,428	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>36,356,478</u>	<u>2,542,198</u>	<u>3,776,259</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,440,034)</u>	<u>(94,436)</u>	<u>1,422,425</u>	<u>4,842,333</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Issuance of refunding debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Premium on bonds sold	-	-	-	-
Transfers from other funds	4,475,796	50,000	25,013	1,307,792
Transfers to other funds	(970,542)	(21,595)	(1,323,487)	(5,979,878)
Total Other Financing Sources (Uses)	<u>3,505,254</u>	<u>28,405</u>	<u>(1,298,474)</u>	<u>(4,672,086)</u>
NET CHANGE IN FUND BALANCES	65,220	(66,031)	123,951	170,247
FUND BALANCES, BEGINNING	<u>10,099,935</u>	<u>1,271,014</u>	<u>501,948</u>	<u>5,943,842</u>
FUND BALANCES, ENDING	<u>\$ 10,165,155</u>	<u>\$ 1,204,983</u>	<u>\$ 625,899</u>	<u>\$ 6,114,089</u>

See notes to financial statements.

Exhibit 4

Community/ Economic Development Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 233,007	\$ -	\$ 14,425,385
-	-	-	1,049,732	23,634,458
-	-	-	-	252,975
261,910	-	-	676,286	1,274,567
-	475	-	90,630	7,011,919
(2,041)	17,437	76,874	602	193,701
-	-	-	-	811,535
-	-	-	-	84,156
35,000	151,095	-	4,870	312,404
<u>294,869</u>	<u>169,007</u>	<u>309,881</u>	<u>1,822,120</u>	<u>48,001,100</u>
967,856	85,720	21,122	1,282,346	12,616,091
-	4,438	-	-	24,220,914
-	-	-	-	581,775
-	-	-	-	23,491
-	-	-	-	4,949,812
-	-	-	-	69,984
-	-	-	-	2,536,922
-	5,900,190	-	20,302	5,957,920
-	-	2,668,950	-	2,668,950
-	61,333	1,890,603	-	1,951,936
<u>967,856</u>	<u>6,051,681</u>	<u>4,580,675</u>	<u>1,302,648</u>	<u>55,577,795</u>
<u>(672,987)</u>	<u>(5,882,674)</u>	<u>(4,270,794)</u>	<u>519,472</u>	<u>(7,576,695)</u>
-	3,505,000	-	-	3,505,000
-	-	1,885,000	-	1,885,000
-	-	(1,853,867)	-	(1,853,867)
-	166,333	17,474	-	183,807
765,487	1,146,923	3,775,863	169,314	11,716,188
(59,239)	(2,556,511)	(128,153)	(1,222,237)	(12,261,642)
<u>706,248</u>	<u>2,261,745</u>	<u>3,696,317</u>	<u>(1,052,923)</u>	<u>3,174,486</u>
33,261	(3,620,929)	(574,477)	(533,451)	(4,402,209)
<u>6,368,818</u>	<u>4,682,393</u>	<u>1,623,000</u>	<u>596,607</u>	<u>31,087,557</u>
<u>\$ 6,402,079</u>	<u>\$ 1,061,464</u>	<u>\$ 1,048,523</u>	<u>\$ 63,156</u>	<u>\$ 26,685,348</u>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS

Exhibit 4-1

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds \$ (4,402,209)

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	4,039,621	
Transfers of capital assets to enterprise funds	(394,307)	
Loss on disposal	(180,524)	
Depreciation expense	<u>(2,887,713)</u>	577,077

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. (98,621)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 debt	(3,505,000)	
Issuance of refunding debt	(1,885,000)	
Premium on bond issuance	(183,807)	
Payment to bond escrow	1,853,867	
Principal payment on long-term debt	2,668,950	
Deferral on refunding from advance refunding issuance	<u>47,219</u>	(1,003,771)

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	(24,988)	
Bond discounts	(26,612)	
Bond premiums	63,670	
Deferral on refunding	(54,636)	
Compensated absences	258,743	
Pension expense-IMRF	(1,082,092)	
Pension expense-police and fire pensions	(3,493,990)	
Other postemployment benefits	<u>45,082</u>	(4,314,823)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position 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. (1,530,754)

Change in net position of governmental activities on the statement of activities \$ (10,773,101)

See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Waterworks Fund</u>	<u>Business - Wastewater Treatment Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 55,528	\$ 754,383
Receivables, net		
Taxes	-	-
Accounts, net of allowance for uncollectibles of \$1,101,492	697,977	741,168
Estimated unbilled usage	769,954	1,028,905
Accrued interest	-	2,112
Current portion of notes receivable	-	-
Other	-	-
Due from other funds	-	-
Due from other governmental agencies	-	5,467,967
Inventories	-	-
Assets held for resale	-	-
	<u>1,523,459</u>	<u>7,994,535</u>
Total Current Assets		
NONCURRENT ASSETS		
Long-term notes receivable, net of current portion, net of allowance for uncollectibles of \$1,722,696	-	-
Capital assets		
Land	39,426	94,450
Buildings and improvements	36,161	4,959,944
Equipment	258,988	320,056
Infrastructure	33,409,996	90,175,767
Construction in progress	1,979,043	13,378,720
Accumulated depreciation	(23,142,473)	(26,599,429)
	<u>12,581,141</u>	<u>82,329,508</u>
Net Capital Assets		
Total Noncurrent Assets	<u>12,581,141</u>	<u>82,329,508</u>
Total Assets	<u>14,104,600</u>	<u>90,324,043</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on pension	1,048,103	688,526
Deferred amount on refunding	470	24,227
Total Deferred Outflows of Resources	<u>1,048,573</u>	<u>712,753</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 15,153,173</u>	<u>\$ 91,036,796</u>

type Activities - Enterprise Funds			
Park and Recreation Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 762,217	\$ 1,173,791	\$ 2,745,919	\$ 4,517,167
1,926,131	-	1,926,131	-
29,560	158,592	1,627,297	-
-	505,015	2,303,874	-
2,480	12,152	16,744	17,136
-	338,795	338,795	-
-	-	-	28,104
-	1,575,601	1,575,601	987,041
-	-	5,467,967	560
3,411	-	3,411	452,848
-	-	-	14,007
<u>2,723,799</u>	<u>3,763,946</u>	<u>16,005,739</u>	<u>6,016,863</u>
-	1,421,713	1,421,713	-
1,452,600	125,550	1,712,026	17,500
16,544,756	1,163,558	22,704,419	1,799,903
1,826,354	713,674	3,119,072	12,153,261
5,664,371	5,622,032	134,872,166	481,971
-	-	15,357,763	-
<u>(13,069,881)</u>	<u>(4,892,718)</u>	<u>(67,704,501)</u>	<u>(7,848,155)</u>
<u>12,418,200</u>	<u>2,732,096</u>	<u>110,060,945</u>	<u>6,604,480</u>
<u>12,418,200</u>	<u>4,153,809</u>	<u>111,482,658</u>	<u>6,604,480</u>
<u>15,141,999</u>	<u>7,917,755</u>	<u>127,488,397</u>	<u>12,621,343</u>
994,058	671,421	3,402,108	1,075,700
-	-	24,697	-
<u>994,058</u>	<u>671,421</u>	<u>3,426,805</u>	<u>1,075,700</u>
<u>\$ 16,136,057</u>	<u>\$ 8,589,176</u>	<u>\$ 130,915,202</u>	<u>\$ 13,697,043</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Waterworks Fund	Business - Wastewater Treatment Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 345,879	\$ 114,450
Retainage payable	-	186,860
Claims payable	-	-
Accrued wages and benefits	67,517	46,380
Compensated absences	127,911	97,111
Accrued interest payable	9,121	298,656
Due to other funds	902,766	-
Unearned revenue	-	-
Notes payable	-	2,422,250
General obligation bonds	555,520	827,630
Total Current Liabilities	<u>2,008,714</u>	<u>3,993,337</u>
LONG-TERM LIABILITIES		
Notes payable	-	50,911,189
General obligation bonds	1,657,993	6,615,076
Net pension liability	1,157,654	760,492
Other postemployment benefits	589,233	214,036
Compensated absences	85,141	64,640
Total Long-term Liabilities	<u>3,490,021</u>	<u>58,565,433</u>
Total Liabilities	<u>5,498,735</u>	<u>62,558,770</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,498,735</u>	<u>62,558,770</u>
NET POSITION		
Net investment in capital assets	10,368,098	21,577,590
Unrestricted	(713,660)	6,900,436
Total Net Position	<u>9,654,438</u>	<u>28,478,026</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,153,173</u>	<u>\$ 91,036,796</u>

See notes to financial statements.

type Activities - Enterprise Funds			
<u>Park and Recreation Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 98,523	\$ 267,218	\$ 826,070	\$ 434,866
-	-	186,860	-
-	-	-	1,281,625
58,913	42,687	215,497	68,008
99,533	108,912	433,467	190,529
4,951	1,891	314,619	8,472
-	599,902	1,502,668	1,059,974
202,109	-	202,109	-
-	-	2,422,250	-
165,000	40,000	1,588,150	121,667
<u>629,029</u>	<u>1,060,610</u>	<u>7,691,690</u>	<u>3,165,141</u>
-	-	50,911,189	-
1,382,040	507,535	10,162,644	1,308,333
1,097,960	741,598	3,757,704	1,188,135
527,183	739,567	2,070,019	-
66,252	72,495	288,528	126,821
<u>3,073,435</u>	<u>2,061,195</u>	<u>67,190,084</u>	<u>2,623,289</u>
<u>3,702,464</u>	<u>3,121,805</u>	<u>74,881,774</u>	<u>5,788,430</u>
1,815,005	-	1,815,005	-
<u>1,815,005</u>	<u>-</u>	<u>1,815,005</u>	<u>-</u>
<u>5,517,469</u>	<u>3,121,805</u>	<u>76,696,779</u>	<u>5,788,430</u>
10,871,160	2,184,561	45,001,409	5,174,480
(252,572)	3,282,810	9,217,014	2,734,133
<u>10,618,588</u>	<u>5,467,371</u>	<u>54,218,423</u>	<u>7,908,613</u>
<u>\$ 16,136,057</u>	<u>\$ 8,589,176</u>	<u>\$ 130,915,202</u>	<u>\$ 13,697,043</u>



ROCK ISLAND
ILLINOIS

RECONCILIATION OF ENTERPRISE FUNDS NET POSITION TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Total enterprise funds net position	\$ 54,218,423
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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

439,661

Net position of business-type activities	\$ 54,658,084
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See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES FUND IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Waterworks Fund	Business - Wastewater Treatment Fund
OPERATING REVENUES		
Charges for services	\$ 6,484,145	\$ 7,884,722
Sales of merchandise	-	-
Interest	-	-
Other	108,107	143,360
Total Operating Revenues	<u>6,592,252</u>	<u>8,028,082</u>
OPERATING EXPENSES		
Personnel	2,188,942	1,409,975
Cost of sales	-	-
Supplies	826,351	334,048
Services	2,587,774	2,386,962
Programs	-	-
Provision for uncollectible accounts	15,348	116,956
Depreciation	629,068	959,651
Other	53,036	75,067
Total Operating Expenses	<u>6,300,519</u>	<u>5,282,659</u>
OPERATING INCOME (LOSS)	<u>291,733</u>	<u>2,745,423</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	-	-
Intergovernmental	-	-
Contributions	-	-
Loss on sale of asset	-	-
Interest income	-	14,039
Interest expense	(46,157)	(1,217,304)
Net Nonoperating Revenues (Expenses)	<u>(46,157)</u>	<u>(1,203,265)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	245,576	1,542,158
CAPITAL CONTRIBUTIONS	-	354,281
TRANSFERS FROM OTHER FUNDS	-	182,883
TRANSFERS TO OTHER FUNDS	-	-
CHANGE IN NET POSITION	245,576	2,079,322
NET POSITION, BEGINNING	<u>9,408,862</u>	<u>26,398,704</u>
NET POSITION, ENDING	<u>\$ 9,654,438</u>	<u>\$ 28,478,026</u>

See notes to financial statements.

type Activities - Enterprise Funds

Park and Recreation Fund	Other Enterprise Funds	Total	Internal Service Funds
\$ 2,334,638	\$ 3,933,178	\$ 20,636,683	\$ 10,653,638
788,456	108,113	896,569	508
-	47,594	47,594	-
34,659	20,684	306,810	203,236
<u>3,157,753</u>	<u>4,109,569</u>	<u>21,887,656</u>	<u>10,857,382</u>
2,898,216	2,068,181	8,565,314	2,428,553
218,096	90,006	308,102	5,477
590,612	179,811	1,930,822	1,012,508
1,432,608	2,532,583	8,939,927	8,042,750
3,758	32,508	36,266	-
-	148,420	280,724	-
510,261	152,783	2,251,763	706,782
25,308	5,846	159,257	91,109
<u>5,678,859</u>	<u>5,210,138</u>	<u>22,472,175</u>	<u>12,287,179</u>
<u>(2,521,106)</u>	<u>(1,100,569)</u>	<u>(584,519)</u>	<u>(1,429,797)</u>
1,820,598	-	1,820,598	-
-	129,264	129,264	-
95,490	-	95,490	-
-	-	-	(40,060)
4,676	20,654	39,369	40,496
(69,399)	(14,246)	(1,347,106)	(59,370)
<u>1,851,365</u>	<u>135,672</u>	<u>737,615</u>	<u>(58,934)</u>
(669,741)	(964,897)	153,096	(1,488,731)
-	394,307	748,588	-
329,171	53,400	565,454	38,071
(43,563)	-	(43,563)	(14,508)
<u>(384,133)</u>	<u>(517,190)</u>	<u>1,423,575</u>	<u>(1,465,168)</u>
<u>11,002,721</u>	<u>5,984,561</u>	<u>52,794,848</u>	<u>9,373,781</u>
<u>\$ 10,618,588</u>	<u>\$ 5,467,371</u>	<u>\$ 54,218,423</u>	<u>\$ 7,908,613</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 YEAR ENDED DECEMBER 31, 2016

Exhibit 6-1

Net change in net position of enterprise funds \$ 1,423,575

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 65,586

Change in net position of business-type activities \$ 1,489,161

See notes to the financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type		
	Waterworks	Wastewater	Park & Recreation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,347,335	\$ 7,827,547	\$ 3,094,115
Interest received on notes receivable	-	-	-
Notes receivable issued for cash	-	-	-
Repayment of notes receivable	-	-	-
Cash payments to suppliers for goods and services	(3,474,856)	(6,307,400)	(2,235,751)
Cash payments to employees for services	(1,939,402)	(1,367,607)	(2,737,213)
Other operating revenue	108,107	143,360	34,659
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,041,184</u>	<u>295,900</u>	<u>(1,844,190)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	182,883	329,171
Transfer to other funds	-	-	(43,563)
Interfund loan or loan repayments received	902,766	-	-
Interfund loan or loan repayments (paid)	-	-	-
Property tax receipts	-	-	1,809,562
Contributions	-	-	95,490
Intergovernmental	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>902,766</u>	<u>182,883</u>	<u>2,190,660</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of property and equipment	(1,605,908)	(7,104,858)	(119,959)
Proceeds from capital grants	-	79,281	-
Proceeds from notes payable	-	6,503,910	-
Payment of general obligation bonds	(564,027)	(792,023)	(270,000)
Payment of notes payables	-	(2,126,757)	-
Interest paid	(54,427)	(1,161,020)	(72,140)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,224,362)</u>	<u>(4,601,467)</u>	<u>(462,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on cash and investments	-	13,779	3,794
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(280,412)</u>	<u>(4,108,905)</u>	<u>(111,835)</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>335,940</u>	<u>4,863,288</u>	<u>874,052</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 55,528</u>	<u>\$ 754,383</u>	<u>\$ 762,217</u>

 Activities Enterprise Funds

Other Enterprise Funds	Total	Internal Service Funds
\$ 3,566,916	\$ 20,835,913	\$ 10,673,759
47,594	47,594	-
(596,621)	(596,621)	-
278,754	278,754	-
(2,716,230)	(14,734,237)	(9,034,535)
(1,202,168)	(7,246,390)	(2,192,857)
20,684	306,810	203,236
(601,071)	(1,108,177)	(350,397)
-	512,054	38,071
-	(43,563)	(14,508)
653,302	1,556,068	72,933
(1,575,601)	(1,575,601)	-
-	1,809,562	-
-	95,490	-
129,264	129,264	-
(793,035)	2,483,274	96,496
-	(8,830,725)	(1,014,943)
-	79,281	-
-	6,503,910	-
(40,000)	(1,666,050)	(121,667)
-	(2,126,757)	-
(13,930)	(1,301,517)	(57,085)
(53,930)	(7,341,858)	(1,193,695)
17,235	34,808	36,081
(1,430,801)	(5,931,953)	(1,411,515)
2,604,592	8,677,872	5,928,682
\$ 1,173,791	\$ 2,745,919	\$ 4,517,167

(continued)

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type		
	Waterworks	Wastewater	Park & Recreation Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 291,733	\$ 2,745,423	\$ (2,521,106)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	629,068	959,651	510,261
Changes in assets and liabilities			
(Increase) decrease in receivables	(121,462)	59,781	1,364
(Increase) decrease in inventories	-	-	2,318
(Increase) decrease in assets held for resale	-	-	-
Increase (decrease) in accounts, retainage, deposits, and claims payable	(7,695)	(3,645,087)	32,313
Increase (decrease) in accrued liabilities	26,693	42,368	(66,494)
Increase (decrease) in unearned revenue	-	-	(30,343)
Increase in net pension liability and related deferred outflows of resources	222,847	133,764	227,497
Total Adjustments	749,451	(2,449,523)	676,916
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,041,184</u>	<u>295,900</u>	<u>(1,844,190)</u>
Schedule of noncash capital and related financing activities:			
IEPA note payable forgiveness	-	275,000	-
IEPA note payable through change in state receivable	-	2,136,993	-
Capital assets transferred from governmental activities	-	-	-
Acquisition through retainage payable	-	399,675	-

See notes to financial statements.

Activities Enterprise Funds

Other Enterprise Funds	Total	Internal Service Funds
\$ (1,100,569)	\$ (584,519)	\$ (1,429,797)
152,783	2,251,763	706,782
(643,822)	(704,139)	20,121
-	2,318	(12,680)
-	-	(508)
124,524	(3,495,945)	129,989
764,937	767,504	9,965
-	(30,343)	-
101,076	685,184	225,731
499,498	(523,658)	1,079,400
(601,071)	(1,108,177)	(350,397)
-	275,000	-
-	2,136,993	-
394,307	394,307	-
-	399,675	-

CITY OF ROCK ISLAND, ILLINOIS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2016

	<u>Agency Fund</u>	
	Pension Trust Funds	Section 125 Cafeteria Plan Fund
ASSETS		
Cash and equivalents	\$ 3,674,603	\$ 13,819
Investments		
Taxable Bonds	22,975,355	-
Mutual Funds	29,371,835	
Real Estate	1,267,932	
Receivables		
Accrued interest	144,791	43
Total Assets	<u>57,434,516</u>	<u>13,862</u>
LIABILITIES		
Outstanding checks in excess of bank balance	2,124,544	-
Accounts payable	30,560	13,862
Total Liabilities	<u>2,155,104</u>	<u>13,862</u>
NET POSITION		
Net position restricted for pensions	<u>\$ 55,279,412</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF ROCK ISLAND, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit 9

	Pension Trust Funds
	<u> </u>
ADDITIONS	
Contributions	
Plan members	\$ 1,009,929
Employer	5,697,480
Total Contributions	<u>6,707,409</u>
Net investment income	
Net increase in fair value of investments	3,297,794
Interest	1,255,634
Net Investment Income	<u>4,553,428</u>
Total Additions	<u>11,260,837</u>
DEDUCTIONS	
Benefits	8,024,612
Administrative expenses	143,769
Total Deductions	<u>8,168,381</u>
CHANGE IN NET POSITIONS HELD IN TRUST FOR PENSION BENEFITS	3,092,456
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING	<u>52,186,956</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	<u>\$ 55,279,412</u>

See notes to financial statements.



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 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 is 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, 2015, the Foundation distributed \$51,884 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 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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* (TIF) 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 2016 levy which is due and collectible in the December 31, 2017 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 levied for 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.

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 acquisition value at the date of donation.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund, Police Pension Plan, and Firefighter Pension Plan, (“the Plans”) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

- **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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and deferred outflows from pension related items 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. The deferred outflow from pension related items consists of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the employer's reporting period.

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 the following sources: property taxes, other 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. The City reports a deferred inflow from pension related items which consists of unrecognized items not yet charged to pension expense.

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 unspent bond proceeds. Unspent bond proceeds are \$959,525 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 \$625,899 for tax increment financing, \$179,717 for motor fuel taxes, \$1,228,435 for debt service, \$1,204.983 for public library, \$235,255 for drug prevention programs and \$447,499 for other programs.

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – DEFICIT BALANCES

The following individual funds have a fund balance/net position deficit as of December 31, 2016:

Governmental		
Housing and Community Development Fund	\$	211,826
Martin Luther King Community Center Operations Fund		173,108
Neighborhood Stabilization Fund		12,499
Martin Luther King Facility Improvement Fund		91,207
Enterprise, Solid Waste Fund		618,255
Internal Service		
Engineering Fund		1,330,739
Self-Insurance Fund		376,468

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:

		Discretely Presented Component Units	
	Primary Government	Martin Luther King Center	Rock Island Public Library Foundation
Cash and other deposits including certificates of deposit	\$ 24,028,520	\$ 100	\$ 127,194
Investments, primarily pension funds	54,814,110	-	2,221,029
	<u>\$ 78,842,630</u>	<u>\$ 100</u>	<u>\$ 2,348,223</u>

		Discretely Presented Component Units	
	Primary Government	Martin Luther King Center	Rock Island Public Library Foundation
Government-wide financial statement of net position, Cash and other deposits and investments	\$ 23,663,630	\$ 100	\$ 2,348,223
Statement of fiduciary net position:			
Outstanding checks in excess of bank balance	(2,124,544)	-	-
Cash and investments, pension trust funds	57,303,544	-	-
	<u>\$ 78,842,630</u>	<u>\$ 100</u>	<u>\$ 2,348,223</u>

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	\$ 4,973,847	\$ 231,273	\$ 4,742,574	\$ -	\$ -
Illinois Metropolitan Investment Funds (IMET) 20294-203	155,758	-	155,758	-	-
Illinois Funds Money Market	386,278	386,278	-	-	-
American Bank & Trust:					
Fixed Income Account	4,020,665	2,625,144	1,395,521	-	-
Money Market Funds	24,398	24,398	-	-	-
Certificates of Deposit	9,000,000	6,000,000	3,000,000	-	-
	<u>\$ 18,560,946</u>	<u>\$ 9,267,093</u>	<u>\$ 9,293,853</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.

As of December 31, 2016, 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 Funds Money Market	Not rated	AAAm

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

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. 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, 2016, all of the City's deposits with financial institutions 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

The Firefighters' Pension Fund had the following investments as of December 31, 2016:

Firefighter's Pension Fund	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Mutual Funds	\$ 12,879,903	\$ 12,879,903	\$ -	\$ -	\$ -
Taxable Bonds	7,638,980	-	4,760,462	2,531,039	347,479
Real Estate Fund	1,267,932	1,267,932	-	-	-
	<u>\$ 21,786,815</u>	<u>\$ 14,147,835</u>	<u>\$ 4,760,462</u>	<u>\$ 2,531,039</u>	<u>\$ 347,479</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 January 1, 2016, the City of Rock Island prospectively applied Government Auditing Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

1. Level 1 inputs are quoted prices in active markets for identical assets.
2. Level 2 inputs include:
 - a. Quoted prices for similar assets or liabilities in active markets,
 - b. Quoted prices for identical or similar assets or liabilities in markets that are not active,
 - c. Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads.
3. Level 3 inputs are significant unobservable inputs.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of December 31, 2016, the Firefighters' Pension investments were as follows:

Description	Moody Rating	Amount	Amount by Input		
			Level 1	Level 2	Level 3
Municipal bonds	AA3	750,434		-	750,434
US Agency	AAA	237,067	-	237,067	-
	Not rated	364,141	-	364,141	-
US Treasury	AAA	4,326,465	4,326,465	-	-
Foreign corporate bonds	AAA	39,803	-	39,803	-
	AA1	10,025	-	10,025	-
	AA2	30,194	-	30,194	-
	A1	37,825	-	37,825	-
	A3	5,144	-	5,144	-
	BAA1	39,640	-	39,640	-
	BAA2	127,858	-	127,858	-
	BAA3	15,225	-	15,225	-
Corporate bonds	AAA	24,900	24,900	-	-
	AA1	34,080	34,080	-	-
	AA2	52,922	52,922	-	-
	A1	158,861	-	158,861	-
	A2	181,410	-	181,410	-
	A3	292,133	-	292,133	-
	BAA1	364,229	-	364,229	-
	BAA2	307,968	-	307,968	-
BAA3	238,657	-	238,657	-	
Mutual Funds	Not Rated	12,879,903	12,879,903	-	-
Real Estate	Not Rated	1,267,932	-	-	1,267,932
		<u>21,786,815</u>	<u>17,318,270</u>	<u>2,450,179</u>	<u>2,018,366</u>

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (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, 2016.

