

CITY OF WASHINGTON
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MEMORANDUM

TO: Mayor Manier and City Council
FROM: Joanie Baxter, Controller *JFB*
DATE: November 2, 2018
SUBJECT: FY 17-18 Audited Financial Statements

Attached are the audited financial statements for the City of Washington for the fiscal year ended April 30, 2018. Aaron Phillips of Phillips-Salmi, LLC will be in attendance at the City Council meeting of November 5, 2018 to present the financial statements and answer any questions you may have.

Also attached is the "Required Communications to Council" letter. There was not a Single Audit requirement this year due to the fact that STP2 loan proceeds received for FY2017-18 were not from federal funds.

REQUESTED ACTION

Following the presentation, the City Council will need to approve, by motion, the financial statements for the fiscal year ending April 30, 2018. Please contact me prior to the meeting if you have any questions about the reports.



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

October 10, 2018

To the City Council
City of Washington

We have audited the 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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 20, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Washington are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimates of the net pension liability, useful lives of capital assets and collectability of receivables. The net pension liability is estimated by an actuary based on projected investment returns, plan contributions and plan distributions. The useful lives are based on the expected future years of service. The collectability of receivables is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of retirement plans and other post employment benefits in Note 5 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements of the financial statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of City of Washington, Illinois and is not intended to be and should not be used by anyone other than these specified parties.

Phillips, Salmi & Associates, LLC



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WASHINGTON, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2018

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INDEPENDENT AUDITORS' REPORT

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, 2018, 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, 2018.

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, 2018, 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 fund, 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 63-71, 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 2017 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 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017, 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 72-86, 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 87 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 or provide any assurance on it.

Phillips, Salmi & Associates, LLC

October 10, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FISCAL YEAR ENDING APRIL 30, 2018

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, 2017 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, 2018 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, 2018 by \$79,600,540, a \$2,580,208 or 3.35% increase over the prior year. Of the \$79 million, \$24,213,847 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, 2017 totaled \$19,468,399.
- At April 30, 2018, the governmental funds reported combined fund balances of \$16,543,934, of which \$11,313,367 were unassigned. In the prior year, the governmental funds combined fund balance was \$18,055,350 of which \$13,895,859 was unassigned.
- Unrestricted cash, cash equivalents and investments decreased by \$1,437,725 in the General Fund, increased by \$2,266,068 in the Sewer Funds and decreased by \$397,140 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 \$18,764,768 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, 2017 was \$16,139,991.

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 which is considered a major fund. 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.

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), for fleet and equipment maintenance and replacement (Motor Equipment Replacement Fund) and to provide funding for non-motorized capital equipment in excess of \$5,000 (Capital 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 (\$79,600,540 for FYE April 2018 compared to \$77,020,332 for FYE April 2017, a 3.35% increase), as well as for governmental activities (\$41,572,920 compared to \$40,293,543, a 3.2% increase) and business-type activities (\$38,027,620 compared to \$36,726,789 a 3.5% 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 \$16,543,934, a decrease of \$1,511,416. The sum of \$11,313,367 is unassigned.

The General Fund is the primary operating fund of the City. Unassigned fund balances at fiscal year-end totaled \$11,322,786. During the year, expenditures exceeded revenues in the general fund by \$935,063. After planned transfers to various other funds, a net decrease in the fund balance totaled \$1,504,218.

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 \$12,523,567 with \$2,862,827 being unrestricted. Net position increased by \$346,267 during the year ending April 30, 2018. Sewerage Fund net position totals \$24,455,522; \$8,142,761 are unrestricted. Net position in this fund grew by \$729,942.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net position of \$1,506,584, the Motor Equipment Replacement Fund with net position of \$3,679,184 and the Capital Replacement Fund with net position of \$269,149.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$7,647,455 which largely represents the fund balance of the Police Pension Fund (Pension Trust). The net position of the Pension Trust Fund increased by \$442,188 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, 2018 was \$70,195,160 (net of accumulated depreciation) compared to \$66,618,461 in the prior year. See Note 4 for further details.

Long-Term Debt

The City's long-term debt totaled \$18,764,768 at April 30, 2018 compared to \$16,139,991 at April 30, 2017. Governmental activity debt totaled \$9,229,403. Business-type activity debt (associated with the City's enterprise funds) totaled \$9,535,365.

Debt reductions during the year totaled \$1,293,740. Additions to long-term debt during the year totaled \$3,918,517. The sums of \$58,928 and \$3,815,029 are attributable to a promissory note obtained for the financing of the water meter project and sewer plant, respectively. Also, \$44,560 is attributable to the increase in vested compensated absences.

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 has improved and the City economic trends mirrored those this past year. Unemployment rates continue to decrease with growth in medical, agri-business and research and development sectors within the region.

Adverse legislative action in an attempt to ease the state's budgetary problems continues to be a concern as indicated by reductions to the Local Government Distributive Fund (Income Tax). The City's population increase of 1,432 to 16,566 as a result of a Special Census will result in additional revenue approximating \$145 to \$150 per capita for the years prior to the 2020 Census. In addition, an ordinance was approved to increase the Home Rule Sales Tax to 1.75% to a total of 8.5% effective July 1, 2018. This additional revenue will be targeted for street infrastructure improvements.

Capital spending is projected to decrease in the coming year due to the completion of Sewer Treatment Plant #2 – Phase 2A; however, anticipated to increase in subsequent years in conjunction with the development of a long-range capital investment strategy. The additional Home Rule Sales Tax will help to provide funding for much needed street infrastructure, however other needs still exist. A study will be undertaken to determine an appropriate rate structure to help meet the needs in the Water and Sewer Funds. 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. In addition to continuing focus on wellness initiatives, the City joined a municipal pool for health insurance in an effort to contain costs. As a result, the first-year renewal with the new cooperative resulted in a decrease of 2.7% in premium costs.

