



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WASHINGTON, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2017

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	14
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Fund Position – Trust and Agency Funds	26
Statement of Changes in Fiduciary Net Position – Trust Fund	27
Statement of Changes in Assets and Liabilities – All Agency Funds	28
Notes to the Basic Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	64
Schedule of Changes in Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund	65
Schedule of Changes in Net Pension Liability and Related Ratios – Police Pension Trust Fund	66
Schedule of Employer Contributions and Notes to Schedule – Illinois Municipal Retirement Fund	67
Schedule of Employer Contributions and Notes to Schedule – Police Pension Trust Fund	69

Schedule of Money-Weighted Rate of Return on Pension Plan Investments – Police Pension Trust Fund	71
Schedule of Funding Progress– Post-Employment Health Insurance Plan (Unaudited)	72

OTHER SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	73
Combining Balance Sheet - Nonmajor Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	79
Combining Statement of Net Position – Internal Service Funds	83
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	84
Combining Statement of Cash Flows – Internal Service Funds	85
Combining Schedule of Operating Expenses, Other than Depreciation – Enterprise Funds	86
Schedule of Property Tax Levies, Rates, Collections, and Assessed Valuation	87
Information Regarding Waste Water User-Charge System (Unaudited)	88



INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the City Council
City of Washington, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Washington, Illinois**, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of the City of Washington, Illinois as of and for the year ended April 30, 2017.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington, Illinois, as of April 30, 2017, 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 revenues, expenditures and changes in fund balance – budget and actual – general and major special revenue funds, schedule of changes in net pension liability and related ratios, schedule of employer contributions, schedule of money-weighted rate of return of pension plan investments and schedule of funding progress on pages 3-11 and 64-72, 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

We have previously audited the City's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Illinois' financial statements as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information, on pages 73-87, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information included on page 88 has been summarized from the City's records. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Phillips, Salmi & Associates, LLC

October 11, 2017

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2017

The following narrative overview and analysis is provided by the management of the City of Washington, IL to serve as an introduction to and to aid in the understanding of the more detailed financial statements which follow. Comparative information for the prior fiscal year ending April 30, 2016 is provided where available and applicable. This overview should be read in conjunction with the financial statements and footnotes that follow this section.

BACKGROUND

The City of Washington, IL operates under the Mayor/Council form of government. Other elected officials include a City Clerk and City Treasurer. Voters approved a Home Rule referendum in 1998 which affords the city greater latitude in meeting the needs of its residents and managing its governmental affairs.

The city directly provides or makes provision for the delivery of services to its residents including, but not limited to, the following: police; fire; ambulance and rescue; water; wastewater; streets; solid waste disposal and recycling; storm water management; and planning, zoning and code enforcement. It also performs a variety of functions related to these services and other general administrative responsibilities including: budgeting and financial management, human resources administration, accounts payable/receivable and engineering.

The format and content of the financial statements for the fiscal year ending April 30, 2017 are in accordance with the GASB 34 reporting model. Among other things, GASB 34 requires the city to account for the depreciation of fixed assets (city-owned streets, buildings, land, etc.) within governmental activities.

FINANCIAL HIGHLIGHTS

- The total net position of the City of Washington assets exceeded liabilities at April 30, 2017 by \$77,020,332, a \$3,451,715 or 4.69% increase over the prior year. Of the \$77 million, \$19,468,399 is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net position for the year ending April 30, 2016 totaled \$18,883,265.
- At April 30, 2017, the governmental funds reported combined fund balances of \$18,055,350, of which \$13,895,859 were unassigned. In the prior year, the governmental funds combined fund balance was \$20,809,566 of which \$11,694,281 was unassigned.
- Unrestricted cash, cash equivalents and investments increased by \$1,502,589 in the General Fund, decreased by \$1,489,504 in the Sewer Funds and increased by \$192,863 in the Water Funds.
- The city continues to maintain cash reserves equal to at least three months annual operating revenues for cash flow purposes. These additional funds are maintained for unanticipated needs that may occur at any time and in anticipation of major capital projects planned for future years.
- The City's long-term debt totaled \$16,139,991 at fiscal year-end. This total includes not only bonded indebtedness, but also vested employee compensated absences. The City continues to meet its debt obligations in a full and timely manner. Total long-term debt as of April 30, 2016 was \$18,776,907.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Washington's basic financial statements. The financial statements include three major component parts: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The report contains other supplementary information as well.

Government-wide Financial Statements. The *government-wide financial statements* are intended to provide readers with a broad overview of the City of Washington's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Washington's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the city is improving or deteriorating. Readers are cautioned that substantive conclusions should only be made following a more thorough evaluation of the full financial details and notes included herein.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Washington's governmental activities include General Government, Public Safety, Highways and Streets, Health and Welfare, Cemetery and interest on long-term debt.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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. This information is useful in evaluating the City of Washington's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. 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.

The City of Washington 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, the Motor Fuel Tax Fund and the WACC Debt Service Fund which are considered major funds. Data from the other 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 in this report.

The City of Washington adopts an annual budget for all of the governmental funds pursuant to Illinois statutes. A budgetary comparison statement for these funds has been provided in the Required Supplementary Information section.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Washington maintains two different types of proprietary funds, enterprise and internal service:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Washington utilizes enterprise funds to account for financial transactions related to its Waterworks and Sewerage systems.
- Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City of Washington uses internal service funds to account for the city's self-insured health plan (Employees' Benefit Fund) and for fleet and equipment maintenance and replacement (Motor Equipment Replacement Fund).

Fiduciary funds account for resources held for the benefit of parties outside of the government: pension trust funds and agency funds held by the city in a custodial capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Washington's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning combining statements and schedules for various funds; funding progress for the City's Illinois Municipal Retirement Fund (IMRF) and Police Pension Trust Fund; a historical review of property tax levies, rates and collections; and comparisons of budget vs. actual revenue and expense data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City of Washington's net position reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Washington'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.

At the end of the fiscal year, the City of Washington reports balances in all categories of net position, both for the government as a whole (\$77,020,332 for FYE April 2017 compared to \$73,568,617 for FYE April 2016, a 4.69% increase), as well as for governmental activities (\$40,293,543 compared to \$37,779,312, a 6.7% increase) and business-type activities (\$36,726,789 compared to \$35,789,305, a 2.6% increase).

Financial Analysis: Government Funds

As previously noted, the City of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City of Washington's governmental funds reported combined ending fund balances of \$18,055,350, a decrease of \$2,754,216. The sum of \$13,895,859 is unassigned.

The General Fund is the primary operating fund of the City. Unassigned fund balances at fiscal year-end totaled \$13,018,930. During the year, revenues exceeded expenditures in the general fund by \$1,534,189. After planned transfers to various other funds, a net increase in the fund balance totaled \$1,667,225.

Financial Analysis: Proprietary Funds

The city's primary Proprietary Funds include the Waterworks and Sewerage Enterprise Funds. Monies in these funds are principally generated from user fees; they are primarily dedicated to the operation, maintenance, repair and replacement of the water treatment and distribution system and the sewer collection and treatment system.

Net position in the Waterworks Fund total \$12,177,300 with \$3,236,665 being unrestricted. Net position increased by \$1 during the year ending April 30, 2017. Sewerage Fund net position totals \$23,725,580; \$4,522,149 are unrestricted. Net position in this fund grew by \$604,174.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net position of \$1,487,983, the Motor Equipment Replacement Fund with net position of \$3,189,412 and the Capital Replacement Fund with net position of \$108,200.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$7,204,066 which largely represents the fund balance of the Police Pension Fund (Pension Trust). The net position of the Pension Trust Fund increased by \$572,455 over the past year. These monies are restricted for the payment of pension benefits to sworn officers of the Washington Police Department.

Capital Asset Administration

The City of Washington's investment in capital assets includes land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. This investment in capital assets as of April 30, 2017 was \$66,618,461 (net of accumulated depreciation) compared to \$61,258,553 in the prior year. See Note 4 for further details.

Long-Term Debt

The City's long-term debt totaled \$16,139,991 at April 30, 2017 compared to \$18,776,907 at April 30, 2016. Governmental activity debt totaled \$9,628,124. Business-type activity debt (associated with the City's enterprise funds) totaled \$6,511,867.

Debt reductions during the year totaled \$4,831,072. Additions to long-term debt during the year totaled \$2,194,156. The sum of \$2,166,395 is attributable to a promissory note obtained for the financing of the water meter project. Also, \$27,757 is attributable to the increase in vested compensated absences and \$4 is for other postemployment retirement benefits.

As a home-rule unit, no legal limit exists on the amount of outstanding debt. Additional information on the City's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

The national economy continues to show signs of improvement and the City economic trends mirrored those this past year. However, the impact of recent layoffs by both Caterpillar and Mitsubishi appear to have impacted local economic growth.

On November 17, 2013, several tornadoes devastated the State of Illinois with the City of Washington suffering the most devastation of all impacted communities. Forty percent (40%) of the City's residential area was impacted to varying degrees with the majority of those suffering complete loss. Personal loss estimates exceeded \$200,000,000. The assessed valuation (AV) of the city was impacted by a 6.9% decrease for 2014; however, the AV has since rebounded by more than 17% to exceed pre-tornado values by almost 10%.

Adverse legislative action in an attempt to ease the state’s budgetary problems remains a possibility. The approval of the state’s current budget has provided some stability in regard to the funding of intergovernmental revenues. In addition, the City plans to undertake a Special Census which is anticipated to more accurately reflect population and have a positive impact on the distribution of such revenues.

Capital spending is anticipated to increase in the coming years in conjunction with the development of a long-range capital investment strategy. Supplemental funding is needed in the near term for the following specific capital purposes: general street repair and maintenance, storm water management and control, development of Washington 223, elimination of Sewer Treatment Plant #1 and expansion of Sewer Treatment Plant #2. The Sewer Treatment Plant #2 Phase 2A expansion was substantially completed in 2017. Development of Washington 223 presents possible long-term benefits to the community as well as opportunities to explore alternatives for revenue sources for debt service financing.

Personnel costs account for about one-third of total budgeted expenditures. These expenses present steady upward pressure on the City’s budget from year to year. A new approach to health insurance benefits with an emphasis on wellness has been implemented with the long-term goal of containment of health insurance costs and a healthier workforce. Over 80% of employees covered by health insurance participate in the wellness program. Claims on average have remained fairly stable over the past 5 years, despite health care inflation in excess of 12%.

The City’s near-term financial well-being remains directly dependent on the sustained growth of the City’s key sources of revenue: sales tax, income tax, and water and sewer user fees. Development of Washington 223 and continued commercial growth is essential to the City’s long-term financial well-being. Income tax revenue is largely dependent on the overall health of the state and national economy and the preservation of the current state distribution formula to municipalities. Although property taxes account for a comparatively small portion of total city revenue, growth in the City’s assessed valuation is still important to meet future fire protection/ambulance, pension and liability insurance expenses as these costs are largely funded through property taxes. Sustained building activity is essential to the growth of the local property tax base.

Request for Information

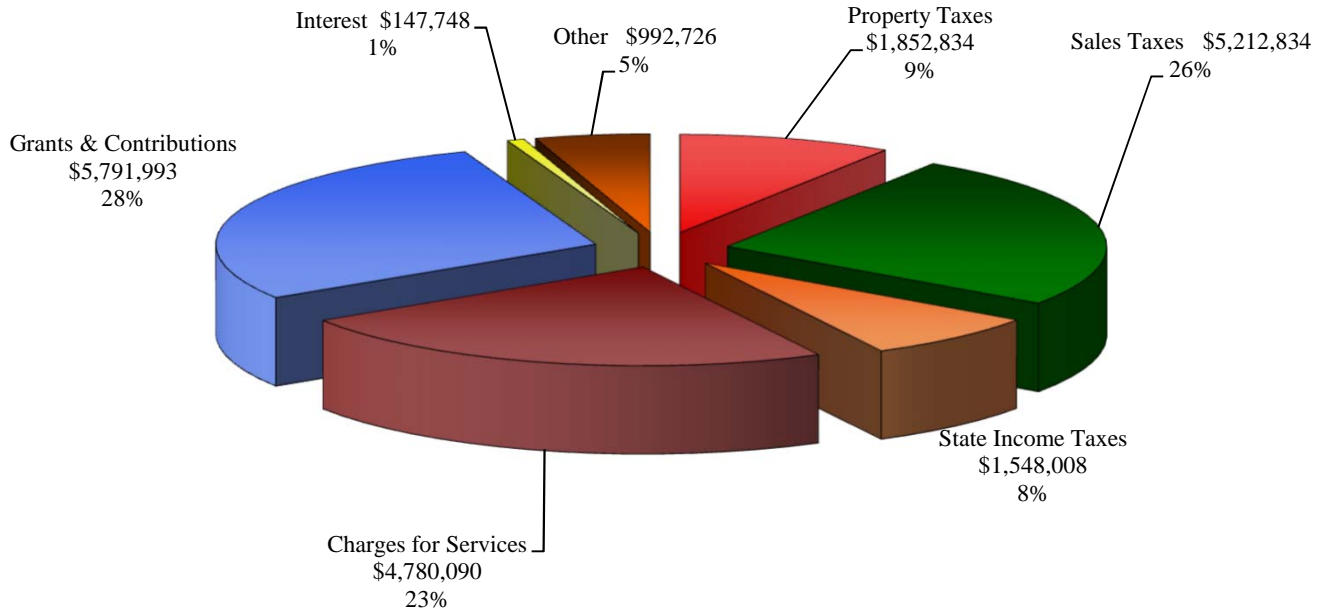
This financial report is designed to provide a general overview of the City of Washington’s finances. Questions concerning the information provided in this report or requests for additional financial information should be directed to City Hall at 301 Walnut Street, Washington, IL 61571, (309) 444-3196 to the attention of Mr. Jim Culotta, Washington City Administrator (jculotta@ci.washington.il.us) or Mrs. Joanie Baxter, Washington City Controller (jbaxter@ci.washington.il.us).