Rate of Return- For the year ended December 31, 2016, the annual money-weighted rate of return on firefighter's pension plan investments, net of pension plan investment expense was 7.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

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. The Police Pension Fund had the following investments as of December 31, 2016:

Police Pension Fund	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Mutual Funds	\$17,690,920	\$17,690,920	\$ -	\$ -	\$ -
Taxable Bonds	15,336,375	-	5,773,250	5,585,991	3,977,134
	<u>\$33,027,295</u>	<u>\$17,690,920</u>	<u>\$ 5,773,250</u>	<u>\$ 5,585,991</u>	<u>\$ 3,977,134</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.

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

1. Level 1 inputs are quoted prices in active markets for identical assets.
2. Level 2 inputs include:
 - a. Quoted prices for similar assets or liabilities in active markets,
 - b. Quoted prices for identical or similar assets or liabilities in markets that are not active,
 - c. Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads.
3. Level 3 inputs are significant unobservable inputs.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of December 31, 2016, the Police Pension investments were as follows:

Description	Moody Rating	Amount	Amount by Input		
			Level 1	Level 2	Level 3
Municipal bonds	AA3	750,434	-	-	750,434
US Agency	AAA	833,756	-	833,756	-
	Not rated	1,577,096	-	1,577,096	-
US Treasury	AAA	5,126,872	5,126,872	-	-
Foreign corporate bonds	AA1	69,899	-	69,899	-
	AA2	61,848	-	61,848	-
	AA3	114,995	-	114,995	-
	A2	68,156	-	68,156	-
	BAA1	35,798	-	35,798	-
Corporate bonds	AAA	149,301	149,301	-	-
	AA1	188,934	188,934	-	-
	AA2	402,636	-	402,636	-
	AA3	93,030	-	93,030	-
	A1	761,212	-	761,212	-
	A2	487,681	-	487,681	-
	A3	1,295,704	-	1,295,704	-
	BAA1	811,160	-	811,160	-
	BAA2	587,597	-	587,597	-
	BAA3	515,019	-	515,019	-
	Not rated	1,405,247	-	1,405,247	-
Mutual Funds	Not Rated	17,690,920	17,690,920	-	-
		<u>33,027,295</u>	<u>23,156,027</u>	<u>9,120,834</u>	<u>750,434</u>

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (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, 2016.

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, 2016, the annual money-weighted rate of return on police pension plan investments, net of pension plan investment expense was 10.20 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. The Rock Island Public Library Foundation’s investments at fair value as of December 31, 2016, are as follows:

	Fair Value
Current Assets:	
Equity mutual funds	\$ 468,907
Fixed income mutual funds	261,228
Alternative Funds	15,233
Total Investments in current assets	<u>745,368</u>
Endowment assets:	
Equity mutual funds	864,388
Fixed income mutual funds	502,076
Alternative funds	109,197
Total investments in endowment assets	<u>1,475,661</u>
Total Investments	<u>\$ 2,221,029</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

	Total	
	Interfund Receivables	Interfund Payables
Governmental, major funds:		
General Fund	\$ 831	\$ -
Tax Increment Financing	-	215,039
Riverboat Gaming	1,363,901	-
Community/Economic Development	-	148,545
Nonmajor governmental funds	12,460	1,013,608
Enterprise, Waterworks Fund	-	902,766
Enterprise, nonmajor funds:		
Stormwater	1,502,668	-
Solid Waste	-	599,902
Sunset Marina	72,933	-
Internal Service Funds:		
Equipment Maintenance	987,041	-
Engineering	-	1,059,974
Total	\$ 3,939,834	\$ 3,939,834

All of the above balances represent short-term loans to cover deficit cash balances at December 31, 2016. All the balances are expected to be repaid within one year.

Interfund transfers for the period ended December 31, 2016, consisted of the following:

	Transfer In	Transfer Out
Major Governmental Funds:		
General	\$ 4,475,796	\$ 970,542
Library	50,000	21,595
TIF	25,013	1,323,487
Riverboat Gaming	1,307,792	5,979,878
Community/Economic Development	765,487	59,239
Capital Projects	1,146,923	2,556,511
Debt Service	3,775,863	128,153
Nonmajor governmental funds	169,314	1,222,237
Major Enterprise Funds:		
Wastewater	182,883	-
Park and Recreation	329,171	43,563
Nonmajor enterprise funds	53,400	-
Internal Service Funds:		
Equipment maintenance fund	23,563	-
Engineering	14,508	14,508
	\$ 12,319,713	\$ 12,319,713

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
DECEMBER 31, 2016

NOTE 5 – NOTES RECEIVABLE – GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS

As of December 31, 2016, the Governmental Funds and Enterprise Funds had the following notes receivable:

Governmental Funds:

Notes issued to businesses with maturities typically at 5 years; interest on notes typically at 4%	\$ 1,519,028
Less allowance for uncollectible amounts	<u>(994,002)</u>
Total governmental funds	<u>525,026</u>

Enterprise Funds:

Notes issues to businesses with maturities typically at 5 years; interest on notes typically at 4%	2,513,613
Notes issues 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.	343,739
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.	625,852
Less allowance for uncollectible amounts	<u>(1,722,696)</u>
Total enterprise funds	<u>1,760,508</u>
Total notes receivable	<u>\$ 2,285,534</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the period ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,571,284	\$ -	\$ 125,550	\$ 8,445,734
Construction-in-progress	3,621,485	2,071,861	3,806,916	1,886,430
Total capital assets, not being depreciated	<u>12,192,769</u>	<u>2,071,861</u>	<u>3,932,466</u>	<u>10,332,164</u>
Capital assets, being depreciated:				
Buildings and improvements	47,072,253	1,455,518	1,006,868	47,520,903
Machinery and equipment	16,242,441	1,244,849	730,313	16,756,977
Infrastructure	72,532,979	4,089,252	50,090	76,572,141
Total capital assets, being depreciated	<u>135,847,673</u>	<u>6,789,619</u>	<u>1,787,271</u>	<u>140,850,021</u>
Less accumulated depreciation for:				
Buildings and improvements	10,794,110	1,135,670	690,797	11,238,983
Machinery and equipment	8,564,642	962,147	571,059	8,955,730
Infrastructure	34,933,018	1,437,812	36,074	36,334,756
Total accumulated depreciation	<u>54,291,770</u>	<u>3,535,629</u>	<u>1,297,930</u>	<u>56,529,469</u>
Total capital assets, being depreciated, net	<u>81,555,903</u>	<u>3,253,990</u>	<u>489,341</u>	<u>84,320,552</u>
Governmental activities capital assets, net	<u>\$ 93,748,672</u>	<u>\$ 5,325,851</u>	<u>\$ 4,421,807</u>	<u>\$ 94,652,716</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,586,476	\$ 125,550	\$ -	\$ 1,712,026
Construction-in-progress	67,241,412	8,810,841	60,694,490	15,357,763
Total capital assets, not being depreciated	68,827,888	8,936,391	60,694,490	17,069,789
Buildings and improvements	19,056,567	5,299,394	-	24,355,961
Machinery and equipment	3,227,532	124,925	10,000	3,342,457
Infrastructure	80,124,306	55,229,831	-	135,354,137
Total capital assets, being depreciated	102,408,405	60,654,150	10,000	163,052,555
Less accumulated depreciation for:				
Buildings and improvements	7,302,326	509,283	-	7,811,609
Machinery and equipment	2,468,647	90,385	10,000	2,549,032
Infrastructure	56,051,866	1,781,655	-	57,833,521
Total accumulated depreciation	65,822,839	2,381,323	10,000	68,194,162
Total capital assets, being depreciated, net	36,585,566	58,272,827	-	94,858,393
Business-type activities capital assets, net	\$ 105,413,454	\$ 67,209,218	\$ 60,694,490	\$ 111,928,182

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

Governmental Activities:	
General government	\$ 428,225
Police and fire	737,961
Highways and streets, including depreciation of general infrastructure assets	1,610,578
Libraries	110,949
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	647,916
Total depreciation expense, governmental activities	\$ 3,535,629
Business-Type Activities:	
Waterworks	\$ 629,068
Wastewater treatment	959,651
Parks and recreation	510,261
Stormwater	110,684
Sunset Marina	42,099
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	58,866
Total depreciation expense, business-type activities	\$ 2,310,629
Transfer in of accumulated depreciation to Solid Waste Fund	70,694
Total depreciation additions, business-type activities	\$ 2,381,323

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT

General obligation bonds outstanding as of December 31, 2016, consist of the following individual issues:

	Total	Governmental Activities	Business-Type Activities
\$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.	\$ 1,465,000	\$ 315,000	\$ 1,150,000
\$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.	\$ 1,175,000	693,250	481,750
\$700,000 2008C clean renewable energy general obligations for hydroelectric plant improvements, due in annual installments of \$46,667 to December 15, 2022.	\$ 280,000	-	280,000
\$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.	\$ 255,000	255,000	-
\$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.	\$ 2,605,000	2,605,000	-
\$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.	\$ 1,710,000	165,000	1,545,000
\$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.	\$ 5,485,000	-	5,485,000
\$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.	\$ 780,000	415,000	365,000
\$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.	\$ 630,000	320,000	310,000
\$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	\$ 2,370,000	1,645,000	725,000
\$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.	\$ 8,460,000	8,460,000	-
\$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.	\$ 725,000	725,000	-
\$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%.	\$ 8,845,000	8,845,000	-
\$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%.	\$ 14,050,000	14,050,000	-
\$6,075,000, 2015A general obligation bonds to finance the following capital improvements; new police headquarters facility, public safety equipment, and public right of way improvements along 11th Street; due in annual installments of \$345,000 to \$460,000 to December 1, 2035; interest rate 2.0% to 4.0%.	\$ 5,730,000	5,730,000	-
\$4,175,000, 2015B general obligation refunding bonds for refunding of the following; Series 2005 bonds \$805,000; Series 2007 bonds \$2,270,000; Series 2008D bonds \$1,100,000; due in annual installments of \$230,000 to \$510,000; interest rate 2.0% to 4.0%.	\$ 3,665,000	1,100,000	2,565,000
\$3,505,000, 2016A general taxable general obligation bonds to finance street improvement projects; due in annual installments of \$125,000 to \$160,000 to December 1, 2025; interest rate 2.0% to 4.0%.	\$ 3,505,000	3,505,000	-
\$1,885,000, 2016C general taxable general obligation bonds used to advance refund a series 2014B outstanding bonds; principal amount of \$1,885,000 due December 1, 2035; interest rate 4.375%	\$ 1,885,000	1,885,000	-
Total	\$ 65,060,000	\$ 52,153,250	\$ 12,906,750

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

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

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
2017	2,746,850	1,856,276	1,709,817	511,098
2018	2,752,750	1,773,221	1,438,917	463,698
2019	3,568,650	1,690,591	1,188,017	415,052
2020	3,632,500	1,583,746	989,167	371,414
2021	3,642,500	1,473,174	1,009,167	334,887
2022-2026	12,720,000	5,944,550	4,446,667	1,101,060
2027-2031	12,710,000	3,706,580	2,125,000	269,688
2032-2036	10,380,000	1,082,469	-	-
Total	\$ 52,153,250	\$ 19,110,607	\$ 12,906,750	\$ 3,466,895

On November 29, 2016, the City of Rock Island, Illinois issued \$5,390,000 of general obligation bonds which consisted of \$3,505,000 Series 2016A with an average interest rate of 3% and \$1,885,000 Series 2016C with an interest rate of 4.75%. The Series 2016A bonds were issued to pay for street improvements. The Series 2016C bonds were issued to refund, in part, Series 2014B bonds. The refunding was done to restructure debt service payments.

The \$1,853,867 proceeds from the Series 2016C issuance were placed in escrow. On December 1, 2016, \$493,150 of the proceeds were used to call and redeem \$475,000 Series 2014B general obligation. The current refunding of this payment in the Series 2014B bonds resulted in no net present value savings.

The remaining \$1,360,717 Series 2016C proceeds were used to purchase U.S Treasury Obligations which were deposited into an irrevocable trust with an escrow agent to advance refund \$1,340,000 of Series 2014B general obligation bonds due December 1, 2017 through 2018. As a result, that portion of the Series 2014B general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The advance refunding of a portion of the City's general obligation bonds Series 2014B resulted in an economic gain of \$0, and reduced debt service payments of \$0. There were no net present value savings.

The current refunding and advance refunding of the general obligation bonds, resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$47,219 is a deferred amount on refunding and amortized over the life of the bonds using a method that approximates the interest method.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term liability activity for the period ended December 31, 2016, was as follows:

Governmental Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation bonds	\$ 51,247,200	\$ 5,390,000	\$ 4,483,950	\$ 52,153,250	\$ 2,746,850
Unamortized discounts	(26,612)	-	(26,612)	-	-
Unamortized premiums	988,723	183,807	63,670	1,108,860	-
Total bonds payable	52,209,311	5,573,807	4,521,008	53,262,110	2,746,850
Other postemployment benefits	5,897,816	566,456	611,538	5,852,734	-
Compensated absences	3,882,426	3,634,675	3,882,426	3,634,675	2,182,167
Net pension liability	96,179,097	5,661,225	-	101,840,322	-
	<u>\$ 158,168,650</u>	<u>\$ 15,436,163</u>	<u>\$ 9,014,972</u>	<u>\$ 164,589,841</u>	<u>\$ 4,929,017</u>

Business-Type Activities	Balance, Beginning	Additions	Redeemed/ Matured	Balance, Ending	Due Within One Year
General obligation bonds	\$ 14,694,467	\$ -	\$ 1,787,717	\$ 12,906,750	\$ 1,709,817
Unamortized premiums	313,952	-	39,908	274,044	-
Total bonds payable	15,008,419	-	1,827,625	13,180,794	1,709,817
Note payable	47,094,293	8,640,903	2,401,757	53,333,439	2,422,250
Other postemployment benefits	1,330,676	739,343	-	2,070,019	-
Compensated absences	718,742	727,162	718,742	727,162	436,569
Net pension liability	1,240,207	2,517,497	-	3,757,704	-
	<u>\$ 65,392,337</u>	<u>\$ 12,624,905</u>	<u>\$ 4,948,124</u>	<u>\$ 73,069,118</u>	<u>\$ 4,568,636</u>

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. On December 31, 2016, \$312,183 and \$5,167 of internal service funds compensated absences are included in the above amounts for governmental activities and business-type activities respectively. Claims and judgments and compensated absences of the governmental activities are generally liquidated by the General Fund. The net pension liability and other postemployment benefit obligations will primarily be liquidated by the General Fund in future years.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

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
2017	\$ 20,219	\$ 3,779	\$ 23,998
2018	20,472	3,525	23,997
2019	20,729	3,268	23,997
2020	20,989	3,008	23,997
2021	21,252	2,745	23,997
2022-2026	110,324	9,662	119,986
2027-2030	93,282	2,645	95,927
	<u>\$ 307,267</u>	<u>\$ 28,632</u>	<u>\$ 335,899</u>

- \$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 through August 1, 2032. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2017	\$ 844,739	\$ 183,173	\$ 1,027,912
2018	855,332	172,581	1,027,913
2019	866,057	161,856	1,027,913
2020	876,916	150,997	1,027,913
2021	887,912	140,001	1,027,913
2021-2025	4,609,382	530,182	5,139,564
2026-2030	4,905,708	233,769	5,139,477
2031-2032	1,018,356	9,557	1,027,913
	<u>\$ 14,864,402</u>	<u>\$ 1,582,116</u>	<u>\$ 16,446,518</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 through September 1, 2033. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2017	\$ 654,025	\$ 304,459	\$ 958,484
2018	669,121	289,363	958,484
2019	684,565	273,919	958,484
2020	700,366	258,117	958,483
2021	716,532	241,952	958,484
2022-2026	3,838,510	953,911	4,792,421
2027-2031	4,302,434	489,987	4,792,421
2032-2034	1,863,213	53,756	1,916,969
	<u>\$ 13,428,766</u>	<u>\$ 2,865,464</u>	<u>\$ 16,294,230</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

- \$10,032,304 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 through August 6, 2034. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2017	\$ 460,887	\$ 187,039	\$ 647,926
2018	498,858	189,311	688,169
2019	508,532	179,637	688,169
2020	518,394	169,775	688,169
2021	528,448	159,722	688,170
2022-2026	2,799,995	640,852	3,440,847
2027-2031	3,082,235	358,612	3,440,847
2032-2034	1,994,212	67,972	2,062,184
	<u>\$ 10,391,561</u>	<u>\$ 1,952,920</u>	<u>\$ 12,344,481</u>

- \$10,941,066 approved September 30, 2014 for the Wastewater Project (L174907) of which \$7,372,996 has been drawn as of December 31, 2015. 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. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2017	\$ 376,299	\$ 169,164	\$ 545,463
2018	456,593	192,865	649,458
2019	465,748	183,711	649,459
2020	475,086	174,373	649,459
2021	484,611	164,847	649,458
2022-2026	2,572,752	674,538	3,247,290
2027-2031	2,841,216	406,075	3,247,291
2032-2035	2,483,418	112,887	2,596,305
	<u>\$ 10,155,723</u>	<u>\$ 2,078,460</u>	<u>\$ 12,234,183</u>

- \$4,506,250 approved October 6, 2016 for the Farmall Storage Tank Wastewater Project (L174872) of which \$4,185,719 has been drawn as of December 31, 2016. The loan interest rate is 2.21%. The city is required to make semi-annual payments of the principal and interest beginning January 1, 2017 through January 1, 2036. The maturity schedule is as follows:

Period Ending December 31:	Principal	Interest	Total
2017	\$ 66,081	\$ 34,352	\$ 100,433
2018	182,852	90,231	273,083
2019	186,916	86,168	273,084
2020	191,069	82,014	273,083
2021	195,315	77,768	273,083
2022-2026	1,043,643	321,774	1,365,417
2027-2031	1,164,873	200,544	1,365,417
2032-2036	1,154,971	65,232	1,220,203
	<u>\$ 4,185,720</u>	<u>\$ 958,083</u>	<u>\$ 5,143,803</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

In December 2016, City Council approved a new project with the IL Environmental Protection Agency for improvements to the Wastewater Treatment Plant. The project is expected to cost approximately \$30,000,000.

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 defeased bonds are not included in the City’s financial statements. At December 31, 2016, \$120,000 of bonds outstanding are considered defeased.

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	
	2016	2015	2016	2015
Unpaid claims, beginning of year	\$ 589,763	\$ 453,400	\$ 295,000	\$ 297,943
Incurred claims (including IBNR)	1,864,517	1,060,203	5,563,077	4,165,903
Claim payments/settlements	(1,596,715)	(923,840)	(5,434,017)	(4,168,846)
Unpaid claims, end of year	<u>\$ 857,565</u>	<u>\$ 589,763</u>	<u>\$ 424,060</u>	<u>\$ 295,000</u>

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 355 active and 227 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2016, the amount actually contributed to the Plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 1,501,468
Interest on net OPEB obligation	289,140
Adjustment to annual required contribution	(216,855)
Annual OPEB cost	<u>1,573,753</u>
Contributions and payments made	879,492
Increase in net OPEB obligation	<u>694,261</u>
Net OPEB obligation, beginning of year	7,228,492
Net OPEB obligation, end of year	<u><u>\$ 7,922,753</u></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, 2016.

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, 2016, are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	\$ 1,573,753	55.9%	\$ 7,922,753
December 31, 2015	1,545,466	59.3%	7,228,492
December 31, 2014	1,460,100	36.4%	6,599,490

Funded Status and Funding Progress – As of January 1, 2015, the most recent actuarial valuation date for the year ended December 31, 2016, the actuarial accrued liability was \$19,952,823, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,952,823. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$23,997,000 and the ratio of the UAAL to covered payroll was 89%. As of December 31, 2016, 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.

**CITY OF ROCK ISLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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 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 January 1, 2015, actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4 percent discount rate based on the City’s funding policy. The projected annual medical trend rate is 6 percent. The ultimate medical trend rate is 5.5 percent. The medical trend rate is reduced 0.06% each year until reaching the ultimate medical trend rate. The investment return of 4.0 percent inflation includes a 0.0 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

Illinois Municipal Retirement Fund

Plan description - The City’s defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases and death benefits to plan members and beneficiaries. The City plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund and agent multiple-employer plan. Benefit and contribution 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 (RSI). That report may be obtained on-line at www.imrf.org. The IMRF actuarial valuation date is December 31, 2015 and the measurement date is December 31, 2015.

IMRF is administered in accordance with Illinois statutes. The statutes do not provide for termination of the plan under any circumstances.

Plan membership –As of December 31, 2015, the plan measurement date, the City’s pension plan membership consisted of the following:

Retirees and beneficiaries	286
Inactive, non-retired plan members	204
Active plan members	258
Total	<u>748</u>

Benefits provided- The IMRF Plan provides retirement benefits, as well as death and disability benefits. A complete description of IMRF benefits is found in Article 7 of the Illinois Pension Code. IMRF has three benefit plans. The vast majority of IMRF members, including the City, participate in the Regular Plan (RP). IMRF benefit plans have two tiers.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Contributions – As set by statute, the City’s regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires each participating employer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City’s annual contribution rate for fiscal year 2016 and 2015 was 11.50% and 11.24% respectively. 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. Costs of administering the plan are financed by investment income. Contributions are based on employer payrolls and are due on the tenth of the month following the month of payment pursuant to the authority vested in the IMRF Board by the Illinois Pension Code. For the fiscal year ended December 31, 2016, the City contributed \$1,535,820. The covered valuation payroll as of December 31, 2016 was \$13,315,779.

Net Pension Liability of the City – The City’s net pension liability was measured as of December 31, 2015, and the total net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Asset valuation method	Market value of assets
Inflation	2.75 percent
Salary increases, including inflation	3.75 percent to 14.50, including inflation
Investment rate of return, including inflation, and net of investment expense	7.48 percent

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The projected retirement age was from the experienced-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from 2011 to 2013. Mortality rates were based on an IMRF specific mortality table with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational project scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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, 2015 are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	38.0%	0.02%
International Equities	17.0%	-1.90%
Fixed Income	27.0%	-0.09%
Real Estate	8.0%	11.99%
Alternatives	9.0%	N/A
Cash equivalents	1.0%	N/A
Total	100.0%	

Discount rate: Governmental Accounting Standards Board Statement No. 68 requires a discount rate that considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The plan net position in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required.

The single discount rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on the pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met.) The projection of cash flow used to determine the SDR assumed the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

For the purpose of the City’s valuation, the expected rate of return on pension plan investments is 7.50 percent, the municipal bond rate is 3.57 percent and the resulting SDR is 7.48 percent.