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 Mrs. Joanie Baxter, Washington City Controller (jbaxter@ci.washington.il.us) or Mayor Gary Manier, Acting City Administrator (gmanier@ci.washington.il.us).

Government Wide Five Year Analysis – Other Data

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Unrestricted cash and investments | \$ 29,712,857 | \$ 29,167,777 | \$ 28,518,424 | \$ 26,152,053 | \$ 21,533,557 |
| Capital assets | 70,195,160 | 66,618,461 | 61,258,553 | 55,748,898 | 57,148,352 |
| Long-term debt | 18,764,768 | 16,139,991 | 18,776,907 | 19,680,545 | 16,686,727 |
| Total Payroll | 4,647,959 | 4,371,933 | 4,025,720 | 3,832,658 | 3,945,337 |
| Annual Pension Costs | | | | | |
| IMRF | 385,941 | 395,121 | 343,296 | 247,411 | 245,393 |
| Police Pension | 514,605 | 373,617 | 320,283 | 304,017 | 304,010 |
| Assessed Valuation | 348,171,597 | 343,361,222 | 331,654,600 | 292,078,141 | 312,276,092 |
| Property tax rates | 0.4402 | 0.4211 | 0.4253 | 0.4195 | 0.4193 |

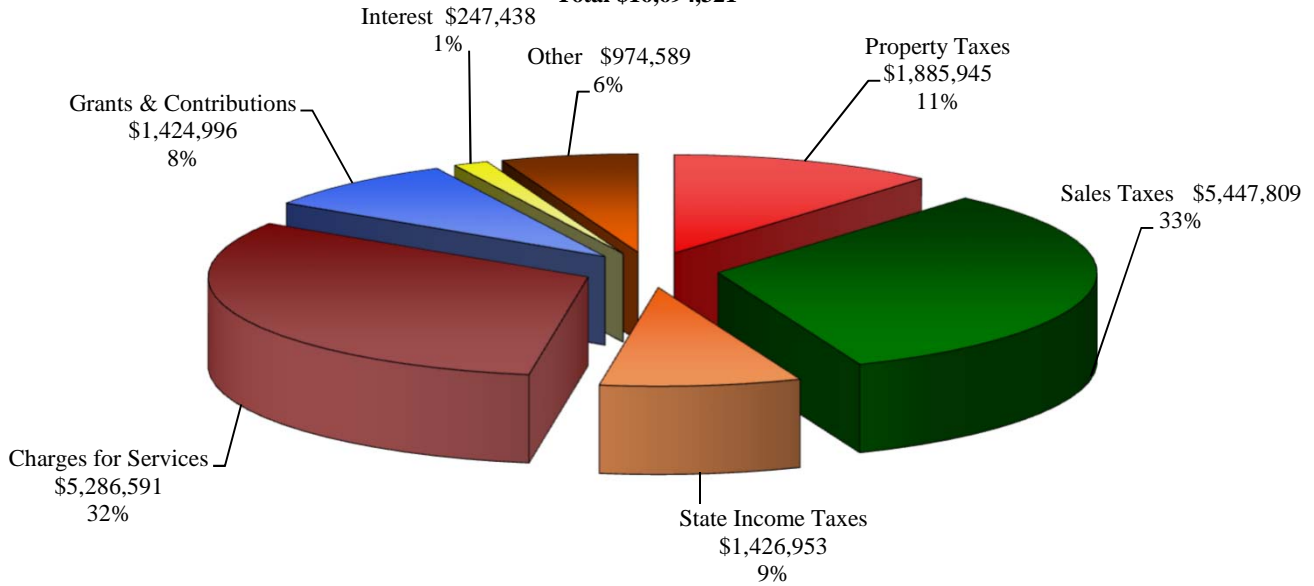
CITY OF WASHINGTON, ILLINOIS

Revenues

(Government Wide Basis)

Year Ended April 30, 2017

Total \$16,694,321

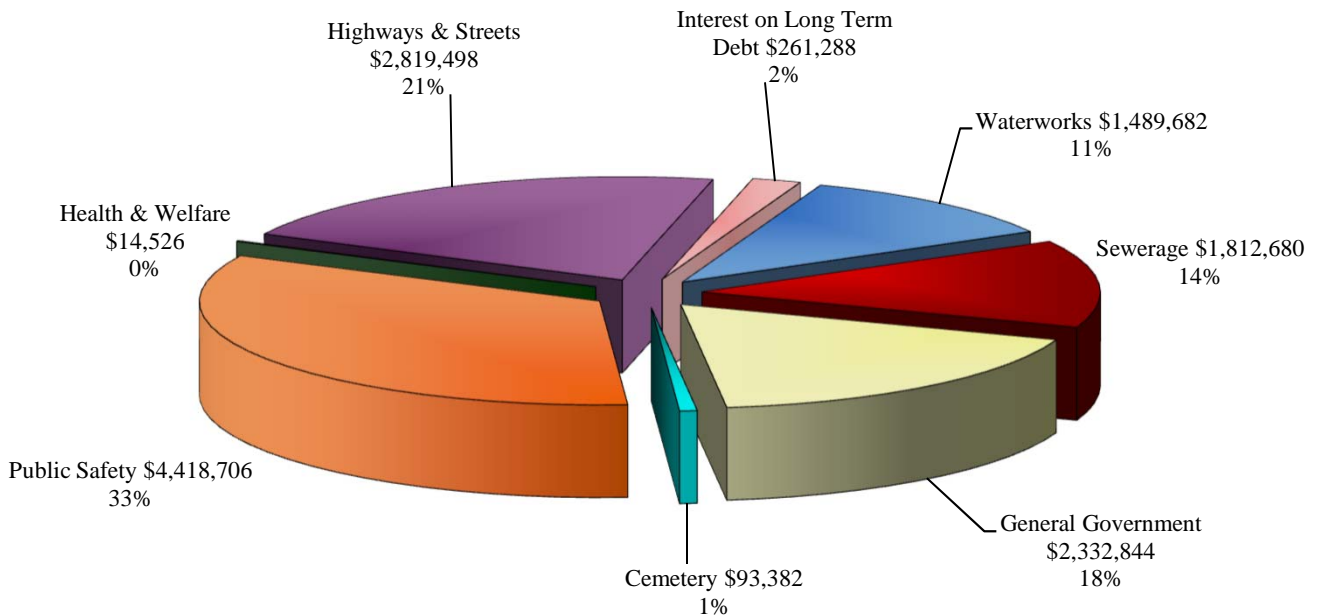


Expenses

(Government Wide Basis)