Government Wide
Five Year Analysis – Other Data

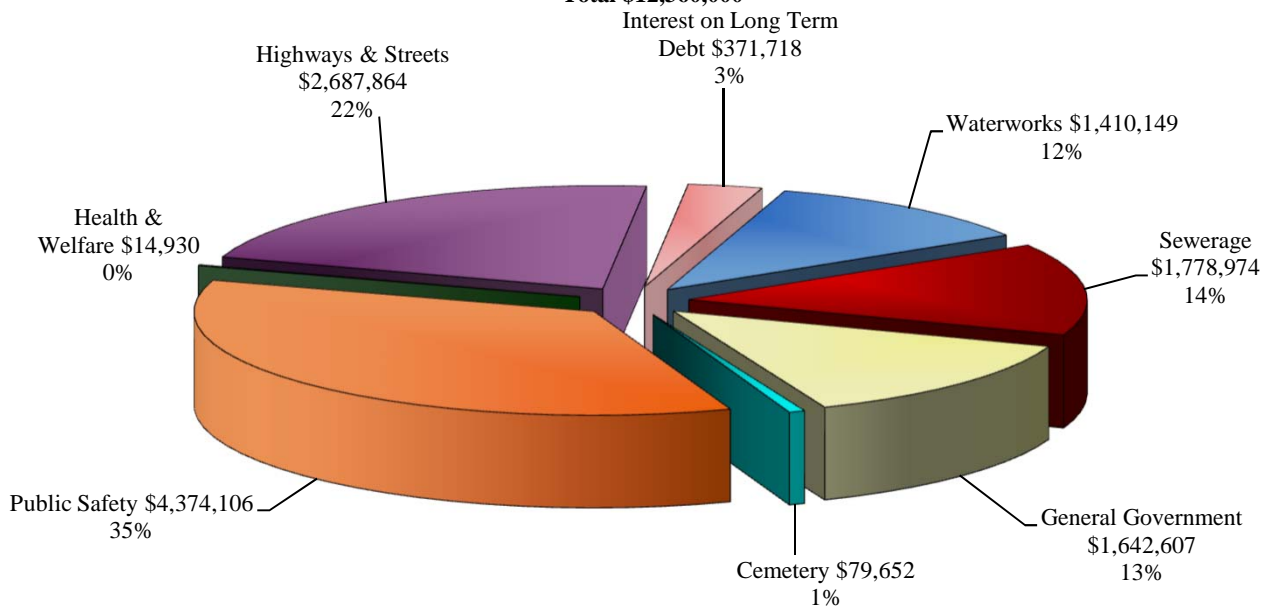
	2017	2016	2015	2014	2013
Unrestricted cash and investments	\$ 29,167,777	\$ 28,518,424	\$ 26,152,053	\$ 21,533,557	\$ 19,550,489
Capital assets	66,618,461	61,258,553	55,748,898	57,148,352	55,306,058
Long-term debt	16,139,991	18,776,907	19,680,545	16,686,727	12,597,753
Total Payroll	4,371,933	4,025,720	3,832,658	3,945,337	3,592,416
Annual Pension Costs					
IMRF	395,121	343,296	247,411	245,393	293,757
Police Pension	373,617	320,283	304,017	304,010	247,629
Assessed Valuation	343,361,222	331,654,600	292,078,141	312,276,092	305,649,264
Property tax rates	0.4211	0.4253	0.4195	0.4193	0.4212

CITY OF WASHINGTON, ILLINOIS

**Revenues
(Government Wide Basis)
Year Ended April 30, 2016
Total \$20,326,233**



**Expenses
(Government Wide Basis)
Year Ended April 30, 2016
Total \$12,360,000**



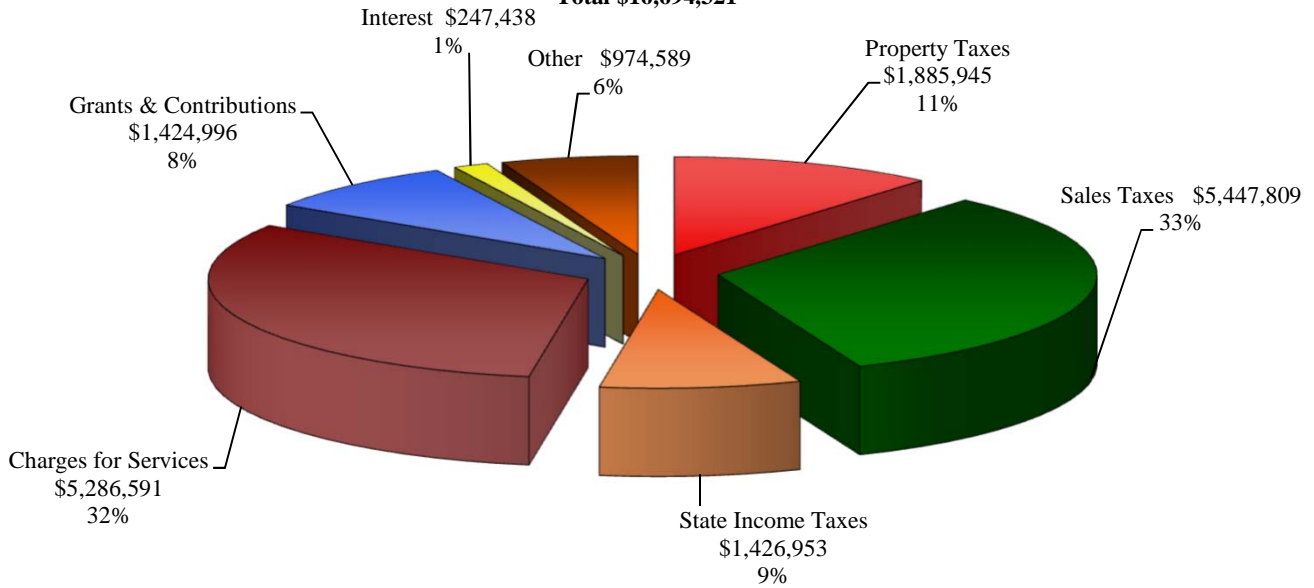
CITY OF WASHINGTON, ILLINOIS

Revenues

(Government Wide Basis)

Year Ended April 30, 2017

Total \$16,694,321

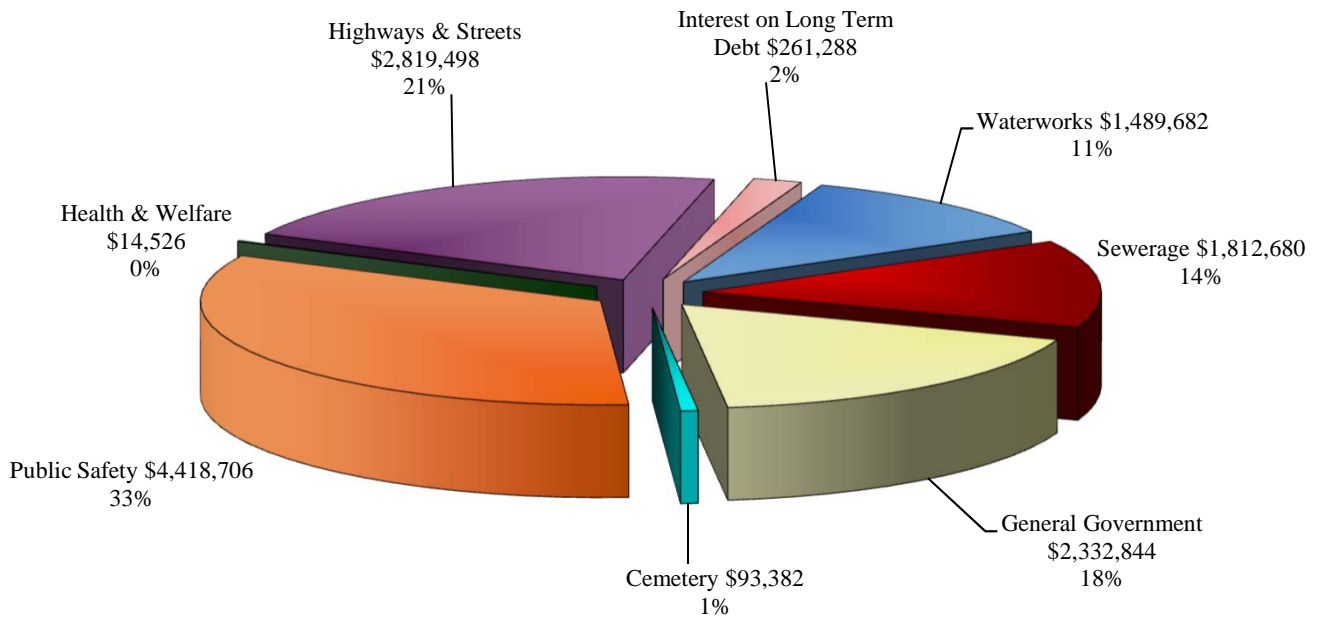


Expenses

(Government Wide Basis)

Year Ended April 30, 2017

Total \$13,242,606



**CITY OF WASHINGTON, ILLINOIS
COMPARISON OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
YEARS ENDED APRIL 30, 2013 THROUGH 2017**

	2017	2016	2015	2014	2013
REVENUES					
Property taxes	\$ 1,855,766	\$ 1,659,582	\$ 1,734,335	\$ 1,705,521	\$ 1,667,174
Licenses and permits	560,096	464,359	509,996	499,061	347,478
Intergovernmental					
Sales tax	3,316,444	3,177,895	3,204,719	3,052,787	2,968,418
Home rule sales tax	2,131,365	2,034,939	2,144,257	2,084,891	2,102,106
Income tax	1,426,953	1,548,008	1,524,686	1,445,273	1,431,941
Other	900,291	934,121	1,055,405	1,017,527	985,504
Grant proceeds	1,461,919	5,771,780	778,749	1,228,937	166,288
Charges for services	189,286	176,255	156,002	205,932	159,873
Fines and forfeitures	141,474	154,714	161,622	190,254	197,201
Interest	158,147	112,791	129,969	76,926	90,517
Other	157,341	208,695	253,159	190,951	209,669
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	12,299,082	16,243,139	11,652,899	11,698,060	10,326,169
EXPENDITURES					
Current					
General government	2,196,861	1,839,534	1,857,878	3,406,938	1,673,180
Public safety	4,631,948	4,204,179	3,951,009	4,060,119	3,916,140
Highways and streets	1,711,363	1,375,028	1,372,813	1,604,436	1,646,075
Health and welfare	14,526	14,933	14,377	16,394	17,278
Cemetery	83,756	75,218	80,782	68,089	63,181
Debt service					
Principal	214,423	745,766	334,280	321,720	308,160
Interest	347,567	433,822	385,519	266,406	284,882
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	9,200,444	8,688,480	7,996,658	9,744,102	7,908,896
Excess of revenues over expenditures before capital outlay and debt refinancing	3,098,638	7,554,659	3,656,241	1,953,958	2,417,273
Capital outlay	2,074,582	7,021,019	455,789	5,567,335	1,216,548
Debt refinancing	3,910,000	-	-	-	-
Excess (deficiency) of revenues over expenditures	<hr/> <u>\$ (2,885,944)</u>	<hr/> <u>\$ 533,640</u>	<hr/> <u>\$ 3,200,452</u>	<hr/> <u>\$ (3,613,377)</u>	<hr/> <u>\$ 1,200,725</u>

CITY OF WASHINGTON, ILLINOIS
COMPARISON OF OPERATING REVENUES AND EXPENSES
WATERWORKS AND SEWERAGE FUNDS
YEARS ENDED APRIL 30, 2013 THROUGH 2017

WATERWORKS

	2017	2016	2015	2014	2013
OPERATING REVENUES	\$ 1,641,456	\$ 1,317,572	\$ 1,326,780	\$ 1,317,462	\$ 1,391,999
OPERATING EXPENSES					
Personal services	618,908	533,036	516,291	559,012	489,200
Heat, light, and power	112,931	106,172	100,106	116,982	118,069
Materials and supplies	166,206	167,375	138,712	165,628	144,529
Other services and charges	326,446	272,205	130,682	133,905	155,692
	<u>1,224,491</u>	<u>1,078,788</u>	<u>885,791</u>	<u>975,527</u>	<u>907,490</u>
Cash Generated from Operations	416,965	238,784	440,989	341,935	484,509
Depreciation	<u>(390,106)</u>	<u>(382,510)</u>	<u>(398,924)</u>	<u>(391,941)</u>	<u>(386,224)</u>
Operating income (loss)	<u>\$ 26,859</u>	<u>\$ (143,726)</u>	<u>\$ 42,065</u>	<u>\$ (50,006)</u>	<u>\$ 98,285</u>

SEWERAGE

	2017	2016	2015	2014	2013
OPERATING REVENUES	\$ 2,609,140	\$ 2,551,512	\$ 2,637,576	\$ 2,600,112	\$ 2,751,782
OPERATING EXPENSES					
Personal services	735,807	649,301	623,740	742,261	652,533
Heat, light, and power	163,910	150,421	137,792	146,953	145,948
Materials and supplies	45,576	30,499	31,522	20,566	24,074
Other services and charges	343,317	312,041	159,624	202,098	216,371
	<u>1,288,610</u>	<u>1,142,262</u>	<u>952,678</u>	<u>1,111,878</u>	<u>1,038,926</u>
Cash Generated from Operations	1,320,530	1,409,250	1,684,898	1,488,234	1,712,856
Depreciation	<u>(687,679)</u>	<u>(681,366)</u>	<u>(676,849)</u>	<u>(667,938)</u>	<u>(658,254)</u>
Operating income	<u>\$ 632,851</u>	<u>\$ 727,884</u>	<u>\$ 1,008,049</u>	<u>\$ 820,296</u>	<u>\$ 1,054,602</u>

BASIC FINANCIAL STATEMENTS

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2017

	GOVERNMENTAL	BUSINESS-TYPE		2016
	ACTIVITIES	ACTIVITIES	TOTAL	(Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 10,614,673	\$ 3,288,251	\$ 13,902,924	\$ 28,216,680
Investments	9,094,862	6,169,991	15,264,853	301,744
Receivables (net of allowance for uncollectibles)				
Property taxes	1,877,245	-	1,877,245	1,829,592
Other taxes	1,828,633	-	1,828,633	1,812,903
Special assessments	132,000	-	132,000	172,000
Accounts - customers	7,360	55,840	63,200	19,129
Estimated unbilled usage	-	297,793	297,793	791,391
Interest	664	2,004	2,668	-
Other	934,406	2,733	937,139	795,898
Internal balances	(815,049)	815,049	-	-
Inventory	14,382	-	14,382	27,952
Due from fiduciary funds	373	-	373	36,516
Prepaid items	36,056	7,072	43,128	47,082
Restricted assets				
Cash and cash equivalents	194,955	876,490	1,071,445	2,350,713
Investments	-	-	-	3,794,940
Capital assets not being depreciated	6,545,106	4,511,935	11,057,041	13,947,477
Capital assets, net of accumulated depreciation	26,359,277	29,202,143	55,561,420	47,311,076
Total assets	56,824,943	45,229,301	102,054,244	101,455,093
DEFERRED OUTFLOWS OF RESOURCES				
Pension items - IMRF	842,829	-	842,829	1,072,588
Pension items - Police Pension Trust Fund	1,408,854	-	1,408,854	373,617
Total deferred outflows of resources	2,251,683	-	2,251,683	1,446,205
Total assets and deferred outflows of resources	\$ 59,076,626	\$ 45,229,301	\$ 104,305,927	\$ 102,901,298

See accompanying notes.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2016 (Memorandum Only)
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 675,729	\$ 1,308,242	\$ 1,983,971	\$ 1,638,675
Construction retainage payable	5,400	328,100	333,500	318,308
Escrow and customer deposits	-	351,675	351,675	335,055
Deferred revenue	14,055	2,628	16,683	903,398
Long-term liabilities:				
Due within one year	470,872	794,827	1,265,699	1,104,137
Due in more than one year	9,157,252	5,717,040	14,874,292	17,672,770
Net pension liability - IMRF	3,173,101	-	3,173,101	3,230,891
Net pension liability - Police Pension Trust Fund	5,286,674	-	5,286,674	4,129,447
Total liabilities	18,783,083	8,502,512	27,285,595	29,332,681
NET POSITION				
Invested in capital assets, net of related debt	27,658,754	27,267,576	54,926,330	50,875,948
Restricted for:				
Debt service	-	876,490	876,490	1,217,250
Other purposes	1,749,113	-	1,749,113	2,592,154
Unrestricted	10,885,676	8,582,723	19,468,399	18,883,265
Total net position	40,293,543	36,726,789	77,020,332	73,568,617
	\$ 59,076,626	\$ 45,229,301	\$ 104,305,927	\$ 102,901,298

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2017**

FUNCTION/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 2,332,845	\$ 784,818	\$ 38,340	\$ 134,234
Public safety	4,418,706	146,656	3,077	-
Highways and streets	2,819,498	8,941	18,754	1,230,591
Health and welfare	14,526	-	-	-
Cemetery	93,382	99,550	-	-
Interest on long term debt	261,287	-	-	-
Total governmental activities	9,940,244	1,039,965	60,171	1,364,825
Business-type activities:				
Waterworks	1,489,682	1,637,934	-	-
Sewerage	1,812,680	2,608,692	-	-
Total business-type activities	3,302,362	4,246,626	-	-
TOTAL	\$ 13,242,606	\$ 5,286,591	\$ 60,171	\$ 1,364,825

