



# **ROCK ISLAND COUNTY, ILLINOIS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended November 30, 2006**

Prepared by:  
Diana Robinson, County Auditor

## Contents

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### Introductory Section

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Table of contents	i - ii
Organizational chart	iii
List of elected and appointed officials	iv
Transmittal letter	v – x
GFOA certificate	xi

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### Financial Section

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Independent auditor's report	1 – 2
Management's discussion and analysis	3 – 11
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	12 – 13
Statement of activities	14 – 15
Fund financial statements:	
Balance sheet - governmental funds	16 – 17
Reconciliation of governmental funds balance sheet to the statement of net assets	18
Statement of revenues, expenditures and changes in fund balances - governmental funds	19 – 20
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	21
Statement of net assets, governmental activities – internal service funds	22
Statement of revenues, expenses and changes in net assets, governmental activities - internal service funds	23
Statement of cash flows, governmental activities – internal service funds	24
Statement of assets and liabilities – agency funds	25
Notes to basic financial statements	26 – 46
Required supplementary information:	
Illinois Municipal Retirement Fund	47
Budgetary comparison schedule – General Fund	48
Budgetary comparison schedule – Forest Preserve Commission	49
Budgetary comparison schedule – Oak Glen Home Fund	50
Note to required supplementary information	51
Nonmajor governmental funds:	
Supplementary information:	
Schedule of revenues and other financing sources – budget and actual – General Fund	52
Schedule of expenditures by department and other financing uses – budget and actual – General Fund	53 – 57
Combining balance sheet – nonmajor governmental funds	58 – 66
Combining statement of revenues, expenditures and changes in fund balances (deficits) – nonmajor governmental funds	67 – 76
Combining schedule of revenues, expenditures and changes in fund balances (deficits) – budget and actual – all nonmajor governmental funds	77 – 92
Combining statement of net assets – internal service funds	93
Combining statement of revenues, expenses and changes in net assets, governmental activities – internal service funds	94
Combining statement of cash flows, governmental activities – internal service funds	95
Combining balance sheet – agency funds	96 – 98
Combining statement of changes in assets and liabilities – all agency funds	99 – 102

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## Contents

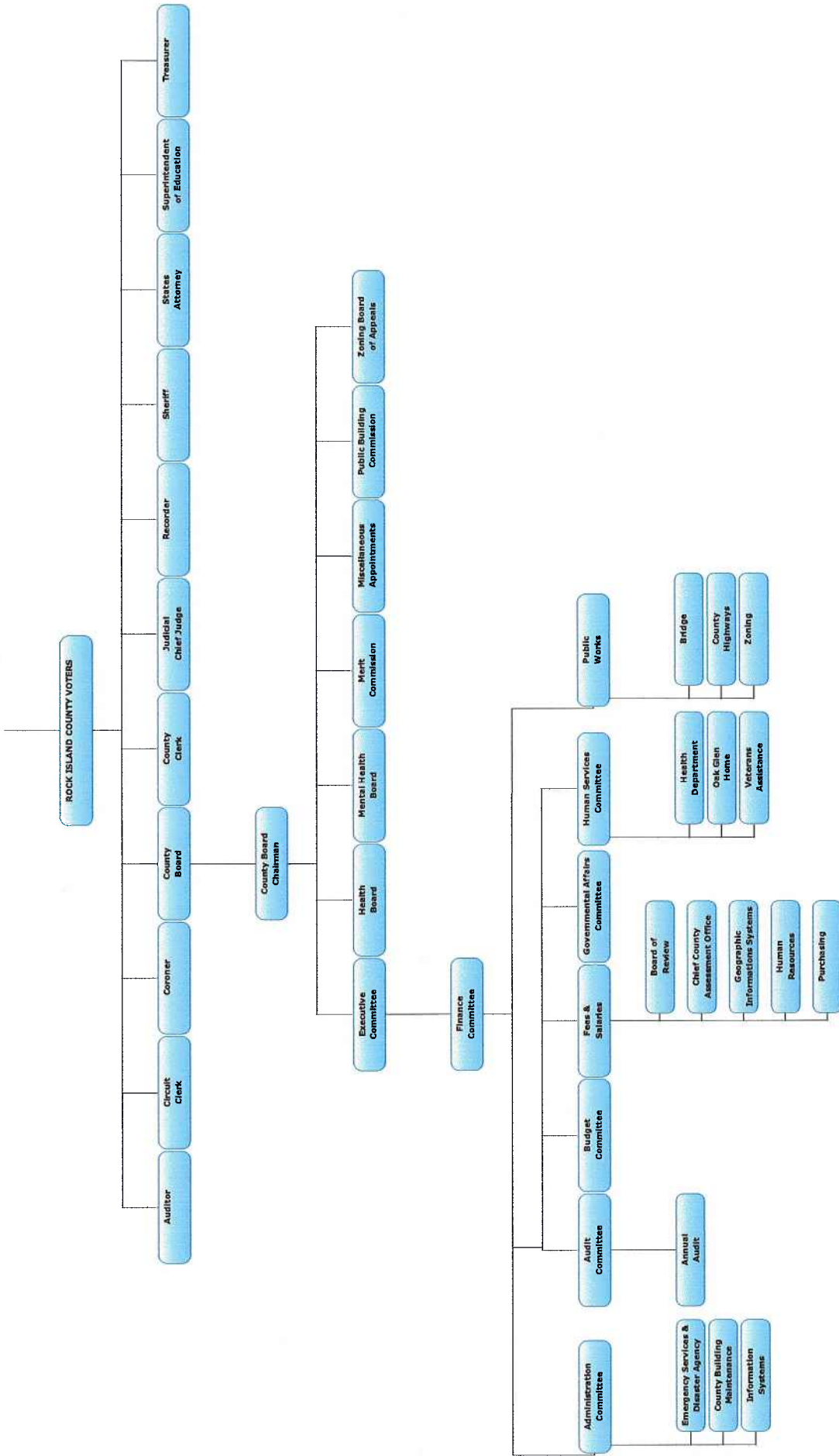
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### Statistical Section (unaudited)