Changes in the Net Pension Liability: The following table presents the changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance, December 31, 2014	\$ 95,203,656	\$ 91,328,014	\$ 3,875,642
Changes for the year:			
Service cost	1,446,195	-	1,446,195
Interest	7,012,972	-	7,012,972
Differences between expected and actual experience	928,010	-	928,010
Changes of assumptions	230,551	-	230,551
Contributions-employer	-	1,565,936	(1,565,936)
Contributions-employee	-	659,458	(659,458)
Net investment income	-	450,101	(450,101)
Benefit payments, including refunds of employee contributions	(4,840,911)	(4,840,911)	-
Other	-	215,976	(215,976)
Net changes	4,776,817	(1,949,440)	6,726,257
Balance, December 31, 2015	\$ 99,980,473	\$ 89,378,574	\$ 10,601,899

The net pension liability includes \$207,397 net pension liability as of December 31, 2016 for the Martin Luther King Center discretely presented component unit as a participant in the City’s IMRF plan.

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 7.48 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 (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City's net pension liability (asset)	\$ 23,080,430	\$ 10,601,899	\$ 311,806

Pension plan fiduciary net position: Detailed information about the IMRF pension plan’s fiduciary net position is available in the separately issued IMRF financial report.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
 For the year ended December 31, 2016, the City’s pension expense is \$3,562,438 and the deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 725,816	\$ -	\$ 725,816
Assumption changes	1,562,004	-	1,562,004
Net difference between projected and actual earnings on pension plan investments	5,774,992	-	5,774,992
Contributions subsequent to measurement date	1,535,820	-	1,535,820
Total	\$ 9,598,632	\$ -	\$ 9,598,632

\$1,535,820 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the IMRF pension will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 2,738,323
2018	2,369,602
2019	1,692,982
2020	1,261,905
2021	-
Thereafter	-
Total	\$ 8,062,812

Police Pension Plan

Plan description - 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan membership – At December 31, 2016, pension plan membership consisted of the following:

Retirees and beneficiaries	93
Inactive, non-retired plan members	8
Active plan members	83
Total	184

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.

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 net pension liability was measured as of December 31, 2016, and the total net pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the entry age method and the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Asset valuation method	Market value of assets
Inflation	3.0 percent
Salary increases, including inflation	5.0 percent
Investment rate of return, including inflation, and net of investment expense	7.50 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. 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	47.0%	3.00%
International Equities	6.0%	7.00%
Domestic Equities	45.0%	6.50%
Cash and Cash Equivalents	2.0%	0.00%
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.50 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Changes in the net pension liability: The following table presents the changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance, December 31, 2015	\$ 79,133,850	\$ 31,274,328	\$ 47,859,522
Changes for the year:			
Service cost	1,206,843	-	1,206,843
Interest	5,871,796	-	5,871,796
Differences between expected and actual experience	(132,394)	-	(132,394)
Changes of assumptions	-	-	-
Contributions-employer	-	2,893,929	(2,893,929)
Contributions-employee	-	580,374	(580,374)
Net investment income	-	2,918,794	(2,918,794)
Benefit payments, including refunds of employee contributions	(4,100,163)	(4,100,163)	-
Other	-	(12,357)	12,357
Net changes	2,846,082	2,280,577	565,505
Balance, December 31, 2016	<u>\$ 81,979,932</u>	<u>\$ 33,554,905</u>	<u>\$ 48,425,027</u>

Plan fiduciary net position as a percentage of the total pension liability 41%

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 59,310,075	\$ 48,425,027	\$ 39,447,247

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
For the year ended December 31, 2016, the City's pension expense is \$4,802,828 and the deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 893,655	\$ 110,328	\$ 783,327
Assumption changes	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,118,068	-	1,118,068
Total	<u>\$ 2,011,723</u>	<u>\$ 110,328</u>	<u>\$ 1,901,395</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 613,847
2018	613,847
2019	613,847
2020	81,918
2021	(22,064)
Thereafter	-
Total	<u>\$ 1,901,395</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is as follows:

Statement of Net Position

Assets	
Cash and equivalents	\$ 1,529,447
Investments	33,027,295
Receivables, accrued interest	89,801
Total Assets	<u>34,646,543</u>
Liabilities	
Outstanding checks in excess of bank balance	1,072,568
Accounts payable	19,070
Total Liabilities	<u>1,091,638</u>
Net Position, held in trust for pension benefits	<u>\$ 33,554,905</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Statement of Changes in Net Position

Additions	
Contributions:	
Employer	\$ 2,893,929
Member	580,424
Net investment income	2,976,949
Total Additions	<u>6,451,302</u>
Deductions	
Benefits	4,100,163
Administrative expenses	68,249
Total Deductions	<u>4,168,412</u>
Change in net position held in trust for pension benefits	2,282,890
Net position restricted for pension benefits, beginning of year	31,272,015
Net position restricted for pension benefits, end of year	<u>\$ 33,554,905</u>

Firefighter Pension Plan

Plan description - 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 Membership – At December 31, 2016, pension plan membership consisted of the following:

Retirees and beneficiaries	58
Inactive, non-retired plan members	-
Active plan members	89
Total	<u>147</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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

Net pension liability of the City – The net pension liability was measured as of December 31, 2016, and the total net pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the entry age method and the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Asset valuation method	Market value of assets
Inflation	3.0 percent
Salary increases, including inflation	5.0 percent
Investment rate of return, including inflation, and net of investment expense	7.50 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. 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Intermediate Fixed Income	35.0%	2.20%
U.S. Large Cap Value Equity	6.0%	7.20%
U.S. Large Cap Core Equity	6.0%	7.20%
U.S. Large Cap Growth Equity	4.0%	7.10%
U.S. Mid-Cap Growth Equity	7.0%	7.40%
U.S. Small-Cap Value Equity	7.0%	8.00%
Non-U.S. Developed Large Cap Equity	13.0%	7.20%
Non-U.S. Developed Small Cap Equity	6.0%	7.30%
Non-U.S. Emerging Markets Equity	6.0%	7.50%
Real Estate	5.0%	7.90%
Alternative Assets	5.0%	5.20%
Total	<u>100.0%</u>	

Discount

rate: The discount rate used to measure the total pension liability was 7.50 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Changes in the net pension liability: The following table presents the changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance, December 31, 2015	\$ 66,678,905	\$ 20,917,253	\$ 45,761,652
Changes for the year:			
Service cost	967,532	-	967,532
Interest	4,926,316	-	4,926,316
Differences between expected and actual experience	(143,146)	-	(143,146)
Changes of assumptions	-	-	-
Contributions-employer	-	2,803,551	(2,803,551)
Contributions-employee	-	429,505	(429,505)
Net investment income	-	1,526,752	(1,526,752)
Benefit payments, including refunds of employee contributions	(3,924,449)	(3,924,449)	-
Other	-	(25,951)	25,951
Net changes	1,826,253	809,408	1,016,845
Balance, December 31, 2015	\$ 68,505,158	\$ 21,726,661	\$ 46,778,497

Plan fiduciary net position as a percentage of the total pension liability 32%

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability (asset)	\$ 54,881,806	\$ 46,778,497	\$ 40,008,993

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
For the year ended December 31, 2016, the City's pension expense is \$4,388,642 and the deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 369,541	\$ 114,517	\$ 255,024
Assumption changes	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,040,100	-	1,040,100
Total	<u>\$ 1,409,641</u>	<u>\$ 114,517</u>	<u>\$ 1,295,124</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 440,242
2018	440,242
2019	440,240
2020	(25,600)
2021	-
Thereafter	-
Total	<u>\$ 1,295,124</u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is as follows:

Statement of Net Position

Assets	
Cash and equivalents	\$ 2,145,156
Investments	20,587,827
Receivables, accrued interest	54,990
Total Assets	<u>22,787,973</u>
Liabilities	
Outstanding checks in excess of bank balance	1,051,976
Accounts payable	11,490
	<u>1,063,466</u>
Net Position, held in trust for pension benefits	<u>\$ 21,724,507</u>

Statement of Changes in Net Position

Additions	
Contributions:	
Employer	\$ 2,803,551
Member	429,505
Net investment income	1,576,479
Total Additions	<u>4,809,535</u>
Deductions	
Benefits	3,924,449
Administrative expenses	75,520
Total Deductions	<u>3,999,969</u>
Change in net position held in trust for pension benefits	809,566
Net position restricted for pension benefits, beginning of year	20,914,941
Net position restricted for pension benefits, end of year	<u>\$ 21,724,507</u>

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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	Debt Service	Capital Projects	Special Revenue	Total
Restricted for:					
Police services	\$ 205,945	\$ -	\$ -	\$ -	\$ 205,945
Library programs	-	-	-	1,204,983	1,204,983
Capital improvements	-	-	1,061,464	625,899	1,687,363
Road improvements	-	-	-	179,717	179,717
Fire services	-	-	-	113,888	113,888
Federal programs	-	-	-	10,050	10,050
Drug enforcement efforts	-	-	-	235,255	235,255
Economic development	-	-	-	12,886	12,886
Debt service payments	-	1,048,523	-	-	1,048,523
Total Restricted	205,945	1,048,523	1,061,464	2,382,678	4,698,610
Committed to:					
Capital improvements	-	-	-	12,516,168	12,516,168
Unassigned	9,959,210	-	-	(488,640)	9,470,570
Total Fund Balances	\$10,165,155	\$ 1,048,523	\$ 1,061,464	\$14,410,206	\$26,685,348

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, 2016, 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 \$7,585,959.

NOTE 14 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Rock Island through its Tax Incremental Financing (TIF) Districts has entered into tax abatement agreements with developers in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the Development or Redevelopment Agreements as authorized by the City Council and executed by the City Manager. The developers are reimbursed for TIF eligible expenditures as outlined by the agreements through one time payments or are entitled to future incentive payments that directly correlate to the taxes paid after meeting the criteria established in the development agreements. All agreements include recapture provisions through a Default and Remedies clause.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 14 – TAX ABATEMENTS (Continued)

For the year ended December 31, 2016, the City abated \$2,555,907 of property tax under agreements as follows:

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>Abatement</u>
Casino Rock Island - 2004	75% of the property tax increment for a 13 year period	Rock Island Boatworks to develop \$150 million casino complex known as Jammers with casino, hotel, parking structure and conference/meeting/theatre center	\$1,742,631
Bridges Catering - 2016	Two \$300,000 payments totaling \$600,000	Bridges Catering WEH to renovate and redevelop property into a commercial business	\$300,000
LRC Developers - 2013	Debt service payments and up to \$200,000 in reimbursed development costs	LRC Developers to redevelop property known as Columbia Park in general conformance with the Columbia Park Plan including demolition or rehab of existing buildings, construction of new buildings and installation of public infrastructure	\$200,000
Blackhawk Commons - 2013	\$700,000 payment for infrastructure work, \$1,752,000 for building construction plus 90% of increment the first five years and 80% thereafter for a period no longer than twenty years to a maximum of \$2 million	11th Street Development Partners to develop site construction and installation of new buildings, improvements to streets, sanitary sewer and water mains for an approximately total project cost of \$6.9 million	\$92,033
The Locks - 2012	\$2.1 million payment plus rebate for a 10 year period of 100% of property tax in excess of a base amount that ranges from (\$40,000 in Year 1 to \$62,053 in Year 10) payable from increment	Rock Island Economic Growth Corporation to develop a new multi-unit residential housing development with 34 units at a cost estimated to exceed \$6 million	\$84,605
Kinseth Hospitality - 2014	Four payments totaling \$500,000	Rehabilitation and renovation of guest rooms, hallways, meeting rooms, exterior, HVAC, windows and restaurant at Holiday Inn at an approximate cost of \$2.4 million	\$50,000
Circa 21 - 2014	Four payments of \$50,000 totaling \$200,000	Developer, Dinner Theatre Associates LTD to renovate facility including HVAC, windows, tuck pointing, roof and exterior painting at a cost in excess of \$359,000	\$50,000
Renaissance Gold - 2000	\$30,000 payment plus a rebate for a 15 year period of 100% of property tax increment in excess of a base (starting at \$18,000 and increases 4% per year)	Rock Island Economic Growth Corporation to redevelop property to create 52 rental dwelling units and first floor commercial space at a cost in excess of \$6 million	\$21,099
Jackson Square - 2010	\$640,000 payment plus a rebate for a 10 year period of 100% of property tax in excess of a base (ranges from \$27,300 to \$40,334), payable from increment	Rock Island Economic Growth Corporation to redevelop property to create 30 rental dwelling units plus 3,500 square feet of commercial space at a cost in excess of \$8.5 million	\$12,967
Voss Brothers Lofts - 2003	\$265,000 payment plus a rebate for a 15 year period of 100% of property tax in excess of a base (starting at \$19,712 and increases 4% per year), payable from increment	Rock Island Economic Growth Corporation to redevelop property to create 35 rental dwelling units at a cost in excess of \$4.7 million	\$2,572
			<u><u>\$2,555,907</u></u>

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 14 – TAX ABATEMENTS (Continued)

The City of Rock Island has created a New Housing Construction Property Tax Rebate Program and has partnered with the Rock Island-Milan School District to promote new single family home and condominium construction. The program is available to the owner occupant of newly built single family homes or condominiums in Rock Island under certain conditions to stimulate economic development. The abatements are authorized through a resolution by the City Council. The property owners pay property taxes as they become due, and after meeting the criteria established in the program, are entitled to a reimbursement that directly correlates to the taxes paid. The rebates are calculated based on the portion of the taxes related to the improved property with annual maximum of \$2,000 for a specified time period based on the specific program. The City's aggregate incentive payments for the year ended December 31, 2016 were \$17,338.

The City of Rock Island through its Enterprise Zone has offered a property tax abatement with developers in the form of a rebate to stimulate economic development. The abatements are authorized by Ordinance as approved by the City Council. The developers pay property taxes as they become due, and after meeting the criteria established in the Enterprise Zone, are entitled to an abatement that directly correlates to the taxes paid. The abatement is calculated based on 75% of the taxes due and payable to the City of Rock Island. Aggregate abatements for the year ended December 31, 2016 were \$89,059.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

As of December 31, 2016, the City had the following outstanding commitments:

Illinois Housing Development Authority (IHDA) Blight Reduction Program - The City received an award of \$525,000 for a Blight Reduction Program through the IHDA. The City was required to collaborate with a not-for-profit entity and chose Rock Island Economic Growth Corporation as its partner. Up to \$35,000 per property will be paid out to the not-for-profit upon completion and submittal of a "unit." The money is disbursed from IHDA as a three year forgivable loan with 33.33% forgiven each year. During the fiscal year ended December 31, 2016, the City expended \$240,910 for this program. The funds are repaid to the City (up to \$30,250 per unit) from Rock Island Economic Growth Corporation with the disbursement of IHDA funds. The Rock Island Economic Growth Corporation repaid the \$240,910.

Construction Commitments - The City has recognized as a liability only that portion of construction contracts representing construction completed through December 31, 2016. Construction contracts of \$4,430,433 have been signed, of which, \$3,828,606 has been expended as of December 31, 2016 resulting in outstanding commitments for construction projects of \$788,687. 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 \$62,757,693 as of December 31, 2016. All of the construction must be completed by 2018.

NOTE 16 – 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.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 17 – SUBSEQUENT EVENT

In December 2016, the City Council approved a project at the Water Treatment Plant to construct a new filtration facility. The estimated cost of the project will be \$30,000,000 and will be financed with Illinois Environmental Protection Loans. As of year-end, there were no signed contracts for engineering or construction services.

NOTE 18 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The City adopted the following statements during the year ended December 31, 2016:

GASB Statement No. 72, Fair Value Measurement and Application: 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.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, Tax Abatement Disclosures: This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans: This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants: This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

The implementation of the above statements did not have a material impact to the City’s financial statements.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 18 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS
(Continued)

As of December 31, 2016, 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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, issued June 2015, will be effective for the City beginning with its year ending December 31, 2017.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the City beginning with its year ending December 31, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the City beginning with its year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016, will be effective for the City beginning with its year ending December 31, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the City beginning with its year ending December 31, 2017. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73*, issued March 2016, will be effective for the City beginning with its year ending December 31, 2017. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

CITY OF ROCK ISLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 18 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS
(Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the City beginning with its fiscal year ending December 31, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the City beginning with its fiscal year ending December 31, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending December 31, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending December 31, 2018. The objective of this Statement is to improve accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

The City's management has determined that the implementation of GASB Statement No. 75 will have a significant impact on the City's financial statements. The effect the other GASB Statements will have on the City's financial statements has not yet been determined.

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 Net 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]
12/31/16	1/1/2015	\$ -	\$ 19,952,823	\$ 19,952,823	- %	\$ 23,997,000	83.10%
12/31/15	1/1/2015	-	19,952,823	19,952,823	-	22,502,517	89.00%
12/31/14*	3/31/13	-	24,781,731	24,781,731	-	24,158,513	103.00%
03/31/14	3/31/13	-	24,781,731	24,781,731	-	24,158,513	103.00%
03/31/13	3/31/11	-	24,781,731	24,781,731	-	24,158,513	103.00%
03/31/12	3/31/11	-	23,199,368	23,199,368	-	18,206,619	127.00%

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

City of Rock Island, Illinois
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Illinois Municipal Retirement Plan
Last 10 Fiscal Years*

	December 31 2015	December 31 2014
Total pension liability		
Service cost	\$ 1,446,195	\$ 1,499,638
Interest	7,012,972	6,516,796
Changes of benefit terms	-	-
Differences between expected and actual experience	928,010	127,975
Changes of assumptions	230,551	3,145,892
Benefit payments, including refunds of member contributions	(4,840,911)	(4,454,876)
Net change in total pension liability	4,776,817	6,835,425
Total pension liability - beginning	95,203,656	88,368,231
Total pension liability - ending (a)	\$ 99,980,473	\$ 95,203,656
Plan fiduciary net position		
Contributions - employer	\$ 1,565,936	\$ 1,579,814
Contributions - member	659,458	607,024
Net investment income	450,101	5,334,245
Benefit payments, including refunds of member contributions	(4,840,911)	(4,454,876)
Administrative expense	-	-
Other	215,976	(318,846)
Net change in plan fiduciary net position	(1,949,440)	2,747,361
Plan fiduciary net position - beginning	91,328,014	88,580,653
Plan fiduciary net position - ending (b)	\$ 89,378,574	\$ 91,328,014
Net pension liability - ending (a)-(b)	\$ 10,601,899	\$ 3,875,642
Plan fiduciary net position as a percentage of total pension liability	89.40%	95.93%
Covered employee payroll	\$ 13,773,220	\$ 13,317,646
Net pension liability as a percentage of covered employee payroll	76.97%	29.10%

*IMRF fiscal year December 31, 2014 is the first year of GASB Statement No. 68 implementation.
The table will build prospectively from 2014.
The table is based on measurement date.

City of Rock Island, Illinois
Required Supplementary Information
Schedule of Contributions
Illinois Municipal Retirement Plan
Last 10 fiscal Years*

	December 31 2016	December 31 2015	December 31 2014
Actuarially determined contribution	\$ 1,535,820	\$ 1,566,015	\$ 1,563,492
Contributions in relation to the actuarial determined contribution	1,535,820	1,565,936	1,579,814
Contribution deficiency (excess)	\$ -	\$ 79	\$ (16,322)
Covered employee payroll	\$ 13,315,779	\$ 13,773,220	\$ 13,317,646
Contribution as a percentage of covered employee payroll	11.53%	11.37%	11.86%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP, ECO): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the employer upon adoption of ERI.
Asset valuation method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price inflation	3.0%-approximate; no explicit price inflation assumption is used in this valuation
Salary increases	4.40% to 16.00% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Other:	There were no benefit changes during the year.

*IMRF fiscal year December 31, 2014 is the first year of GASB Statement No. 68 implementation.
The table will build prospectively from 2014.

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, 2016	December 31, 2015	December 31, 2014	March 31, 2014*
Total pension liability				
Service cost	\$ 1,206,843	\$ 1,178,679	\$ 844,175	\$ 1,034,507
Interest	5,871,796	5,565,928	3,974,594	4,994,369
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(132,394)	1,340,483	2,003,976	5,745,377
Changes of assumptions	-	-	-	(4,011,170)
Benefit payments, including refunds of member contributions	(4,100,163)	(3,969,874)	(3,238,767)	(3,704,050)
Net change in total pension liability	2,846,082	4,115,216	3,583,978	4,059,033
Total pension liability - beginning	79,133,850	75,018,634	71,434,656	67,375,623
Total pension liability - ending (a)	\$ 81,979,932	\$ 79,133,850	\$ 75,018,634	\$ 71,434,656
Plan fiduciary net position				
Contributions - employer	\$ 2,893,929	\$ 2,687,850	\$ 2,421,323	\$ 2,301,409
Contributions - member	580,374	590,127	419,739	551,866
Net investment income	2,918,794	(265,731)	1,323,105	3,148,443
Benefit payments, including refunds of member contributions	(4,100,163)	(3,969,874)	(3,238,767)	(3,704,049)
Administrative expense	(12,357)	(65,821)	(37,119)	(56,329)
Other	-	-	-	-
Net change in plan fiduciary net position	2,280,577	(1,023,449)	888,281	2,241,340
Plan fiduciary net position - beginning	31,274,328	32,297,777	31,409,496	29,168,156
Plan fiduciary net position - ending (b)	\$ 33,554,905	\$ 31,274,328	\$ 32,297,777	\$ 31,409,496
Net pension liability - ending (a)-(b)	\$ 48,425,027	\$ 47,859,522	\$ 42,720,857	40,025,160
Plan fiduciary net position as a percentage of the total pension liability	40.93%	39.52%	43.05%	43.97%
Covered employee payroll	\$ 6,225,778	\$ 6,106,347	\$ 5,906,654	\$ 5,787,213
Net pension liability as a percentage of covered employee payroll	777.81%	783.77%	723.27%	691.61%

*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, 2013*	March 31, 2012*	March 31, 2011*	March 31, 2010*	March 31, 2009*	March 31, 2008*
\$ 1,001,348	\$ 980,831	\$ 849,981	\$ 838,625	\$ 798,025	\$ 789,521
2,701,419	2,295,324	2,392,818	4,121,974	(2,908,985)	618,224
2,156,282	3,140,717	7,540,028	369,571	6,826,430	2,487,544
(3,265,809)	(4,399,944)	(3,125,411)	(2,826,501)	(2,651,366)	(2,648,066)
2,593,240	2,016,928	7,657,416	2,503,669	2,064,104	1,247,223
64,782,383	62,765,455	55,108,039	52,604,370	50,540,266	49,293,043
\$ 67,375,623	\$ 64,782,383	\$ 62,765,455	\$ 55,108,039	\$ 52,604,370	\$ 50,540,266
\$ 2,171,239	\$ 2,200,492	\$ 2,172,477	\$ 2,161,735	\$ 1,772,107	\$ 1,673,809
539,779	612,742	506,761	512,192	494,811	528,623
2,681,624	1,440,890	2,392,819	4,121,974	(2,908,984)	617,223
(3,219,919)	(3,592,941)	(3,064,096)	(2,769,984)	(2,618,038)	(2,597,974)
(45,892)	(55,423)	(61,316)	(56,517)	(50,291)	(50,090)
2,126,831	605,760	1,946,645	3,969,400	(3,310,395)	171,591
27,041,325	26,435,565	24,488,920	20,519,520	23,829,915	23,658,324
\$ 29,168,156	\$ 27,041,325	\$ 26,435,565	\$ 24,488,920	\$ 20,519,520	\$ 23,829,915
38,207,467	37,741,058	36,329,890	30,619,119	32,084,850	26,710,351
43.29%	41.74%	42.12%	44.44%	39.01%	47.15%
\$ 5,233,761	\$ 5,201,289	\$ 5,113,544	\$ 5,123,411	\$ 4,988,969	\$ 4,815,819
730.02%	725.61%	710.46%	597.63%	643.12%	554.64%

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

	December 31, 2016	December 31, 2015	December 31, 2014	March 31, 2014
Actuarially determined contribution	\$ 2,893,079	\$ 2,687,850	\$ 1,815,432	\$ 2,301,229
Contributions in relation to the actuarial determined contribution	2,893,929	2,687,850	2,421,323	2,301,409
Contribution deficiency (excess)	(850)	-	(605,891)	(180)
Covered employee payroll	\$ 6,225,778	\$ 6,106,347	\$ 5,906,654	\$ 5,787,213
Contribution as a percentage of covered employee payroll	46.48%	44.02%	40.99%	39.77%

Notes to Schedule:

Valuation date:	December 31, 2016
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 2016 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, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
\$ 2,170,664	\$ 2,151,993	\$ 2,172,477	\$ 1,777,057	\$ 1,674,468	\$ 1,674,468
2,171,239	2,200,492	2,172,477	1,761,030	1,666,961	1,673,809
(575)	(48,499)	-	16,027	7,507	659
\$ 5,233,761	\$ 5,201,289	\$ 5,113,544	\$ 5,123,411	\$ 4,988,969	\$ 4,815,819
41.49%	42.31%	42.48%	34.37%	33.41%	34.76%

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

	12/31/16	12/31/15	12/31/14	2013
Annual money-weighted rate of return, net of investment expense	10.20%	-0.28%	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.