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	2016 (Memorandum Only)
	\$ (1,375,453)	\$ -	\$ (1,375,453)	\$ (861,792)
	(4,268,973)	-	(4,268,973)	(4,191,843)
	(1,561,212)	-	(1,561,212)	2,976,069
	(14,526)	-	(14,526)	(14,930)
	6,168	-	6,168	2,348
	(261,287)	-	(261,287)	(371,718)
	(7,475,283)	-	(7,475,283)	(2,461,866)
	-	148,252	148,252	(98,364)
	-	796,012	796,012	772,311
	-	944,264	944,264	673,947
	(7,475,283)	944,264	(6,531,019)	(1,787,919)
General Revenues				
Taxes:				
Property	1,885,945	-	1,885,945	1,852,834
Replacement	58,212	-	58,212	46,357
Sales	5,447,809	-	5,447,809	5,212,834
State income	1,426,953	-	1,426,953	1,548,008
Other local	436,754	-	436,754	478,942
Motor fuel	405,325	-	405,325	408,822
Interest on investments	157,623	89,815	247,438	147,748
Other	39,165	35,133	74,298	58,605
Transfers	131,728	(131,728)	-	-
Total general revenues and transfers	9,989,514	(6,780)	9,982,734	9,754,150
Change in net position	2,514,231	937,484	3,451,715	7,966,231
NET POSITION - BEGINNING	37,779,312	35,789,305	73,568,617	71,515,620
Prior period adjustment (see notes to financial statements)	-	-	-	(5,913,234)
NET POSITION - ENDING	\$ 40,293,543	\$ 36,726,789	\$ 77,020,332	\$ 73,568,617

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2017**

ASSETS	General	WACC Debt Service	Nonmajor	Total	2016 (Memorandum Only)
Cash and cash equivalents	\$ 6,319,192	\$ -	\$ 2,302,281	\$ 8,621,473	\$ 15,181,461
Investments	6,563,478	-	1,011,996	7,575,474	-
Receivables (net of allowance for uncollectibles)					
Property taxes	909,427	-	967,818	1,877,245	1,829,592
Other taxes	1,824,303	-	4,330	1,828,633	1,812,903
Special assessments	-	-	47,210	47,210	47,148
Accounts-customers	-	-	7,360	7,360	2,030
Other	176,386	638,758	67,104	882,248	737,304
Due from other funds	21,427	-	28,124	49,551	130,167
Due from other governments	-	-	33,135	33,135	34,442
Prepaid items	15,343	-	15,473	30,816	32,950
Inventory	14,382	-	-	14,382	27,952
Restricted assets					
Cash and cash equivalents	192,107	-	2,848	194,955	1,527,832
Investments	-	-	-	-	3,794,940
	<u>\$ 16,036,045</u>	<u>\$ 638,758</u>	<u>\$ 4,487,679</u>	<u>\$ 21,162,482</u>	<u>\$ 25,158,721</u>

See accompanying notes.

	General	WACC Debt Service	Nonmajor	Total	2016 (Memorandum Only)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 443,872	\$ -	\$ 50,461	\$ 494,333	\$ 511,666
Construction retainage payable	5,400	-	-	5,400	318,308
Due to other funds	4,097	-	26,034	30,131	84,791
Unearned revenue	13,669	-	386	14,055	901,418
Total liabilities	467,038	-	76,881	543,919	1,816,183
Deferred inflows of resources					
Unavailable revenue					
Property taxes	909,427	-	967,818	1,877,245	1,829,591
Special assessments	-	-	47,210	47,210	47,148
Other receivables	-	638,758	-	638,758	656,233
Total deferred inflows of resources	909,427	638,758	1,015,028	2,563,213	2,532,972
Fund balances					
Nonspendable					
Prepays	15,343	-	15,473	30,816	32,950
Inventory	14,382	-	-	14,382	27,952
Restricted for:					
Special Police Funds	192,107	-	-	192,107	185,643
Debt Service	-	-	-	-	394,369
Civil Defense	-	-	-	-	30,490
Audit	-	-	32,312	32,312	26,675
Motor Fuel Tax	-	-	-	-	719,212
Incremental Tax	-	-	1,341,973	1,341,973	1,427,807
Liability Insurance	-	-	182,721	182,721	202,327
Assigned for:					
Capital Projects	1,418,818	-	-	1,418,818	1,060,332
Cemetery	-	-	321,091	321,091	309,069
Storm Water Management	-	-	218,553	218,553	192,035
Illinois Municipal Retirement	-	-	178,402	178,402	190,045
Social Security	-	-	228,316	228,316	224,811
Debt Service	-	-	-	-	4,091,568
Unassigned	13,018,930	-	876,929	13,895,859	11,694,281
Total fund balances	14,659,580	-	3,395,770	18,055,350	20,809,566
	\$ 16,036,045	\$ 638,758	\$ 4,487,679	\$ 21,162,482	\$ 25,158,721

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2017**

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balances - governmental funds	\$ 18,055,350
Capital assets used in governmental activities of \$48,209,255, net of accumulated depreciation of \$16,655,093 are not financial resources and, therefore, are not reported in the governmental funds.	31,554,162
Property taxes and long term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,563,213
Internal service funds are used to account for the financing of goods or services by one department to other departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	3,961,686
Long term liabilities, accrued interest and compensation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(18,177,341)
Special assessment capital debt obligations are recorded as capital debt proceeds in the governmental funds, but the proceeds create current and long-term receivables and long-term liabilities in the Statement of Net Position.	84,790
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for IMRF and the Police Pension Trust Fund are recognized as deferred outflows of resources on the statement of net position	<u>2,251,683</u>
Net position of governmental activities.	<u><u>\$ 40,293,543</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2017

	General	WACC Debt Service	Nonmajor	Total	2016 (Memorandum Only)
REVENUES					
Property taxes	\$ 911,068	\$ -	\$ 944,698	\$ 1,855,766	\$ 1,659,582
Licenses and permits	560,096	-	-	560,096	464,359
Intergovernmental	7,343,734	-	431,319	7,775,053	7,694,963
Grant proceeds	526,804	-	935,115	1,461,919	5,771,472
Charges for services	89,736	-	99,550	189,286	176,255
Fines and forfeitures	141,474	-	-	141,474	154,714
Interest	93,171	38,766	26,210	158,147	112,791
Rental	-	-	91,692	91,692	113,659
Other	47,493	17,476	680	65,649	95,344
	<u>9,713,576</u>	<u>56,242</u>	<u>2,529,264</u>	<u>12,299,082</u>	<u>16,243,139</u>
EXPENDITURES					
Current					
General government	1,110,894	-	1,085,967	2,196,861	1,839,534
Public safety	4,592,551	-	39,397	4,631,948	4,204,179
Highways and streets	1,711,363	-	-	1,711,363	1,375,028
Health and welfare	14,526	-	-	14,526	14,933
Cemetery	-	-	83,756	83,756	75,218
Capital outlay	750,053	-	1,324,529	2,074,582	7,021,019
Debt service					
Principal	-	3,955,000	169,423	4,124,423	745,766
Interest	-	196,352	151,215	347,567	433,822
	<u>8,179,387</u>	<u>4,151,352</u>	<u>2,854,287</u>	<u>15,185,026</u>	<u>15,709,499</u>
Excess (deficiency) of revenues over expenditures	1,534,189	(4,095,110)	(325,023)	(2,885,944)	533,640
OTHER FINANCING SOURCES (USES)					
Transfers in	395,190	-	369,604	764,794	705,968
Transfers out	(262,154)	(370,912)	-	(633,066)	(584,076)
Debt issuance	-	-	-	-	391,324
Total other financing sources (uses)	<u>133,036</u>	<u>(370,912)</u>	<u>369,604</u>	<u>131,728</u>	<u>513,216</u>
Net change in fund balances	1,667,225	(4,466,022)	44,581	(2,754,216)	1,046,856
FUND BALANCES, BEGINNING OF YEAR	<u>12,992,355</u>	<u>4,466,022</u>	<u>3,351,189</u>	<u>20,809,566</u>	<u>19,762,710</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,659,580</u>	<u>\$ -</u>	<u>\$ 3,395,770</u>	<u>\$ 18,055,350</u>	<u>\$ 20,809,566</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2017

RECONCILIATION TO STATEMENT OF ACTIVITIES

Net change in fund balances - governmental funds	\$ (2,754,216)
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases	2,074,582
Depreciation expense	(1,573,197)
	501,385
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
Principal payments on debt	4,130,869
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(9,821)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	56,231
Internal service funds are used to account for the financing of goods or services by one department to other departments of the City. The net revenue of certain activities of internal service funds is reported with governmental activities in the Statement of Activities.	880,171
The change in net pension liability for the Police Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities.	(1,099,437)
The change in deferred outflows of resources related to the Police Pension Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities.	805,476
The change in net OPEB obligation is only reported in the Statement of Activities.	(4)
Amortization of capital debt premium is recorded as a revenue in the governmental funds in the year of issuance, but the premium creates a capital liability which must be amortized over the life of the debt.	3,577
	5,268,447
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 2,514,231

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal	2016 (Memorandum Only)
	Waterworks	Sewerage	Total	Service Funds	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,025,427	\$ 1,262,824	\$ 3,288,251	\$ 1,993,200	\$ 13,035,219
Investments	1,518,242	4,651,749	6,169,991	1,519,388	301,744
Receivables (net of allowance for uncollectibles)					
Accounts - customers	18,419	37,421	55,840	-	17,099
Estimated unbilled usage	117,228	180,565	297,793	-	791,391
Interest	891	1,113	2,004	664	-
Other	-	2,733	2,733	19,023	24,152
Due from other funds	28,956	-	28,956	717	30,306
Prepaid items	3,162	3,910	7,072	5,240	14,132
Restricted assets					
Cash and cash equivalents	-	876,490	876,490	-	822,881
Total current assets	3,712,325	7,016,805	10,729,130	3,538,232	15,036,924
Capital assets, net of accumulated depreciation	11,059,373	22,654,705	33,714,078	1,350,221	30,205,776
Total assets	<u>\$ 14,771,698</u>	<u>\$ 29,671,510</u>	<u>\$ 44,443,208</u>	<u>\$ 4,888,453</u>	<u>\$ 45,242,700</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental	2016 (Memorandum Only)
	Waterworks	Sewerage	Total	Activities - Internal Service Funds	
LIABILITIES AND NET POSITION					
Current liabilities					
Current maturities of long term debt	\$ 217,963	\$ 564,969	\$ 782,932	\$ -	\$ 628,351
Accounts payable and accrued liabilities	92,041	1,216,201	1,308,242	76,598	943,507
Accrued compensated absences	5,463	6,432	11,895	894	8,085
Retainage payable	-	328,100	328,100	-	-
Current portion of lease payable	-	-	-	5,581	16,382
Due to other funds	-	37,816	37,816	10,904	39,166
Unearned revenue	2,628	-	2,628	-	1,980
Customer deposits	351,675	-	351,675	-	335,055
Total current liabilities	<u>669,770</u>	<u>2,153,518</u>	<u>2,823,288</u>	<u>93,977</u>	<u>1,972,526</u>
Noncurrent liabilities					
Lease payable	-	-	-	-	5,581
Accrued compensated absences	23,853	29,617	53,470	8,881	58,197
Loans payable, net of current maturities	1,900,775	3,762,795	5,663,570	-	4,335,576
Total noncurrent liabilities	<u>1,924,628</u>	<u>3,792,412</u>	<u>5,717,040</u>	<u>8,881</u>	<u>4,399,354</u>
Total liabilities	<u>2,594,398</u>	<u>5,945,930</u>	<u>8,540,328</u>	<u>102,858</u>	<u>6,371,880</u>
Net position					
Invested in capital assets, net of related debt	8,940,635	18,326,941	27,267,576	1,350,221	25,241,849
Restricted for:					
IEPA loan debt service	-	876,490	876,490	-	822,881
Unrestricted	3,236,665	4,522,149	7,758,814	3,435,374	12,806,090
Total net position	<u>12,177,300</u>	<u>23,725,580</u>	<u>35,902,880</u>	<u>4,785,595</u>	<u>38,870,820</u>
	<u>\$ 14,771,698</u>	<u>\$ 29,671,510</u>		<u>\$ 4,888,453</u>	<u>\$ 45,242,700</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>823,909</u>		
Net position of business-type activities			<u>\$ 36,726,789</u>		

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2016 (Memorandum Only)
	Waterworks	Sewerage	Total		
OPERATING REVENUES					
Metered sales	\$ 1,373,142	\$ 2,286,460	\$ 3,659,602	\$ -	\$ 3,229,559
Charges for services	264,792	322,232	587,024	2,692,023	2,677,824
Employee contributions	-	-	-	151,797	148,289
Other	3,522	448	3,970	28,551	125,462
	<u>1,641,456</u>	<u>2,609,140</u>	<u>4,250,596</u>	<u>2,872,371</u>	<u>6,181,134</u>
OPERATING EXPENSES					
General and administrative	-	-	-	43,882	43,292
Personnel services	618,908	735,807	1,354,715	1,192,070	2,534,893
Heat, light, and power	112,931	163,910	276,841	-	256,593
Materials and supplies	166,206	45,576	211,782	114,149	305,270
Other services and charges	326,446	343,317	669,763	126,490	726,254
Depreciation	390,106	687,679	1,077,785	231,090	1,283,743
	<u>1,614,597</u>	<u>1,976,289</u>	<u>3,590,886</u>	<u>1,707,681</u>	<u>5,150,045</u>
Operating income	26,859	632,851	659,710	1,164,690	1,031,089
NONOPERATING (REVENUES) EXPENSES					
Interest income	(26,401)	(63,414)	(89,815)	(26,854)	(44,232)
Rental income	(31,163)	-	(31,163)	-	(30,255)
Interest and fiscal agent fee expense	40,371	4,414	44,785	464	12,911
(Gain) loss on sale of equipment	-	-	-	(22,400)	37,680
	<u>(17,193)</u>	<u>(59,000)</u>	<u>(76,193)</u>	<u>(48,790)</u>	<u>(23,896)</u>
Net income before capital contributions and transfers	44,052	691,851	735,903	1,213,480	1,054,985
TRANSFERS IN (OUT), NET	<u>(44,051)</u>	<u>(87,677)</u>	<u>(131,728)</u>	<u>-</u>	<u>(121,892)</u>
Change in net position	1	604,174	604,175	1,213,480	933,093
TOTAL NET POSITION, BEGINNING OF YEAR	<u>12,177,299</u>	<u>23,121,406</u>		<u>3,572,115</u>	<u>37,937,727</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 12,177,300</u>	<u>\$ 23,725,580</u>		<u>\$ 4,785,595</u>	<u>\$ 38,870,820</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>333,309</u>		
Change in net position of business-type activities			<u>\$ 937,484</u>		