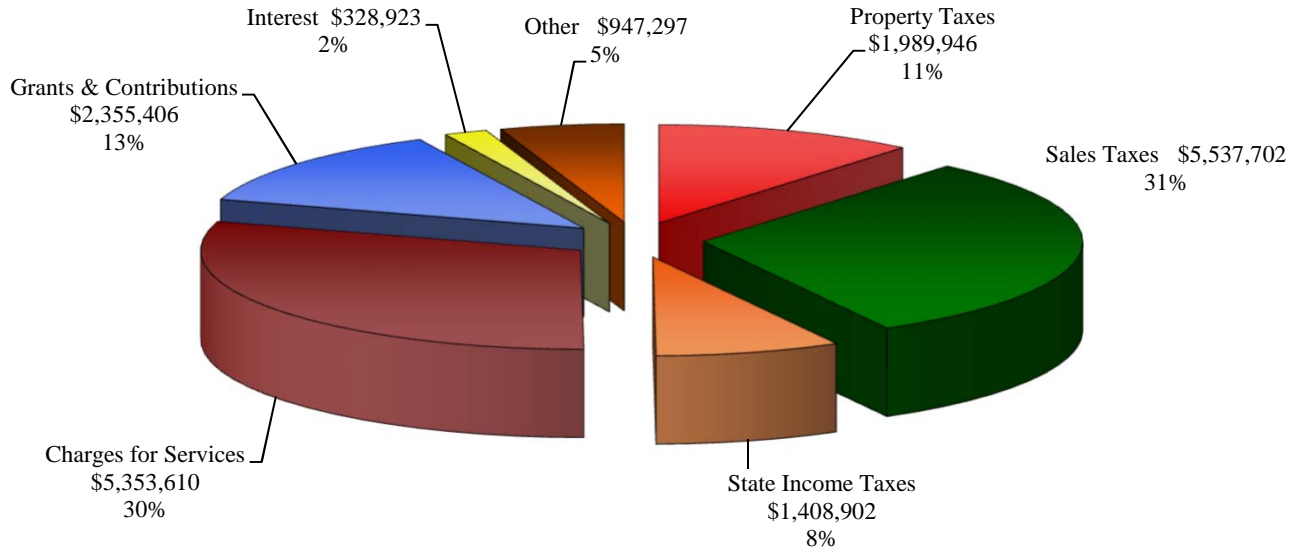
Year Ended April 30, 2017

Total \$13,242,606

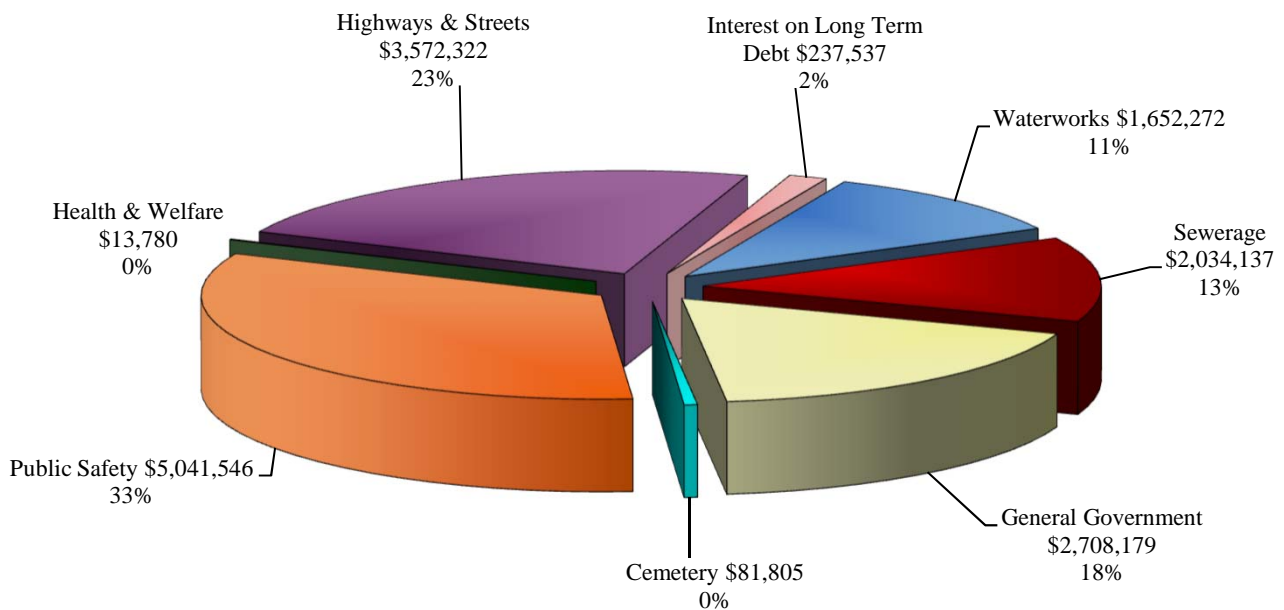


CITY OF WASHINGTON, ILLINOIS

Revenues
(Government Wide Basis)
Year Ended April 30, 2018
Total \$17,921,786



Expenses
(Government Wide Basis)
Year Ended April 30, 2018
Total \$15,341,578



CITY OF WASHINGTON, ILLINOIS
COMPARISION OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
YEARS ENDED APRIL 30, 2014 THROUGH 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------|----------------|--------------|--------------|----------------|
| REVENUES | | | | | |
| Property taxes | \$ 1,915,478 | \$ 1,855,766 | \$ 1,659,582 | \$ 1,734,335 | \$ 1,705,521 |
| Licenses and permits | 503,354 | 560,096 | 464,359 | 509,996 | 499,061 |
| Intergovernmental | | | | | |
| Sales tax | 3,010,442 | 3,316,444 | 3,177,895 | 3,204,719 | 3,052,787 |
| Home rule sales tax | 2,115,169 | 2,131,365 | 2,034,939 | 2,144,257 | 2,084,891 |
| Income tax | 1,408,902 | 1,426,953 | 1,548,008 | 1,524,686 | 1,445,273 |
| Other | 1,223,424 | 900,291 | 934,121 | 1,055,405 | 1,017,527 |
| Grant proceeds | 349,186 | 1,461,919 | 5,771,780 | 778,749 | 1,228,937 |
| Charges for services | 195,287 | 189,286 | 176,255 | 156,002 | 205,932 |
| Fines and forfeitures | 169,653 | 141,474 | 154,714 | 161,622 | 190,254 |
| Interest | 201,732 | 158,147 | 112,791 | 129,969 | 76,926 |
| Other | 338,596 | 157,341 | 208,695 | 253,159 | 190,951 |
| | 11,431,223 | 12,299,082 | 16,243,139 | 11,652,899 | 11,698,060 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 2,524,430 | 2,196,861 | 1,839,534 | 1,857,878 | 3,406,938 |
| Public safety | 4,911,006 | 4,631,948 | 4,204,179 | 3,951,009 | 4,060,119 |
| Highways and streets | 1,735,326 | 1,711,363 | 1,375,028 | 1,372,813 | 1,604,436 |
| Health and welfare | 13,780 | 14,526 | 14,933 | 14,377 | 16,394 |
| Cemetery | 80,449 | 83,756 | 75,218 | 80,782 | 68,089 |
| Debt service | | | | | |
| Principal | 432,215 | 214,423 | 745,766 | 334,280 | 321,720 |
| Interest | 242,614 | 347,567 | 433,822 | 385,519 | 266,406 |
| | 9,939,820 | 9,200,444 | 8,688,480 | 7,996,658 | 9,744,102 |
| Excess of revenues over expenditures before capital outlay and debt refinancing | 1,491,403 | 3,098,638 | 7,554,659 | 3,656,241 | 1,953,958 |
| Capital outlay | 3,121,429 | 2,074,582 | 7,021,019 | 455,789 | 5,567,335 |