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Statistical section contents	103
Net assets by component	104
Changes in net assets	105
Fund balances, governmental funds	106 – 107
Changes in fund balances, governmental funds	108 – 109
Program revenues by function/program	110
Tax revenues by source, governmental funds	111
Assessed value and actual value of taxable property	112
Principal property taxpayers	113
Property tax levies and collections	114
Direct and overlapping property tax rates	115 – 117
Ratios of outstanding debt by type	118
Ratios of general bonded debt outstanding	119
Direct and overlapping governmental activities debt	120
Legal debt margin information	121 – 122
Demographic and economic statistics	123
Principal employers	124
Full-time equivalent county government employees by function/program	125 – 128
Operating indicators by function/program	129 – 134
Capital asset statistics by function/program	135 – 136

# ROCK ISLAND COUNTY ORGANIZATIONAL CHART



## Rock Island County, Illinois

### List of Elected and Appointed Officials November 30, 2006

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#### Elected Officials

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##### County Board Members

District 1 James Sallows  
District 2 Gary Freeman  
District 3 Fred Schultz  
District 4 Patrick Moreno  
District 5 Virgil Dueysen  
District 6 Donald Jacobs  
District 7 Steven E. Meersman  
District 8 William Armstrong  
District 9 Philip Banaszek  
District 10 Steven Ballard  
District 11 Connie Mohr-Wright  
District 12 Wanda Sweat  
District 13 Harry Perez

District 14 Catherine Wonderlich  
District 15 Ted Davies  
District 16 John Brandmeyer  
District 17 Karen Calvillo  
District 18 John Malvik  
District 19 Luran Boswell-Loftin  
District 20 Virgil Mayberry  
District 21 Kathy Harmon  
District 22 Tom Rockwell  
District 23 Ken "Moose" Maranda  
District 24 James Bohnsack  
District 25 Frank Fuhr

Auditor Diana L. Robinson  
Circuit Clerk Lisa Bierman  
County Clerk Richard Leibovitz  
Coroner Sharon Anderson  
Recorder of Deeds Pat Veronda  
Sheriff Michael Grchan  
States Attorney Jeff Terronez  
Regional Supt. Of Education Joseph Vermeire  
Treasurer Louise Kerr

#### Appointed Officials

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Animal Control Officer Richard Glessner  
Court Services Director David VanLandegen  
ESDA Director Geraldine Borkhart  
Forest Preserve Director James Welling  
GIS Director Josh Boudi  
IS Director Linda Billingsley  
Board of Review Joan Russell  
708 Mental Health Board Larry Pollard  
Civil Division Chief Michael Miller  
Human Resources Director Mindi Nelson

Maintenance Supervisor Michael VanErstevelde  
Oak Glen Home Adm. Trudy Whittington  
Public Defender F. Michael Meersman  
Public Health Administrator Wendy Trute  
County Engineer John Massa  
Purchasing Agent Donna Wilkerson  
Risk Management Debra Welling  
Supervisor of Assessments Larry Wilson  
Veterans Assistance Todd Harlow  
Zoning Director Ray Nees

April 5, 2007

To the County Board Chairman, Members of the County Board and Citizens of the County of Rock Island:

State law requires that every general purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended November 30, 2006.