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities -	2016
	Waterworks	Sewerage	Total	Internal Service Funds	(Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,793,703	\$ 2,913,027	\$ 4,706,730	\$ 1,770,662	\$ 5,581,746
Receipts from interfund services provided	-	-	-	1,103,476	778,600
Payments to suppliers	(1,306,334)	(292,053)	(1,598,387)	(1,372,698)	(3,451,991)
Payments to employees	(614,018)	(729,404)	(1,343,422)	(109,218)	(1,266,928)
Receipt of utility customer deposits	16,620	-	16,620	-	14,380
Net cash provided by (used in) operating activities	(110,029)	1,891,570	1,781,541	1,392,222	1,655,807
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Advances from (repayments to) other funds	-	1,350	1,350	8,837	6,770
Transfers to other funds	(44,051)	(87,677)	(131,728)	-	(121,892)
Net cash provided by (used in) noncapital and related financing activities	(44,051)	(86,327)	(130,378)	8,837	(115,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,736,445)	(2,731,123)	(4,467,568)	(502,295)	(677,909)
Insurance proceeds	-	-	-	-	20,213
Proceeds from sale of equipment	-	-	-	22,400	99,400
Loan proceeds	2,166,395	-	2,166,395	-	333,684
Principal paid on capital leases	-	-	-	(16,382)	(15,867)
Principal paid on bond and loan maturities	(120,413)	(563,407)	(683,820)	-	(841,998)
Interest paid on bonds, loans and capital leases	(19,267)	(8,909)	(28,176)	(464)	(11,624)
Net cash provided by (used in) capital and related financing activities	290,270	(3,303,439)	(3,013,169)	(496,741)	(1,094,101)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	25,510	62,301	87,811	26,190	44,232
Rental income received	31,163	-	31,163	-	30,255
Proceeds from sale/maturity of investments	-	100,841	100,841	-	301,809
Purchase of investments	(1,317,080)	(4,652,008)	(5,969,088)	(1,519,388)	(301,952)
Net cash provided by (used in) investing activities	(1,260,407)	(4,488,866)	(5,749,273)	(1,493,198)	74,344
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,124,217)	(5,987,062)	(7,111,279)	(588,880)	520,928
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,149,644	8,126,376	11,276,020	2,582,080	13,337,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,025,427</u>	<u>\$ 2,139,314</u>	<u>\$ 4,164,741</u>	<u>\$ 1,993,200</u>	<u>\$ 13,858,100</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>	<u>2016 (Memorandum Only)</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>		
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 26,859	\$ 632,851	\$ 659,710	\$ 1,164,690	\$ 1,031,089
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	390,106	687,679	1,077,785	231,090	1,283,743
(Increase) decrease in usage receivable	149,619	305,238	454,857	-	(91,089)
(Increase) decrease in other receivables	-	(1,351)	(1,351)	3,747	268,321
(Increase) decrease in prepaid items	605	608	1,213	607	2,313
Increase (decrease) in accounts payable and accrued liabilities	(700,790)	(66,523)	(767,313)	(5,498)	(863,522)
Increase (decrease) in accrued compensated absences	4,324	4,968	9,292	(434)	8,592
Increase (decrease) in unearned revenue	2,628	-	2,628	(1,980)	1,980
Increase (decrease) in retainage payable	-	328,100	328,100	-	-
Increase (decrease) in customer deposits	16,620	-	16,620	-	14,380
Net cash provided by (used in) operating activities	\$ (110,029)	\$ 1,891,570	\$ 1,781,541	\$ 1,392,222	\$ 1,655,807

**PRESENTATION OF CASH AND CASH EQUIVALENTS ON THE
STATEMENT OF NET POSITION PROPRIETARY FUNDS**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>	
Cash and cash equivalents	\$ 2,025,427	\$ 1,262,824	\$ 3,288,251	\$ 1,993,200
Restricted cash and cash equivalents	-	876,490	876,490	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,025,427	\$ 2,139,314	\$ 4,164,741	\$ 1,993,200

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
APRIL 30, 2017

	<u>Pension Trust</u>	<u>Agency</u>		
	<u>Police</u>	<u>Special</u>		<u>2016</u>
	<u>Pension</u>	<u>Assessment</u>	<u>Total</u>	<u>(Memorandum</u>
		<u>Collection</u>		<u>Only)</u>
ASSETS				
Cash and cash equivalents	\$ 368,563	\$ -	\$ 368,563	\$ 1,348,368
Investments	6,325,351	-	6,325,351	4,947,233
Receivables (net of allowance for uncollectibles)				
Employer contribution	503,436	-	503,436	367,915
Interest	8,702	-	8,702	5,409
Other	1,108	2,470	3,578	3,192
Due from other funds	-	-	-	4,591
	<u>\$ 7,207,160</u>	<u>\$ 2,470</u>	<u>\$ 7,209,630</u>	<u>\$ 6,676,708</u>
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable and accrued liabilities	\$ 1,520	\$ -	\$ 1,520	\$ 1,520
Due to other funds	373	2,470	2,843	43,577
Total liabilities	<u>1,893</u>	<u>2,470</u>	<u>4,363</u>	<u>45,097</u>
Net Position				
Reserved for police pension benefits	<u>7,205,267</u>	<u>-</u>	<u>7,205,267</u>	<u>6,631,611</u>
Total net position	<u>7,205,267</u>	<u>-</u>	<u>7,205,267</u>	<u>6,631,611</u>
	<u>\$ 7,207,160</u>	<u>\$ 2,470</u>	<u>\$ 7,209,630</u>	<u>\$ 6,676,708</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
YEAR ENDED APRIL 30, 2017

	<u>Pension Trust</u>	
	<u>Police Pension</u>	<u>2016 (Memorandum Only)</u>
Additions		
Contributions		
Plan members' contributions	\$ 130,676	\$ 124,594
Employer contributions	514,605	373,617
Other	27,356	-
Investment earnings		
Investment income	134,071	208,390
Net gain in fair value of investments	365,374	-
	<u>1,172,082</u>	<u>706,601</u>
Deductions		
Benefits paid	569,929	486,957
Administrative expenses	28,497	9,145
Net decline in fair value of investments	-	256,229
	<u>598,426</u>	<u>752,331</u>
Change in net position	573,656	(45,730)
Net position		
Beginning of year	<u>6,631,611</u>	<u>6,677,341</u>
End of year	<u>\$ 7,205,267</u>	<u>\$ 6,631,611</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2017

	Balance			Balance
	April 30, 2016	Additions	Deductions	April 30, 2017
SPECIAL ASSESSMENT				
COLLECTION FUND				
ASSETS				
Due from property owners	\$ 2,470	\$ -	\$ -	\$ 2,470
LIABILITIES				
Due to other funds	\$ 2,470	\$ -	\$ -	\$ 2,470
POLICE BOND REMITTANCE FUND				
ASSETS				
Cash	\$ -	\$ 4,300	\$ 4,300	\$ -
LIABILITIES				
Due to other governmental entities	\$ -	\$ 4,300	\$ 4,300	\$ -
EMERGENCY ASSISTANCE FUND				
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
Due to other governmental entities	\$ -	\$ -	\$ -	\$ -
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ -	\$ 4,300	\$ 4,300	\$ -
Due from property owners	2,470	-	-	2,470
	\$ 2,470	\$ 4,300	\$ 4,300	\$ 2,470
LIABILITIES				
Due to other funds	\$ 2,470	\$ -	\$ -	\$ 2,470
Due to other governmental entities	-	4,300	4,300	-
	\$ 2,470	\$ 4,300	\$ 4,300	\$ 2,470

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Washington, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Nature of Operations

The City of Washington, located in Central Illinois, provides a broad range of services to citizens, including general government, public safety, streets, and the water and sewer utilities. Revenues are substantially generated as a result of taxes assessed and allocated to the City (examples would be property, sales, income, and motor fuel taxes), charges for services performed, and governmental grants. Revenues are therefore dependent on the economy within the territorial boundaries of the City and nearby surrounding area and the appropriations of grant entitlements at the federal/state government level. Taxable industry within the area is primarily retail. The surrounding area has a substantial agricultural base.

B. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body, the ability to impose will on an organization, and if an organization is fiscally dependent on the primary government. Based on this guidance, management has determined there are no component units required to be included in the City's basic financial statements.

C. Basis of Presentation

Management's Discussion and Analysis – Provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government wide financial statements – The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Required supplementary information – Budgetary comparison schedules are presented. The original budget for revenues and expenditures is presented in comparison with the actual final budgetary revenues and expenditures.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City and always classified as a major fund. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund. The General Fund expenditures include corporate, city hall, street, police, tourism and economic development, zoning operations, and fire and rescue subsidies.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources used to finance specified activities, as required by law or administrative regulation. The City maintains the following special revenue funds:

Cemetery Fund - Accounts for the operations of the municipal cemetery. Revenue is derived principally from sale of lots and interment fees.

Civil Defense Fund – Accounts for the operations of the City’s program in connection with the “Illinois Emergency Services and Disaster Agency Act of 1975.” Financing is provided through property taxes with the purpose to pay those costs which may be necessary or proper to prevent, minimize, repair and alleviate injury, loss of life, or property damage resulting from disasters caused by flood, earthquake, extended periods of severe and inclement weather, etc.

Audit Fund – Accounts for the cost of the annual audit of the City’s financial statements.

Motor Fuel Tax Fund – Accounts for the state motor fuel tax revenue collected by the City and used in connection with the highway construction and maintenance projects of the City as authorized by the Illinois Department of Transportation.

Incremental Tax Fund – Accounts for the revenue and expenditures related to tax increment designated areas within the City.

Liability Insurance Fund – Accounts for the cost of insurance premiums and tort judgments or settlements of the City.

Storm Water Management Fund - Accounts for the revenue and expenditures in connection with storm water management.

Illinois Municipal Retirement Fund – Accounts for the expenditures related to the City’s participation in the Illinois Municipal Retirement Fund system.

Social Security Fund – Accounts for the expenditures related to the City’s portion of Social Security and Medicare for eligible employees.

Rural Business Development Grant (RBDG) Fund - Accounts for grant revenues legally restricted for making economic development loans to businesses and other organizations.

Capital Projects Fund – Capital projects funds are used to account for general construction or renovation projects being carried out by the City which are not financed by proprietary or trust funds. The City maintains the following capital projects fund:

Washington 223 Fund – Accounts for the improvement of the 223 acres purchased by the City at the Bypass and Nofsinger Road.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest, and related costs. The City maintains the following debt service funds:

Cruger Road Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the Cruger Road area.

South Cummings Lane Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the South Cummings Lane area.

Mallard Crossing Fund - Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for projects in the Mallard Crossing area.

Washington Area Community Center (WACC) Fund – Accounts for the accumulation of resources for and the payment of general obligation bond principal, interest, and related costs for the Washington Area Community Center project. The WACC fund is reported as a major fund.

Washington 223 Fund – Accounts for the financial transactions related to the repayment of debt associated with the Washington 223 property.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains the following enterprise funds, which are reported as major funds:

Waterworks Fund – To account for the water service to the residents of the City. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund’s fixed assets) and provide for a net income to finance the continued operations of the system.

Sewerage Fund – To account for the sewer services to the residents of the City. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund’s fixed assets) and provide for a net income to finance the continued operations of the system.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City maintains the following internal service funds:

Employees’ Benefit Fund – Accounts for the City’s self-insured health plan. The purpose of the Fund is to pay medical claims of the City’s employees and retirees and their covered dependents and to minimize the total cost of the annual insurance to the City.

Motor Equipment Replacement Fund – Provides for the maintenance and repair of motorized equipment and vehicles used in the operations of City services. Revenue is from rental charges to user departments. Expenses include cost of labor, material, supplies, and services.

Capital Replacement Fund – Provides funding for non-motorized capital equipment in excess of \$5,000. Revenue is from rental charges to user departments. Expenses include cost for depreciation.

Fiduciary Funds

Pension Trust Fund – The Police Pension Fund accounts for the accumulation of resources to be used for the payment of retirement benefits to the City police.

Agency Funds – Agency funds are used to account for assets held by the City in a custodial capacity (i.e., assets equal liabilities). Agency funds do not involve the measurement of results of operations. The City maintains the following agency funds:

Special Assessment Collection Fund – To account for the assets and liabilities related to certain special assessment projects.

Police Bond Remittance Fund – To account for bond monies collected by the police department and remitted to the Circuit Clerk.

Emergency Assistance Fund – To account for emergency assistance provided to those in need.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting, as defined in Basis of Accounting below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. Governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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 government considers revenues to be available if they are collected within 75 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

E. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting, which is the same basis that is used in the fund financial reporting. This allows for comparability between budget and actual amounts. The budget was passed on April 18, 2016 and amended on April 17, 2017.

For each fund, total fund expenditures may not legally exceed the budgeted expenditures. Unexpended budgeted amounts lapse at the end of each fiscal year. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the line item level. Encumbrances accounting is not employed.

The City adopts its annual budget in accordance with Chapter 65, Paragraph 5/8-2-9.4 of the Illinois Compiled Statutes, as follows:

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 1, the budget is legally adopted through passage of an ordinance.
- (4) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. No revision of the budget can be made increasing the budget in the event funds are not available.

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenditures, which is used as a management control device.

F. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short term investments with an original maturity of three months or less.

G. Investments

Investments classified in the financial statements consist of certificates of deposit and Police Pension Trust Fund investments, including federal agency notes, mutual funds, certificates of deposit, treasury inflation protected securities and corporate bonds. Investments are stated at fair value.

The City's investment policy is to invest in allowable investments under the Illinois Compiled Statutes. These include (a) interest-bearing savings accounts and certificates of deposit and (b) bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America. In addition to the investments listed above, the City's police pension trust fund may also invest in various money market mutual funds, short-term corporate obligations, and diversified portfolios managed by life insurance companies or registered investment companies within the guidelines established under Section 1-113 of Article 5 of the Illinois Pension Code.

H. Real Estate Taxes

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for amounts received in the fiscal year ended April 30, 2017 was passed December 14, 2015. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

J. Restricted Assets

Cash and investments have been restricted for the various purposes for which equity has been reserved in the respective funds of the City.

K. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Contributed or donated assets are carried at their estimated market value as of the date received. Prior to May 1, 2004 governmental funds infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and capitalization threshold by type of asset is as follows:

Capitalization

	<u>Useful Life</u>	<u>Threshold</u>
Buildings	20-50 years	\$10,000
Land improvements	20 years	\$10,000
Water and sewer systems	10-60 years	\$10,000
Equipment	3-50 years	\$1,000
Infrastructure	20-50 years	\$10,000

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

L. Compensated Absences

The City's sick leave policy allows for twelve sick days per year. Employees with unused sick leave accumulated prior to January 1, 1992, may carry forward up to 30 days and will be paid for unused hours remaining upon an employee's retirement or separation from City service at the employee's hourly rate of pay in effect on December 31, 1991. Sick leave accumulated since December 31, 1991 and not covered by the terms of the police officer's collective bargaining agreement does not vest. For employees covered by the police officer's collective bargaining agreement, sick leave accumulates at their current hourly rate.

The City's vacation policy allows each regular full-time employee assigned as a commander or to a position classification of a range lower than 98 within the City's position classification system, and not otherwise covered by the terms of a collective bargaining agreement, to earn two weeks of vacation after one year of service and one additional day for each year of service in excess of six years, up to a maximum vacation time of five weeks. Each regular full-time employee with a position classification of a range 98 or above earns two weeks of vacation after one year of service and up to five years of service, three weeks of vacation from five to ten years of service, four weeks of vacation from eleven to fifteen years of service, and five weeks of vacation for sixteen and more years of service. For employees with up to 15 years of service, up to one week of vacation may be carried over to the following year. Employees with 15 or more years of service may carry two weeks of vacation over to the following year. Upon termination, an employee is entitled to be paid for any vested vacation from the prior year and a prorated share of the current year's vacation.

The City Council passed an ordinance to amend the personnel manual to provide for non-union part-time employee leave. The employee must have worked 1,000 hours in the prior year to qualify. The employee will receive up to 80 hours of paid leave based on the ratio of total hours worked by the employee to 2,080 hours.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

N. Long Term Debt

In the government-wide 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.