| Debt refinancing | - | 3,910,000 | - | - | - |
| Excess (deficiency) of revenues over expenditures | \$ (1,630,026) | \$ (2,885,944) | \$ 533,640 | \$ 3,200,452 | \$ (3,613,377) |

CITY OF WASHINGTON, ILLINOIS
COMPARISION OF OPERATING REVENUES AND EXPENSES
WATERWORKS AND SEWERAGE FUNDS
YEARS ENDED APRIL 30, 2014 THROUGH 2018

WATERWORKS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------|------------------|------------------|---------------------|------------------|--------------------|
| OPERATING REVENUES | \$ 1,717,901 | \$ 1,641,456 | \$ 1,317,572 | \$ 1,326,780 | \$ 1,317,462 |
| OPERATING EXPENSES | | | | | |
| Personal services | 599,171 | 618,908 | 533,036 | 516,291 | 559,012 |
| Heat, light, and power | 120,318 | 112,931 | 106,172 | 100,106 | 116,982 |
| Materials and supplies | 170,108 | 166,206 | 167,375 | 138,712 | 165,628 |
| Other services and charges | 307,460 | 326,446 | 272,205 | 130,682 | 133,905 |
| | <u>1,197,057</u> | <u>1,224,491</u> | <u>1,078,788</u> | <u>885,791</u> | <u>975,527</u> |
| Cash Generated from Operations | 520,844 | 416,965 | 238,784 | 440,989 | 341,935 |
| Depreciation | <u>(504,550)</u> | <u>(390,106)</u> | <u>(382,510)</u> | <u>(398,924)</u> | <u>(391,941)</u> |
| Operating income (loss) | <u>\$ 16,294</u> | <u>\$ 26,859</u> | <u>\$ (143,726)</u> | <u>\$ 42,065</u> | <u>\$ (50,006)</u> |

SEWERAGE

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| OPERATING REVENUES | \$ 2,503,888 | \$ 2,609,140 | \$ 2,551,512 | \$ 2,637,576 | \$ 2,600,112 |
| OPERATING EXPENSES | | | | | |
| Personal services | 723,379 | 735,807 | 649,301 | 623,740 | 742,261 |
| Heat, light, and power | 171,699 | 163,910 | 150,421 | 137,792 | 146,953 |
| Materials and supplies | 65,268 | 45,576 | 30,499 | 31,522 | 20,566 |
| Other services and charges | 428,190 | 343,317 | 312,041 | 159,624 | 202,098 |
| | <u>1,388,536</u> | <u>1,288,610</u> | <u>1,142,262</u> | <u>952,678</u> | <u>1,111,878</u> |
| Cash Generated from Operations | 1,115,352 | 1,320,530 | 1,409,250 | 1,684,898 | 1,488,234 |
| Depreciation | <u>(733,433)</u> | <u>(687,679)</u> | <u>(681,366)</u> | <u>(676,849)</u> | <u>(667,938)</u> |
| Operating income | <u>\$ 381,919</u> | <u>\$ 632,851</u> | <u>\$ 727,884</u> | <u>\$ 1,008,049</u> | <u>\$ 820,296</u> |