2012

2011

2010

2009

2008

2007

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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, 2016	December 31, 2015	December 31, 2014	March 31, 2014*
Total pension liability				
Service cost	\$ 967,532	\$ 970,425	\$ 713,494	\$ 921,569
Interest	4,926,316	4,743,965	3,461,630	4,052,348
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(143,146)	615,903	808,506	9,944,374
Changes of assumptions	-	-	-	(3,749,536)
Benefit payments, including refunds of member contributions	(3,924,449)	(3,867,666)	(3,187,896)	(3,649,919)
Net change in total pension liability	1,826,253	2,462,627	1,795,734	7,518,836
Total pension liability - beginning	66,678,905	64,216,278	62,420,544	54,901,708
Total pension liability - ending (a)	\$ 68,505,158	\$ 66,678,905	\$ 64,216,278	\$ 62,420,544
Plan fiduciary net position				
Contributions - employer	\$ 2,803,551	\$ 2,676,324	\$ 2,186,165	\$ 2,030,816
Contributions - member	429,505	416,580	288,706	362,361
Net investment income	1,526,752	(105,004)	790,678	1,879,283
Benefit payments, including refunds of member contributions	(3,924,449)	(3,867,666)	(3,187,896)	(3,649,919)
Administrative expense	(25,951)	(68,883)	(42,342)	(50,461)
Other	-	-	-	-
Net change in plan fiduciary net position	809,408	(948,649)	35,311	572,080
Plan fiduciary net position - beginning	20,917,253	21,865,902	21,830,591	21,258,511
Plan fiduciary net position - ending (b)	\$ 21,726,661	\$ 20,917,253	\$ 21,865,902	\$ 21,830,591
Net pension liability - ending (a)-(b)	\$ 46,778,497	\$ 45,761,652	\$ 42,350,376	40,589,953
Plan fiduciary net position as a percentage of the total pension liability	31.72%	31.37%	34.05%	34.97%
Covered employee payroll	\$ 4,455,246	\$ 4,338,290	\$ 4,192,671	\$ 4,091,845
Net pension liability as a percentage of covered employee payroll	1049.96%	1054.83%	1010.10%	991.97%

*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, 2013*	March 31, 2012*	March 31, 2011*	March 31, 2010*	March 31, 2009*	March 31, 2008*
\$ 921,569	\$ 857,827	\$ 882,067	\$ 761,109	\$ 764,309	\$ 728,637
1,677,168	1,385,909	1,789,442	3,413,816	(2,436,685)	329,029
-	-	-	-	-	-
2,815,174	2,521,295	5,778,383	56,195	5,340,710	4,647,273
-	-	-	-	-	-
(3,279,582)	(3,906,892)	(3,251,936)	(3,151,604)	(2,974,240)	(2,815,978)
2,134,329	858,139	5,197,956	1,079,516	694,094	2,888,961
52,767,379	51,909,240	46,711,284	45,631,768	44,937,674	42,048,713
\$ 54,901,708	\$ 52,767,379	\$ 51,909,240	\$ 46,711,284	\$ 45,631,768	\$ 44,937,674
\$ 1,978,959	\$ 2,006,224	\$ 2,059,308	\$ 2,048,212	\$ 1,732,022	\$ 1,460,772
407,156	347,660	349,491	347,641	337,829	334,797
1,677,168	1,014,149	1,789,443	3,413,817	(2,436,786)	328,929
(3,212,468)	(3,473,289)	(3,207,049)	(3,077,925)	(2,928,299)	(2,771,108)
(67,117)	(61,842)	(44,890)	(73,678)	(53,677)	(44,870)
-	-	-	-	-	-
783,698	(167,098)	946,303	2,658,067	(3,348,911)	(691,480)
20,474,813	20,641,911	19,695,608	17,037,541	20,386,452	21,077,932
\$ 21,258,511	\$ 20,474,813	\$ 20,641,911	\$ 19,695,608	\$ 17,037,541	\$ 20,386,452
33,643,197	32,292,566	31,267,329	27,015,676	28,594,227	24,551,222
38.72%	38.80%	39.77%	42.16%	37.34%	45.37%
\$ 3,992,858	\$ 3,700,934	\$ 3,751,608	\$ 3,602,797	\$ 3,577,979	\$ 3,462,194
842.58%	872.55%	833.44%	749.85%	799.17%	709.12%

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

	December 31, 2016	December 31, 2015	December 31, 2014	March 31, 2014
Actuarially determined contribution	\$ 2,803,150	\$ 2,676,324	\$ 1,639,307	\$ 2,030,686
Contributions in relation to the actuarial determined contribution	2,803,551	2,676,324	2,186,165	2,030,816
Contribution deficiency (excess)	\$ (401)	\$ -	\$ (546,858)	\$ (130)
Covered employee payroll	\$ 4,455,246	\$ 4,338,290	\$ 4,192,671	\$ 4,091,845
Contribution as a percentage of covered employee payroll	62.93%	61.69%	52.14%	49.63%

Notes to Schedule:

Valuation date: December 31, 2016

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	5.00% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Mortality	In the 2016 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, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
\$ 1,978,545	\$ 2,005,883	\$ 2,059,308	\$ 1,731,523	\$ 1,460,814	\$ 1,460,814
1,978,959	2,006,224	2,059,308	1,720,844	1,454,266	1,460,772
\$ (414)	\$ (341)	\$ -	\$ 10,679	\$ 6,548	\$ 42
\$ 3,992,858	\$ 3,700,934	\$ 3,751,608	\$ 3,602,797	\$ 3,577,979	\$ 3,462,194
49.56%	54.21%	54.89%	47.76%	40.64%	42.19%

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

	December 31, 2016	December 31, 2015	December 31, 2014	March 31 2014
Annual money-weighted rate of return, net of investment expense	7.70%	-0.55%	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 2013	March 31 2012	March 31 2011	March 31 2010	March 31 2009	March 31 2008
*	*	*	*	*	*

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Property taxes	\$ 6,905,780	\$ 6,905,780	\$ 6,979,516	\$ 73,736
Other taxes				
Replacement taxes	2,840,000	2,840,000	2,626,781	(213,219)
Sales taxes	5,162,950	5,162,950	5,513,009	350,059
Use taxes	810,000	810,000	931,146	121,146
Income taxes	3,972,750	3,972,750	3,798,199	(174,551)
Municipal utility taxes	2,150,000	2,150,000	1,776,480	(373,520)
Gasoline taxes	213,000	213,000	242,931	29,931
Hotel taxes	403,000	403,000	373,423	(29,577)
Other taxes	2,493,356	2,493,356	2,519,391	26,035
Fines and fees	365,470	366,207	212,552	(153,655)
Intergovernmental	9,373	104,200	63,886	(40,314)
Charges for services				
Public safety	826,432	842,029	640,842	(201,187)
Public works	448,743	448,743	381,324	(67,419)
Ambulance service	2,900,000	2,900,000	3,350,099	450,099
Waterworks department	927,026	927,026	927,026	-
Sunset marina	100,648	100,648	100,648	-
Equipment maintenance department	298,569	298,569	298,569	-
Engineering department	202,245	202,245	202,245	-
Sewer department	448,050	448,050	448,050	-
Stormwater department	291,226	291,226	291,226	-
Other departments	230,271	230,126	275,911	45,785
Interest	34,504	34,504	56,821	22,317
Licenses and permits	908,800	908,800	811,535	(97,265)
Contributions	7,150	7,331	11,543	4,212
Other	138,450	145,363	83,291	(62,072)
Total Revenues	<u>33,087,793</u>	<u>33,205,903</u>	<u>32,916,444</u>	<u>(289,459)</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 YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
EXPENDITURES				
Current				
General government				
Mayor and city council	\$ 223,722	\$ 252,841	\$ 232,235	\$ 20,606
General administration	480,003	394,973	408,983	(14,010)
Personnel	477,790	458,229	460,374	(2,146)
Legal	172,575	358,999	358,322	677
Finance and accounting	1,743,245	1,337,571	1,219,459	118,112
Information technology	1,398,607	1,499,363	1,278,482	220,881
Community development	334,055	419,954	331,322	88,632
Planning	358,456	375,846	370,383	5,463
Inspection	667,621	674,023	684,939	(10,916)
Public works administration	554,739	504,468	495,783	8,685
Building	653,557	626,260	599,093	27,167
Other	39,020	43,761	38,137	5,624
Police and fire				
Police	13,122,991	13,138,251	12,862,830	275,421
Fire	10,591,259	10,526,870	11,336,081	(809,211)
Police and fire commission	9,790	17,815	17,565	250
Electrical maintenance	526,307	584,541	581,775	2,766
Municipal vehicle parking system	42,960	31,875	23,491	8,384
Highways and streets	5,308,409	5,244,635	4,949,812	294,823
Refuse disposal	82,834	82,834	69,984	12,850
Capital outlay	-	37,428	37,428	-
Total Expenditures	<u>36,787,940</u>	<u>36,610,537</u>	<u>36,356,478</u>	<u>254,059</u>
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	<u>(3,700,147)</u>	<u>(3,404,634)</u>	<u>(3,440,034)</u>	<u>(35,400)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	4,059,825	4,434,496	4,475,796	41,300
Transfers to other funds	<u>(333,074)</u>	<u>(674,462)</u>	<u>(970,542)</u>	<u>(296,081)</u>
Total Other Financing Sources (Uses)	<u>3,726,751</u>	<u>3,760,034</u>	<u>3,505,254</u>	<u>(254,781)</u>
NET CHANGE IN FUND BALANCE	<u>26,604</u>	<u>355,400</u>	65,220	<u>(290,181)</u>
FUND BALANCE, BEGINNING			10,099,935	
FUND BALANCE, ENDING			<u>\$ 10,165,155</u>	

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 YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,020,577	\$ 2,020,577	\$ 2,047,133	\$ 26,556
Fines and fees	43,550	43,550	40,423	(3,127)
Intergovernmental	280,141	306,364	272,485	(33,879)
Charges for services	11,210	11,210	4,874	(6,336)
Interest	3,267	3,267	6,759	3,492
Contributions	86,593	88,824	72,613	(16,211)
Other	360	435	3,475	3,040
Total Revenues	<u>2,445,698</u>	<u>2,474,227</u>	<u>2,447,762</u>	<u>(26,465)</u>
EXPENDITURES				
Current				
General Government				
Services	3,000	10,308	5,276	5,032
Libraries				
Personnel	1,738,726	1,714,803	1,646,241	68,562
Supplies	63,335	139,809	121,753	18,056
Services	516,149	520,375	459,559	60,816
Other	416,558	389,561	309,369	80,192
Total Expenditures	<u>2,737,768</u>	<u>2,774,856</u>	<u>2,542,198</u>	<u>232,658</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(292,070)</u>	<u>(300,629)</u>	<u>(94,436)</u>	<u>206,193</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	50,000	50,000	50,000	-
Transfers to other funds	-	(21,595)	(21,595)	-
NET CHANGE IN FUND BALANCE	<u>(242,070)</u>	<u>(272,224)</u>	<u>(66,031)</u>	<u>206,193</u>
FUND BALANCE, BEGINNING			<u>1,271,014</u>	
FUND BALANCE, ENDING			<u>\$ 1,204,983</u>	

CITY OF ROCK ISLAND, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 TIF FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,759,289	\$ 4,869,406	\$ 5,165,729	\$ 296,323
Interest	359	359	7,351	6,992
Other	-	-	25,604	25,604
Total Revenues	<u>4,759,648</u>	<u>4,869,765</u>	<u>5,198,684</u>	<u>328,919</u>
EXPENDITURES				
Current				
General government				
Personnel	111,259	115,040	98,669	16,374
Supplies	400	400	-	400
Services	3,465,315	3,603,078	2,424,987	1,178,091
Other	1,295,000	1,840,942	1,252,603	588,339
Capital outlay	-	10,000	-	10,000
Total Expenditures	<u>4,871,974</u>	<u>5,569,460</u>	<u>3,776,259</u>	<u>1,793,204</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(112,326)</u>	<u>(699,695)</u>	<u>1,422,425</u>	<u>2,122,123</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	25,013	25,013
Transfers to other funds	(1,350,401)	(1,350,401)	(1,323,487)	26,914
Total Other Financing Sources (Uses)	<u>(1,350,401)</u>	<u>(1,350,401)</u>	<u>(1,298,474)</u>	<u>51,927</u>
NET CHANGE IN FUND BALANCE				
	<u>(1,462,727)</u>	<u>(2,050,096)</u>	123,951	<u>2,174,050</u>
FUND BALANCE, BEGINNING			501,948	
FUND BALANCE, ENDING			<u>\$ 625,899</u>	

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 YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 4,900,000	\$ 4,900,000	\$ 4,803,366	\$ (96,634)
Interest	14,634	14,634	29,898	15,259
Other	-	-	9,069	9,069
Total Revenues	<u>4,914,634</u>	<u>4,914,634</u>	<u>4,842,333</u>	<u>(72,306)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	1,307,792	1,307,792
Transfers to other funds	<u>(4,934,142)</u>	<u>(5,979,878)</u>	<u>(5,979,878)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(19,508)</u>	<u>(1,065,244)</u>	170,247	<u>1,235,491</u>
FUND BALANCE, BEGINNING			<u>5,943,842</u>	
FUND BALANCE, ENDING			<u>\$ 6,114,089</u>	

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 YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	-	261,910	261,910	-
Charges for service	-	-	-	-
Interest	-	-	(2,041)	(2,041)
Contributions	-	-	-	-
Other	-	-	35,000	35,000
Total Revenues	<u>-</u>	<u>261,910</u>	<u>294,869</u>	<u>32,959</u>
EXPENDITURES				
Current				
General government				
Services	290,000	729,926	563,100	166,826
Other	377,495	390,464	404,756	(14,292)
Total Expenditures	<u>667,495</u>	<u>1,120,390</u>	<u>967,856</u>	<u>152,534</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(667,495)	(858,480)	(672,987)	185,493
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	667,495	765,487	765,487	-
Transfers to other funds	-	(59,239)	(59,239)	-
Total Other Financing Sources (Uses)	<u>667,495</u>	<u>706,248</u>	<u>706,248</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(152,232)</u>	33,261	185,493
FUND BALANCE, BEGINNING			6,368,818	
FUND BALANCE, ENDING			<u>\$ 6,402,079</u>	

**CITY OF ROCK ISLAND, ILLINOIS
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016**

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 year ended December 31, 2016:

	Budget	Actual	Amount Over Budget
Special Revenue			
Martin Luther King Community Center			
Operations Fund	\$ 279,346	\$ 297,725	\$ 18,379
Foreign Fire Insurance Fund	54,085	59,079	4,994

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.

CITY OF ROCK ISLAND, ILLINOIS

COMBINING STATEMENT OF BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

				Special	
	Motor Fuel Tax Fund	Housing and Community Development Fund	Martin Luther King Community Center Operations Fund	Foreign Fire Insurance Fund	Federal Programs Fund
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 85,643	\$ 24,651
Receivables, net					
Accounts	-	-	733	-	-
Accrued interest	-	-	-	268	77
Due from other funds	-	-	-	-	-
Due from other governmental agencies	180,551	709,465	-	28,150	-
Total Assets	<u>\$ 180,551</u>	<u>\$ 709,465</u>	<u>\$ 733</u>	<u>\$ 114,061</u>	<u>\$ 24,728</u>
LIABILITIES					
Accounts payable	\$ -	\$ 52,350	\$ 9,077	\$ 173	\$ -
Interest payable	3	2,351	498	-	-
Deposits payable	-	-	-	-	-
Accrued wages and benefits	-	11,441	5,290	-	-
Due to other funds	831	750,419	158,976	-	-
Unearned revenue	-	-	-	-	14,678
Total Liabilities	<u>834</u>	<u>816,561</u>	<u>173,841</u>	<u>173</u>	<u>14,678</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-grants	-	104,730	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>104,730</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Restricted	179,717	-	-	113,888	10,050
Unassigned	-	(211,826)	(173,108)	-	-
Total Fund Balances (Deficits)	<u>179,717</u>	<u>(211,826)</u>	<u>(173,108)</u>	<u>113,888</u>	<u>10,050</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 180,551</u>	<u>\$ 709,465</u>	<u>\$ 733</u>	<u>\$ 114,061</u>	<u>\$ 24,728</u>

EXHIBIT A-1

Revenue Funds

Drug Prevention Fund	Neighborhood Stabilization Fund	Martin Luther King Facility Improvement Fund	Schweibert Park Boat Dock Fund	Total Nonmajor Governmental Funds
\$ 282,328	\$ -	\$ -	\$ 386	\$ 393,008
-	-	-	-	733
884	-	-	40	1,269
-	-	-	12,460	12,460
-	-	-	-	918,166
<u>\$ 283,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,886</u>	<u>\$ 1,325,636</u>
\$ 5,990	\$ -	\$ -	\$ -	\$ 67,590
-	39	285	-	3,176
38,317	-	-	-	38,317
3,650	-	-	-	20,381
-	12,460	90,922	-	1,013,608
-	-	-	-	14,678
<u>47,957</u>	<u>12,499</u>	<u>91,207</u>	<u>-</u>	<u>1,157,750</u>
-	-	-	-	104,730
-	-	-	-	104,730
235,255	-	-	12,886	551,796
-	(12,499)	(91,207)	-	(488,640)
<u>235,255</u>	<u>(12,499)</u>	<u>(91,207)</u>	<u>12,886</u>	<u>63,156</u>
<u>\$ 283,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,886</u>	<u>\$ 1,325,636</u>

CITY OF ROCK ISLAND, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES (DEFICITS)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	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	\$ 996,359	\$ -	\$ -	\$ 53,373	\$ -
Intergovernmental	-	659,951	-	-	16,335
Charges for services	-	-	20,624	-	-
Interest	2,659	(3,786)	(968)	469	123
Other	-	-	4,870	-	-
Total Revenues	<u>999,018</u>	<u>656,165</u>	<u>24,526</u>	<u>53,842</u>	<u>16,458</u>
EXPENDITURES					
Current					
General government	-	735,560	297,725	59,079	16,285
Capital outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>735,560</u>	<u>297,725</u>	<u>59,079</u>	<u>16,285</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>999,018</u>	<u>(79,395)</u>	<u>(273,199)</u>	<u>(5,237)</u>	<u>173</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	168,165	-	-
Transfers to other funds	(1,222,237)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,222,237)</u>	<u>-</u>	<u>168,165</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(223,219)	(79,395)	(105,034)	(5,237)	173
FUND BALANCES (DEFICITS), BEGINNING	<u>402,936</u>	<u>(132,431)</u>	<u>(68,074)</u>	<u>119,125</u>	<u>9,877</u>
FUND BALANCES (DEFICITS), ENDING	<u>\$ 179,717</u>	<u>\$ (211,826)</u>	<u>\$ (173,108)</u>	<u>\$ 113,888</u>	<u>\$ 10,050</u>

EXHIBIT A-2

<u>Revenue Funds</u>				
<u>Drug Prevention Fund</u>	<u>Neighborhood Stabilization Fund</u>	<u>Martin Luther King Facility Improvement Fund</u>	<u>Schiebert Park Boat Dock Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	1,049,732
-	-	-	-	676,286
70,006	-	-	-	90,630
2,143	(16)	(118)	96	602
-	-	-	-	4,870
<u>72,149</u>	<u>(16)</u>	<u>(118)</u>	<u>96</u>	<u>1,822,120</u>
173,697	-	-	-	1,282,346
20,302	-	-	-	20,302
<u>193,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,302,648</u>
<u>(121,850)</u>	<u>(16)</u>	<u>(118)</u>	<u>96</u>	<u>519,472</u>
1,149	-	-	-	169,314
-	-	-	-	(1,222,237)
<u>1,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,052,923)</u>
(120,701)	(16)	(118)	96	(533,451)
<u>355,956</u>	<u>(12,483)</u>	<u>(91,089)</u>	<u>12,790</u>	<u>596,607</u>
<u>\$ 235,255</u>	<u>\$ (12,499)</u>	<u>\$ (91,207)</u>	<u>\$ 12,886</u>	<u>\$ 63,156</u>

MOTOR FUEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Other taxes		
Motor fuel taxes	\$ 975,000	\$ 996,359
Interest	849	2,659
Total Revenues	<u>975,849</u>	<u>999,018</u>
EXPENDITURES		
Current		
Total Expenditures	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	975,849	999,018
OTHER FINANCING USES		
Transfers to other funds	<u>(1,184,401)</u>	<u>(1,222,237)</u>
NET CHANGE IN FUND BALANCE	<u>(208,552)</u>	(223,219)
FUND BALANCE, BEGINNING		402,936
FUND BALANCE, ENDING		<u>\$ 179,717</u>

CITY OF ROCK ISLAND, ILLINOIS
 HOUSING AND COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-2

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Intergovernmental	\$ 1,941,006	\$ 659,951
Interest	-	(3,786)
Total Revenues	<u>1,941,006</u>	<u>656,165</u>
EXPENDITURES		
Current		
General government		
Personnel	605,802	462,677
Supplies	4,716	2,133
Services	383,165	233,899
Other	1,100,333	36,851
Total Expenditures	<u>2,094,016</u>	<u>735,560</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(153,010)	(79,395)
NET CHANGE IN FUND BALANCE	<u>(153,010)</u>	(79,395)
FUND BALANCE, BEGINNING		(132,431)
FUND BALANCE, ENDING		<u>\$ (211,826)</u>

MARTIN LUTHER KING COMMUNITY CENTER OPERATIONS FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual
REVENUES		
Charges for services	\$ 20,000	\$ 20,624
Interest	-	(968)
Other	-	4,870
Total Revenues	<u>20,000</u>	<u>24,526</u>
EXPENDITURES		
Current		
General government		
Personnel	186,699	206,267
Supplies	10,135	9,393
Services	82,512	82,065
Total Expenditures	<u>279,346</u>	<u>297,725</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(259,346)</u>	<u>(273,199)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	172,310	168,165
Total Other Financing Sources (Uses)	<u>172,310</u>	<u>168,165</u>
NET CHANGE IN FUND BALANCE	<u>(87,036)</u>	(105,034)
FUND BALANCE, BEGINNING		(68,074)
FUND BALANCE, ENDING		<u>\$ (173,108)</u>

CITY OF ROCK ISLAND, ILLINOIS
FOREIGN FIRE INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-4

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Other taxes	\$ 53,084	\$ 53,373
Interest	307	469
Total Revenues	<u>53,391</u>	<u>53,842</u>
EXPENDITURES		
Current		
General government		
Personnel	22,351	22,298
Supplies	18,428	24,511
Services	10,806	10,806
Other	2,500	1,464
Total Expenditures	<u>54,085</u>	<u>59,079</u>
NET CHANGE IN FUND BALANCE	<u>(694)</u>	(5,237)
FUND BALANCE, BEGINNING		<u>119,125</u>
FUND BALANCE, ENDING		<u>\$ 113,888</u>

CITY OF ROCK ISLAND, ILLINOIS
 FEDERAL PROGRAMS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-5

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Intergovernmental	\$ 16,336	\$ 16,335
Interest	142	123
Total Revenues	<u>16,478</u>	<u>16,458</u>
EXPENDITURES		
Current		
General government		
Personnel	16,336	16,285
Total Expenditures	<u>16,336</u>	<u>16,285</u>
NET CHANGE IN FUND BALANCE	<u>142</u>	173
FUND BALANCE, BEGINNING		<u>9,877</u>
FUND BALANCE, ENDING		<u>\$ 10,050</u>