Long term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

O. 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 and Police Pension Fund 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 the benefit terms. Investments are reported at fair value

P. Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- (1) Invested in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net position - Net position with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The governmental activities column of the government wide statement of net position reports \$1,749,113 of restricted net position for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$32,312, incremental tax of \$1,341,973 and liability insurance of \$182,721. In addition, \$192,107 is restricted for drug and alcohol enforcement, police fundraising, education, vehicle seizures and miscellaneous other police purposes.

Fund Financial Statements

Governmental fund equity is classified as fund balance. The components of fund balance are:

- Non-spendable – consists of resources that cannot be spent because of their form.
- Restricted – consists of resources which have limitations imposed by enabling legislation and limitations imposed by creditors, grantors, or contributors.
- Committed – consists of resources which have limitations imposed by the governing board through formal action.
- Assigned – consists of resources which have limitations resulting from management's intended use.
- Unassigned – consists of the residual net resources of a fund.

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. If different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first followed by assigned and, lastly unassigned funds.

Reserves for bond debt service in the Enterprise Funds have been established to provide for certain restricted accounts as required by bond ordinances. These restrictions are described at Note 5.

Q. Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government – Licenses, permits, fees, fines and a grant from the Illinois Department of Transportation.

Public Safety - Fine revenue, reimbursement for school activities and specific donations.

Highways and Streets - Reimbursements and grants received from the Illinois Department of Transportation.

Cemetery – Grave sites, interment fees, footings and donations.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

R. Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods/and or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

S. Interfund Balances and Activities

Short-term amounts owed between funds are classified as “due to/from other funds”, representing expenditures paid by one fund on behalf of the other. Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers-internal activities.

T. Deferred Inflows and Outflows of Resources

Deferred outflows of resources: In addition to assets, the statement of net 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 (expense/expenditure) until then. The City has defined benefit pension plan items that qualify for this treatment. These outflows are described at Note 6.

Deferred inflows of resources: In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of 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 governmental funds report unavailable revenues from several sources: property taxes, special assessments, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

U. Subsequent Events

The City has evaluated subsequent events through October 11, 2017, the date which the financial statements were available to be issued.

NOTE 2. NATURAL DISASTER

On November 17, 2013, an EF-4 tornado struck the City and caused substantial damage to the community. The City suffered losses to utility plants, infrastructure and other City-owned properties and equipment.

In 2015, the City received \$6,537,796 from the Illinois Department of Transportation to repair infrastructure damage from the tornado and \$398,283 from the Illinois Department of Commerce and Economic Opportunity for reimbursement of expenditures for recovery efforts. As of April 30, 2017, these repairs have been completed.

NOTE 3. CASH AND INVESTMENTS

Investment risks include: credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. Deposit risks include: custodial credit risk and foreign currency risk.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s deposit policy provides that all deposits be guaranteed by the U.S. government, insured by the Federal Deposit Insurance Corporation (FDIC), or fully collateralized with securities held by the City or its agent in the City’s name or by its counterparty’s trust department or agent in the City’s name.

The City’s cash and cash equivalents at April 30, 2017 consisted of deposits with financial institutions and the Illinois Funds Money Market Fund. The Illinois Funds have a credit rating of AAAM, by an independent rating agency, indicating a strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks.

The monies invested in the Illinois Funds by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

At April 30, 2017, all the City’s deposits, excluding \$600 in cash on hand, were covered by federal depository insurance, by collateral held by the financial institution’s trust department or agent in the City’s name, or invested in Illinois Funds Money Market Fund.

The following is a reconciliation of cash and cash equivalents at April 30, 2017:

	<u>Carrying Amount</u>
Illinois Funds	\$ 1,856
Money market funds	14,113,632
Checking and savings	1,226,844
Cash on hand	600
Total cash and cash equivalents	<u>\$ 15,342,932</u>

The deposits are reflected on the financial statements at April 30, 2017 as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 13,902,924
Restricted assets – cash and cash equivalents	1,071,445
Statement of fiduciary net position:	
Cash and cash equivalents	368,563
	<u>\$ 15,342,932</u>

Investments

As of April 30, 2017, the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Primary Government			
Certificates of deposit	\$ 15,264,853	N/A	1.97
Fiduciary Fund			
Certificates of deposit	2,203,121	N/A	1.66
Mutual funds-equities	3,026,787	N/A	N/A
Money market	254,887	N/A	N/A
Treasury Inflation Protected Securities	218,909	N/A	5.35
Corporate bonds	621,647	A	3.78
Total Fiduciary Fund Investments	<u>6,325,351</u>		
Total Investments	<u>\$ 21,590,204</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(2) Interest rate risk is estimated using the weighted average years to maturity method.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing for the Fiduciary Fund is performed in accordance with investment policies adopted by the Board of Trustees complying with Illinois Compiled Statutes. Funds shall be invested as per Illinois Pension Code Section 3-135 and by the Public Funds Investment Act (20 ILCS 235/01).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Fund's policy provides that investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities while the Fund maintains sufficient liquidity. Investment guidelines have been established for monies invested to meet approximate market rates of return on its investments, consistent with constraints established by its safety objectives, cash flow considerations, and Illinois State laws that restrict the placement of public funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy provides that investments be diversified or collateralized to avoid incurring unreasonable risks regarding specific security types and/or financial institutions.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Investments representing 5% or more of total investments at April 30, 2017 are as follows:

Certificate of Deposit – Morton Community Bank \$ 8,197,171

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2017 was as follows:

	Balance May 1, 2016	Additions	Deletions	Balance April 30, 2017
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 5,710,515	\$ -	\$ -	\$ 5,710,515
Construction in process	6,943,139	650,991	6,759,539	834,591
	<hr/>			
Total capital assets not being depreciated	12,653,654	650,991	6,759,539	6,545,106
	<hr/>			
Other capital assets:				
Land improvements	457,195	80,699	-	537,894
Buildings	4,611,143	-	-	4,611,143
Infrastructure	27,186,372	8,042,357	-	35,228,729
Equipment and vehicles	3,866,379	562,369	134,499	4,294,249
	<hr/>			
Total other capital assets	36,121,089	8,685,425	134,499	44,672,015
	<hr/>			
Less accumulated depreciation for:				
Land improvements	197,967	16,327	-	214,294
Buildings	1,173,833	99,543	-	1,273,376
Infrastructure	13,103,917	1,368,875	-	14,472,792
Equipment and vehicles	2,167,233	319,542	134,499	2,352,276
	<hr/>			
Total accumulated depreciation	16,642,950	1,804,287	134,499	18,312,738
	<hr/>			
Other capital assets, net	19,478,139	6,881,138	-	26,359,277
	<hr/>			
Governmental activities, net	\$ 32,131,793	\$ 7,532,129	\$ 6,759,539	\$ 32,904,383

	<u>Balance</u> <u>May 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2017</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 242,176	\$ -	\$ -	\$ 242,176
Construction in process	1,051,647	3,979,755	761,643	4,269,759
	<hr/>			
Total capital assets not being depreciated	1,293,823	3,979,755	761,643	4,511,935
	<hr/>			
Other capital assets:				
Water system	13,893,866	761,643	-	14,655,509
Sewer system	31,082,163	15,755	-	31,097,918
Equipment	1,181,178	1,669,593	-	2,850,771
	<hr/>			
Total other capital assets	46,157,207	2,446,991	-	48,604,198
	<hr/>			
Less accumulated depreciation for:				
Water system	5,341,306	360,629	-	5,701,935
Sewer system	12,073,706	674,444	-	12,748,150
Equipment	909,258	42,712	-	951,970
	<hr/>			
Total accumulated depreciation	18,324,270	1,077,785	-	19,402,055
	<hr/>			
Other capital assets, net	27,832,937	1,369,206	-	29,202,143
	<hr/>			
Business- type activities, net	\$ 29,126,760	\$ 5,348,961	\$ 761,643	\$ 33,714,078

Depreciation expense was charged as follows in the Statement of Activities:

Governmental Activities:

General government	\$ 48,460
Public safety	116,328
Highways and streets	1,401,709
Cemetery	6,700
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>231,090</u>

Total depreciation expense for governmental activities \$ 1,804,287

Business-Type Activities:

Water	\$ 390,106
Sewer	<u>687,679</u>

Total depreciation expense for business-type activities \$ 1,077,785

NOTE 5. LONG-TERM DEBT

The City's long term debt is segregated between amounts to be paid from governmental activities and amounts repaid from business type activities. The changes in the City's long-term debt for the year ended April 30, 2017 are as follows:

	<u>Balance</u> <u>May 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2017</u>	<u>Amount</u> <u>Due In</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds:					
Special Assessment Bonds, Series 2005	\$ 172,000	\$ -	\$ 40,000	\$ 132,000	\$ 42,000
General Obligation Bonds, Series 2006	3,913,577	-	3,913,577	-	-
Capitalized equipment leases	36,865	-	19,252	17,613	8,651
Promissory Note Washington 223	4,965,801	-	-	4,965,801	-
Refunding Promissory Note South Side Bank	4,010,000	-	45,000	3,965,000	260,000
Promissory Note Morton Community Bank	259,638	-	129,423	130,215	130,215
Other postemployment retirement benefits	756	4	-	760	-
Vested compensated absences	398,270	18,465	-	416,735	30,006
Total Governmental Activities	<u>\$ 13,756,907</u>	<u>\$ 18,469</u>	<u>\$ 4,147,252</u>	<u>\$ 9,628,124</u>	<u>\$ 470,872</u>
Business-Type Activities:					
2009 Illinois Environmental Protection Agency Loan	\$ 4,341,687	\$ -	\$ 289,446	\$ 4,052,241	\$ 289,445
Promissory Note Morton Community Bank	565,020	-	281,705	283,315	283,315
Promissory Note Morton Community Bank	57,221	2,166,395	112,669	2,110,947	210,172
Vested compensated absences	56,072	9,292	-	65,364	11,895
Total Business-Type Activities	<u>\$ 5,020,000</u>	<u>\$ 2,175,687</u>	<u>\$ 683,820</u>	<u>\$ 6,511,867</u>	<u>\$ 794,827</u>

Governmental Activities

Special Assessment Bonds

Mallard Crossing

In fiscal year 2005, the City issued Special Service Area Number One (Mallard Crossing) Unlimited Ad Valorem Tax Bonds, Series 2005 in the amount of \$500,000. These bonds are limited obligations of the City, payable solely from the collection of the special service area taxes. The special service area taxes are irrevocably pledged for the payment of principal and interest on the bonds. The bonds are secured by the full faith and credit of and levy of general property taxes on property within the special service area. The debt service requirements on these bonds are as follows:

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 42,000	4.75	\$ 6,270	\$ 48,270
2019	44,000	4.75	4,275	48,275
2020	<u>46,000</u>	4.75	<u>2,185</u>	<u>48,185</u>
Total	<u>\$ 132,000</u>		<u>\$ 12,730</u>	<u>\$ 144,730</u>

Principal paying date: December 1
Interest paying dates: June 1 and December 1

The bond ordinance requires monies to be segregated and restricted in special restricted accounts as described below:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Principal and interest	Amount that results from deposit of property tax levy receipts less payment of principal and interest on the bonds as they become due. As of April 30, 2017, \$2,835 has been required to be accumulated.	Paying principal and interest.
Administration	Amount not to exceed \$1,000 to be deposited each year from receipts of special service area taxes. For the year ended April 30, 2017, no amounts were transferred to the General Fund for administration of the Fund.	Paying costs and expenses related to the administration of the Special Services Fund.

The following amounts are reported as restricted cash as follows:

Debt Service Fund	<u>\$ 2,835</u>
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Promissory Note

The City entered into a promissory note agreement with Morton Community Bank for the purpose of refinancing prior obligations. The loan carries a fixed interest rate of 1.59 percent for a term of 31 months. Payments are due in three annual amounts of \$424,497, including interest, thereafter, with final payment due August 1, 2017. At April 30, 2015, \$575,188 had been advanced to the City. During the fiscal year ended April 30, 2016, the City advanced the remaining \$ 667,787 to refinance the Alternative Revenue Source Series 2002 and Series 2002B Bonds.

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 413,530</u>	1.59	\$ 10,855	\$ 424,385

Payable from:

Governmental Funds	\$ 130,215
Enterprise Funds	<u>283,315</u>
	<u>\$ 413,350</u>

General Obligation Bonds

In fiscal year 2007, the City issued General Obligation Bonds, Series 2006. The proceeds of these bonds were used to construct a community center complex within the City. The Bonds constitute valid and legally binding full faith and credit general obligations of the City, payable from ad valorem taxes levied on all taxable property in the City, without limitation as to rate or amount. The City refunded this debt at the call date of May 15, 2016. The City has a bank Refunding Promissory Note (discussed below) in place which paid off this debt when it became callable.

Refunding Promissory Note

In fiscal year 2015, the City entered into a promissory note agreement with South Side Bank and Trust for the purpose of refinancing the 2006 WACC bonds. The loan carries a fixed interest rate of 2.50 percent for a term of 15 years. Payments are due annually, including interest, thereafter, with final payment due May 15, 2029.

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 260,000	2.50	\$ 95,875	\$ 355,875
2019	270,000	2.50	89,250	359,250
2020	275,000	2.50	82,438	357,438
2021	280,000	2.50	75,500	355,500
2022	290,000	2.50	68,375	358,375
2023-2027	1,565,000	2.50	228,063	1,793,063
2028-2030	<u>1,025,000</u>	2.50	<u>38,813</u>	<u>1,063,813</u>
Total	<u>\$ 3,965,000</u>		<u>\$ 678,314</u>	<u>\$ 4,643,314</u>

Promissory Note

The City purchased 223 acres of land within the City limits for \$4,965,000. The City financed the purchase with a promissory note due to Morton Community Bank. The maximum outstanding balance allowed on the promissory note is \$5,750,000. The promissory note is due September 17, 2020 with required annual interest payments at 2.75% interest. The debt service requirements on this note are as follows:

Years Ending April 30,	Principal	Interest Rate	Interest	Total
2018	\$ -	2.75	\$ 136,560	\$ 136,560
2019	-	2.75	136,560	136,560
2020	-	2.75	136,560	136,560
2021	<u>4,965,801</u>	2.75	<u>136,560</u>	<u>5,102,361</u>
Total	<u>\$ 4,965,801</u>		<u>\$ 546,240</u>	<u>\$ 5,512,041</u>

Capital Leases

The City has entered into capital lease agreement for the purchase of three backhoes. The lease has a term of five years, monthly payments of \$1,404 with an imputed interest rate of 3.2%.

The City entered into capital lease agreement for the purchase of a copier. The lease has a term of five years, monthly payments of \$316 with an imputed interest rate of 6.785%.

The future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 8,651	\$ 759	\$ 9,410
2019	3,285	507	3,792
2020	3,515	277	3,792
2021	<u>2,162</u>	<u>50</u>	<u>2,212</u>
	<u>\$ 17,613</u>	<u>\$ 1,593</u>	<u>\$ 19,206</u>

Business-Type Activities

2009 IEPA Loan Payable

In fiscal year 2010, the City entered into a loan agreement with the Illinois Environmental Protection Agency (IEPA) for the purpose of paying a part of the cost of constructing, improving, and extending the City's sewerage system facilities. The loan carries zero percent interest rate for a term of twenty years. The debt service requirements on this loan are as follows:

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 289,445	\$ -	\$289,445
2019	289,446	-	289,446
2020	289,446	-	289,446
2021	289,446	-	289,446
2022	289,446	-	289,446
2023-2027	1,447,231	-	1,447,231
2028-2031	1,157,781	-	1,157,781
Total	\$ 4,052,241	\$ -	\$ 4,052,241

The sewer loan ordinance for the IEPA loan requires monies held in the Sewerage Enterprise Fund to be segregated and restricted in separate special restricted accounts in the priority indicated by the order of the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
(a) Operation and maintenance	Amount sufficient, when added to amount then on deposit, to establish a balance equal to an amount not less than the amount necessary to pay operation and maintenance expenses for two months. The City ensures each month that the operating accounts of the Sewerage Enterprise Fund have adequate funds to meet this covenant. A separate account has not been established.	Expenses of operating, maintaining, and repairing the system.
(b) Bond, interest, and principal	Amount that results from the monthly accumulation of not less than a pro-rata of the interest becoming due on the next succeeding interest payment date and not less than a pro-rata of the principal becoming due on the next succeeding principal payment date. As of April 30, 2017, \$133,794 has been required to be accumulated.	Paying current principal and interest on bonds.