BASIC FINANCIAL STATEMENTS

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2018

| | | | | | 2017 |
|---|---------------|---------------|----------------|----------------|-------------|
| | GOVERNMENTAL | BUSINESS-TYPE | | | (Memorandum |
| | ACTIVITIES | ACTIVITIES | TOTAL | | Only) |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 9,224,749 | \$ 5,454,863 | \$ 14,679,612 | \$ 13,902,924 | |
| Investments | 9,160,948 | 5,872,307 | 15,033,255 | 15,264,853 | |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Property taxes | 1,971,047 | - | 1,971,047 | 1,877,245 | |
| Other taxes | 1,615,563 | - | 1,615,563 | 1,828,633 | |
| Special assessments | 90,000 | - | 90,000 | 132,000 | |
| Accounts - customers | 1,250 | 33,716 | 34,966 | 63,200 | |
| Estimated unbilled usage | - | 375,869 | 375,869 | 297,793 | |
| Interest | 550 | 6,492 | 7,042 | 2,668 | |
| Other | 1,002,238 | 2,945 | 1,005,183 | 937,139 | |
| Internal balances | (1,045,331) | 1,045,331 | - | - | |
| Inventory | 12,524 | - | 12,524 | 14,382 | |
| Due from fiduciary funds | 45,377 | - | 45,377 | 373 | |
| Prepaid items | 79,611 | 6,205 | 85,816 | 43,128 | |
| Restricted assets | | | | | |
| Cash and cash equivalents | 266,235 | 800,295 | 1,066,530 | 1,071,445 | |
| Capital assets not being depreciated | 6,114,770 | 557,006 | 6,671,776 | 11,057,041 | |
| Capital assets, net of accumulated depreciation | 29,439,598 | 34,083,786 | 63,523,384 | 55,561,420 | |
| Total assets | 57,979,129 | 48,238,815 | 106,217,944 | 102,054,244 | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension items - IMRF | - | - | - | 842,829 | |
| Pension items - Police Pension Trust Fund | 1,317,189 | - | 1,317,189 | 1,408,854 | |
| Total deferred outflows of resources | 1,317,189 | - | 1,317,189 | 2,251,683 | |
| Total assets and deferred outflows of resources | \$ 59,296,318 | \$ 48,238,815 | \$ 107,535,133 | \$ 104,305,927 | |

See accompanying notes.

| | GOVERNMENTAL | BUSINESS-TYPE | | 2017 |
|--|---------------|---------------|----------------|----------------------|
| | ACTIVITIES | ACTIVITIES | TOTAL | (Memorandum Only) |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Accounts payable | | | | |
| and accrued liabilities | \$ 601,983 | \$ 215,230 | \$ 817,213 | \$ 1,983,971 |
| Construction retainage payable | 4,200 | 103,845 | 108,045 | 333,500 |
| Escrow and customer deposits | - | 356,755 | 356,755 | 351,675 |
| Deferred revenue | 44,967 | - | 44,967 | 16,683 |
| Long-term liabilities: | | | | |
| Due within one year | 344,304 | 684,010 | 1,028,314 | 1,265,699 |
| Due in more than one year | 8,885,099 | 8,851,355 | 17,736,454 | 14,874,292 |
| Net pension liability - IMRF | 1,563,945 | - | 1,563,945 | 3,173,101 |
| Net pension liability - Police Pension Trust Fund | 5,373,589 | - | 5,373,589 | 5,286,674 |
| Total liabilities | 16,818,087 | 10,211,195 | 27,029,282 | 27,285,595 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension items - IMRF | 905,311 | - | 905,311 | - |
| Total liabilities and deferred inflows of resources | 17,723,398 | 10,211,195 | 27,934,593 | 27,285,595 |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | 26,784,605 | 25,173,206 | 51,957,811 | 54,926,330 |
| Restricted for: | | | | |
| Debt service | - | 800,295 | 800,295 | 876,490 |
| Other purposes | 2,628,587 | - | 2,628,587 | 1,749,113 |
| Unrestricted | 12,159,728 | 12,054,119 | 24,213,847 | 19,468,399 |
| Total net position | 41,572,920 | 38,027,620 | 79,600,540 | 77,020,332 |
| | \$ 59,296,318 | \$ 48,238,815 | \$ 107,535,133 | \$ 104,305,927 |

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018**

| FUNCTION/PROGRAMS | PROGRAM REVENUES | | | |
|----------------------------------|----------------------|-------------------------|--|--|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| Governmental activities: | | | | |
| General government | \$ 2,708,179 | \$ 840,505 | \$ - | \$ 228,620 |
| Public safety | 5,041,546 | 230,393 | 2,186 | 37,838 |
| Highways and streets | 3,572,322 | 10,751 | 16,254 | 1,348,123 |
| Health and welfare | 13,780 | - | - | - |
| Cemetery | 81,805 | 59,550 | - | - |
| Interest on long term debt | 237,537 | - | - | - |
| Total governmental activities | 11,655,169 | 1,141,199 | 18,440 | 1,614,581 |
| Business-type activities: | | | | |
| Waterworks | 1,652,272 | 1,711,929 | - | 340,778 |
| Sewerage | 2,034,137 | 2,500,482 | - | 381,607 |
| Total business-type activities | 3,686,409 | 4,212,411 | - | 722,385 |
| TOTAL | \$ 15,341,578 | \$ 5,353,610 | \$ 18,440 | \$ 2,336,966 |