DRUG PREVENTION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual
REVENUES		
Charges for services	\$ 132,500	\$ 70,006
Interest	303	2,143
Total Revenues	<u>132,803</u>	<u>72,149</u>
EXPENDITURES		
Current		
General government		
Personnel	183,854	120,062
Supplies	57,525	20,492
Services	40,907	33,042
Other	1,200	101
Capital outlay	20,302	20,302
Total Expenditures	<u>303,788</u>	<u>193,999</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(170,985)	(121,850)
OTHER FINANCING SOURCES		
Transfers from other funds	-	1,149
Total Other Financing Sources	<u>-</u>	<u>1,149</u>
NET CHANGE IN FUND BALANCE	<u>(170,985)</u>	<u>(120,701)</u>
FUND BALANCE, BEGINNING		<u>355,956</u>
FUND BALANCE, ENDING		<u>\$ 235,255</u>

CITY OF ROCK ISLAND, ILLINOIS
 NEIGHBORHOOD STABILIZATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-7

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Interest	-	(16)
Total Revenues	<u>-</u>	<u>(16)</u>
EXPENDITURES		
Current		
General government	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(16)</u>
FUND BALANCE (DEFICIT), BEGINNING		(12,483)
FUND BALANCE (DEFICIT), ENDING		<u>\$ (12,499)</u>

CITY OF ROCK ISLAND, ILLINOIS
MARTIN LUTHER KING FACILITY IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-8

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Interest	-	(118)
Total Revenues	<u>-</u>	<u>(118)</u>
EXPENDITURES		
Current		
General government	-	-
Services	-	-
Total Expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	(118)
FUND BALANCE (DEFICIT), BEGINNING		<u>(91,089)</u>
FUND BALANCE (DEFICIT), ENDING		<u>\$ (91,207)</u>

CITY OF ROCK ISLAND, ILLINOIS
 SCHWIEBERT PARK BOAT DOCK
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit A-2-9

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Interest	138	96
Total Revenues	<u>138</u>	<u>96</u>
EXPENDITURES		
Current		
General government	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>138</u></u>	96
FUND BALANCE, BEGINNING		12,790
FUND BALANCE (DEFICIT), ENDING		<u><u>\$ 12,886</u></u>

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual
REVENUES		
Property taxes	\$ 229,611	\$ 233,007
Interest	105,122	76,874
Total Revenues	<u>334,733</u>	<u>309,881</u>
EXPENDITURES		
Current		
General government		
Services	100,525	21,122
Debt Service		
Principal	3,145,950	2,668,950
Interest	1,905,928	1,890,603
Total Expenditures	<u>5,152,403</u>	<u>4,580,675</u>
DEICIENCY OF REVENUES UNDER EXPENDITURES	(4,817,670)	(4,270,794)
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	1,885,000
Payment to refunded bond escrow agent	-	(1,853,867)
Premiums on bonds sold	-	17,474
Transfers from other funds	3,802,776	3,775,863
Transfers to other funds	(128,153)	(128,153)
Total Other Financing Sources (Uses)	<u>3,674,623</u>	<u>3,696,317</u>
NET CHANGE IN FUND BALANCE	<u>(1,143,047)</u>	(574,477)
FUND BALANCE, BEGINNING		1,623,000
FUND BALANCE, ENDING		<u>\$ 1,048,523</u>

CAPITAL PROJECTS FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Actual</u>
REVENUES		
Charges for services	-	475
Interest	17,365	17,437
Other	-	151,095
Total Revenues	<u>17,365</u>	<u>169,007</u>
EXPENDITURES		
Current		
General government		
Services	113,550	85,270
Police and fire	-	4,438
Debt Service		
Interest and fiscal charges	61,333	61,333
Capital outlay	8,611,711	5,900,190
Total Expenditures	<u>8,725,261</u>	<u>6,051,231</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(8,707,896)</u>	<u>(5,882,224)</u>
OTHER FINANCING SOURCES (USES)		
Issuance of debt	3,505,000	3,505,000
Premium on bonds sold	166,333	166,333
Transfers from other funds	827,654	1,146,923
Transfers to other funds	(2,556,511)	(2,556,511)
Total Other Financing Sources (Uses)	<u>1,881,143</u>	<u>2,261,745</u>
NET CHANGE IN FUND BALANCE	<u>(6,826,753)</u>	(3,620,479)
FUND BALANCE, BEGINNING		4,682,393
FUND BALANCE, ENDING		<u>\$ 1,061,914</u>

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.

Solid Waste Fund – Accounts for the revenue and expenses associated with the operation and maintenance of Solid Waste services.

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, 2016

	Stormwater Fund	Solid Waste Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 234,573	\$ -	\$ 5,893	\$ 933,325	\$ 1,173,791
Receivables, net					
Accounts, net of allowance for uncollectible of \$735,913	12,089	131,670	14,833	-	158,592
Estimated unbilled usage	233,119	271,896	-	-	505,015
Accrued interest	5,565	-	246	6,341	12,152
Current portion of notes receivable	-	-	-	338,795	338,795
Due from other funds	1,502,668	-	72,933	-	1,575,601
Total Current Assets	1,988,014	403,566	93,905	1,278,461	3,763,946
NONCURRENT ASSETS					
Long-term notes receivable (net of current portion, net of allowance for uncollectibles of \$1,722,696)	-	-	-	1,421,713	1,421,713
Capital assets					
Land	-	125,550	-	-	125,550
Buildings and improvements	-	339,450	824,108	-	1,163,558
Equipment	199,287	-	514,387	-	713,674
Infrastructure	3,585,292	-	2,036,740	-	5,622,032
Accumulated depreciation	(2,163,318)	(70,693)	(2,658,707)	-	(4,892,718)
Net Capital assets	1,621,261	394,307	716,528	-	2,732,096
Total Noncurrent Assets	1,621,261	394,307	716,528	1,421,713	4,153,809
Total Assets	3,609,275	797,873	810,433	2,700,174	7,917,755
DEFERRED OUTFLOW OF RESOURCES					
Deferred amount on pension	220,381	363,301	87,739	-	671,421
Total Deferred Outflows of Resources	220,381	363,301	87,739	-	671,421
Total Assets and Deferred Outflow of Resources	\$ 3,829,656	\$ 1,161,174	\$ 898,172	\$ 2,700,174	\$ 8,589,176

	Stormwater Fund	Solid Waste Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 205,769	\$ 40,692	\$ 4,793	\$ 15,964	\$ 267,218
Accrued wages and benefits	13,655	23,905	5,127	-	42,687
Compensated absences	33,134	60,500	15,278	-	108,912
Accrued interest payable	-	1,349	542	-	1,891
Due to other funds	-	599,902	-	-	599,902
General obligation bonds	-	-	40,000	-	40,000
Total Current Liabilities	252,558	726,348	65,740	15,964	1,060,610
LONG-TERM LIABILITIES					
General obligation bonds	-	-	507,535	-	507,535
Other postemployment benefits	97,603	611,538	30,426	-	739,567
Net pension liability	243,416	401,273	96,909	-	741,598
Compensated absences	22,055	40,270	10,170	-	72,495
Total Long-term Liabilities	363,074	1,053,081	645,040	-	2,061,195
Total Liabilities	615,632	1,779,429	710,780	15,964	3,121,805
NET POSITION					
Net investment in capital assets	1,621,261	394,307	168,993	-	2,184,561
Unrestricted	1,592,763	(1,012,562)	18,399	2,684,210	3,282,810
Total Net Position	3,214,024	(618,255)	187,392	2,684,210	5,467,371
Total Liabilities and Net Position	\$ 3,829,656	\$ 1,161,174	\$ 898,172	\$ 2,700,174	\$ 8,589,176

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Stormwater Fund	Solid Waste Fund	Sunset Marina Fund	Housing and Community Development Loan Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES					
Charges for services	\$ 1,678,335	\$ 1,697,287	\$ 557,556	\$ -	\$ 3,933,178
Sale of merchandise	-	-	108,113	-	108,113
Interest	-	-	-	47,594	47,594
Other	28	-	785	19,871	20,684
Total Operating Revenues	<u>1,678,363</u>	<u>1,697,287</u>	<u>666,454</u>	<u>67,465</u>	<u>4,109,569</u>
OPERATING EXPENSES					
Personnel	473,282	1,408,831	186,068	-	2,068,181
Cost of sales	-	-	90,006	-	90,006
Supplies	98,668	75,407	5,736	-	179,811
Services	993,112	1,253,031	270,708	15,732	2,532,583
Programs	31,657	-	851	-	32,508
Provision for uncollectible accounts	42,450	-	27,139	78,831	148,420
Depreciation	110,684	-	42,099	-	152,783
Other	4,932	-	911	3	5,846
Total Operating Expenses	<u>1,754,785</u>	<u>2,737,269</u>	<u>623,518</u>	<u>94,566</u>	<u>5,210,138</u>
OPERATING INCOME (LOSS)	<u>(76,422)</u>	<u>(1,039,982)</u>	<u>42,936</u>	<u>(27,101)</u>	<u>(1,100,569)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	29,264	-	100,000	129,264
Interest income	12,711	-	543	7,400	20,654
Interest expense	-	(1,844)	(12,402)	-	(14,246)
Net Nonoperating Revenues (Expenses)	<u>12,711</u>	<u>27,420</u>	<u>(11,859)</u>	<u>107,400</u>	<u>135,672</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(63,711)</u>	<u>(1,012,562)</u>	<u>31,077</u>	<u>80,299</u>	<u>(964,897)</u>
CAPITAL CONTRIBUTIONS	-	394,307	-	-	394,307
TRANSFERS FROM OTHER FUNDS	-	-	53,400	-	53,400
CHANGE IN NET POSITION	<u>(63,711)</u>	<u>(618,255)</u>	<u>84,477</u>	<u>80,299</u>	<u>(517,190)</u>
NET POSITION, BEGINNING	<u>3,277,735</u>	<u>-</u>	<u>102,915</u>	<u>2,603,911</u>	<u>5,984,561</u>
NET POSITION (DEFICIT), ENDING	<u>\$ 3,214,024</u>	<u>\$ (618,255)</u>	<u>\$ 187,392</u>	<u>\$ 2,684,210</u>	<u>\$ 5,467,371</u>

CITY OF ROCK ISLAND, ILLINOIS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit B-3

	Stormwater Fund	Solid Waste Fund	Sunset Marina Fund	Housing & Community Development Loan Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,645,416	\$ 1,293,721	\$ 627,779	\$ -	\$ 3,566,916
Interest received on notes receivable	-	-	-	47,594	47,594
Notes receivable issued for cash	-	-	-	(596,621)	(596,621)
Repayments of notes receivable	-	-	-	278,754	278,754
Cash payments to suppliers for goods and services	(1,046,686)	(1,287,746)	(368,197)	(13,601)	(2,716,230)
Cash payments to employees for services	(404,718)	(634,646)	(162,804)	-	(1,202,168)
Other operating revenue	28	-	785	19,871	20,684
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	194,040	(628,671)	97,563	(264,003)	(601,071)
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental	-	29,264	-	100,000	129,264
Interfund loan or loan repayments received	-	599,902	53,400	-	653,302
Interfund loan or loan repayments (paid)	(1,483,469)	-	(92,132)	-	(1,575,601)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,483,469)	629,166	(38,732)	100,000	(793,035)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment of general obligation bonds	-	-	(40,000)	-	(40,000)
Interest paid	-	(495)	(13,435)	-	(13,930)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(495)	(53,435)	-	(53,930)
CASH FLOWS FROM INVESTING ACTIVITIES,					
Interest received on cash and investments	9,957	-	297	6,981	17,235
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,279,472)	-	5,693	(157,022)	(1,430,801)
CASH AND CASH EQUIVALENTS, BEGINNING	1,514,045	-	200	1,090,347	2,604,592
CASH AND CASH EQUIVALENTS, ENDING	\$ 234,573	\$ -	\$ 5,893	\$ 933,325	\$ 1,173,791

(continued)

CITY OF ROCK ISLAND, ILLINOIS
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit B-3
(continued)

	Stormwater Fund	Solid Waste Fund	Sunset Marina Fund	Housing & Community Development Loan Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (76,422)	\$ (1,039,982)	\$ 42,936	\$ (27,101)	\$ (1,100,569)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	110,684	-	42,099	-	152,783
Changes in assets and liabilities					
(Increase) decrease in receivables	9,531	(403,566)	(10,751)	(239,036)	(643,822)
Increase in accounts, retainage, deposits, and claims payable	81,683	40,692	15	2,134	124,524
Increase in accrued liabilities	24,929	736,213	3,795	-	764,937
Increase in net pension liability and related deferred outflows of resources	43,635	37,972	19,469	-	101,076
Total	270,462	411,311	54,627	(236,902)	499,498
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 194,040	\$ (628,671)	\$ 97,563	\$ (264,003)	\$ (601,071)
Noncash capital and related financing activities, transfer of capital assets from governmental activities	\$ -	\$ 394,307	\$ -	\$ -	\$ 394,307

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, 2016

	Equipment Maintenance Fund	Engineering Fund
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ -	\$ 100
Receivables, net		
Accrued interest	3,092	-
Other	4,576	-
Due from other funds	987,041	-
Due from other governmental agencies	-	560
Inventories	452,848	-
Assets held for resale	-	-
Total Current Assets	<u>1,447,557</u>	<u>660</u>
CAPITAL ASSETS		
Land	17,500	-
Buildings and improvements	148,361	-
Equipment	11,929,876	-
Infrastructure	-	-
Accumulated depreciation	(7,358,494)	-
Net Capital assets	<u>4,737,243</u>	<u>-</u>
Total Assets	<u>\$ 6,184,800</u>	<u>\$ 660</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on pension	534,566	541,134
Total Deferred Outflows of Resources	<u>\$ 534,566</u>	<u>\$ 541,134</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,719,366</u>	<u>\$ 541,794</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 53,053	\$ 2,185
Claims payable	-	-
Accrued wages and benefits	30,680	32,395
Compensated absences	71,430	105,762
Accrued interest payable	-	4,124
Due to other funds	-	1,059,974
General obligation bonds	-	-
Total Current Liabilities	<u>155,163</u>	<u>1,204,440</u>
LONG-TERM LIABILITIES		
General obligation bonds	-	-
Net pension liability	590,440	597,695
Compensated absences	47,545	70,398
Total long-term liabilities	<u>637,985</u>	<u>668,093</u>
Total Liabilities	<u>793,148</u>	<u>1,872,533</u>
NET POSITION		
Net investment in capital assets	4,737,243	-
Unrestricted	1,188,975	(1,330,739)
Total Net Position	<u>5,926,218</u>	<u>(1,330,739)</u>
Total Liabilities and Net Position	<u>\$ 6,719,366</u>	<u>\$ 541,794</u>

Self-Insurance Fund	Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
\$ 536,648	\$ 3,980,419	\$ -	\$ 4,517,167
1,634	12,410	-	17,136
12,468	11,060	-	28,104
-	-	-	987,041
-	-	-	560
-	-	-	452,848
-	-	14,007	14,007
<u>550,750</u>	<u>4,003,889</u>	<u>14,007</u>	<u>6,016,863</u>
-	-	-	17,500
-	-	1,651,542	1,799,903
-	-	223,385	12,153,261
-	-	481,971	481,971
-	-	(489,661)	(7,848,155)
-	-	1,867,237	6,604,480
<u>\$ 550,750</u>	<u>\$ 4,003,889</u>	<u>\$ 1,881,244</u>	<u>\$ 12,621,343</u>
-	-	-	1,075,700
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,075,700</u>
<u>\$ 550,750</u>	<u>\$ 4,003,889</u>	<u>\$ 1,881,244</u>	<u>\$ 13,697,043</u>
\$ 56,815	\$ 321,709	\$ 1,104	\$ 434,866
857,565	424,060	-	1,281,625
2,703	1,266	964	68,008
6,085	4,150	3,102	190,529
-	-	4,348	8,472
-	-	-	1,059,974
-	-	121,667	121,667
<u>923,168</u>	<u>751,185</u>	<u>131,185</u>	<u>3,165,141</u>
-	-	1,308,333	1,308,333
-	-	-	1,188,135
4,050	2,763	2,065	126,821
<u>4,050</u>	<u>2,763</u>	<u>1,310,398</u>	<u>2,623,289</u>
<u>927,218</u>	<u>753,948</u>	<u>1,441,583</u>	<u>5,788,430</u>
-	-	437,237	5,174,480
(376,468)	3,249,941	2,424	2,734,133
<u>(376,468)</u>	<u>3,249,941</u>	<u>439,661</u>	<u>7,908,613</u>
<u>\$ 550,750</u>	<u>\$ 4,003,889</u>	<u>\$ 1,881,244</u>	<u>\$ 13,697,043</u>

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Equipment Maintenance Fund	Engineering Fund
OPERATING REVENUES		
Charges for services	\$ 2,727,470	\$ 1,244,949
Sales of merchandise	-	-
Other	8,841	-
Total Operating Revenues	<u>2,736,311</u>	<u>1,244,949</u>
OPERATING EXPENSES		
Personnel	1,127,169	1,140,071
Cost of sales	-	-
Supplies	1,005,343	4,905
Services	471,517	243,011
Depreciation	647,916	-
Other	43,851	2,324
Total Operating Expenses	<u>3,295,796</u>	<u>1,390,311</u>
OPERATING INCOME (LOSS)	<u>(559,485)</u>	<u>(145,362)</u>
NONOPERATING REVENUES (EXPENSES)		
Loss - sale of asset	(40,060)	-
Interest income	5,752	-
Interest expense	-	(9,339)
Net Nonoperating Revenues (Expenses)	<u>(34,308)</u>	<u>(9,339)</u>
INCOME BEFORE TRANSFERS	(593,793)	(154,701)
TRANSFERS FROM OTHER FUNDS	23,563	14,508
TRANSFERS TO OTHER FUNDS	-	(14,508)
CHANGE IN NET POSITION	(570,230)	(154,701)
NET POSITION (DEFICIT), BEGINNING	6,496,448	(1,176,038)
NET POSITION (DEFICIT), ENDING	<u>\$ 5,926,218</u>	<u>\$ (1,330,739)</u>

Self-Insurance Fund	Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
\$ 1,624,470	\$ 4,790,458	\$ 266,291	\$ 10,653,638
-	-	508	508
7,674	186,721	-	203,236
<u>1,632,144</u>	<u>4,977,179</u>	<u>266,799</u>	<u>10,857,382</u>
101,671	29,868	29,774	2,428,553
-	-	5,477	5,477
65	408	1,787	1,012,508
1,785,337	5,531,003	11,882	8,042,750
-	-	58,866	706,782
-	1,538	43,396	91,109
<u>1,887,073</u>	<u>5,562,817</u>	<u>151,182</u>	<u>12,287,179</u>
<u>(254,929)</u>	<u>(585,638)</u>	<u>115,617</u>	<u>(1,429,797)</u>
-	-	-	(40,060)
4,168	30,576	-	40,496
-	-	(50,031)	(59,370)
<u>4,168</u>	<u>30,576</u>	<u>(50,031)</u>	<u>(58,934)</u>
(250,761)	(555,062)	65,586	(1,488,731)
-	-	-	38,071
-	-	-	(14,508)
(250,761)	(555,062)	65,586	(1,465,168)
(125,707)	3,805,003	374,075	9,373,781
<u>\$ (376,468)</u>	<u>\$ 3,249,941</u>	<u>\$ 439,661</u>	<u>\$ 7,908,613</u>

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Equipment Maintenance Fund	Engineering Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,728,061	\$ 1,245,029
Cash payments to suppliers for goods and services	(1,686,749)	(251,865)
Cash payments to employees for services	(997,256)	(1,021,621)
Other operating revenue	8,841	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>52,897</u>	<u>(28,457)</u>
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	23,563	14,508
Transfer to other funds	-	(14,508)
Interfund loan or loan repayments received	37,383	35,550
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>60,946</u>	<u>35,550</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of property and equipment	(1,014,943)	-
Payment of general obligation bonds	-	-
Interest paid	-	(7,093)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,014,943)</u>	<u>(7,093)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,		
Interest received on cash and investments	6,179	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(894,921)	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>894,921</u>	<u>100</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>	<u>\$ 100</u>

Self-Insurance Fund	Employee Health Benefit Fund	Hydro-Electric Plant Fund	Total
\$ 1,624,470	\$ 4,809,908	\$ 266,291	\$ 10,673,759
(1,596,715)	(5,434,017)	(65,189)	(9,034,535)
(99,186)	(45,351)	(29,443)	(2,192,857)
<u>7,674</u>	<u>186,721</u>	<u>-</u>	<u>203,236</u>
<u>(63,757)</u>	<u>(482,739)</u>	<u>171,659</u>	<u>(350,397)</u>
-	-	-	38,071
-	-	-	(14,508)
<u>-</u>	<u>-</u>	<u>-</u>	<u>72,933</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>96,496</u>
-	-	-	(1,014,943)
-	-	(121,667)	(121,667)
<u>-</u>	<u>-</u>	<u>(49,992)</u>	<u>(57,085)</u>
<u>-</u>	<u>-</u>	<u>(171,659)</u>	<u>(1,193,695)</u>
<u>3,601</u>	<u>26,301</u>	<u>-</u>	<u>36,081</u>
(60,156)	(456,438)	-	(1,411,515)
<u>596,804</u>	<u>4,436,857</u>	<u>-</u>	<u>5,928,682</u>
<u>\$ 536,648</u>	<u>\$ 3,980,419</u>	<u>\$ -</u>	<u>\$ 4,517,167</u>

(continued)

CITY OF ROCK ISLAND, ILLINOIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Equipment Maintenance Fund</u>	<u>Engineering Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>(559,485)</u>	<u>(145,362)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	647,916	-
Changes in assets and liabilities		
(Increase) decrease in receivables	591	80
(Increase) decrease in inventories	(12,680)	-
Decrease in assets held for resale	-	-
Increase (decrease) in accounts, retainage, deposits, and claims payable	(153,358)	(1,625)
Increase (decrease) in accrued liabilities	12,241	10,391
Increase in net pension liability and related deferred outflows and deferred inflows of resources	<u>117,672</u>	<u>108,059</u>
Total Adjustments	<u>612,382</u>	<u>116,905</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 52,897</u>	<u>\$ (28,457)</u>

<u>Self-Insurance Fund</u>	<u>Employee Health Benefit Fund</u>	<u>Hydro-Electric Plant Fund</u>	<u>Total</u>
<u>(254,929)</u>	<u>(585,638)</u>	<u>115,617</u>	<u>(1,429,797)</u>
-	-	58,866	706,782
-	19,450	-	20,121
-	-	-	(12,680)
-	-	(508)	(508)
188,687	98,932	(2,647)	129,989
2,485	(15,483)	331	9,965
<u>-</u>	<u>-</u>	<u>-</u>	<u>225,731</u>
<u>191,172</u>	<u>102,899</u>	<u>56,042</u>	<u>1,079,400</u>
<u>\$ (63,757)</u>	<u>\$ (482,739)</u>	<u>\$ 171,659</u>	<u>\$ (350,397)</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, 2016

EXHIBIT D-1

	Police Pension Fund	Firefighters' Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and equivalents	\$ 1,529,447	\$ 2,145,156	\$ 3,674,603
Investments			
Taxable Bonds	15,336,375	7,638,980	22,975,355
Mutual Funds	17,690,920	11,680,915	29,371,835
Real Estate	-	1,267,932	1,267,932
Receivables, Accrued interest	89,801	54,990	144,791
 Total Assets	 <u>34,646,543</u>	 <u>22,787,973</u>	 <u>57,434,516</u>
LIABILITIES			
Outstanding checks in excess of bank balance	1,072,568	1,051,976	2,124,544
Accounts payable	19,070	11,490	30,560
 Total Liabilities	 <u>1,091,638</u>	 <u>1,063,466</u>	 <u>2,155,104</u>
NET POSITION			
Net position restricted for pensions	<u>\$ 33,554,905</u>	<u>\$ 21,724,507</u>	<u>\$ 55,279,412</u>