- | | | |
|------------------|--|---|
| (c) Bond reserve | 1/24 of maximum annual debt service per month, until the account accumulates the total sum of \$289,446 (maximum annual debt service). As of April 30, 2017, \$289,446 has been accumulated. | Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds. |
| (d) Depreciation | 1/120 of 10% of the total outstanding debt, until the account accumulates the total sum of \$521,553. As of April 30, 2017, \$453,250 has been accumulated. | Paying principal and interest on bonds or extraordinary maintenance and repair costs in the event that no other funds are available for these purposes. |
| (e) Surplus | The amount remaining after payment into the above accounts. This is accounted for as the remainder of the unrestricted funds of the Sewerage Enterprise Fund. | Constructing or acquiring repairs, improvements or extensions to the system, calling or redeeming bonds or any other lawful purpose of the system. |

The following amounts are reported as restricted cash as follows:

Sewerage Fund	\$ 876,490
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Promissory Note

In fiscal year 2016, the City entered into a promissory note agreement with Morton Community Bank for the purpose of financing the purchase and installation of a system of remote read water meters. The loan carries a fixed interest rate of 2.46 percent. Payments are due in semi-annual amounts of \$130,657.40, including interest, thereafter, with final payment due June 2, 2026.

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 210,172	2.46	\$ 51,143	\$ 261,315
2019	215,245	2.46	46,070	261,315
2020	220,647	2.46	40,668	261,315
2021	226,083	2.46	35,232	261,315
2022	231,858	2.46	29,457	261,315
2023	237,677	2.46	23,638	261,315
2024	243,642	2.46	17,673	261,315
2025	249,721	2.46	11,594	261,315
2026	256,024	2.46	5,291	261,315
2027	19,878	2.46	246	20,124
	<u>\$ 2,110,947</u>		<u>\$ 261,012</u>	<u>\$ 2,371,959</u>

Debt Covenants

The various bond indentures contain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various funds. The City is in compliance with all financial limitations and restrictions. The City is a home-rule municipality and, accordingly, is not subject to any constitutional debt limit.

NOTE 6. RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

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's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. 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.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	34
Inactive Plan Members entitled to but not yet receiving benefits	23
Active Plan Members	<u>47</u>
Total	<u>104</u>

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 employers 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 calendar year 2016 was 15.31%. For the fiscal year ended April 30, 2017, the City contributed \$394,857 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

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

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study from years 2011 to 2013.
- For or non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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 projection scale MP-2014 (base year 2012). 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 2012). 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 to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2016:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that 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 actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The 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).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	\$14,273,748	\$ 11,042,857	\$ 3,230,891
Changes for the year:			
Service Cost	270,831	-	270,831
Interest on the Total Pension Liability	1,049,524	-	1,049,524
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,984	-	1,984
Changes of Assumptions	(57,997)	-	(57,997)
Contributions - Employer	-	395,121	(395,121)
Contributions - Employees	-	130,400	(130,400)
Net Investment Income	-	764,487	(764,487)
Benefit Payments, including Refunds of Employee Contributions	(718,617)	(718,617)	-
Other (Net Transfer)	-	32,124	(32,124)
Net Changes	545,725	603,515	(57,790)
Balances at December 31, 2016	<u>\$ 14,819,473</u>	<u>\$ 11,646,372</u>	<u>\$ 3,173,101</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$ 5,263,848	\$ 3,173,101	\$ 1,461,249

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2017, the City recognized pension income of \$171,969. At April 30, 2017, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 268,381	\$ -
Changes of assumptions	-	47,359
Net difference between projected and actual earnings on pension plan investments	506,217	-
Total Deferred Amounts to be recognized in pension expense in future periods	774,598	47,359
<i>Employer Pension Contributions made subsequent to the Measurement Date</i>	115,590	-
Total Deferred Amounts Related to Pensions	<u>\$ 890,188</u>	<u>\$ 47,359</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2017	\$ 346,763	\$ -
2018	231,173	-
2019	231,172	-
2020	38,364	-
2021	(4,643)	-
Total	<u>\$ 842,829</u>	<u>\$ -</u>

Police Pension

Plan Description. The City of Washington Police Pension Trust Fund was created and is administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). Provisions of the plan can only be modified by State legislation. The Police Pension Trust Fund is a single-employer defined benefit pension plan, which covers the police-sworn personnel of the City. The Police Pension Trust Fund, which is administered by the City, provides retirement, death, and disability benefits to plan members and their beneficiaries.

Benefits Provided . Qualifying employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary. Employees with at least 8 years, but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty or, otherwise, the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

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, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) to the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the employee's benefit at the time of death.

Employees Covered by Benefit Terms

As of April 30, 2016, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	12
Inactive Plan Members entitled to but not yet receiving benefits	3
Active Plan Members	<u>20</u>
Total	<u>35</u>

Contributions

Qualifying employees are required to contribute 9.91 percent of their base salary to the Police Pension Trust Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan at an actuarially determined rate; the current rate is 29.46 percent of annual covered payroll. For the fiscal year ended April 30, 2017, the City contributed \$514,605 to the plan.

Investment Policy

Illinois Compiled Statutes (ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market, mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 45%. Securities in any one company should not exceed 5% of the total fund.

Net Pension Liability

The City's net pension liability was measured as of April 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the Police Pension Plan as of April 30, 2016 were as follows:

Total pension liability	\$	11,918,285
Plan fiduciary net position		6,631,611
City's net pension liability		5,286,674
Plan fiduciary net position as a percentage of the total pension liability		55.64%

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at April 30, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be service based.
- The Investment Rate of Return was assumed to be 6.75%.
- Projected Retirement Age was based on studies of the fund and the Department of Insurance.
- The rates for Mortality (for non-disabled retirees) were developed from the RP-2000 Combined Healthy Mortality with a blue collar adjustment, projected to the valuation date with Scale BB.
- The rates for Mortality (for disabled retirees) were developed from the RP-2000 Disabled Retiree Mortality projected to the valuation date with Scale BB.

- The long-term expected rate of return on pension plan investments can be 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 expenses 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 class included in the pension plan's target asset allocation as of April 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
N/A	N/A

Discount Rate

The Discount Rate used to measure the Total Pension Liability was 6.75 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's contributions will be made at rates equal to the difference between 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. For purpose of this valuation, the expected rate of return on pension plan investments is 6.75 percent; the municipal bond rate is 3.32 percent (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 6.75 percent.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2015	\$10,806,789	\$ 6,677,342	\$ 4,129,447
Changes for the year:			
Service Cost	290,520	-	290,520
Interest	759,768	-	759,768
Differences Between Expected and Actual			
Experience	(92,933)	-	(92,933)
Changes of Assumptions	641,098	-	641,098
Contributions - Employer	-	373,617	(373,617)
Contributions - Employees	-	124,594	(124,594)
Net Investment Income (Loss)	-	(50,667)	50,667
Benefit Payments, including Refunds			
of Employee Contributions	(486,957)	(486,957)	-
Administrative expense	-	(6,318)	6,318
Net Changes	1,111,496	(45,731)	620,305
Balances at April 30, 2016	\$ 11,918,285	\$ 6,631,611	\$ 5,286,674

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a discount rate of 6.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher:

	1% Lower <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Higher <u>(7.75%)</u>
Net Pension Liability	\$ 7,035,255	\$ 5,286,674	\$ 3,867,257

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2017, the City recognized pension income of \$121,990. At April 30, 2017, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ -	\$ 81,316
Changes of assumptions	560,961	-
Net difference between projected and actual earnings on pension plan investments	<u>414,604</u>	-
Total Deferred Amounts to be recognized in pension expense in future periods	975,565	-
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>514,605</u>	-
Total Deferred Amounts Related to Pensions	<u>\$ 1,490,170</u>	<u>\$ 81,316</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2017	\$ 686,776	\$ -
2018	172,171	-
2019	172,171	-
2020	172,171	-
2021	68,521	-
2022	<u>137,044</u>	-
Total	<u>\$ 1,408,854</u>	<u>\$ -</u>

Post-Employment Health Insurance

Plan Description

The City provides for extended health care coverage for retirees and their dependents. To be eligible for coverage a retiree needs to be at least 55 years old, have combined age and years of service of at least 80 and have been hired by the City before August 1, 1998. The City is funding this benefit on a pay as you go basis. At April 30, 2017, the retiree's portion of coverage is \$160/month for family and \$79/month for single with a wellness premium reduction. Membership of the plan consisted of the following at April, 30 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>62</u>
Total	<u>85</u>
Number of participating employers	<u>1</u>

Funding Policy

The current funding policy of the City is to pay health claims as they occur. This arrangement does not qualify as other postemployment benefit (OPEB) plan assets under GASB for current GASB reporting; however, the City has established an internal service fund to accumulate assets and pay benefits.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2017, the City contributed \$175,380.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost and net OPEB obligations for April 30, 2017 (based on the latest actuarial valuation on April 30, 2016) were as follows:

Annual Required Contribution (ARC)	\$ 175,380
Interest on net OPEB obligation	30
Adjustment to ARC	<u>(26)</u>
Annual OPEB cost	175,384
Contributions made	<u>175,380</u>
Change in net OPEB obligation	4
Net OPEB obligation, beginning of year	<u>756</u>
Net OPEB obligation, end of year	<u>\$ 760</u>

Three Year Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/16	\$ 175,384	100%	\$ 760

Funded status and funding progress

As of April 30, 2015, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,096,284 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$3,096,284.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions included a 4 percent investment rate of return which is based on the expected long-term investment return of the City's own investments used to pay plan benefits, discount rate of 4% and an initial annual health care cost trend rate of 8.75% which is reduced over time to an ultimate rate of 4%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years.

Retirement Health Savings Plan

In August 2007, the City initiated four retirement health savings plans which cover the unionized telecommunicators, the unionized police and public services employees and non-union employees hired after July 31, 1998. The City will contribute 1.75% of an eligible participant's base wage plus longevity, with the exception of police officers who receive 1.5% of base plus longevity on an annual basis. The funds will be available to any participant upon separation from service. The City's contribution to the plan for the year ended April 30, 2017 was approximately \$46,000.

NOTE 7. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2017 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 21,427	\$ 4,097
Special Revenue Fund		
Cemetery Fund	25,872	-
Liability Insurance Fund	-	14,972
Illinois Municipal Retirement Fund	2,252	-
Debt Service Fund		
Mallard Crossing Special Assessment Fund	-	11,062
Enterprise Funds		
Waterworks Fund	28,956	-
Sewerage Fund	2,470	37,816
Internal Service Fund		
Employees' Benefit Fund	377	-
Motor Equipment Replacement Fund	340	10,904
Trust and Agency Fund		
Police Pension Fund	-	373
Special Assessment Collection Fund	-	2,470
	<hr/>	<hr/>
Total interfund receivables and payables	\$ 81,694	\$ 81,694

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. Balances are to be collected in the subsequent year.

NOTE 8. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2017, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 395,190	\$ 262,154
Special Revenue Funds		
Civil Defense Fund	37,500	-
Illinois Municipal Retirement Fund	38,000	-
Social Security Fund	73,000	-
Capital Project Fund		
Washington 223 Fund	8,381	-
Debt Service Funds		
South Cummings Lane Fund	63,967	-
Cruger Road Fund	69,665	-
Washington 223 Fund	79,091	-
Washington Area Community Center Fund	-	370,912
Enterprise Funds		
Waterworks Fund	15,813	59,864
Sewerage Fund	-	87,677
	<hr/>	<hr/>
Total interfund transfers	\$ 780,607	\$ 780,607

Transfers are used to (1) move revenues from the fund collecting them to the fund that statute or budget reflects to expend them, (2) move receipts restricted to debt service from the funds collecting them to the Bond and Interest Fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9. SELF INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance for these risks of loss.

The City uses an internal service fund, the Employees’ Benefit Fund, to account for and finance its uninsured risks of loss associated with medical and dental claims of its employees and their dependents. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated payables for claims and losses for medical and hospital claims include an amount for claims incurred but not reported based upon actuarial estimates and prior experience. The City has specific excess insurance that provides coverage when medical and hospital claims in a given year exceed \$50,000 individually over an annual liability period.

Various funds of the City participate and make payments to the internal service fund based on historical cost information. Based on the requirements of *Governmental Accounting Standards Board Statement No. 10*, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated, unpaid claims of \$54,417 at April 30, 2017 have been included in the financial statements as a payable. The City has also recorded a receivable at April 30, 2017 for \$13,134, the amount expected to be reimbursed through reinsurance.

Changes in the claims liability in fiscal years 2017 and 2016 were:

Balance at April 30, 2015	\$ 630,251
Prior year claims and changes in estimates	1,362,341
Prior year claims paid	<u>(1,930,896)</u>
Balance at April 30, 2016	61,696
Current year claims and changes in estimates	734,524
Claims paid	<u>(741,803)</u>
Balance at April 30, 2017	<u>\$ 54,417</u>

NOTE 10. COMMITMENTS

The City has agreed to a consent order with the Illinois Environmental Protection Agency (IEPA). This consent order obligates the City to complete the expansion of the Sewer Treatment Plant #2 phase 2A. The total estimated cost of this project is \$4,125,136. The City has incurred \$3,899,979 in costs through April 30, 2017 related to this project.

The City has a contract for the expansion of the Sewer Treatment Plant #2 phase 2B – Farm Creek Trunk Sewer. As of April 30, 2017, the total estimated City obligation was \$541,700. A total of \$227,391 has been paid or is included in payables as of the year end.

The City has a contract to resurface various roadways under the Motor Fuel Tax program. As of April 30, 2017, the total estimated City obligation was \$853,103. A total of \$474,232 has been paid or is included in payables as of the year end.

The City has a \$350,000 redevelopment agreement with a private entity to participate in the redevelopment of certain real estate within the City's Tax Increment Financing District. A total of \$116,667 has been paid or is included in payables as of the year end.