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.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Rock Island County's financial statements for the year ended November 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

To facilitate the understanding of the County's financial affairs, the CAFR is divided into the following sections:

Introductory Section – Includes this Letter of Transmittal, the GFOA Certificate of Achievement, the Organizational Chart and a list of Elected Officials and Appointed Officials.

Financial Section – Independent Auditor's Report, the basic financial statements, Management Discussion and Analysis, and required supplementary information.

Statistical Section – Various unaudited statistics relating to the 10-year financial history of the County of Rock Island.

The independent audit of the financial statements of Rock Island County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Rock Island County's separately issued Single Audit Report.

## **Profile of the Government**

Rock Island County was incorporated in March 1831 with its Charter adopted in July 1833. It is located in the western part of Illinois and currently occupies a land area of 452 square miles and serves a population of 143,140 residents. Major cities within Rock Island County include the City of Rock Island, the City of Moline, the City of East Moline, the City of Silvis, the Village of Milan and 10 other smaller communities with populations less than 5,000 residents.

Rock Island County operates as a township form of government. Policy-making and legislative authority are vested in a County Board consisting of a County Board Chairman and twenty-four other members. The governing board is responsible for, among other things, passing resolutions, adopting the budget and passing policies and procedures. The Chairman or specific committees of the County Board appoint board members to the Bi-State Regional Commission, the Rock Island County Emergency Telephone System Board, the Rock Island County Merit Commission, the Illini Hospital District and various fire protection, conservancy and sanitary districts within the County. Because these appointments do not include a majority of the County Board, these organizations are not part of the financial statements of the County. Each County Board member is elected in four-year staggered terms with one member elected per district, by district.

Rock Island County provides a full range of services, including law enforcement, the construction and maintenance of highways and bridges and other infrastructure; nursing home services; health related services; animal control services; emergency and disaster services; recreational activities; and many other services.

The financial statements of Rock Island County include as part of its primary government the Rock Island County Forest Preserve Commission and the Public Building Commission.

Presented separately is the Rock Island Tri-County Consortium which is legally separate from the County.

Rock Island County is empowered to levy a property tax on properties located within its boundaries. Taxes are due and payable in four equal installments beginning in June, with the next installments due in August, September and November.

Formal budgetary integration is employed as a management control device during the year for the General Fund and most special revenue funds. The annual budget serves as the foundation for Rock Island County's financial planning and control. The County follows these procedures in establishing the budgetary data reflected in the combined financial statements: 1) at a regular or special call meeting of the County Board in November, the proposed budget for the fiscal year commencing on the following December 1 is submitted. The budget includes proposed expenditures and means of financing them; 2) prior to December 1, the budget is legally enacted through passage of an appropriation ordinance; 3) transfers of budgeted amounts among object classifications, or any budget increases by means of an emergency or supplemental appropriation, require approval by two-thirds of the County Board Members; 4) budgets for the General and certain special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America; and 5) expenditures may not legally exceed the total amount of the revised budget appropriations of individual funds.

Formal budgetary integration is not employed for Debt Service and capital projects funds because effective budgetary control is alternatively achieved through the debt payment provisions of obligations outstanding or County board approval of the specific capital project.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Rock Island County operates.

**Local Economy.** The economy of the area has traditionally centered around farm implement makers and agriculture. Among some of the major businesses are Deere & Company, Commonwealth Edison, SDG Macerich Property, Modern Woodmen, Thoms-Proestler Company, Barjan Products, IBP Incorporated, Minnesota Mining Manufacturing Company, Heritage Place Incorporated and Wal-Mart Stores. The County also has a major presence within the area of The Rock Island Arsenal, Black Hawk College, Augustana College and Western Illinois University Extension. In recent years, it has diversified to a move from such heavy dependence on the farm implement manufacturing to a broader base job market.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate declined from 5.1 percent in 1995 to 4.6 percent in 2006. Unemployment is expected to remain stable or decrease further in the near term with expected growth in jobs. A major pork plant has plans to open a facility in the area, with expectations of creating 1,000 new jobs in the area. In addition, there is expected an additional 350 jobs during the construction phase of the project.