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FUNDS

FOR THE YEAR ENDED DECEMBER, 31, 2016

	Police Pension Fund	Firefighters' Pension Fund	Total Pension Trust Funds
ADDITIONS			
Contributions			
Plan members	\$ 580,424	\$ 429,505	\$ 1,009,929
Employer	2,893,929	2,803,551	5,697,480
Total Contributions	<u>3,474,353</u>	<u>3,233,056</u>	<u>6,707,409</u>
Net investment income			
Net increase in fair value of investments	2,208,343	1,089,451	3,297,794
Interest	768,606	487,028	1,255,634
Net Investment Income	<u>2,976,949</u>	<u>1,576,479</u>	<u>4,553,428</u>
Total Additions	<u>6,451,302</u>	<u>4,809,535</u>	<u>11,260,837</u>
DEDUCTIONS			
Benefits	4,100,163	3,924,449	8,024,612
Administrative expenses	68,249	75,520	143,769
Total Deductions	<u>4,168,412</u>	<u>3,999,969</u>	<u>8,168,381</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	2,282,890	809,566	3,092,456
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING	<u>31,272,015</u>	<u>20,914,941</u>	<u>52,186,956</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ENDING	<u>\$ 33,554,905</u>	<u>\$ 21,724,507</u>	<u>\$ 55,279,412</u>

CITY OF ROCK ISLAND, ILLINOIS
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit D-3

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Section 125 Cafeteria Plan				
ASSETS				
Cash and investments	\$ 1,787	\$ 80,864	\$ 68,832	\$ 13,819
Receivables				
Accrued Interest	22	38	17	43
Total Assets	<u>\$ 1,809</u>	<u>\$ 80,902</u>	<u>\$ 68,849</u>	<u>\$ 13,862</u>
LIABILITIES				
Accounts payable	\$ 1,809	\$ 13,862	\$ 1,809	13,862
Total Liabilities	<u>\$ 1,809</u>	<u>\$ 13,862</u>	<u>\$ 1,809</u>	<u>\$ 13,862</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.	144-157
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).	158-165
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.	166-170
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.	171-172
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.	173-180

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

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>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2010</u>	<u>3/31/2011</u>
Governmental activities				
Net investment in capital assets	\$ 39,756,019	\$ 38,536,816	\$ 40,129,365	\$ 43,490,571
Restricted	5,867,481	2,550,529	4,755,754	7,719,598
Unrestricted	<u>26,295,567</u>	<u>27,706,560</u>	<u>28,216,439</u>	<u>25,027,339</u>
Total governmental activities net position	<u>\$ 71,919,067</u>	<u>\$ 68,793,905</u>	<u>\$ 73,101,558</u>	<u>\$ 76,237,508</u>
Business-type activities				
Net investment in capital assets	\$ 30,482,589	\$ 26,844,821	\$ 30,884,254	\$ 34,209,461
Unrestricted	<u>3,915,610</u>	<u>8,915,241</u>	<u>8,537,642</u>	<u>9,289,668</u>
Total business-type activities net position	<u>\$ 34,398,199</u>	<u>\$ 35,760,062</u>	<u>\$ 39,421,896</u>	<u>\$ 43,499,129</u>
Primary government				
Net investment in capital assets	\$ 70,238,608	\$ 65,381,637	\$ 71,013,619	\$ 77,700,032
Restricted	5,867,481	2,550,529	4,755,754	7,719,598
Unrestricted	<u>30,211,177</u>	<u>36,621,801</u>	<u>36,754,081</u>	<u>34,317,007</u>
Total primary government net position	<u>\$ 106,317,266</u>	<u>\$ 104,553,967</u>	<u>\$ 112,523,454</u>	<u>\$ 119,736,637</u>

Source: City records

*Beginning in the 2015 audit, unrestricted net position now includes the net pension liability due to GASB 68.

	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>	<u>*12/31/2015</u>	<u>*12/31/2016</u>
\$	51,178,766	\$ 52,918,208	\$ 57,092,829	\$ 44,250,721	\$ 46,596,870	\$ 37,724,801
	6,738,901	6,913,550	3,981,884	5,767,261	4,486,649	4,023,727
	<u>27,625,864</u>	<u>27,309,246</u>	<u>19,444,812</u>	<u>21,823,839</u>	<u>(69,598,723)</u>	<u>(71,036,833)</u>
\$	<u>85,543,531</u>	<u>87,141,004</u>	<u>80,519,525</u>	<u>71,841,821</u>	<u>(18,515,204)</u>	<u>(29,288,305)</u>
\$	33,220,808	\$ 38,472,481	\$ 35,448,346	\$ 39,741,555	\$ 45,773,478	\$ 45,438,646
	<u>11,189,073</u>	<u>8,674,173</u>	<u>13,832,655</u>	<u>10,078,816</u>	<u>7,395,445</u>	<u>9,219,438</u>
\$	<u>44,409,881</u>	<u>47,146,654</u>	<u>49,281,001</u>	<u>49,820,371</u>	<u>53,168,923</u>	<u>54,658,084</u>
\$	84,399,574	\$ 91,390,689	\$ 92,541,175	\$ 83,992,276	\$ 92,370,348	\$ 83,163,447
	6,738,901	6,913,550	3,981,884	5,767,261	4,486,649	4,023,727
	<u>38,814,937</u>	<u>35,983,419</u>	<u>33,277,467</u>	<u>31,902,655</u>	<u>(62,203,278)</u>	<u>(61,817,395)</u>
\$	<u>129,953,412</u>	<u>134,287,658</u>	<u>129,800,526</u>	<u>121,662,192</u>	<u>34,653,719</u>	<u>25,369,779</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Primary Government Expenses				
Governmental activities:				
General government	\$ 11,439,119	\$ 16,858,777	\$ 11,305,249	\$ 16,417,739
Police and fire	17,272,974	17,764,363	19,608,468	19,976,357
Electrical maintenance	650,687	603,178	585,374	597,462
Municipal vehicle parking system	341,308	181,743	350,756	328,550
Highways and streets	7,774,998	6,975,777	5,914,981	7,879,571
Refuse disposal	1,350,580	1,433,656	1,661,963	1,602,467
Libraries	2,286,176	2,185,185	2,319,225	1,966,454
Interest on long-term debt	183,765	280,358	616,283	615,878
Total governmental activities expenses	<u>41,299,607</u>	<u>46,283,037</u>	<u>42,362,299</u>	<u>49,384,478</u>
Business-type activities:				
Waterworks	5,342,035	5,432,620	5,381,733	5,159,034
Wastewater	3,278,239	3,926,401	4,303,243	4,305,904
Park and recreation	5,252,128	5,968,430	6,169,575	5,169,656
Stormwater	1,042,504	1,639,184	1,528,442	1,530,430
Solid Waste	-	-	-	-
Sunset Marina	734,403	863,714	881,513	658,526
Housing/community development loans	75,975	85,608	103,749	296,616
Total business-type activities expenses	<u>15,725,284</u>	<u>17,915,957</u>	<u>18,368,255</u>	<u>17,120,166</u>
Total primary government expenses	<u>57,024,891</u>	<u>64,198,994</u>	<u>60,730,554</u>	<u>66,504,644</u>
Primary Government Program Revenues				
Governmental activities:				
Charges for services:				
General government	1,118,464	3,207,592	3,056,182	3,335,724
Police and fire	3,257,362	3,447,520	3,578,985	3,633,014
Electrical maintenance	26,274	3,601	24,152	23,611
Municipal vehicle parking system	225,358	219,188	207,623	204,369
Highways and streets	169,367	165,724	131,511	185,692
Refuse disposal	79,374	109,907	182,614	505,964
Libraries	226,361	222,008	212,397	224,432
Operating grants and contributions:				
General government	1,101,764	1,364,287	2,102,695	4,891,932
Police and fire	1,209,857	818,528	191,659	255,264
Highways and streets	-	-	128,085	-
Libraries	156,445	124,449	56,206	101,045
Capital grants and contributions, general government	-	-	-	400,000
Capital grants and contributions, highways and streets	1,121,054	-	1,631,814	837,814
Capital grants and contributions, libraries	-	-	-	-
Total governmental activities program revenue	<u>8,691,680</u>	<u>9,682,804</u>	<u>11,503,923</u>	<u>14,598,861</u>

	3/31/2012	3/31/2013	3/31/2014	*12/31/2014	12/31/2015	12/31/2016
\$	12,657,949	\$ 13,943,857	\$ 24,861,534	\$ 8,735,475	\$ 11,687,280	\$ 14,808,912
	20,830,554	20,847,960	21,771,346	18,079,614	25,541,117	28,616,235
	602,202	595,066	613,300	406,529	610,131	620,045
	281,012	274,917	265,338	180,795	102,961	21,146
	7,267,676	8,585,805	5,601,354	3,656,603	10,288,905	8,955,820
	1,457,974	1,440,900	1,581,240	1,364,209	1,923,146	-
	2,559,060	2,400,381	2,516,131	1,961,467	2,087,051	2,821,006
	596,127	557,361	822,915	1,068,080	1,578,506	1,956,622
	<u>46,252,554</u>	<u>48,646,247</u>	<u>58,033,158</u>	<u>35,452,772</u>	<u>53,819,097</u>	<u>57,799,786</u>
	6,074,685	6,232,948	5,636,469	4,359,962	6,392,711	6,281,090
	4,530,716	4,732,170	6,763,891	4,029,394	5,665,557	6,499,963
	6,133,119	6,294,865	5,778,743	4,884,791	5,869,086	5,748,258
	1,546,392	1,409,651	1,643,294	1,106,523	1,468,921	1,754,785
	-	-	-	-	-	2,739,113
	716,337	757,879	709,573	600,408	639,037	635,920
	309,965	235,295	19,238	174,677	1,613	94,566
	<u>19,311,214</u>	<u>19,662,808</u>	<u>20,551,208</u>	<u>15,155,755</u>	<u>20,036,925</u>	<u>23,753,695</u>
	<u>65,563,768</u>	<u>68,309,055</u>	<u>78,584,366</u>	<u>50,608,527</u>	<u>73,856,022</u>	<u>81,553,481</u>
	3,678,321	3,634,169	3,940,813	2,731,745	3,553,328	3,508,018
	3,994,407	4,025,783	4,029,954	3,142,297	4,352,267	4,266,155
	30,788	17,597	18,331	16,797	21,739	14,121
	173,721	169,272	141,122	147,837	143,545	84,137
	144,680	211,332	178,801	151,484	132,028	140,010
	492,807	781,637	885,723	651,207	1,274,572	-
	227,054	222,090	222,087	201,926	232,007	254,387
	2,096,150	2,399,271	2,977,297	1,415,454	779,715	1,038,181
	302,105	99,192	155,522	47,565	30,121	67,499
	1,056,163	43,850	114,714	-	-	-
	52,108	179,626	132,009	152,698	121,332	77,767
	91,770	507,112	7,000	407,000	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>12,340,074</u>	<u>12,290,931</u>	<u>12,803,373</u>	<u>9,066,010</u>	<u>10,640,654</u>	<u>9,450,275</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Business-type activities:				
Charges for services:				
Waterworks	\$ 5,189,174	\$ 5,492,376	\$ 5,670,815	\$ 5,821,792
Wastewater	4,994,983	5,825,018	6,687,063	7,395,538
Park and recreation	3,113,840	3,326,601	3,235,998	3,300,041
Stormwater	1,439,598	1,518,520	1,561,805	1,589,808
Solid Waste	-	-	-	-
Sunset Marina	829,506	695,671	834,026	800,474
Housing/community development loans	80,908	76,526	159,739	72,036
Operating grants and contributions				
Park and recreation	22,946	129,812	15,723	42,177
Stormwater	-	77,493	-	-
Other programs	-	-	-	13,538
Solid Waste	-	-	-	-
Sunset Marina	-	119,071	-	-
Housing/community development loans	-	-	-	100,000
Wastewater Treatment	-	-	-	-
Capital grants and contributions				
Waterworks	-	-	-	-
Wastewater	-	-	-	-
Park and recreation	-	-	2,000,000	-
Sunset Marina	-	-	-	-
Total business-type activities program revenues	<u>15,670,955</u>	<u>17,261,088</u>	<u>20,165,169</u>	<u>19,135,404</u>
Total primary government program revenues	<u>24,362,635</u>	<u>26,943,892</u>	<u>31,669,092</u>	<u>33,734,265</u>
Primary government net expense				
Governmental activities	(32,607,927)	(36,600,233)	(30,858,376)	(34,785,617)
Business-type activities	<u>(54,329)</u>	<u>(654,869)</u>	<u>1,796,914</u>	<u>2,015,238</u>
Total primary government net expense	<u>(32,662,256)</u>	<u>(37,255,102)</u>	<u>(29,061,462)</u>	<u>(32,770,379)</u>
General revenues and other changes in net position				
Governmental activities:				
Taxes				
Property taxes	11,593,383	12,329,857	14,363,101	14,886,144
Gaming taxes	3,712,282	3,679,842	4,955,625	5,441,339
Sales taxes	3,936,082	4,046,545	3,866,877	4,689,611
Utility taxes	2,312,387	2,314,220	1,752,772	2,090,368
Income taxes	3,653,838	3,615,800	3,151,854	3,094,030
Other taxes	7,326,715	7,108,060	6,703,234	7,503,529
Intergovernmental (sales & income)	-	-	-	-
Investment earnings	1,174,061	510,487	347,183	266,892
Miscellaneous	344,133	26,899	59,633	213,972
Transfers	<u>777,525</u>	<u>(156,639)</u>	<u>(34,250)</u>	<u>(264,318)</u>
Total governmental activities	<u>34,830,406</u>	<u>33,475,071</u>	<u>35,166,029</u>	<u>37,921,567</u>

	3/31/2012	3/31/2013	3/31/2014	*12/31/2014	12/31/2015	12/31/2016
\$	6,152,049	\$ 6,362,762	\$ 6,271,366	\$ 4,482,630	\$ 6,268,181	\$ 6,592,252
	7,995,233	7,834,599	7,833,530	5,910,695	8,141,460	8,028,082
	3,445,286	3,492,199	3,249,990	2,765,565	3,193,190	3,157,753
	1,645,864	1,539,720	1,619,310	1,212,238	1,688,477	1,678,363
	-	-	-	-	-	1,697,287
	769,993	712,057	669,717	636,754	662,263	666,454
	63,064	49,871	100,721	32,611	69,373	67,465
	34,144	281,233	445,164	61,816	53,345	95,490
	-	-	34,880	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	29,264
	-	-	2,237	-	-	-
	223,240	11,859	-	-	-	100,000
	-	48,883	268,877	192,571	213,098	-
	-	-	-	-	-	-
	2,628,879	-	-	-	-	354,281
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>22,957,752</u>	<u>20,333,183</u>	<u>20,495,792</u>	<u>15,294,880</u>	<u>20,289,387</u>	<u>22,466,691</u>
	<u>35,297,826</u>	<u>32,624,114</u>	<u>33,299,165</u>	<u>24,360,890</u>	<u>30,930,041</u>	<u>31,916,966</u>
	(33,912,480)	(36,355,316)	(45,229,785)	(26,386,762)	(43,178,443)	(48,349,511)
	<u>3,646,538</u>	<u>670,375</u>	<u>(55,416)</u>	<u>139,125</u>	<u>252,462</u>	<u>(1,287,004)</u>
	<u>(30,265,942)</u>	<u>(35,684,941)</u>	<u>(45,285,201)</u>	<u>(26,247,637)</u>	<u>(42,925,981)</u>	<u>(49,636,515)</u>
	14,931,405	14,138,304	13,870,933	128,534	13,528,878	14,425,385
	5,712,621	5,576,018	5,115,322	3,738,747	4,872,918	4,803,366
	4,978,042	5,008,704	-	-	-	-
	2,010,828	2,089,790	2,244,178	1,427,556	1,872,737	1,770,537
	3,184,753	3,516,323	-	-	-	-
	7,504,239	7,657,440	8,407,329	5,727,344	7,474,643	7,678,787
	-	-	8,843,026	6,699,854	9,501,573	9,191,190
	121,859	121,958	94,752	100,644	244,380	234,197
	86,444	129,781	418,279	265,720	60,364	389,146
	<u>4,688,312</u>	<u>(285,529)</u>	<u>(385,513)</u>	<u>(379,341)</u>	<u>(602,304)</u>	<u>(916,198)</u>
	<u>43,218,503</u>	<u>37,952,789</u>	<u>38,608,306</u>	<u>17,709,058</u>	<u>36,953,189</u>	<u>37,576,410</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2010</u>	<u>3/31/2011</u>
Business-type activities:				
Property taxes	\$ 1,276,505	\$ 1,691,929	\$ 1,689,383	\$ 1,700,328
Investment earnings	566,499	168,164	140,039	97,349
Miscellaneous	-	-	1,248	-
Transfers	<u>(777,525)</u>	<u>156,639</u>	<u>34,250</u>	<u>264,318</u>
Total business-type activities	<u>1,065,479</u>	<u>2,016,732</u>	<u>1,864,920</u>	<u>2,061,995</u>
Total primary government	<u>35,895,885</u>	<u>35,491,803</u>	<u>37,030,949</u>	<u>39,983,562</u>
Changes in net position				
Governmental activities	2,222,479	(3,125,162)	4,307,653	3,135,950
Business-type activities	<u>1,011,150</u>	<u>1,361,863</u>	<u>3,661,834</u>	<u>4,077,233</u>
Total primary government	<u>\$ 3,233,629</u>	<u>\$ (1,763,299)</u>	<u>\$ 7,969,487</u>	<u>\$ 7,213,183</u>

Source: City records

* 12/31/14 reporting represents 9 months of activity

	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>*12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
\$	1,751,391	\$ 1,752,884	\$ 1,753,400	\$ 8,767	\$ 1,753,644	\$ 1,820,598
	201,135	27,985	50,850	12,125	24,395	39,369
	-	-	-	12	142,228	-
	<u>(4,688,312)</u>	<u>285,529</u>	<u>385,513</u>	<u>379,341</u>	<u>602,304</u>	<u>916,198</u>
	<u>(2,735,786)</u>	<u>2,066,398</u>	<u>2,189,763</u>	<u>400,245</u>	<u>2,522,571</u>	<u>2,776,165</u>
	<u>40,482,717</u>	<u>40,019,187</u>	<u>40,798,069</u>	<u>18,109,303</u>	<u>39,475,760</u>	<u>40,352,575</u>
	9,306,023	1,597,473	(6,621,479)	(8,677,704)	(6,225,254)	(10,773,101)
	<u>910,752</u>	<u>2,736,773</u>	<u>2,134,347</u>	<u>539,370</u>	<u>2,775,033</u>	<u>1,489,161</u>
\$	<u>10,216,775</u>	<u>\$ 4,334,246</u>	<u>\$ (4,487,132)</u>	<u>\$ (8,138,334)</u>	<u>\$ (3,450,221)</u>	<u>\$ (9,283,940)</u>

CITY OF ROCK ISLAND, ILLINOIS
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Function / Program	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Governmental activities:				
General government	\$ 2,220,228	\$ 4,571,879	\$ 5,158,877	\$ 8,627,656
Police and fire	4,467,219	4,266,048	3,770,644	3,888,278
Electrical maintenance	26,274	3,601	24,152	23,611
Municipal vehicle parking system	225,358	219,188	207,623	204,369
Highways and streets	1,290,421	165,724	1,891,410	1,023,506
Refuse disposal	79,374	109,907	182,614	505,964
Libraries	382,806	346,457	268,603	325,477
Total governmental activities	<u>8,691,680</u>	<u>9,682,804</u>	<u>11,503,923</u>	<u>14,598,861</u>
Business-type activities:				
Water	5,189,174	5,492,376	5,670,815	5,821,792
Wastewater treatment	4,994,983	5,825,018	6,687,063	7,395,538
Park and recreation	3,136,786	3,456,413	5,251,721	3,342,218
Stormwater	1,439,598	1,596,013	1,561,805	1,603,346
Solid Waste	-	-	-	-
Sunset Marina	829,506	814,742	834,026	800,474
Housing and community development loan	80,908	76,526	159,739	172,036
Total business-type activities	<u>15,670,955</u>	<u>17,261,088</u>	<u>20,165,169</u>	<u>19,135,404</u>
Total government	<u>\$ 24,362,635</u>	<u>\$ 26,943,892</u>	<u>\$ 31,669,092</u>	<u>\$ 33,734,265</u>

Source: City records

* 12/31/14 reporting represents 9 months of activity

	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>*12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
\$	5,866,241	\$ 6,540,552	\$ 6,925,110	\$ 4,554,199	\$ 4,333,043	\$ 4,546,199
	4,296,512	4,124,975	4,185,476	3,189,862	4,382,388	4,333,654
	30,788	17,597	18,331	16,797	21,739	14,121
	173,721	169,272	141,122	147,837	143,545	84,137
	1,200,843	255,182	293,515	151,484	132,028	140,010
	492,807	781,637	885,723	651,207	1,274,572	-
	279,162	401,716	354,096	354,624	353,339	332,154
	<u>12,340,074</u>	<u>12,290,931</u>	<u>12,803,373</u>	<u>9,066,010</u>	<u>10,640,654</u>	<u>9,450,275</u>
	6,152,049	6,362,762	6,271,366	4,482,630	6,268,181	6,592,252
	10,624,112	7,883,482	8,102,407	6,103,266	8,354,558	8,382,363
	3,479,430	3,773,432	3,695,154	2,827,381	3,246,535	3,253,243
	1,645,864	1,539,720	1,654,190	1,212,238	1,688,477	1,678,363
	-	-	-	-	-	1,726,551
	769,993	712,057	671,954	636,754	662,263	666,454
	286,304	61,730	100,721	32,611	69,373	167,465
	<u>22,957,752</u>	<u>20,333,183</u>	<u>20,495,792</u>	<u>15,294,880</u>	<u>20,289,387</u>	<u>22,466,691</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>	<u><u>\$ 30,930,041</u></u>	<u><u>\$ 31,916,966</u></u>

CITY OF ROCK ISLAND, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	<u>3/31/2008</u>	<u>3/31/2009</u>	<u>3/31/2010</u>	<u>3/31/2011</u>
General fund				
Reserved	\$ 827,312	\$ 1,455,903	\$ 737,694	\$ -
Unreserved	8,484,627	8,196,559	7,716,892	-
Nonspendable	-	-	-	1,336
Restricted	-	-	-	128,455
Committed	-	-	-	640
Assigned	-	-	-	238,643
Unassigned	-	-	-	9,443,347
Total general fund	<u>\$ 9,311,939</u>	<u>\$ 9,652,462</u>	<u>\$ 8,454,586</u>	<u>\$ 9,812,421</u>
All other governmental funds				
Reserved	\$ 2,699,964	\$ 4,070,939	\$ 3,063,439	\$ -
Unreserved, reported in:				
Special revenue funds	10,686,521	8,204,905	11,999,807	-
Debt service funds	1,308,302	171,543	248,370	-
Capital projects funds	653,267	5,708,661	5,321,073	-
Nonspendable	-	-	-	-
Restricted	-	-	-	7,591,142
Committed	-	-	-	9,699,484
Assigned	-	-	-	335,451
Unassigned	-	-	-	(1,908,876)
Total all other governmental funds	<u>\$ 15,348,054</u>	<u>\$ 18,156,048</u>	<u>\$ 20,632,689</u>	<u>\$ 15,717,201</u>