NOTE 11. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2017:

Mallard Crossing – Debt Service Fund	\$	8,227
Washington 223 – Capital Project Fund		7,814

NOTE 12. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. These statements require the net pension liability and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

	<u>IMRF</u>	<u>Police Pension</u>	<u>Governmental Activities Total</u>
Net Position – April 30, 2015 (as reported)			\$ 36,349,596
Less: Net pension liability	\$ 2,404,092	\$ 3,509,142	<u>(5,913,234)</u>
Net Position – April 30, 2015 (as restated)			<u>\$ 30,436,362</u>

NOTE 13. FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of April 30, 2017:

- Mutual fund securities of \$3,026,787 are valued using quoted market prices (Level 1 inputs)
- Treasury Inflation Protected securities of \$218,909 are valued using quoted market prices (Level 1 inputs)
- Money market securities of \$254,887 are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of \$621,647 are valued using a matrix pricing model (Level 2 inputs)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED APRIL 30, 2017

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 904,950	\$ 911,068	\$ 6,118
Licenses and permits	471,500	560,096	88,596
Intergovernmental	7,702,500	7,343,734	(358,766)
Grant proceeds	527,500	526,804	(696)
Charges for services	90,000	89,736	(264)
Fines and forfeitures	136,000	141,474	5,474
Interest	40,700	93,171	52,471
Other	103,000	47,493	(55,507)
	9,976,150	9,713,576	(262,574)
EXPENDITURES			
Current			
General government	1,413,814	1,110,894	302,920
Public safety	4,755,652	4,592,551	163,101
Highways and streets	1,816,606	1,711,363	105,243
Health and welfare	15,500	14,526	974
Capital outlay	1,819,000	750,053	1,068,947
	9,820,572	8,179,387	1,641,185
Excess of revenue over expenditures	155,578	1,534,189	1,378,611
OTHER FINANCING SOURCES (USES)			
Transfers in	21,740	395,190	373,450
Transfers out	(806,334)	(262,154)	544,180
Total other financing sources (uses)	(784,594)	133,036	917,630
Net change in fund balances	\$ (629,016)	\$ 1,667,225	\$ 2,296,241

CITY OF WASHINGTON, ILLINOIS
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST 10 CALENDAR YEARS
(schedule to be built prospectively from 2015)

	2016	2015
Calendar year ending December 31,		
Total pension liability:		
Service cost	\$ 270,831	\$ 263,773
Interest on the total pension liability	1,049,524	981,553
Difference between expected and actual experience	1,984	419,869
Assumption changes	(57,997)	-
Benefit payments and refunds	(718,617)	(798,996)
Net change in total pension liability	545,725	866,199
Total pension liability - beginning	14,273,748	13,407,549
Total pension liability - ending (a)	14,819,473	14,273,748
Plan fiduciary net position:		
Contributions - employer	395,121	343,295
Contributions - employee	130,400	142,475
Net investment income	764,487	53,662
Benefit payments and refunds	(718,617)	(798,996)
Other (net transfer)	32,124	413,324
Net change in plan fiduciary net position	603,515	153,760
Plan fiduciary net position - beginning	11,042,857	10,889,097
Plan fiduciary net position - ending (b)	11,646,372	11,042,857
City's net pension liability - ending (a) - (b)	\$ 3,173,101	\$ 3,230,891
Plan fiduciary net position as a percentage of the total pension liability	78.59%	77.36%
Covered - employee payroll	\$ 2,580,806	\$ 2,409,094
City's net position liability as a percentage of covered-employee payroll	122.95%	134.11%

CITY OF WASHINGTON, ILLINOIS
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION TRUST FUND
LAST 10 YEARS

(schedule to be built prospectively from 2015)

Fiscal year ending April 30,	2016	2015
Total pension liability:		
Service cost	\$ 290,520	\$ 284,738
Interest on the total pension liability	759,768	681,523
Difference between expected and actual experience	(92,933)	(293,629)
Assumption changes	641,098	662,460
Benefit payments and refunds	(486,957)	(528,697)
	1,111,496	806,395
Net change in total pension liability		
Total pension liability - beginning	10,806,789	10,000,394
Total pension liability - ending (a)	\$ 11,918,285	\$ 10,806,789
Plan fiduciary net position:		
Contributions - employer	\$ 373,617	\$ 320,283
Contributions - employee	124,594	115,109
Net investment income	(50,667)	283,752
Benefit payments and refunds	(486,957)	(528,697)
Administrative expense	(6,318)	(4,357)
	(45,731)	186,090
Net change in plan fiduciary net position		
Plan fiduciary net position - beginning	6,677,342	6,491,252
Plan fiduciary net position - ending (b)	\$ 6,631,611	\$ 6,677,342
City's net pension liability - ending (a) - (b)	\$ 5,286,674	\$ 4,129,447
Plan fiduciary net position as a percentage of the total pension liability	55.64%	61.79%
Covered - employee payroll	\$ 1,268,296	\$ 1,179,945
City's net position liability as a percentage of covered-employee payroll	416.83%	349.97%

**CITY OF WASHINGTON, ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 ILLINOIS MUNICIPAL RETIREMENT FUND
 LAST 10 YEARS**

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
-------------------------------------	--	---	---	--	---

IMRF

12/31/2016	\$ 395,121 *	\$ 395,121	\$ -	\$ 2,580,806	15.31%
12/31/2015	343,296	343,295	1	2,409,094	14.25%

*Estimated based on contribution rate of 15.31% and covered valuation payroll of \$2,580,806.

Schedule to be built prospectively as the City implemented GASB Statement No. 68 in the fiscal year ending 04/30/2016.

**CITY OF WASHINGTON, ILLINOIS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate*

Valuation Date:

Notes 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 2016 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age Normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	27-year closed period until remaining period reaches 15 years
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	3.50%
<i>Price Inflation:</i>	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	3.75% to 14.50%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
<i>Mortality:</i>	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disable retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two year lag between valuation and rate setting.

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION TRUST FUND
LAST 10 YEARS**

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Police Pension Trust Fund					
4/30/2016	\$ 320,912	\$ 373,617	\$ (52,705)	\$ 1,268,296	29.46 %
4/30/2015	304,709	320,283	(15,574)	1,179,945	27.14

Schedule to be built prospectively as the City implemented GASB Statement No. 68 in the fiscal year ending 04/30/2016.

**CITY OF WASHINGTON, ILLINOIS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION TRUST FUND**

Notes to Schedule:

Valuation Date: 5/1/2014

Tax Levy Requirement Contribution is calculated as of May 1 two years prior to the year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

<i>Funding Method:</i>	Entry Age Normal Cost Method
<i>Amortization Method:</i>	Level percentage of pay, closed
<i>Remaining Amortization Period:</i>	27 years (as of valuation 05/01/2014)
<i>Actuarial Asset Method:</i>	5-year Average Market Value (PA 096-1495)
<i>Investment Return:</i>	7.00% net of investment expenses
<i>Salary Scale:</i>	5%
<i>Investment Rate of Return:</i>	7.00%
<i>Salary Scale:</i>	5.00%.
<i>Mortality:</i>	RP 2000 Mortality Table (BCA, +IM, -4F, 2x> 105), adjusted for future mortality improvement using 1-year setback after 15 years.
<i>Withdrawal:</i>	Based on studies of the Fund and the Department of Insurance, Sample Rates below.
<i>Disability:</i>	Based on studies of the Fund and the Department of Insurance, Sample Rates below.
<i>Retirement:</i>	Uniform distribution from ages 50-62 (100% by age 62).
<i>Marital Status:</i>	80% Married, Female spouses 3 years younger.
<i>Sample Annual Rates per 100</i>	
<i>Participants:</i>	

<u>Age</u>	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.04	6	0.07	
25	0.04	6	0.08	
30	0.08	5.1	0.1	
35	0.12	4.1	0.14	
40	0.14	2.85	0.2	
45	0.19	1.74	0.31	
50	0.27		0.52	20.00
55	0.50		0.99	41.67
60	0.94		1.74	83.33
62	1.23			100.00

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
ON PENSION PLAN INVESTMENTS
POLICE PENSION TRUST FUND
LAST 10 YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted return rate of return, net of investment expense	6.97%	-0.32%	3.58%

Schedule to be built prospectively as the City implemented GASB Statement No. 67 in the fiscal year ending 04/30/2015.

**CITY OF WASHINGTON, ILLINOIS
POST-EMPLOYMENT HEALTH INSURANCE PLAN**

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2016	\$ -	\$ 3,096,284	\$ 3,096,284	-
2015	-	3,210,847	3,210,847	-
2014	-	3,210,847	3,210,847	-

OTHER SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED APRIL 30, 2017

	General Corporate	City Hall	Street
REVENUES			
Property taxes	\$ 350,333	\$ -	\$ 200,484
Licenses and permits	560,096	-	-
Intergovernmental	7,297,784	-	7,964
Grant proceeds	-	-	526,804
Charges for services	5,832	-	1,845
Fines and forfeitures	86,674	-	-
Interest	92,991	-	-
Other	23,475	-	10,080
	<u>8,417,185</u>	<u>-</u>	<u>747,177</u>
EXPENDITURES			
General government			
Personal services	530,342	44,635	-
Supplies	8,263	1,843	-
Other services and charges	109,372	29,000	-
Total general government	<u>647,977</u>	<u>75,478</u>	<u>-</u>
Public safety			
Personal services	-	-	-
Supplies	-	-	-
Special projects	-	-	-
Other services and charges	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>
Highways and streets			
Personal services	-	-	773,769
Supplies	-	-	20,446
Other services and charges	-	-	917,148
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,711,363</u>
Health and welfare			
Other services and charges	13,360	1,166	-
Capital outlay	4,044	12,852	711,674
	<u>665,381</u>	<u>89,496</u>	<u>2,423,037</u>
Excess (deficiency) of revenue over expenditures	7,751,804	(89,496)	(1,675,860)
OTHER FINANCING SOURCES (USES)			
Transfers in	375,270	14,704	5,216
Transfers out	(124,972)	-	(137,182)
Total other financing sources (uses)	<u>250,298</u>	<u>14,704</u>	<u>(131,966)</u>
Net change in fund balance	<u>\$ 8,002,102</u>	<u>\$ (74,792)</u>	<u>\$ (1,807,826)</u>
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR			

	Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2016 (Memorandum Only)
\$	360,251	\$ -	\$ -	\$ -	\$ 911,068	\$ 740,472
	-	-	-	-	560,096	464,359
	19,370	-	-	18,616	7,343,734	7,269,240
	-	-	-	-	526,804	32,334
	82,059	-	-	-	89,736	94,305
	54,800	-	-	-	141,474	154,714
	180	-	-	-	93,171	38,502
	13,707	-	231	-	47,493	53,820
	530,367	-	231	18,616	9,713,576	8,847,746
	-	34,756	185,087	-	794,820	673,104
	-	-	709	-	10,815	15,904
	-	58,228	108,659	-	305,259	296,820
	-	92,984	294,455	-	1,110,894	985,828
	3,425,829	-	-	-	3,425,829	3,087,507
	21,957	-	-	-	21,957	14,203
	19,985	-	-	-	19,985	32,768
	494,744	-	-	630,036	1,124,780	1,063,144
	3,962,515	-	-	630,036	4,592,551	4,197,622
	-	-	-	-	773,769	738,277
	-	-	-	-	20,446	12,588
	-	-	-	-	917,148	624,163
	-	-	-	-	1,711,363	1,375,028
	-	-	-	-	14,526	14,933
	18,103	-	-	3,380	750,053	242,163
	3,980,618	92,984	294,455	633,416	8,179,387	6,815,574
	(3,450,251)	(92,984)	(294,224)	(614,800)	1,534,189	2,032,172
	-	-	-	-	395,190	14,592
	-	-	-	-	(262,154)	(584,076)
	-	-	-	-	133,036	(569,484)
\$	(3,450,251)	\$ (92,984)	\$ (294,224)	\$ (614,800)	1,667,225	1,462,688
					12,992,355	11,529,667
					\$ 14,659,580	\$ 12,992,355

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2017**

	Special Revenue					
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance
ASSETS						
Cash and cash equivalents	\$ 290,373	\$ 32,814	\$ 32,312	\$ 750,676	\$ 331,681	\$ 202,693
Investments	-	-	-	-	1,011,996	-
Receivables (net of allowance for uncollectibles)						
Property taxes	-	3,331	32,001	-	217,437	90,029
Special assessments	-	-	-	-	-	-
Accounts - customers	7,360	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	25,872	-	-	-	-	-
Due from other governments	-	-	-	33,135	-	-
Prepaid items	422	79	-	-	-	14,972
Restricted assets						
Cash and cash equivalents	-	-	-	-	-	-
	\$ 324,027	\$ 36,224	\$ 64,313	\$ 783,811	\$ 1,561,114	\$ 307,694
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 2,514	\$ 883	\$ -	\$ 1,770	\$ 1,704	\$ 5,000
Construction retainage payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	14,972
Unearned revenue	-	-	-	-	-	-
Total liabilities	2,514	883	-	1,770	1,704	19,972
Deferred inflows of resources						
Unavailable revenue						
Property taxes	-	3,331	32,001	-	217,437	90,029
Special assessments	-	-	-	-	-	-
Total deferred inflows of resources	-	3,331	32,001	-	217,437	90,029
Fund balances						
Nonspendable	422	79	-	-	-	14,972
Restricted	-	-	32,312	782,041	1,341,973	182,721
Assigned	321,091	31,931	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	321,513	32,010	32,312	782,041	1,341,973	197,693
	\$ 324,027	\$ 36,224	\$ 64,313	\$ 783,811	\$ 1,561,114	\$ 307,694

Storm Water Management	Illinois Municipal Retirement	Social Security	RBDG Fund	Total
\$ 208,503	\$ 190,851	\$ 235,767	\$ 26,611	\$ 2,302,281
-	-	-	-	1,011,996
-	355,001	270,019	-	967,818
-	-	-	-	-
-	-	-	-	7,360
14,717	2,438	1,892	52,387	71,434
-	2,252	-	-	28,124
-	-	-	-	33,135
-	-	-	-	15,473
-	-	-	-	-
\$ 223,220	\$ 550,542	\$ 507,678	\$ 78,998	\$ 4,437,621
\$ 4,281	\$ 17,139	\$ 9,343	\$ -	\$ 42,634
-	-	-	-	-
-	-	-	-	14,972
386	-	-	-	386
4,667	17,139	9,343	-	57,992
-	355,001	270,019	-	967,818
-	-	-	-	-
-	355,001	270,019	-	967,818
-	-	-	-	15,473
-	-	-	78,998	2,418,045
218,553	178,402	228,316	-	978,293
-	-	-	-	-
218,553	178,402	228,316	78,998	3,411,811
\$ 223,220	\$ 550,542	\$ 507,678	\$ 78,998	\$ 4,437,621

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2017**

	<u>Debt Service</u>		<u>Capital Project</u>		<u>Total Nonmajor Governmental</u>
	<u>Mallard Crossing</u>		<u>Washington 223</u>		
ASSETS					
Cash and cash equivalents	\$	-	\$	-	\$ 2,302,281
Investments		-		-	1,011,996
Receivables (net of allowance for uncollectibles)					
Property taxes		-		-	967,818
Special assessments		47,210		-	47,210
Accounts - customers		-		-	7,360
Other		-		-	71,434
Due from other funds		-		-	28,124
Due from other governments		-		-	33,135
Prepaid items		-		-	15,473
Restricted assets					
Cash and cash equivalents		2,835		13	2,848
	\$	50,045	\$	13	\$ 4,487,679
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$	-	\$	7,827	\$ 50,461
Construction retainage payable		-		-	-
Due to other funds		11,062		-	26,034
Unearned revenue		-		-	386
Total liabilities		11,062		7,827	76,881
Deferred inflows of resources					
Unavailable revenue					
Property taxes		-		-	967,818
Special assessments		47,210		-	47,210
Total deferred inflows		47,210		-	1,015,028
Fund balances					
Nonspendable		-		-	15,473
Restricted		-		-	2,418,045
Assigned		-		-	978,293
Unassigned		(8,227)		(7,814)	(16,041)
		(8,227)		(7,814)	3,395,770
	\$	50,045	\$	13	\$ 4,487,679

2016
(Memorandum
Only)

\$ 3,524,667

-

906,896

47,148

2,030

23,465

69,138

34,442

15,476

947,820

\$ 5,571,082

\$ 89,831

307,808

11,062

857,148

1,265,849

906,896

47,148

954,044

15,476

2,406,511

936,086

(6,884)