Through the efforts of Rock Island County and its area Legislators, the County will be completing a major project through the Public Works Department. This project is a bridge connecting the Cities of Rock Island and Moline to the Milan Beltway. This bridge crosses the Rock River and passes over Interstate 280, which connects to Interstate 80 to the east and west. This undeveloped area has many possibilities and will enhance the County's ability to continue to prosper with expected growth in housing and new businesses. The expected opening of this bridge will be in the spring of 2007.

### **Long-term financial planning**

Works are under way to construct a new nursing home in the County and replace the existing facility. Renovation of the current facility has been found not to be feasible due to the cost of the renovations. This process is currently in the planning stage. This project will be funded by the current tax levy with the financial plan showing that within a few years it will be a self funding facility with no need for a tax levy.

It has been decided that in the coming year and beyond that a balanced budget will be presented for all funds. The County's definition of a balanced budget is when revenues meet or exceed expenditures in any given year. Our plan is to transfer excess funds to a Capital Improvements Fund for the general county when our revenues exceed expenditures and the fund balance exceeds the planned fund balance.

Unreserved, undesignated fund balance in the General Fund falls within the policy guidelines set by the County Board for budgetary and planning purposes (between 60 to 90 days of operating expenditures).

### **Major Initiatives**

In February 2006, the doors opened at the new Animal Control Facility. The County partnered with various cities throughout the County to construct a new animal control facility. This facility will provide services for clinical and surgical needs. It will also administer the rabies tags and handle the stray animal population, with adoptions made available to individuals that are interested. This project is expected to allow the entities involved to work more efficiently and provide a solution to a much needed service to the community.

In January 2006, members of the County Board, Elected Officials and Department Heads met to determine goals for the County to work on in the future. The following are the goals and the planned strategies as a starting point for development of additional actions that might be taken to attain the goals:

1. Create a County Campus Complex
  - a. Build a new courthouse administrative center, possibly in conjunction with a tri-county justice center
  - b. Improve work environment of the employees and improve the image of the County as a whole



- c. Construct a Juvenile Detention Center as part of a new Administration Center and Courthouse campus complex with possible private sector partners
2. Expand Technology Utilization in the County
    - a. Begin electronic record keeping
    - b. Implement ability to pay for bills and permits through interactive Internet Services
    - c. Research state statutes as they relate to Internet billing and permitting
    - d. Complete implementation of universal pin number for every parcel
    - e. Obtain better information to use in decision making such as up-to-date financial information through appropriate computer technology including new financial software
    - f. Create and adopt formal financial policies
    - g. Improve the procurement process through use of computer technology
    - h. Improve knowledge of information availability on the web with County staff and the public and its ease of use
    - i. Improve the procurement process through use of computer technology
    - j. Improve knowledge of information availability on the web with County staff and the public and its ease of use
  3. New Revenues
    - a. Identify new funding/revenue sources and work on changes to taxation legislation
    - b. Work with the State on legislation to change taxing structures
  4. Public Outreach
    - a. Create a county brochure on services and distribute it to all taxpayers
    - b. Continue to improve services to taxpayers including responsiveness and a consistent level of service/response when concerns are expressed
    - c. Provide additional outreach to the community to educate the public on County services
  5. Economic Development
    - a. Provide strong support for economic growth including encouraging companies with high tech jobs to come to the area and to retain businesses
    - b. Bring high tech seminars to the Quad Cities area
    - c. Market Quad Cities as affordable
  6. Employee Relations
    - a. Improve wages for employees
    - b. Improve employee relations including union communications
    - c. Implement suggestion program, including a reward system, that would provide savings for generate revenue
  7. Increase Levy for Health Department
  8. Bring Assessors and County Township Supervisors together into one computer system
  9. Create Public Information Office/Officer
  10. Review options to bring Regional Office of Education staff and functions under one roof with the County

11. Other
  - a. Provide laptop computers for the County officials for paperless County Board meetings
  - b. Seek Board Member certification through universities or the Illinois County Board Association
  - c. Research reasons staff live in surrounding counties
  - d. Construct new highway maintenance garage

Since this planning session the County has accomplished some of the goals set in January. Among some of these has been the purchase of new financial software, adoption of some formal financial policies, improved wages for employees through increased salaries and wages and the adoption of the minimum wage of \$7.50, increased the Levy for the Health Department, enhancement of the County's Web page and through the University Extension Services it is possible to earn a certificate after completing the Certified County Official Program offered through the University of Illinois.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in Black Hawk State Bank, certificates of deposits, and the State Treasurer's Investment Pool. The maturities of the investments range from 3 months to 6 months. Investments, which consist primarily of mutual funds, are reported at fair value as determined by the fund's current share price. Earnings from these pooled investments are allocated monthly to the appropriate funds based on the average daily investment balance for each fund.