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

| | GOVERNMENTAL ACTIVITIES | BUSINESS -TYPE ACTIVITIES | TOTAL | 2017 (Memorandum Only) |
|---|------------------------------------|--------------------------------------|----------------|---------------------------------------|
| | \$ (1,639,054) | \$ - | \$ (1,639,054) | \$ (1,375,453) |
| | (4,771,129) | - | (4,771,129) | (4,268,973) |
| | (2,197,194) | - | (2,197,194) | (1,561,212) |
| | (13,780) | - | (13,780) | (14,526) |
| | (22,255) | - | (22,255) | 6,168 |
| | (237,537) | - | (237,537) | (261,287) |
| | (8,880,949) | - | (8,880,949) | (7,475,283) |
| | - | 400,435 | 400,435 | 148,252 |
| | - | 847,952 | 847,952 | 796,012 |
| | - | 1,248,387 | 1,248,387 | 944,264 |
| | (8,880,949) | 1,248,387 | (7,632,562) | (6,531,019) |
| General Revenues | | | | |
| Taxes: | | | | |
| Property | 1,989,946 | - | 1,989,946 | 1,885,945 |
| Replacement | 45,869 | - | 45,869 | 58,212 |
| Sales | 5,537,702 | - | 5,537,702 | 5,447,809 |
| State income | 1,408,902 | - | 1,408,902 | 1,426,953 |
| Other local | 351,645 | - | 351,645 | 436,754 |
| Motor fuel | 413,819 | - | 413,819 | 405,325 |
| Interest on investments | 199,344 | 129,579 | 328,923 | 247,438 |
| Other | 94,489 | 41,475 | 135,964 | 74,298 |
| Transfers | 118,610 | (118,610) | - | - |
| Total general revenues and transfers | 10,160,326 | 52,444 | 10,212,770 | 9,982,734 |
| Change in net position | 1,279,377 | 1,300,831 | 2,580,208 | 3,451,715 |
| NET POSITION - BEGINNING | 40,293,543 | 36,726,789 | 77,020,332 | 73,568,617 |
| NET POSITION - ENDING | \$ 41,572,920 | \$ 38,027,620 | \$ 79,600,540 | \$ 77,020,332 |

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2018**

| | | | | 2017 (Memorandum Only) | |
|--|----------------------|---------------------|----------------------|---------------------------------------|-------------------|
| ASSETS | General | Nonmajor | Total | | |
| Cash and cash equivalents | \$ 4,850,029 | \$ 2,218,369 | \$ 7,068,398 | \$ | 8,621,473 |
| Investments | 6,594,916 | 1,025,231 | 7,620,147 | | 7,575,474 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Property taxes | 948,942 | 1,022,105 | 1,971,047 | | 1,877,245 |
| Other taxes | 1,610,578 | 4,985 | 1,615,563 | | 1,828,633 |
| Special assessments | - | 47,158 | 47,158 | | 47,210 |
| Accounts-customers | - | 1,250 | 1,250 | | 7,360 |
| Other | 165,203 | 756,692 | 921,895 | | 882,248 |
| Due from other funds | 164,073 | 88,183 | 252,256 | | 49,551 |
| Due from other governments | - | 37,924 | 37,924 | | 33,135 |
| Prepaid items | 58,515 | 15,736 | 74,251 | | 30,816 |
| Inventory | 12,524 | - | 12,524 | | 14,382 |
| Restricted assets | | | | | |
| Cash and cash equivalents | 261,457 | 4,778 | 266,235 | | 194,955 |
| Total assets | <u>\$ 14,666,237</u> | <u>\$ 5,222,411</u> | <u>\$ 19,888,648</u> | <u>\$</u> | <u>21,162,482</u> |

See accompanying notes.

| | | | | 2017 (Memorandum Only) |
|---|---------------|--------------|---------------|------------------------------|
| | General | Nonmajor | Total | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 409,178 | \$ 55,865 | \$ 465,043 | \$ 494,333 |
| Construction retainage payable | 4,200 | - | 4,200 | 5,400 |
| Due to other funds | 103,961 | 88,914 | 192,875 | 30,131 |
| Unearned revenue | 44,594 | 373 | 44,967 | 14,055 |
| Total liabilities | 561,933 | 145,152 | 707,085 | 543,919 |
| Deferred inflows of resources | | | | |
| Unavailable revenue | | | | |
| Property taxes | 948,942 | 1,022,105 | 1,971,047 | 1,877,245 |
| Special assessments | - | 47,158 | 47,158 | 47,210 |
| Other receivables | - | 619,424 | 619,424 | 638,758 |
| Total deferred inflows of resources | 948,942 | 1,688,687 | 2,637,629 | 2,563,213 |
| Fund balances | | | | |
| Nonspendable | | | | |
| Prepays | 58,515 | 15,736 | 74,251 | 30,816 |
| Inventory | 12,524 | - | 12,524 | 14,382 |
| Restricted for: | | | | |
| Special Police Funds | 261,457 | - | 261,457 | 192,107 |
| Audit | - | 38,887 | 38,887 | 32,312 |
| Motor Fuel Tax | - | 883,623 | 883,623 | - |
| Incremental Tax | - | 1,093,770 | 1,093,770 | 1,341,973 |
| Liability Insurance | - | 183,595 | 183,595 | 182,721 |
| RBDG | - | 167,255 | 167,255 | - |
| Assigned for: | | | | |
| Capital Projects | 1,500,080 | - | 1,500,080 | 1,418,818 |
| Cemetery | - | 304,089 | 304,089 | 321,091 |
| Civil Defense | - | 54,252 | 54,252 | - |
| Storm Water Management | - | 230,321 | 230,321 | 218,553 |
| Illinois Municipal Retirement | - | 189,026 | 189,026 | 178,402 |
| Social Security | - | 232,458 | 232,458 | 228,316 |
| Debt Service | - | 4,979 | 4,979 | - |
| Unassigned | 11,322,786 | (9,419) | 11,313,367 | 13,895,859 |
| Total fund balances | 13,155,362 | 3,388,572 | 16,543,934 | 18,055,350 |
| | \$ 14,666,237 | \$ 5,222,411 | \$ 19,888,648 | \$ 21,162,482 |

CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2018

RECONCILIATION TO STATEMENT OF NET POSITION

| | |
|---|-----------------------------|
| Total fund balances - governmental funds | \$ 16,543,934 |
| Capital assets used in governmental activities of \$52,657,815, net of accumulated depreciation of \$18,870,148 are not financial resources and, therefore, are not reported in the governmental funds. | 33,787,667 |
| Property taxes and long term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 2,637,629 |
| 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. | 4,406,386 |
| 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. | (16,257,416) |
| 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. | 42,842 |
| 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 or deferred inflows of resources on the statement of net position | <u>411,878</u> |
| Net position of governmental activities. | <u><u>\$ 41,572,920</u></u> |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018

| | General | Nonmajor | Total | 2017 (Memorandum Only) |
|--|---------------|--------------|---------------|------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 904,622 | \$ 1,010,856 | \$ 1,915,478 | \$ 1,855,766 |
| Licenses and permits | 503,354 | - | 503,354 | 560,096 |
| Intergovernmental | 7,320,806 | 437,131 | 7,757,937 | 7,775,053 |
| Grant proceeds | 263,666 | 85,520 | 349,186 | 1,461,919 |
| Charges for services | 135,737 | 59,550 | 195,287 | 189,286 |
| Fines and forfeitures | 169,653 | - | 169,653 | 141,474 |
| Interest | 131,405 | 70,327 | 201,732 | 158,147 |
| Rental | - | 133,333 | 133,333 | 91,692 |
| Other | 182,680 | 22,583 | 205,263 | 65,649 |
| | 9,611,923 | 1,819,300 | 11,431,223 | 12,299,082 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,286,402 | 1,238,028 | 2,524,430 | 2,196,861 |
| Public safety | 4,874,609 | 36,397 | 4,911,006 | 4,631,948 |
| Highways and streets | 1,735,326 | - | 1,735,326 | 1,711,363 |
| Health and welfare | 13,780 | - | 13,780 | 14,526 |
| Cemetery | - | 80,449 | 80,449 | 83,756 |
| Capital outlay | 2,636,869 | 484,560 | 3,121,429 | 2,074,582 |
| Debt service | | | | |
| Principal | - | 432,215 | 432,215 | 4,124,423 |
| Interest | - | 242,614 | 242,614 | 347,567 |
| | 10,546,986 | 2,514,263 | 13,061,249 | 15,185,026 |
| Excess (deficiency) of revenues over expenditures | (935,063) | (694,963) | (1,630,026) | (2,885,944) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 253,839 | 701,316 | 955,155 | 764,794 |
| Transfers out | (822,994) | (13,551) | (836,545) | (633,066) |
| Total other financing sources (uses) | (569,155) | 687,765 | 118,610 | 131,728 |
| Net change in fund balances | (1,504,218) | (7,198) | (1,511,416) | (2,754,216) |
| FUND BALANCES, BEGINNING OF YEAR | 14,659,580 | 3,395,770 | 18,055,350 | 20,809,566 |
| FUND BALANCES, END OF YEAR | \$ 13,155,362 | \$ 3,388,572 | \$ 16,543,934 | \$ 18,055,350 |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018

RECONCILIATION TO STATEMENT OF ACTIVITIES

| | |
|---|----------------------------|
| Net change in fund balances - governmental funds | \$ (1,511,416) |
| Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities | |
| Capital asset purchases | 3,121,429 |
| Depreciation expense | <u>(2,217,555)</u> |
| | 903,874 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations, and disposals) | 1,329,631 |
| 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 | 440,866 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 32,468 |
| 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. | (43,182) |
| 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. | 444,700 |
| The change in net pension liability for the Police Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities. | 1,522,241 |
| The change in deferred outflows of resources and deferred inflows of resources related to the Police Pension Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities. | <u>(1,839,805)</u> |
| | <u>2,790,793</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 1,279,377</u></u> |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2018

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | 2017 (Memorandum Only) |
|--|--|-----------------|---------------|---|---------------------------------------|
| | Waterworks | Sewerage | Total | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 1,610,205 | \$ 3,844,658 | \$ 5,454,863 | \$ 2,156,351 | \$ 5,281,451 |
| Investments | 1,536,324 | 4,335,983 | 5,872,307 | 1,540,801 | 7,689,379 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Accounts - customers | 6,014 | 27,702 | 33,716 | - | 55,840 |
| Estimated unbilled usage | 148,758 | 227,111 | 375,869 | - | 297,793 |
| Interest | 1,181 | 5,311 | 6,492 | 550 | 2,668 |
| Other | - | 2,945 | 2,945 | 42,419 | 21,756 |
| Due from other funds | 36,466 | - | 36,466 | 1,850 | 29,673 |
| Prepaid items | 2,499 | 3,706 | 6,205 | 5,360 | 12,312 |
| Restricted assets | | | | | |
| Cash and cash equivalents | - | 800,295 | 800,295 | - | 876,490 |
| Total current assets | 3,341,447 | 9,247,711 | 12,589,158 | 3,747,331 | 14,267,362 |
| Capital assets, net of accumulated depreciation | 11,620,750 | 23,020,042 | 34,640,792 | 1,766,701 | 35,064,299 |
| Total assets | \$ 14,962,197 | \$ 32,267,753 | \$ 47,229,950 | \$ 5,514,032 | \$ 49,331,661 |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2018