3,351,189

\$ 5,571,082

**CITY OF WASHINGTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2017**

	Special Revenue					
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance
REVENUES						
Property taxes	\$ -	\$ 3,274	\$ 31,587	\$ -	\$ 216,523	\$ 74,040
Intergovernmental	-	-	-	405,325	-	-
Grant proceeds	-	-	-	722,541	-	-
Charges for services	99,550	-	-	-	-	-
Interest	1,282	143	155	5,093	14,302	1,184
Rental	-	-	-	-	-	-
Other	680	-	-	-	-	-
	<u>101,512</u>	<u>3,417</u>	<u>31,742</u>	<u>1,132,959</u>	<u>230,825</u>	<u>75,224</u>
EXPENDITURES						
Current						
General government	-	-	26,105	-	216,167	94,866
Public safety	-	39,397	-	-	-	-
Cemetery	83,756	-	-	-	-	-
Capital outlay	5,780	-	-	1,070,130	100,492	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
	<u>89,536</u>	<u>39,397</u>	<u>26,105</u>	<u>1,070,130</u>	<u>316,659</u>	<u>94,866</u>
Excess (deficiency) of revenues over expenditures	11,976	(35,980)	5,637	62,829	(85,834)	(19,642)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	37,500	-	-	-	-
Debt issuance	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,976	1,520	5,637	62,829	(85,834)	(19,642)
FUND BALANCES, BEGINNING OF YEAR	<u>309,537</u>	<u>30,490</u>	<u>26,675</u>	<u>719,212</u>	<u>1,427,807</u>	<u>217,335</u>
FUND BALANCES, END OF YEAR	<u>\$ 321,513</u>	<u>\$ 32,010</u>	<u>\$ 32,312</u>	<u>\$ 782,041</u>	<u>\$ 1,341,973</u>	<u>\$ 197,693</u>

Storm Water Management	Illinois Municipal Retirement	Social Security	RBDG Fund	Total
\$ -	\$ 325,720	\$ 246,735	\$ -	\$ 897,879
-	18,371	7,623	-	431,319
-	-	-	78,340	800,881
-	-	-	-	99,550
844	1,124	1,222	658	26,007
51,862	-	-	-	51,862
-	-	-	-	680
52,706	345,215	255,580	78,998	2,308,178
21,152	394,858	325,075	-	1,078,223
-	-	-	-	39,397
-	-	-	-	83,756
5,036	-	-	-	1,181,438
-	-	-	-	-
-	-	-	-	-
26,188	394,858	325,075	-	2,382,814
26,518	(49,643)	(69,495)	78,998	(74,636)
-	38,000	73,000	-	148,500
-	-	-	-	-
-	38,000	73,000	-	148,500
26,518	(11,643)	3,505	78,998	73,864
192,035	190,045	224,811	-	3,337,947
\$ 218,553	\$ 178,402	\$ 228,316	\$ 78,998	\$ 3,411,811

**CITY OF WASHINGTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2017**

	Debt Service				Total
	Cruger Road	South Cummings Lane	Mallard Crossing	Washington 223	
REVENUES					
Property taxes	\$ -	\$ -	\$ 46,819	\$ -	\$ 46,819
Intergovernmental	-	-	-	-	-
Grant proceeds	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest	-	-	8	-	8
Rental	-	-	-	39,830	39,830
Other	-	-	-	-	-
	-	-	46,827	39,830	86,657
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Cemetery	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	67,471	61,952	40,000	-	169,423
Interest	2,194	2,015	8,170	138,836	151,215
	69,665	63,967	48,170	138,836	320,638
Excess (deficiency) of revenues over expenditures	(69,665)	(63,967)	(1,343)	(99,006)	(233,981)
OTHER FINANCING SOURCES (USES)					
Transfers in	69,665	63,967	-	79,091	212,723
Debt issuance	-	-	-	-	-
Total other financing sources (uses)	69,665	63,967	-	79,091	212,723
Net change in fund balances	-	-	(1,343)	(19,915)	(21,258)
FUND BALANCES, BEGINNING OF YEAR	-	-	(6,884)	19,915	13,031
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ (8,227)	\$ -	\$ (8,227)

Capital Project			
Washington 223	Total Nonmajor Governmental	2016 (Memorandum Only)	
\$ -	\$ 944,698	\$ 919,110	
-	431,319	425,723	
134,234	935,115	5,739,138	
-	99,550	81,950	
195	26,210	30,961	
-	91,692	113,659	
-	680	25,758	
<hr/>	<hr/>	<hr/>	
134,429	2,529,264	7,336,299	
<hr/>	<hr/>	<hr/>	
7,744	1,085,967	853,706	
-	39,397	6,557	
-	83,756	75,218	
143,091	1,324,529	6,778,856	
-	169,423	555,766	
-	151,215	159,451	
<hr/>	<hr/>	<hr/>	
150,835	2,854,287	8,429,554	
<hr/>	<hr/>	<hr/>	
(16,406)	(325,023)	(1,093,255)	
<hr/>	<hr/>	<hr/>	
8,381	369,604	458,174	
-	-	391,324	
<hr/>	<hr/>	<hr/>	
8,381	369,604	849,498	
(8,025)	44,581	(243,757)	
<hr/>	<hr/>	<hr/>	
211	3,351,189	3,594,946	
<hr/>	<hr/>	<hr/>	
\$ (7,814)	\$ 3,395,770	\$ 3,351,189	
<hr/>	<hr/>	<hr/>	

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
APRIL 30, 2017**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Capital Replacement Fund	Total	2016 (Memorandum Only)
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,021,428	\$ 870,697	\$ 101,075	\$ 1,993,200	\$ 2,582,080
Investments	507,392	1,011,996	-	1,519,388	-
Receivables (net of allowance for uncollectibles)					
Interest	-	664	-	664	-
Other	13,203	5,820	-	19,023	22,770
Due from other funds	377	340	-	717	-
Prepaid items	-	5,240	-	5,240	5,847
Total current assets	1,542,400	1,894,757	101,075	3,538,232	2,610,697
Noncurrent assets					
Capital assets, net of accumulated depreciation	-	1,343,096	7,125	1,350,221	1,079,016
	\$ 1,542,400	\$ 3,237,853	\$ 108,200	\$ 4,888,453	\$ 3,689,713
LIABILITIES AND NET POSITION					
Liabilities					
Accounts payable and accrued liabilities	\$ 54,417	\$ 22,181	\$ -	\$ 76,598	\$ 82,096
Current portion of lease payable	-	5,581	-	5,581	16,382
Accrued compensated absences	-	894	-	894	635
Unearned revenue	-	-	-	-	1,980
Due to other funds	-	10,904	-	10,904	1,350
Total current liabilities	54,417	39,560	-	93,977	102,443
Noncurrent liabilities					
Lease payable	-	-	-	-	5,581
Accrued compensated absences	-	8,881	-	8,881	9,574
Total liabilities	54,417	48,441	-	102,858	117,598
Net position					
Invested in capital assets	-	1,343,096	7,125	1,350,221	1,079,016
Unrestricted	1,487,983	1,846,316	101,075	3,435,374	2,493,099
Total net position	1,487,983	3,189,412	108,200	4,785,595	3,572,115
	\$ 1,542,400	\$ 3,237,853	\$ 108,200	\$ 4,888,453	\$ 3,689,713

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2017**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Capital Replacement Fund	Total	2016 (Memorandum Only)
OPERATING REVENUES					
Charges for services	\$ 1,588,547	\$ 995,300	\$ 108,176	\$ 2,692,023	\$ 2,064,526
Employee contributions	151,797	-	-	151,797	148,289
Other	15,602	12,949	-	28,551	99,235
	<u>1,755,946</u>	<u>1,008,249</u>	<u>108,176</u>	<u>2,872,371</u>	<u>2,312,050</u>
OPERATING EXPENSES					
General and administrative	43,882	-	-	43,882	43,292
Personal services	1,083,228	108,842	-	1,192,070	1,352,556
Materials and supplies	-	114,149	-	114,149	107,396
Other services and charges	99	126,391	-	126,490	142,008
Depreciation	-	230,715	375	231,090	219,867
	<u>1,127,209</u>	<u>580,097</u>	<u>375</u>	<u>1,707,681</u>	<u>1,865,119</u>
Operating income	<u>628,737</u>	<u>428,152</u>	<u>107,801</u>	<u>1,164,690</u>	<u>446,931</u>
NONOPERATING REVENUES					
Interest income	(10,020)	(16,435)	(399)	(26,854)	(9,275)
Interest expense	-	464	-	464	979
(Gain) loss on sale of equipment	-	(22,400)	-	(22,400)	37,680
	<u>(10,020)</u>	<u>(38,371)</u>	<u>(399)</u>	<u>(48,790)</u>	<u>29,384</u>
Change in net position	638,757	466,523	108,200	1,213,480	417,547
TOTAL NET POSITION, BEGINNING OF YEAR	<u>849,226</u>	<u>2,722,889</u>	<u>-</u>	<u>3,572,115</u>	<u>3,154,568</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,487,983</u>	<u>\$ 3,189,412</u>	<u>\$ 108,200</u>	<u>\$ 4,785,595</u>	<u>\$ 3,572,115</u>

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2017

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Capital Replacement Fund	Total	2016 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,759,869	\$ 10,793	\$ -	\$ 1,770,662	\$ 1,560,363
Receipts from interfund services provided	-	995,300	108,176	1,103,476	778,600
Payments to suppliers	(1,134,610)	(238,088)	-	(1,372,698)	(2,134,395)
Payments to employees	-	(109,218)	-	(109,218)	(99,183)
Net cash provided by operating activities	625,259	658,787	108,176	1,392,222	105,385
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Advances from (to) other funds	(377)	9,214	-	8,837	5,650
Net cash provided by (used in) noncapital financing activities	(377)	9,214	-	8,837	5,650
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(494,795)	(7,500)	(502,295)	(507,313)
Principal payments on lease	-	(16,382)	-	(16,382)	(15,867)
Proceeds from sale of equipment	-	22,400	-	22,400	99,400
Net cash used in capital and related financing activities	-	(488,777)	(7,500)	(496,277)	(423,780)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	10,020	15,771	399	26,190	9,275
Interest paid	-	(464)	-	(464)	(979)
Purchase of investments	(507,392)	(1,011,996)	-	(1,519,388)	-
Net cash provided by (used in) investing activities	(497,372)	(996,689)	399	(1,493,662)	8,296
NET CHANGE IN CASH AND CASH EQUIVALENTS	127,510	(817,465)	101,075	(588,880)	(304,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	893,918	1,688,162	-	2,582,080	2,886,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,021,428	\$ 870,697	\$ 101,075	\$ 1,993,200	\$ 2,582,080
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 628,737	\$ 428,152	\$ 107,801	\$ 1,164,690	\$ 446,931
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	230,715	375	231,090	219,867
(Increase) decrease in receivables	5,903	(2,156)	-	3,747	24,933
(Increase) decrease in prepaid items	-	607	-	607	(1,984)
Increase (decrease) in accounts payable and accrued liabilities	(7,401)	1,903	-	(5,498)	(587,046)
Increase (decrease) in unearned revenue	(1,980)	-	-	(1,980)	1,980
Increase (decrease) in accrued comp. absences	-	(434)	-	(434)	704
Net cash provided by operating activities	\$ 625,259	\$ 658,787	\$ 108,176	\$ 1,392,222	\$ 105,385

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2017

	Waterworks	Sewerage	Total	2016 (Memorandum Only)
Personal services				
Wages and salaries	\$ 414,336	\$ 508,144	\$ 922,480	\$ 826,627
Payroll taxes	16,998	19,160	36,158	46,287
Group insurance	185,207	207,105	392,312	305,887
Uniforms	2,367	1,398	3,765	3,536
Total personal services	618,908	735,807	1,354,715	1,182,337
Heat, lights, and power				
Electricity	111,236	159,444	270,680	247,951
Heating	1,695	4,466	6,161	8,642
Total heat, lights, and power	112,931	163,910	276,841	256,593
Materials and supplies				
Chemicals and supplies	144,856	20,053	164,909	169,886
Office supplies	12,656	11,817	24,473	13,254
Perishable tools	8,694	13,706	22,400	14,734
Total materials and supplies	166,206	45,576	211,782	197,874
Other services and charges				
Training and recruitment	1,993	854	2,847	2,543
Insurance	5,481	8,171	13,652	17,261
Printing fees	2,412	2,258	4,670	4,473
Legal fees	3,931	1,612	5,543	4,393
Engineering fees	20,319	-	20,319	39,710
Consulting fees	34,245	23,185	57,430	50,671
Rent	1,735	4,957	6,692	6,239
Repairs and maintenance:				
Building	15,199	8,949	24,148	41,913
Equipment	7,356	19,202	26,558	22,304
System	42,282	69,131	111,413	114,621
Motor equipment replacement	146,000	127,000	273,000	225,500
Capital replacement	22,409	27,075	49,484	-
Telephone	17,043	17,913	34,956	20,531
Miscellaneous	6,041	33,010	39,051	34,087
Total other services and charges	326,446	343,317	669,763	584,246
	\$ 1,224,491	\$ 1,288,610	\$ 2,513,101	\$ 2,221,050

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2014 THROUGH 2016**

	2016 Levy			2015 Levy			2014 Levy		
	Levy	Rate	Amounts Extended	Levy	Rate	Collections	Levy	Rate	Collections
GENERAL FUND									
General Corporate	\$ 195,550	0.0570	\$ 195,579	\$ 354,950	0.1070	\$ 350,333	\$ 252,000	0.0863	\$ 250,525
Police Pension	500,000	0.1456	500,003	365,000	0.1101	360,251	310,000	0.1061	308,189
SPECIAL REVENUE FUNDS									
Civil Defense	3,300	0.0010	3,331	3,300	0.0010	3,274	3,300	0.0011	3,281
Audit	32,000	0.0093	32,001	32,000	0.0097	31,587	30,000	0.0103	29,849
Illinois Municipal Retirement	355,000	0.1034	355,001	330,000	0.0995	325,720	310,000	0.1061	308,189
Social Security	270,000	0.0786	270,019	250,000	0.0754	246,735	245,000	0.0839	243,584
INTERNAL SERVICE FUND									
Liability Insurance	90,000	0.0262	90,029	75,000	0.0226	74,040	75,000	0.0257	74,565
TOTAL	\$ 1,445,850	0.4211	\$ 1,445,963	\$ 1,410,250	0.4253	\$ 1,391,940	\$ 1,225,300	0.4195	\$ 1,218,182
CITY SHARE OF TOWNSHIP									
ROAD AND BRIDGE			<u>\$ 213,845</u>			<u>\$ 200,484</u>			<u>\$ 181,758</u>
INCREMENTAL TAX DISTRICT			<u>\$ 217,437</u>			<u>\$ 216,523</u>			<u>\$ 212,638</u>
ASSESSED VALUATIONS	<u>\$ 343,361,222</u>			<u>\$ 331,654,600</u>			<u>\$ 292,078,141</u>		

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2017**

(Unaudited)

The City adopted Ordinance Number 1299 establishing a user-charge system for wastewater system for wastewater treatment on November 7, 1977.

Information required to be disclosed by Section 53.026 of the Ordinance is as follows:

Replacement cost of wastewater facility	Not Available
Total gallons received at the wastewater plant for the year	983,690,000
Total gallons of wastewater billed based on the user-charge system for the year	320,371,409
Number of metered users connected to the system at April 30, 2017	5,345
Number of nonmetered users at April 30, 2017	1