**Risk Management.** The County is self-insured for risk exposures related to health benefits, worker's compensation claims and general and automobile liability claims. The County is also self-insured in its Employee Health Benefit Plan. Claims settlement and loss expenses are accrued in the Employee Health Benefit Plan Fund for the estimated settlement value of claims reported and unreported arising from incidents during the period. All claims handling procedures are performed by an independent claims administrator. The County levies for a liability reserve property tax, recorded in the General Fund to provide for claims settlement and loss expenses for the estimated settlement value of worker's compensation, general liability, and auto liability claims reported and unreported arising from incidents during the year. This liability reserve is in exception to the long term portion of such estimated claim settlements which are recorded in the general long-term debt account group until spendable resources become available to liquidate such liabilities.

**Pension and Other Post-Employment Benefits.** Rock Island County participates in a defined benefit pension plan through the Illinois Municipal Retirement Fund, which provides retirement benefits for all officials and employees of the County whose position normally requires at least 1,000 hours of service per year. These benefits are paid in addition to social security benefits. The County also provides for postretirement health care benefits to employees under the required provisions. Additional information on Rock Island County's pension and post-employment benefits can be found in the notes to basic financial statements.

### **Relevant Financial Policies**

**Awards and Acknowledgements.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rock Island County for its comprehensive annual financial report (CAFR) for the fiscal year ended November 30, 2005. This was the second consecutive year Rock Island County has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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 that our current CAFR 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.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staffs of the Auditor's Office and the Treasurer's Office. We also wish to express our appreciation for the excellent assistance received from our independent auditors McGladrey & Pullen, LLP. Acknowledgement must also be given to the County Board for their support for maintaining the highest standards of professionalism in the management of Rock Island County finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Diana L. Robinson".

Diana L. Robinson, County Auditor

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rock Island County  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
November 30, 2005

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



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the County Board of  
Rock Island County, Illinois  
Rock Island, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Rock Island, Illinois as of and for the year ended November 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Rock Island, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Rock Island Tri-County Consortium. We did not audit the blended component unit, the Forest Preserve Commission, a major governmental fund, which represents 4 percent and 6 percent of the assets and revenues, respectively, of the governmental activities. We did not audit the blended component unit, the Public Building Commission, which represents 9.6 percent and 5 percent of the assets and revenues, respectively, of the aggregate remaining fund information and 69.9 percent and 23 percent of the assets and revenues, respectively, of the internal service funds. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the basic financial statements, insofar as it relates to the amounts included for the component units, is based solely upon the reports of the other independent 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 of material misstatement. The financial statements of the Public Building Commission and the Forest Preserve Commission were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Rock Island, Illinois as of November 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, the November 30, 2005 governmental activities net assets have been restated \$560,740 for correction of an error in the recording of capital assets.

As described in Note 13 to the basic financial statements, the County changed its method of accounting for net assets restricted by enabling legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2007, on our consideration of the County of Rock Island, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11, Illinois Municipal Retirement Fund Information on page 47 and budgetary comparison information on pages 48 through 51 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rock Island, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
April 1, 2007

## Rock Island County, Illinois

### Management's Discussion and Analysis Year Ended November 30, 2006

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As management of Rock Island County, we offer readers of Rock Island County's financial statements this narrative overview and analysis of the financial activities of Rock Island County for the fiscal year ended November 30, 2006. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, identifying material deviations from the financial plan (approved budget), and identifying individual fund issues or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

#### Financial Highlights

The assets of Rock Island County, Illinois exceeded its liabilities by \$77,992,594 and \$70,074,615 (net assets) at the close of fiscal years 2006 and 2005, respectively. Of this amount, \$12,929,582 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$7,917,979 and \$4,496,052 in fiscal years 2006 and 2005, respectively.