GASB Statement No. 54 implemented in fiscal year 2011

Source: City records

	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	1,336	-	-	-	-	-
	157,611	273,308	279,058	319,444	173,019	205,945
	-	-	-	-	-	-
	378,509	-	-	-	-	-
	<u>10,375,695</u>	<u>11,145,921</u>	<u>12,106,153</u>	<u>11,764,247</u>	<u>9,926,916</u>	<u>9,959,210</u>
\$	<u>10,913,151</u>	<u>11,419,229</u>	<u>12,385,211</u>	<u>12,083,691</u>	<u>10,099,935</u>	<u>10,165,155</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	6,626,079	10,253,731	14,214,384	21,717,973	8,979,039	4,492,665
	11,762,242	13,668,164	14,688,538	13,402,986	12,312,660	12,516,168
	64,748	118,646	60,554	24,462	-	-
	<u>(2,801,588)</u>	<u>(2,447,709)</u>	<u>(671,307)</u>	<u>(112,079)</u>	<u>(304,077)</u>	<u>(488,640)</u>
\$	<u>15,651,481</u>	<u>21,592,832</u>	<u>28,292,169</u>	<u>35,033,342</u>	<u>20,987,622</u>	<u>16,520,193</u>

CITY OF ROCK ISLAND, ILLINOIS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Revenues				
Property taxes	\$ 11,057,085	\$ 11,471,164	\$ 12,322,519	\$ 14,569,113
Other taxes	20,949,799	20,777,465	19,383,563	22,910,039
Fines and fees	324,401	694,817	485,330	426,868
Intergovernmental	2,364,724	2,079,869	1,892,996	4,355,646
Charges for services	4,016,137	6,027,371	6,193,416	6,657,901
Use of money and property	1,174,061	510,487	350,621	374,704
Licenses and permits	762,022	708,877	719,378	863,006
Contributions	103,342	131,798	479,680	533,194
Other	276,265	35,309	226,214	267,101
Total revenues	<u>41,027,836</u>	<u>42,437,157</u>	<u>42,053,717</u>	<u>50,957,572</u>
Expenditures				
Current:				
General government	10,696,556	13,450,852	9,926,146	13,911,083
Police and Fire	17,476,908	18,144,315	19,442,894	20,255,984
Electrical maintenance	659,805	612,471	587,492	592,644
Motor Vehicle Parking System	191,111	183,996	181,204	181,243
Highways and streets	5,469,273	5,882,079	4,690,385	4,065,960
Refuse disposal	1,380,584	1,516,897	1,675,429	1,704,845
Libraries	2,194,964	2,207,697	2,203,791	2,268,601
Capital outlay	3,518,066	2,570,128	8,385,641	9,973,140
Debt Service:				
Principal	688,145	681,829	1,104,400	1,440,300
Interest	183,765	211,351	334,016	824,430
Total expenditures	<u>42,459,177</u>	<u>45,461,615</u>	<u>48,531,398</u>	<u>55,218,230</u>
Excess of revenues (under) expenditures	<u>(1,431,341)</u>	<u>(3,024,458)</u>	<u>(6,477,681)</u>	<u>(4,260,658)</u>
Other financing sources (uses)				
Issuance of long-term debt	-	6,422,600	7,760,000	960,000
Bond discount	-	(92,986)	(10,898)	-
Bond premium	-	-	10,594	29,477
Issuance of loan payable	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Transfers in	8,365,594	8,238,999	5,942,996	8,001,391
Transfers out	(7,414,915)	(8,395,638)	(5,946,246)	(8,287,863)
Total other financing sources (uses)	<u>950,679</u>	<u>6,172,975</u>	<u>7,756,446</u>	<u>703,005</u>
Net change in fund balances	<u>\$ (480,662)</u>	<u>\$ 3,148,517</u>	<u>\$ 1,278,765</u>	<u>\$ (3,557,653)</u>
Debt service as a percentage of noncapital expenditures	2.15%	2.05%	3.16%	4.65%

Source: City records

	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
\$	14,814,509	\$ 14,926,606	\$ 14,237,213	\$ 13,789,066	\$ 13,528,878	\$ 14,425,385
	23,591,116	24,051,197	24,100,438	17,635,801	23,659,171	23,634,458
	504,812	440,067	396,131	254,340	304,103	252,975
	3,163,924	2,478,842	3,337,053	1,319,764	1,115,498	1,274,567
	6,971,289	7,132,888	7,393,462	5,717,948	7,991,480	7,011,919
	186,852	349,556	204,542	93,411	226,161	193,701
	901,395	1,125,729	1,172,228	820,117	918,624	811,535
	760,863	659,198	181,653	828,497	71,650	84,156
	65,848	90,368	87,257	57,443	126,367	312,404
	<u>50,960,608</u>	<u>51,254,451</u>	<u>51,109,977</u>	<u>40,516,387</u>	<u>47,941,932</u>	<u>48,001,100</u>
	12,871,649	12,432,804	21,513,727	12,800,419	12,694,856	12,616,091
	20,704,873	20,788,783	21,343,536	17,199,496	23,722,239	24,220,914
	580,692	604,893	621,642	406,574	610,131	581,775
	185,157	190,179	194,694	127,269	31,843	23,491
	3,959,920	4,503,406	4,270,551	3,556,320	5,146,089	4,949,812
	1,553,325	1,541,430	1,684,440	1,450,803	2,009,527	69,984
	2,336,234	2,296,800	2,401,209	1,901,690	2,742,615	2,536,922
	5,501,375	5,083,118	8,585,290	6,571,014	18,659,555	5,957,920
	1,728,250	1,666,965	1,759,150	17,032,100	2,289,823	2,668,950
	584,816	566,000	827,665	1,265,574	1,611,557	1,951,936
	<u>50,006,291</u>	<u>49,674,378</u>	<u>63,201,904</u>	<u>62,311,259</u>	<u>69,518,235</u>	<u>55,577,795</u>
	<u>954,317</u>	<u>1,580,073</u>	<u>(12,091,927)</u>	<u>(21,794,872)</u>	<u>(21,576,303)</u>	<u>(7,576,695)</u>
	585,000	2,520,000	10,625,000	25,450,000	7,343,000	5,390,000
	(16,492)	(60,934)	-	(28,013)	-	-
	40,887	60,765	370,408	414,683	187,331	183,807
	-	3,022,538	9,093,064	2,884,398	-	-
	-	(391,606)	-	-	(1,374,410)	(1,853,867)
	9,376,020	9,350,372	10,805,792	10,345,690	17,117,892	11,716,188
	<u>(9,904,721)</u>	<u>(9,633,779)</u>	<u>(11,137,018)</u>	<u>(10,832,233)</u>	<u>(17,726,986)</u>	<u>(12,261,642)</u>
	<u>80,694</u>	<u>4,867,356</u>	<u>19,757,246</u>	<u>28,234,525</u>	<u>5,546,827</u>	<u>3,174,486</u>
\$	<u>1,035,011</u>	<u>\$ 6,447,429</u>	<u>\$ 7,665,319</u>	<u>\$ 6,439,653</u>	<u>\$ (16,029,476)</u>	<u>\$ (4,402,209)</u>
	5.05%	4.83%	4.70%	32.87%	7.85%	8.94%

CITY OF ROCK ISLAND, ILLINOIS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Period Ended	Property Tax	Replacement Tax	Sales Tax	Use Tax	Income Tax	Utility Tax
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
12/31/2015	13,528,878	2,554,822	5,309,060	861,631	4,151,610	1,792,065
12/31/2016	14,425,385	2,626,781	5,513,009	931,146	3,798,200	1,776,480
Change 3/31/08-12/31/16	30%	-13%	40%	67%	4%	-23%

Source: City records

Gasoline Tax	Other Tax	Wagering Tax	Motor Fuel Tax	Foreign Fire Insurance Tax	Hotel/Motel Tax	Total
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
220,749	2,453,782	4,872,918	1,032,768	53,305	356,461	37,188,049
242,931	2,519,390	4,803,366	996,359	53,373	373,423	38,059,843
53%	9%	29%	-11%	70%	168%	19%

CITY OF ROCK ISLAND, ILLINOIS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Fiscal Period Ended	Residential Property	Commercial Property	Industrial Property	Farm Property
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
12/31/2015	314,914,792	84,140,915	56,757,213	503,200
12/31/2016	323,251,031	89,538,538	54,970,861	555,593

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	Enterprise Zone	Assessed Value	Percent Growth	Total Direct Tax Rate	Taxable Value	Percentage of Actual Value
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	-2.5%	2.3978	1,335,253,423	33.5%
3,816,687	-	448,044,128	0.2%	2.3852	1,344,266,811	33.3%
3,850,056	(3,710,480)	456,455,696	1.9%	2.4002	1,369,504,038	33.3%
4,129,830	-	472,445,853	3.5%	2.3882	1,417,479,307	33.3%

CITY OF ROCK ISLAND, ILLINOIS
DIRECT AND OVERLAPPING GOVERNMENTAL PROPERTY TAX RATES
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(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	
3/31/2008	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
12/31/2015	0.26500	0.61420	0.63400	0.05040	0.44280	0.39380	2.40020	-
12/31/2016	0.19080	0.64760	0.67960	0.04980	0.43420	0.38620	2.38820	-

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
5.07880	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
5.46100	1.24800	0.43340	0.07500	0.20860	0.55980
5.37820	1.24660	0.40140	0.07500	0.20560	0.57180

**CITY OF ROCK ISLAND, ILLINOIS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT PERIOD AND TEN PERIODS AGO
 DECEMBER 31, 2016
 (UNAUDITED)**

Taxpayer	12/31/2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
DNC Gaming & Entertainment	\$ 22,603,550	1	4.95%
Modern Woodmen of America	8,208,975	2	1.80%
Friendship Mannor Properties LLC	5,393,817	3	1.18%
Piret USA	5,264,377	4	1.15%
MidAmerican Energy Co	2,959,222	5	0.65%
PFG Thoms Proestler Co	2,893,333	6	0.63%
LRC HV LLC	2,769,118	7	0.61%
GTI Rock Island Partners	2,606,486	8	0.57%
Deere & Co/Tax Dept	2,402,173	9	0.53%
First Equity Management	2,356,431	10	0.52%
Total	\$ 57,457,482		12.6%

Notes:

1. Valuation as of January 1, 2016, for taxes collected in 2017.
2. Total City assessed valuation of \$ 472,445,853

Taxpayer	3/31/2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Modern Woodmen of America	10,101,703	1	2.2%
Mid American Energy Co.	5,562,761	2	1.2%
Thoms-Proestler Co.	5,470,572	3	1.2%
Miller Container Corp.	4,959,640	4	1.1%
Barjan Products LLC	4,811,002	5	1.1%
Friendship Manor	2,874,301	6	0.6%
LRC Developers, Inc.	2,359,066	7	0.5%
Pinnacle-Stanrick Corporation	2,027,758	8	0.4%
Illinois Housing Development Authority	1,940,431	9	0.4%
Quad Cities Steel Warehouse	1,816,485	10	0.4%
Total	\$ 41,923,719		9.2%

Notes:

Total City assessed valuation of \$455,471,305

Source: County records

CITY OF ROCK ISLAND, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(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
3/31/2008	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%	7,225	11,355,318	99.08%
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	10,766,880	10,955,850	101.76%	-	10,955,850	101.76%
12/31/2015	2015	10,955,850	11,020,956	100.59%	-	11,020,956	100.59%
12/31/2016	2016	11,280,143	-	-	-	-	-

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 Outstanding Debt by Type

LAST TEN FISCAL PERIODS

DECEMBER 31, 2016

(UNAUDITED)

Fiscal Period Ended	Governmental Activities		Other Governmental Activities Debt	Business-Type Activities		Total Outstanding Debt
	General Obligation Bonds		Line of Credit	Loan Payable	General Obligation Bonds	
3/31/2008	3,886,830		-	-	14,268,170	18,155,000
3/31/2009	9,697,600		-	-	16,630,733	26,328,333
3/31/2010	16,353,200		-	-	17,888,466	34,241,666
3/31/2011	15,872,900		-	-	23,727,100	39,600,000
3/31/2012	14,727,021		-	4,100,381	21,896,315	40,723,717
3/31/2013	15,188,450		3,022,538	18,892,687	20,108,217	57,211,892
3/31/2014	24,054,300		12,115,602	41,240,029	18,330,700	95,740,631
12/31/2014	48,294,478		-	41,594,833	16,732,420	106,621,731
12/31/2015	52,209,311		-	47,094,293	15,008,419	114,312,023
12/31/2016	52,153,250		-	53,333,439	12,906,750	118,393,439

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

Percentage of Per Capita Income	Population	Debt Per Capita
522.8 %	39,684	457.49
758.1 %	39,684	663.45
986.0 %	39,684	862.86
909.1 %	39,018	1,014.92
934.9 %	39,018	1,043.72
1313.5 %	39,018	1,466.29
2198.0 %	39,018	2,453.76
2447.8 %	39,018	2,732.63
2624.4 %	39,018	2,929.73
2718.1 %	39,018	3,034.33

CITY OF ROCK ISLAND, ILLINOIS

Ratios of General Bonded Debt Outstanding

LAST TEN FISCAL PERIODS

DECEMBER 31, 2016

(UNAUDITED)

Fiscal Period Ended	Governmental type GOBond	Business-type GOBond	General Obligation Bonds	Less: Amounts Restricted for Debt Service	Total	Percentage of Actual Property Value	Debt Per Capita
3/31/2008	3,886,830	14,268,170	18,155,000	1,308,302	16,846,698	1.2%	424.52
3/31/2009	9,697,600	16,630,733	26,328,333	171,543	26,156,790	1.9%	659.13
3/31/2010	16,353,200	17,888,466	34,241,666	248,370	33,993,296	2.4%	856.60
3/31/2011	15,872,900	23,727,100	39,600,000	1,221,189	38,378,811	2.7%	983.62
3/31/2012	14,727,021	21,896,315	36,623,336	1,029,992	35,593,344	2.5%	912.23
3/31/2013	15,188,450	20,108,217	35,296,667	1,213,732	34,082,935	2.5%	873.52
3/31/2014	24,054,300	18,330,700	42,385,000	997,676	41,387,324	3.1%	1,060.72
12/31/2014	48,294,478	16,732,420	65,026,898	1,387,110	63,639,788	4.7%	1,631.04
12/31/2015	52,209,311	15,008,419	67,217,730	1,623,000	65,594,730	4.8%	1,681.14
12/31/2016	52,153,250	12,906,750	65,060,000	1,048,523	64,011,477	4.5%	1,640.56

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

CITY OF ROCK ISLAND, ILLINOIS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE PERIOD ENDED DECEMBER 31, 2016
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Schools			
Rock Island School District No. 41	\$ 33,000,000	80.630%	\$ 26,608,360
Rockridge School district No. 300	9,740,000	16.940%	1,649,503
Blackhawk College	26,580,000	12.480%	<u>3,317,284</u>
			31,575,147
Other Than Schools			
Rock Island County (1)	31,525,000	19.110%	6,024,937
Rock Island County Forest Preserve District	4,485,000	19.110%	857,156
Rock Island County Nursing Home	14,975,000	19.110%	2,861,964
Metropolitan Airport Authority	20,725,000	24.640%	<u>5,107,288</u>
			14,851,345
Subtotal, overlapping debt			46,426,492
City Direct Debt			52,153,250
Total direct and overlapping debt			<u>\$ 98,579,742</u>

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				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
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	
12/31/2015	-	-	-	0.0	
12/31/2016	-	-	-	0.0	

CITY OF ROCK ISLAND, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Fiscal Period Ended	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
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%
12/31/2015	39,018	NA	43,558	37.0	6,258	7.4%
12/31/2016	39,018	NA	43,558	37.0	6,258	6.3%

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, 2016
 (UNAUDITED)**

Employer	12/31/2016		
	Employees	Rank	Percent
Rock Island Arsenal	6,301	1	27%
Unity Point Hlth -Trinity (Rock Island Only)	1,848	2	8%
Rock Island School District	1,292	3	6%
Jumer's Casino & Hotel	550	4	2%
Augustana College	550	4	2%
Pfg Tpc Roma Foods	530	5	2%
City of Rock Island	446	6	2%
Modern Woodmen Of America	435	7	2%
Honeywell Safety Products	400	8	2%
Anderson Dean	300	9	1%
	12,652		33%
Total City Employment	23,262		

Employer	3/31/2008	
	Employees	Rank
Trinity Regional Health System	2,900	1
Rock Island-Milan School District	900	2
Augustana College	756	3
Performance Food Group (Thoms Proestler Co.)	490	4
Jumer's Casino Rock Island	470	5
Modern Woodmen of America	440	6
Norcross Safety Products	425	7
City of Rock Island	422	8
AT&T	410	9
Rock Island County	352	10
	7,565	

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, 2016
(UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of Fiscal Period Ended									
	12/31/16	12/31/15	12/31/14	03/31/14	03/31/13	03/31/12	03/31/11	03/31/10	03/31/09	03/31/08
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	1.00	1.00	1.45	1.50	1.50	1.00	1.00
General administration	3.00	3.00	3.00	3.00	3.00	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	-	-	-
Human Resources										
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	1.00	1.00	1.25	1.25	1.00	2.00	2.00
Customer service	5.23	5.23	4.31	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	5.00	5.00	4.00	4.00
	11.23	11.23	10.31	10.00	10.00	10.25	10.25	10.00	10.00	10.00
Information Technology										
Administration	2.00	2.00	2.00	2.00	-	-	-	1.30	2.35	2.35
Services	4.50	4.50	4.50	4.80	-	-	-	5.35	5.40	5.40
GIS	0.50	0.50	0.50	0.20	-	-	-	0.35	0.25	0.25
	7.00	7.00	7.00	7.00	-	-	-	7.00	8.00	8.00
Community/Economic Development										
Administration	0.95	0.94	0.86	0.75	0.50	0.50	0.50	0.50	0.60	0.60
Economic development	3.05	3.06	3.23	2.50	1.88	2.70	2.80	2.80	2.60	2.60
Planning/zoning/historic Preservation	3.74	3.89	3.77	4.85	5.72	6.62	6.52	6.26	6.43	6.43
Neighborhood redevelopment	2.26	2.26	2.25	1.90	1.90	1.90	1.90	1.90	2.80	2.80
Inspection	5.94	6.12	6.07	4.92	4.95	4.85	5.85	5.85	5.85	5.85
Rental inspection	4.06	4.03	4.05	5.08	5.05	5.15	5.15	4.15	4.15	4.15
	20.00	20.30	20.23	20.00	20.00	21.72	22.72	21.46	22.43	22.43
Martin Luther King Jr. Center										
Administration	3.00	3.00	3.05	3.75	2.20	2.00	1.15	1.15	1.10	1.10
Sponsored programs	9.34	12.04	11.62	10.27	7.56	9.58	6.68	3.85	4.90	4.90
	12.34	15.04	14.67	14.02	9.76	11.58	7.83	5.00	6.00	6.00
Police										
Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Patrol	51.30	58.30	58.35	57.00	56.00	56.00	56.00	58.48	58.80	58.80
Community services	2.45	2.45	2.45	2.45	2.45	2.45	3.45	3.45	3.45	3.45
Auxiliary police	-	-	-	-	-	-	-	0.17	0.20	0.20
Resource services	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53	2.53
Communication	13.16	13.16	13.16	13.16	13.16	13.16	13.16	13.16	13.16	13.16
Technical services	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38
Records	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.48	5.48
Major crime	10.20	9.90	9.90	10.20	10.20	10.10	10.40	10.40	10.25	10.25
Narcotics/vice	12.15	5.30	5.30	7.30	7.30	7.30	7.30	5.40	5.30	5.30
Juvenile	6.35	6.50	6.50	6.50	6.50	6.60	7.30	7.55	7.45	7.45
	110.00	110.00	110.05	111.00	110.00	110.00	112.00	112.00	112.00	112.00

CITY OF ROCK ISLAND, ILLINOIS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of Fiscal Period Ended									
	12/31/16	12/31/15	12/31/14	03/31/14	03/31/13	03/31/12	03/31/11	03/31/10	03/31/09	03/31/08
Fire										
Administration	8.94	8.94	8.94	8.94	8.94	8.98	9.16	9.16	10.16	10.16
Fire prevention	6.94	6.94	6.94	6.94	6.94	6.98	7.16	7.16	7.16	7.16
Emergency/disaster services	20.52	20.52	20.52	20.52	20.52	20.65	21.28	21.28	21.28	21.28
Ambulance	22.60	22.60	22.60	22.60	22.60	22.74	23.40	23.40	22.40	22.40
	<u>59.00</u>	<u>59.00</u>	<u>59.00</u>	<u>59.00</u>	<u>59.00</u>	<u>59.35</u>	<u>61.00</u>	<u>61.00</u>	<u>61.00</u>	<u>61.00</u>
Public Works										
Administration	18.84	18.84	19.74	20.50	20.46	21.11	19.98	20.65	20.70	20.70
Street maintenance & repair	8.67	7.54	8.88	8.32	8.32	7.69	7.57	8.22	9.00	9.00
Snow & ice control	0.65	0.66	0.34	0.64	0.64	0.64	0.64	0.68	0.73	0.73
Refuse collection	7.90	7.80	8.09	8.02	8.02	8.02	8.02	8.02	8.02	8.02
Levee/ROW maintenance	5.83	5.72	6.66	5.92	5.92	5.92	6.01	6.52	7.78	7.78
Water distribution	12.35	13.75	12.78	13.75	13.75	13.68	14.28	14.28	14.03	14.03
Wastewater collection	2.97	2.97	2.85	2.97	3.02	3.67	2.87	2.87	2.90	2.90
Motor vehicle parking	0.05	0.18	1.88	1.88	1.88	1.38	1.53	1.53	1.58	1.58
Water treatment	10.25	10.25	10.27	10.28	10.63	10.68	10.98	11.08	10.98	10.98
Wastewater treatment	9.50	9.50	9.52	9.68	9.68	9.68	9.08	9.68	9.58	9.58
Fleet services	10.00	10.00	10.00	9.15	9.15	9.15	9.15	9.15	9.20	9.20
Electrical maintenance	1.80	1.80	2.00	2.00	3.00	2.55	2.45	2.45	3.00	3.00
Engineering services	10.61	10.61	9.91	10.28	10.62	10.28	10.55	10.98	10.98	9.25
Building maintenance	2.20	2.45	1.28	1.70	1.70	2.00	2.10	1.95	1.20	1.20
Sunset Marina	0.95	1.40	1.84	1.24	1.24	1.24	1.24	1.24	1.24	1.24
Hydroelectric	0.25	0.25	0.05	-	-	0.15	0.15	0.30	0.25	0.25
Stormwater	4.93	5.03	5.06	5.95	5.75	5.95	7.13	7.13	6.56	6.56
Centennial Bridge	-	-	-	-	-	-	-	-	-	-
	<u>107.75</u>	<u>108.75</u>	<u>111.15</u>	<u>112.28</u>	<u>113.78</u>	<u>113.79</u>	<u>113.73</u>	<u>116.73</u>	<u>117.73</u>	<u>116.00</u>
Parks & Recreation										
Administration	2.50	2.50	2.50	2.45	2.45	2.20	2.25	3.50	3.50	3.50
Park maintenance	15.28	15.28	16.64	14.73	14.77	16.08	15.17	18.02	19.16	19.16
Recreation programs	9.25	8.71	11.27	9.59	12.17	14.02	11.23	15.88	16.63	16.63
Highland Springs Golf	13.38	13.38	16.90	14.10	14.12	13.98	14.18	14.41	14.41	14.41
Saukie Golf	8.76	8.76	10.87	8.74	8.73	9.64	9.66	10.28	10.28	10.28
Golf Pro Shop	0.03	0.03	0.19	0.14	0.14	0.14	0.14	0.26	0.26	0.26
Whitewater Junction	7.75	7.21	9.37	7.06	7.09	7.09	7.09	8.57	8.25	8.25
RI Fitness Center	13.93	13.47	18.10	16.28	14.92	15.66	17.01	15.80	14.67	14.67
Riverfront Park	2.40	2.40	2.38	2.31	2.27	2.17	1.77	-	-	-
	<u>73.28</u>	<u>71.74</u>	<u>88.22</u>	<u>75.40</u>	<u>76.66</u>	<u>80.98</u>	<u>78.50</u>	<u>86.72</u>	<u>87.16</u>	<u>87.16</u>
Library										
Administration	3.00	3.00	4.00	2.00	2.00	1.91	2.00	2.00	2.00	2.00
Main library	19.76	20.15	20.17	21.80	21.98	21.28	22.36	22.08	21.38	21.38
30/31 library	3.81	4.77	4.00	4.00	4.00	3.82	4.00	4.00	4.00	4.00
Southwest library	3.23	3.73	3.25	3.25	3.25	3.10	3.25	3.25	3.87	3.87
	<u>29.80</u>	<u>31.65</u>	<u>31.42</u>	<u>31.05</u>	<u>31.23</u>	<u>30.11</u>	<u>31.61</u>	<u>31.33</u>	<u>31.25</u>	<u>31.25</u>
Total	<u>446.40</u>	<u>450.71</u>	<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>



ROCK ISLAND
ILLINOIS

CITY OF ROCK ISLAND, ILLINOIS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Function/Program	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Police				
Calls for service	47,317	47,317	32,897	28,032
Adult arrest	4,299	4,299	3,069	2,903
Juvenile arrest	937	937	800	617
Speeding citations only	1,884	1,884	1,536	849
Traffic citations	8,857	8,857	7,105	5,990
Fire				
Total fire runs	1,550	1,617	1,420	1,482
Total rescue runs	4,898	4,798	4,973	4,562
Property loss	\$ 670,009	\$ 1,385,260	\$ 5,609,267	\$ 1,652,466
Public Works				
Garbage collected (ton)	18,900	18,900	17,750	15,778
Other collected (ton)	2,761	2,761	2,298	2,200
Water average daily treatment (millions of gallons)	5.12	5.28	5.00	5.50
Wastewater average daily treatment (millions of gallons)	8.85	10.64	12.00	11.14
Library, volumes in collection	254,126	254,126	247,414	249,218
Parks and Recreation				
RIFAC memberships	2,650	2,554	2,685	2,717
Aquatics program attendance	29,222	29,222	29,415	29,451
Golf rounds played	48,000	50,918	55,586	52,196
Recreation programs offered	287	304	417	395
Park maintenance hours	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					
3/31/2012	3/31/2013	3/31/2014	12/31/2014	12/31/2015	12/31/2016
28,227	29,826	54,157	35,396	45,601	42,431
3,978	3,716	2,696	1,829	2,469	2,306
678	403	413	453	550	476
919	1,079	861	811	752	518
6,190	5,726	4,495	3,754	4,735	3,944
1,525	1,543	1,570	1,194	1,249	1,638
4,666	4,516	4,600	3,569	4,250	4,992
\$ 1,298,231	\$ 791,177	\$ 1,130,000	\$ 2,902,933	\$ 532,584	\$ 548,275
14,858	15,085	14,220	12,908	14,500	16,140
2,207	2,250	**	**	**	**
5.69	5.30	5.25	5.37	5.18	4.65
9.72	7.47	8.69	7.75	6.55	7.88
250,014	243,412	238,904	233,228	224,139	221,000
2,641	2,830	**	**	**	**
32,177	32,000	**	**	**	**
51,527	54,305	46,633	44,533	46,404	48,000
281	276	**	**	**	**
**	**	**	**	**	**
5,048	5,178	4,869	4,784	4,862	5,100
8,448	7,487	7,865	7,378	7,007	7,000
733	775	759	764	776	775

rior indicator information unavailable.