As of the close of this current fiscal year, Rock Island County, Illinois' governmental funds reported combined ending fund balances of \$23,098,251, an increase of \$920,030 in comparison with the prior year. Approximately 86 percent of this total amount, \$19,806,978 is available for spending at the government's discretion (unreserved undesignated fund balance).

At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$7,559,063 and \$5,357,539 or 34 percent and 27 percent of total General Fund expenditures for fiscal years ended 2006 and 2005, respectively.

The County of Rock Island, Illinois' total long-term debt, excluding compensated absences and estimated claims settlements, increased by \$1,685,000 (19 percent) during fiscal year ended November 30, 2006. The increase was due to the County issuing General Obligation Bonds during the year of \$1,750,000.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Rock Island County, Illinois' basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial 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 Rock Island County, Illinois' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Rock Island County, Illinois' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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



## Rock Island County, Illinois

### Management's Discussion and Analysis Year Ended November 30, 2006

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Rock Island County, Illinois only has functions that are principally supported by taxes (governmental activities). The governmental activities of Rock Island County, Illinois include general government, public safety, judiciary and legal, corrections, transportation and public works, social services and culture and recreation.

The government-wide financial statements include Rock Island County, Illinois and the discretely presented component unit, the Rock Island Tri-County Consortium. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the County.

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. Rock Island County, Illinois, 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 County 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Rock Island County, Illinois maintains 50 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, Forest Preserve Commission and Oak Glen Home Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for most of its funds. A budgetary comparison schedule has been provided as required supplementary information for the General Fund, Forest Preserve Commission Fund, and Oak Glen Home Fund to demonstrate compliance with this budget on pages 48 through 51.

The basic governmental fund financial statements can be found on pages 16 through 21 of this report.

Proprietary funds: Rock Island County, Illinois maintains one type of proprietary fund: Internal Service. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

## Rock Island County, Illinois

### Management's Discussion and Analysis Year Ended November 30, 2006

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Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Rock Island County, Illinois' own programs. The fiduciary funds of the County are considered agency funds. Total assets of the fiduciary funds were \$6,536,417 and \$8,347,682 for fiscal years ended 2006 and 2005, respectively.

The basic fiduciary fund financial statements can be found on page 25 of this report.

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 Rock Island County, Illinois' General Fund's budgetary comparison. This information can be found on pages 52 through 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements and the required supplementary information.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's total net assets have increased from a year ago. Table 1 reflects total net assets of \$77,992,594, which represents an increase from \$70,074,615 of 2005.

Of Rock Island County, Illinois' net assets, 69 percent and 68 percent for fiscal years ended 2006 and 2005, respectively, reflects its investment in capital assets (e.g., land, construction-in-progress, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Rock Island County, Illinois uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted 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.

**Rock Island County, Illinois**

**Management's Discussion and Analysis  
Year Ended November 30, 2006**

**Table 1 - Rock Island County, Illinois' Net Assets**

	<b>Governmental Activities 2006</b>	Governmental Activities 2005
Current and other assets	<b>\$ 46,788,293</b>	\$ 46,617,944
Capital assets, net	<b>65,876,767</b>	58,524,689
Other noncurrent assets	<b>180,322</b>	-
<b>Total assets</b>	<b>112,845,382</b>	105,142,633
Noncurrent liabilities outstanding	<b>23,274,704</b>	10,749,734
Other liabilities	<b>11,578,084</b>	24,318,284
<b>Total liabilities</b>	<b>34,852,788</b>	35,068,018
Net assets:		
Invested in capital assets, net of related debt	<b>54,083,699</b>	48,006,622
Restricted for:		
Employee benefits	<b>1,602,099</b>	3,160,016
Social services	<b>1,643,710</b>	1,686,470
Transportation and public works	<b>4,639,322</b>	4,944,061
Debt service	<b>54,671</b>	(110,512)
Tort liability	<b>960,057</b>	1,262,103
Capital improvements	<b>2,079,454</b>	256,465
Unrestricted	<b>12,929,582</b>	10,869,390
<b>Total net assets, as restated</b>	<b>\$ 77,992,594</b>	\$ 70,074,615

A restricted portion of the County's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$12,929,582, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Rock Island County, Illinois is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The County's total net assets increased by \$7,917,979 during the current fiscal year. This increase was mainly attributable to controlled spending, increased tax and grant revenues.

Table 2 highlights the County's revenues and expenses for the fiscal year ended November 30, 2006. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services and sales and services, operating grants and contributions and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