CITY OF ROCK ISLAND, ILLINOIS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Function/Program	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Police and fire				
Police stations	1	1	1	1
Fire stations	4	4	4	4
Electrical maintenance				
Traffic signaled intersections	62	62	64	64
Warning lights	17	17	16	16
Street lights	1,157	1,157	1,204	1,204
Mobile radios	225	225	214	214
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	100	92
Highways and streets				
Miles of streets	166	166	166	166
Refuse disposal				
Refuse trucks	6	6	6	6
Libraries				
Facilities	3	3	3	3
Volumes	254,126	254,126	247,414	249,218
Waterworks				
Storage capacity (MGPD)	10.85	10.85	10.85	10.85
Average water treated (MGPD)	5.00	5.12	5.35	5.50
Miles of water main	226	228	228	228
Fire hydrants	1,915	1,928	1,932	1,928
Control valves	4,251	4,315	4,327	4,315
Wastewater treatment				
Storage capacity (MGPD)	9.50	9.50	17.50	18.00
Average wastewater treated (MGPD)	8.85	10.64	12.00	11.14
Sanitary sewers (miles)	250	250	250	185
Storm sewers (miles)	95	95	95	95
Stormwater catch basins	3,667	3,667	3,667	3,667
Stormwater				
Stormsewer mains (miles)	104	115	115	115
Stormwater catch basins	4,956	4,947	4,947	4,947
Total raingardens	131	155	192	210
Total raingardens (sq ft)	50,800	57,855	67,926	73,510
Parks & recreation				
Acreage	900	900	900	900

<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
1	1	1	1	1	1
4	4	4	4	4	4
64	64	64	64	64	63
18	18	18	18	18	15
1,204	1,204	1,204	1,204	1,204	1,261
214	120	120	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
92	104	104	96	96	-
166	166	166	166	166	166
6	6	6	6	6	6
3	3	3	3	3	3
250,014	243,412	238,904	233,228	224,139	218,616
10.85	10.85	10.85	11	11	11
5.69	5.30	5.25	5.28	5.18	5
228	228	229	229	229	229
1,929	1,929	1,930	1,935	1,935	2,135
4,322	4,330	4,332	4,340	4,340	4,340
17.50	17.50	17.50	18	18	25
9.72	7.75	7.84	7.14	6.55	7
185	185	185	185	185	188
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	5,011	5,011	5,011	5,011	5,011
231	244	251	257	257	170
80,812	83,995	86,327	87,143	87,143	83,910
900	860	860	860	860	860
			178		

CITY OF ROCK ISLAND, ILLINOIS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS
DECEMBER 31, 2016
(UNAUDITED)

Function/Program	3/31/2008	3/31/2009	3/31/2010	3/31/2011
Playgrounds	23	23	23	24
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	8	5	10	11
TIF District Projects	18	14	15	17
Agencies receiving funding	12	9	9	9

Source: City records

<u>3/31/2012</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
25	25	26	26	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
8	10	6	5	6	9
50	50	46	18	6	6
9	9	**	**	**	**



ROCK ISLAND
ILLINOIS

City of Rock Island, Illinois

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants/Entitlement Grants	14.218	B15MC170021	\$ -	\$ 1,336,603
Indirect:				
Illinois Department of Commerce and Economic Opportunity Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-354083	-	79,281
Total U.S. Department of Housing and Urban Development			-	<u>1,415,884</u>
U.S. Department of Interior				
Indirect:				
Illinois Historic Preservation Agency Historic Preservation Fund Grants-In-Aid	15.904	CL-2015-0244	-	<u>21,000</u>
U.S. Department of Justice				
Direct:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H2457-IL-DJ	-	<u>16,284</u>
U.S. Department of Transportation				
Indirect:				
Illinois Department of Transportation: State and Community Highway Safety	20.600	AP-16-0091	-	30,884
State and Community Highway Safety	20.600	AP-17-0141	-	13,529
Total U.S. Department of Transportation			-	<u>44,413</u>
U.S. Environmental Protection Agency				
Indirect:				
Illinois Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds	66.458	L174907	-	1,843,785
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00E00386-0	-	100,000
Total U.S. Environmental Protection Agency			-	<u>1,943,785</u>

(Continued)

City of Rock Island, Illinois

Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Indirect:				
Illinois Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	7FCSVP01868	-	63,457
Block Grants for Prevention and Treatment of Substance Abuse	93.959	6FCSUP01868	-	29,879
			-	<u>93,336</u>
Affordable Care Act (ACA) Health Personal Responsibility Education Program	93.092	6FCSUP01839	-	29,948
Affordable Care Act (ACA) Health Personal Responsibility Education Program	93.092	7FCSVP01839	-	38,775
			-	<u>68,723</u>
Total U.S. Department of Health and Human Services			-	<u>162,059</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 3,603,425</u>

See notes to Schedule of Expenditures of Federal Awards.

City of Rock Island, Illinois

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of City of Rock Island, Illinois under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 are reported on the modified accrual or accrual basis of accounting based on the fund type of the program. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, or 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. 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. Indirect Cost Rate

The City has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

City of Rock Island, Illinois

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2016**

Findings	Status	Reason for Recurrence and Corrective Action Plan or Other Explanation
Significant Deficiencies Related to the Basic Financial Statements:		
2015-001 The City has inadequate segregation	Corrected	
2014-001 of duties over the Parks and		
2013-001 Recreation Department cash receipts		
2015-002 The City has insufficient segregation	Corrected	
2014-002 of duties over the payroll process.		
2013-002		
2015-003 The City has insufficient segregation	Not corrected. Initially reported March 31, 2013	Recurrence due to software limitations. See corrective action plan at 2016-001
2014-003 of duties over the cash disbursement		
2013-003 transaction cycle.		
2015-004 The City has insufficient segregation	Corrected	
2014-004 of duties over the Parks and Recreation Department disbursement transaction cycle.		
2015-005 The Public Library of the City has	Not corrected.	Recurrence due to limited staffing. See corrective action plan at 2016-002
inadequate segregation of duties over cash receipts.		
Significant Deficiencies Related to Federal Awards:		
2015-006 The City has insufficient financial	Not corrected	Recurrence due to turnover in staffing during the fiscal year. See corrective action plan at 2016-004
monitoring processes over the Community Development Block Grants/Entitlement Grants Program.		



**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 year ended December 31, 2016, 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 May 26, 2017. 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*.

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 2016-001, 2016-002, and 2016-003 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 Responses 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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Bohnsack & Frommelt LLP

Moline, Illinois
May 26, 2017



**Independent Auditor's Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on each of City of Rock Island, Illinois's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 year ended December 31, 2016.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-004, 2016-005, and 2016-006, that we consider to be a significant deficiencies.

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
May 26, 2017

City of Rock Island, Illinois

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

None reported.

Significant deficiencies:

2016-001

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

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

Condition: The Accountant position 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 reconciliations.

Context: The Finance Department maintains the vendor master file for all City departments.

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

Cause: A limited number of personnel are involved in the maintenance of the vendor master file.

Identification of as a Repeat Finding: This is a repeat finding initially reported as 2013-003.

Recommendation: Ideally, the position responsible for processing disbursements should be segregated from the position with the ability to make vendor master file changes. The position that primarily is responsible for the master vendor file logs the sequence of vendors to determine that a vendor has not been added to the accounts payable system without a W-9 form. This is an important control over the Accountant's access to the master vendor file.

Check register edit reports and invoices should be reviewed by an employee outside of the processing duties. When checks are processed, stubs could be matched to invoice copies for filing to ensure propriety of payments.

The bank reconciliation would be prepared by someone other than the position responsible for cash disbursements. The Accounting Manager should continue to review the daily cash reconciliations.

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
Year Ended December 31, 2016**

2016-002

Finding: The Public Library of the City has inadequate segregation of duties over cash receipts.

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

Condition: One individual at the library has access to cash, prepares the deposit, records financial information in the system and reconciles financial information.

Context: The City's library collects approximately \$40,000 of receipts annually for charges for services.

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 receipts function.

Identification of as a Repeat Finding: This is a repeat finding initially reported as 2015-005.

Recommendation: An employee without access to the financial system should collect cash receipts and record receipts into a daily log. This employee should also prepare the deposit slip and place the deposit slip and receipts into locked bank bags for a regularly scheduled pickup. The cash receipt log and validated deposit list should be provided to the Business Manager to reconcile the cash receipts to the library's receipting software and to record the cash receipts within the general ledger.

Response and Corrective Action Plan: The Public Library will evaluate current processes to determine realignment of duties to improve internal controls.

2016-003

Finding: The City did not properly identify and record all year-end accrual adjustments required for financial statements to be reported in accordance with the accounting principles generally accepted in the United States of America.

Criteria: A properly designed system of internal control over financial reporting requires entities to initiate, authorize, record, process and report financial data reliably in accordance with accounting principles generally accepted in the United States of America.

Condition: The City did not properly identify and record year-end adjustments for capital assets, accounts receivable, and deferred inflows of resources.

Context: Significant adjustments across several City funds totaling approximately \$3.8 million were required to the original trial balance prepared for the year-end audit.

Effect: Financial statements are misstated and errors are not detected on a timely basis.

Cause: The City experienced changes in personnel in the Finance Department. As a result, workpapers and year-end adjustments were prepared by employees not experienced with the accrual adjustments required.

Identification of as a Repeat Finding: This is not a repeat finding.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Recommendation: We recommend the City implement a review process that requires the workpapers and year-end adjustments to be detail reviewed by the Accounting Supervisor prior to posting. The review process should include following up on year-end balances that have significant changed from the prior year to ensure all balance sheet accounts have been properly addressed. We also recommend the City require a rollforward of all capital asset accounts that details beginning balance, additions, deletions and ending balances to ensure the changes identified to capital assets are properly posted and reconciled.

Response and Corrective Action Plan: The City will evaluate current processes to determine realignment of duties to improve internal controls over year-end financial reporting processes.

Part III: Findings and Questioned Costs for Federal Awards

Significant Deficiencies over Federal Awards:

2016-004

**U.S. Department of Housing and Urban Development
Community Development Block Grants/
Entitlement Grants (Direct) CFDA 14.218
Federal Award Numbers: B15MC170021 and B16MC170021
Federal Award Year: 2015 and 2016**

Finding: The City had insufficient financial monitoring processes over the program.

Criteria: Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in Section 200.62 defines internal control for compliance with federal programs. Section 200.303 states the non-federal entity is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: Monitoring is a key component of internal control and is a process to assess the effectiveness of ongoing activities to ensure program compliance with federal requirements. The following conditions were noted:

- The City did not have a consistent and systematic process to routinely reconcile program expenditures from the City's financial reporting system to the HUD IDIS financial system.
- The City did not have a consistent and systematic process in place that routinely monitors required earmarking thresholds based on actual expenditures from the City's financial reports during the fiscal year.
- The City has inadequate segregation of duties for grant financial reporting during the last quarter of the fiscal year. The same employee preparing IDIS reporting is also preparing the quarterly SF-425 reports and the CAPER financial summary reports.
- The City did not properly identify the fiscal year 2016 expenditures for reporting on the Schedule of Expenditures of Federal Awards due to the City not comparing cost center expenditures in the Martin Luther King Center Fund to the amounts reported in the award operating fund.

Questioned Costs: \$0

Context: Monthly reporting and reconciling activities were not performed consistently throughout the fiscal year.

Effect: Noncompliance with program requirements could occur and not be timely identified.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Cause: The Community and Economic Development (CED) Department had significant turnover including the Department Director and Budget and Grants Manager positions during fiscal year 2016. The CED Department had significant turnover during the 2015 fiscal year as well. As a result, monitoring tools such as the monthly monitoring log of revenue and expenditure activity in place prior to fiscal year 2015 were not maintained or performed. The former grant accountant position had been filled several times over the past two years by individuals with limited HUD experience.

Identification of as a Repeat Finding: This is a repeat finding initially reported as 2015-006.

Recommendation: Overall, we recommend the City realign duties to improve segregation of duties and monitoring of controls. For each program compliance element, an action plan should be established that specifies the tool used to monitor compliance requirements of the element and the persons responsible for completion and the persons responsible for review. The action plan should be developed by a team of both the CED and Finance Departments. Specifically, we recommend:

- The City should assign a member of the Finance Department staff as a grant accountant to the Community and Economic Department and program who a) prepares and reconciles the SF-425 quarterly reports and the CAPER PR26 Financial Summary Report to IDIS reports prepared by the CED Department; b) monthly provides a GEMS expenditure report by cost center template that automatically computes, by cost center, the PR26 Financial Summary requirements including the earmarking requirements; c) monthly reconciles the program income reported in GEMS to the CED Department IDIS provided program income report; and d) monthly reconciles Fund 901 CDBG activities to the amounts recorded in Fund 242. These procedures should then be reviewed by both the CED Departments to the IDIS system with follow up with the Finance staff member.
- The City is changing the award program year to December 31 in order to have grant reporting requirements be the same as the City's fiscal year-end. This would provide more efficient financial reporting and improved reconciliation procedures.
- The Martin Luther King Center and the City need to determine improved documentation including timesheet documentation to clearly indicate the activities being performed by the employees match the cost center charged to improve reconciling and monitoring processes. This is to ensure that CDBG time entry is recorded to the proper CDBG activity during the year. For example, there should be no time charged to a summer program during the fiscal year other than during the period of time the summer program is occurring.

Response and Corrective Action Plan: The CED Department Director and Budget and Grants Manager vacancies were filled in the last quarter of fiscal year 2016. The Budget and Grant Manager is working closely with HUD to establish consistent, systematic processes to provide monitoring procedures over program requirements. Specifically, the following steps are being taken in fiscal year 2017:

- Program Income – These funds will be programmed to projects and activities in the upcoming PY 2017 funding allocation. The City understands that Program Income is to be used before other funding sources are used. The City will provide HUD with an annual budget that shows PI allocations tied to activities. Program Income will be drawn at the time of activity completion.
- Martin Luther King Center -- The City is preparing a Memorandum of Agreement that will cover PY 17 and PY 18. The agreement will stipulate the following:
 - MLK will be awarded 15% of the City's annual HUD allocation
 - MLK will distribute the funds between two programs (After school program and the Summer Day Camp)
 - MLK will complete Daily Time Distribution sheets for all employees paid with HUD funds
 - The City will review MLK's payrolls bi-monthly to ensure accuracy and correct distribution of funds.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

- The City will provide MLK with the appropriate forms to document race, gender, and LMI for both programs prior to the City drawing MLK funds.
 - MLK will have each family complete the form at the beginning of the program year and at the beginning of each school year for the After School program. MLK will collect the same data for the Summer Day Camp program at the start of the program.
 - The City will collect the data and compile the data to ensure that each program has at least 51% that meet the LMI limits. The City will provide copies of the income data to MLK to be kept on site while the originals will be kept at City Hall.
 - The City will monitor the programs on a quarterly basis to ensure that MLK is in compliance with HUD Guidelines. A monitoring form will be completed and provided to MLK outlining any deficiencies and corrective actions. The City will follow up with MLK 30 days after to ensure that the corrective actions have been implemented.
- GEMS/ IDIS Reconciliation -- The City is currently preparing a Task Map that will assist CED Staff and Finance determine the roles and responsibilities for reconciling the systems. The City will submit a Draft Task Map to HUD for review/ Comments and approval.
 - Financial Tracking - The Citizens Advisory Committee makes budget recommendation based on an estimated amount. When the City receives the Funding Approval from HUD the CED staff will determine the actual budgets and provide to Finance where the GEMS adjustments will be entered. CED staff will setup the actual budgets in IDIS. As funds are expended on a monthly basis staff will reconcile GEMS to IDIS and make the necessary adjustments.

2016-005

**U.S. Department of Housing and Urban Development
Community Development Block Grants/
Entitlement Grants (Direct) CFDA 14.218
Federal Award Numbers: B15MC170021 and B16MC170021
Federal Award Year: 2015 and 2016**

Finding: The City does not have an adequate system in place to ensure suspension and debarment requirements are met for covered transactions within the program that are not part of the City's rehabilitation activities.

Criteria: Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in Section 200.212 states, "Non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities."

Condition: The City entered into two demolition contracts partially paid from the grant program without performing and documenting a search of the contracting entity to ensure the entity has not been suspended, debarred or otherwise excluded and without requiring the contractor to certify that they have not been suspended, debarred or otherwise excluded.

Questioned Costs: \$0

Context: The City entered into two demolition contracts that exceeded the City's policy threshold of \$15,000 for performing excluded parties documentation. The amount charged to the program was approximately \$92,000. The City subsequently performed a search of the entities and neither entity was suspended, debarred or otherwise excluded.

City of Rock Island, Illinois

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Effect: Noncompliance with program requirements could occur and not be timely identified. The Budget and Grant Manager has subsequently to year-end begun attending the Inspections department weekly meetings in order to stay ahead of the demolitions that are being paid with HUD funds and the HUD Housing Inspector is completing the debarment checks prior to contract initiation.

Cause: The Community and Economic Development (CED) Department had significant turnover including the Department Director and Budget and Grants Manager positions during fiscal year 2016. The CED Department had significant turnover during the 2015 fiscal year as well. Although the City has established policies over suspension and debarment, the City has not implemented systematic processes for covered transactions outside of the rehabilitation activities to ensure compliance with those policies.

Identification of as a Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Community and Economic Development Department establish a process to identify all covered transactions within the program on a timely basis and obtain proper documentation for ensuring contracting entities are not suspended, debarred or otherwise excluded including requiring certifications from entities.

Response and Corrective Action Plan: The CED Department Director and Budget and Grants Manager vacancies were filled in the last quarter of fiscal year 2016. The City is currently working closely with HUD to establish consistent and systematic processes to ensure compliance with the program requirements including suspension and debarment requirements. The Budget and Grant Manager has subsequently to year-end begun attending the Inspections department weekly meetings in order to stay ahead of the demolitions that are being paid with HUD funds and the HUD Housing Inspector is completing the debarment checks prior to contract initiation.

2016-006

**U.S. Department of Housing and Urban Development
Community Development Block Grants/
Entitlement Grants (Direct) CFDA 14.218
Federal Award Numbers: B15MC170021 and B16MC170021
Federal Award Year: 2015 and 2016**

Finding: The City does not have an adequate system in place to ensure compliance with environmental review requirements for all program activities.

Criteria: The U.S. Department of Housing and Urban Development (HUD) performed a monitoring review during the 2016 fiscal year and issued a report in May 2016 citing a finding over compliance with environmental review requirements. 24 CFR Part 570.200 is cited by HUD as the criteria in the monitoring review report. In addition, the monitoring report had concerns over environmental review compliance regarding City policies, tracking activities, and training.

Condition: The City did not perform environmental reviews on all program activities prior to the HUD monitoring review report. Beginning in the last quarter of the fiscal year, the City implemented the corrective actions to the HUD report.

Questioned Costs: \$0

Context: The finding relates to the revolving loan fund activities of the program, City policies, and training attended by employees signing the certifications.

Effect: Noncompliance with program requirements could occur and not be timely identified.

City of Rock Island, Illinois

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Cause: The Community and Economic Development (CED) Department had significant turnover including the Department Director and Budget and Grants Manager positions during fiscal year 2016. The CED Department had significant turnover during the 2015 fiscal year as well. Although the City has established policies, the policies were not properly updated. The City did not have a systematic process for tracking activities for environmental review compliance prior to the last quarter of 2016.

Identification of as a Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Community and Economic Development Department continue to establish a process to identify all activities that require environmental reviews and continue to document the date and performance of the environmental reviews completed.

Response and Corrective Action Plan: In late fiscal year 2016, the CED Department established a shared drive for the Section 106 required reviews which includes all documentation of the Section 106 including the environmental reviews as well as the log of the dates and completion for CDBG activities. All activities including revolving loans had the required documentation in process or maintained evidenced by the Section 106 log. The CED Department had three employees who sign the environmental review reports attend required training. The CED Department updated policies during the year and provided to HUD.

Instances of Noncompliance:

None Reported.

City of Rock Island, Illinois

**Corrective Action Plan
Year Ended December 31, 2016**

	Findings	Corrective Action Plan	Anticipated Date of Completion
Significant Deficiencies Over Basic Financial Statements:			
2016-001	The City has insufficient segregation of duties over the cash disbursement transaction cycle.	See response and corrective action plan at 2016-001	Fiscal Year December 31, 2017
2016-002	The City has insufficient segregation of duties over the Library cash receipts transaction cycle.	See response and corrective action plan at 2016-002	Fiscal Year December 31, 2017
2016-003	The City did not properly identify and record all year-end accrual adjustments required.	See response and corrective action plan at 2016-003	Fiscal Year December 31, 2017
Significant Deficiencies Over Federal Awards:			
2016-004	The City has insufficient financial monitoring processes over the CDBG program.	See response and corrective action plan at 2016-004	Fiscal Year December 31, 2017
2016-005	The City did not have a process in place to ensure suspension and debarment requirements complied with for the CDBG program.	See response and corrective action plan at 2016-005	Fiscal Year December 31, 2017
2016-006	The City does not have a sufficient process over environmental review activities for the CDBG program.	See response and corrective action plan at 2016-006	Fiscal Year December 31, 2017