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | 2017 (Memorandum Only) |
|--|--|----------------------|----------------------|---|------------------------------|
| | Waterworks | Sewerage | Total | | |
| LIABILITIES AND NET POSITION | | | | | |
| Current liabilities | | | | | |
| Current maturities of long term debt | \$ 214,029 | \$ 456,980 | \$ 671,009 | \$ - | \$ 782,932 |
| Accounts payable and accrued liabilities | 91,554 | 123,676 | 215,230 | 35,182 | 1,384,840 |
| Accrued compensated absences | 5,835 | 7,166 | 13,001 | 666 | 12,789 |
| Retainage payable | - | 103,845 | 103,845 | - | 328,100 |
| Current portion of lease payable | - | - | - | - | 5,581 |
| Due to other funds | 925 | 38,741 | 39,666 | 12,654 | 48,720 |
| Unearned revenue | - | - | - | - | 2,628 |
| Customer deposits | 356,755 | - | 356,755 | - | 351,675 |
| Total current liabilities | 669,098 | 730,408 | 1,399,506 | 48,502 | 2,917,265 |
| Noncurrent liabilities | | | | | |
| Accrued compensated absences | 23,551 | 31,227 | 54,778 | 10,613 | 62,351 |
| Loans payable, net of current maturities | 1,745,981 | 7,050,596 | 8,796,577 | - | 5,663,570 |
| Total noncurrent liabilities | 1,769,532 | 7,081,823 | 8,851,355 | 10,613 | 5,725,921 |
| Total liabilities | 2,438,630 | 7,812,231 | 10,250,861 | 59,115 | 8,643,186 |
| Net position | | | | | |
| Invested in capital assets, net of related debt | 9,660,740 | 15,512,466 | 25,173,206 | 1,766,701 | 28,617,797 |
| Restricted for: | | | | | |
| IEPA loan debt service | - | 800,295 | 800,295 | - | 876,490 |
| Unrestricted | 2,862,827 | 8,142,761 | 11,005,588 | 3,688,216 | 11,194,188 |
| Total net position | 12,523,567 | 24,455,522 | 36,979,089 | 5,454,917 | 40,688,475 |
| | <u>\$ 14,962,197</u> | <u>\$ 32,267,753</u> | | <u>\$ 5,514,032</u> | <u>\$ 49,331,661</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 1,048,531 | | |
| Net position of business-type activities | | | <u>\$ 38,027,620</u> | | |

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2018

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | 2017 (Memorandum Only) |
|--|--|----------------------|------------------|---|---------------------------------------|
| | Waterworks | Sewerage | Total | | |
| OPERATING REVENUES | | | | | |
| Metered sales | \$ 1,376,573 | \$ 2,225,815 | \$ 3,602,388 | \$ - | \$ 3,659,602 |
| Charges for services | 335,356 | 274,667 | 610,023 | 2,611,677 | 3,279,047 |
| Employee contributions | - | - | - | 167,362 | 151,797 |
| Other | 5,972 | 3,406 | 9,378 | 37,586 | 32,521 |
| | <u>1,717,901</u> | <u>2,503,888</u> | <u>4,221,789</u> | <u>2,816,625</u> | <u>7,122,967</u> |
| OPERATING EXPENSES | | | | | |
| General and administrative | - | - | - | 10,232 | 43,882 |
| Personnel services | 599,171 | 723,379 | 1,322,550 | 1,720,443 | 2,546,785 |
| Heat, light, and power | 120,318 | 171,699 | 292,017 | - | 276,841 |
| Materials and supplies | 170,108 | 65,268 | 235,376 | 136,405 | 325,931 |
| Other services and charges | 307,460 | 428,190 | 735,650 | 136,047 | 796,253 |
| Depreciation | 504,550 | 733,433 | 1,237,983 | 295,853 | 1,308,875 |
| | <u>1,701,607</u> | <u>2,121,969</u> | <u>3,823,576</u> | <u>2,298,980</u> | <u>5,298,567</u> |
| Operating income | <u>16,294</u> | <u>381,919</u> | <u>398,213</u> | <u>517,645</u> | <u>1,824,400</u> |
| NONOPERATING (REVENUES) EXPENSES | | | | | |
| Interest income | (40,024) | (89,555) | (129,579) | (41,592) | (116,669) |
| Rental income | (32,097) | - | (32,097) | - | (31,163) |
| Interest and fiscal agent fee expense | 49,960 | 37,495 | 87,455 | 37 | 45,249 |
| (Gain) loss on sale of equipment | - | - | - | (110,122) | (22,400) |
| | <u>(22,161)</u> | <u>(52,060)</u> | <u>(74,221)</u> | <u>(151,677)</u> | <u>(124,983)</u> |
| Net income before capital contributions and transfers | <u>38,455</u> | <u>433,979</u> | <u>472,434</u> | <u>669,322</u> | <u>1,949,383</u> |
| CAPITAL CONTRIBUTIONS FROM DEVELOPERS | <u>340,778</u> | <u>381,607</u> | <u>722,385</u> | <u>-</u> | <u>-</u> |
| TRANSFERS IN (OUT), NET | <u>(32,966)</u> | <u>(85,644)</u> | <u>(118,610)</u> | <u>-</u> | <u>(131,728)</u> |
| Change in net position | <u>346,267</u> | <u>729,942</u> | <u>1,076,209</u> | <u>669,322</u> | <u>1,817,655</u> |
| TOTAL NET POSITION, BEGINNING OF YEAR | <u>12,177,300</u> | <u>23,725,580</u> | | <u>4,785,595</u> | <u>38,870,820</u> |
| TOTAL NET POSITION, END OF YEAR | <u>\$ 12,523,567</u> | <u>\$ 24,455,522</u> | | <u>\$ 5,454,917</u> | <u>\$ 40,688,475</u> |

RECONCILIATION TO STATEMENT OF ACTIVITIES:

| | |
|--|---------------------|
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | <u>224,622</u> |
| Change in net position of business-type activities | <u>\$ 1,300,831</u> |

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2018**

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | 2017 (Memorandum Only) |
|---|--|---------------------|---------------------|---|---------------------------------------|
| | Waterworks | Sewerage | Total | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 1,696,148 | \$ 2,466,849 | \$ 4,162,997 | \$ 1,614,622 | \$ 6,477,392 |
| Receipts from interfund services provided | - | - | - | 1,178,607 | 1,103,476 |
| Payments to suppliers | (597,562) | (1,986,832) | (2,584,394) | (1,933,915) | (2,971,085) |
| Payments to employees | (597,631) | (720,253) | (1,317,884) | (109,244) | (1,452,640) |
| Receipt of utility customer deposits | 5,080 | - | 5,080 | - | 16,620 |
| Net cash provided by (used in) operating activities | 506,035 | (240,236) | 265,799 | 750,070 | 3,173,763 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Advances from (repayments to) other funds | (6,585) | 925 | (5,660) | 617 | 10,187 |
| Transfers to other funds | (32,966) | (85,644) | (118,610) | - | (131,728) |
| Net cash provided by (used in) noncapital and related financing activities | (39,551) | (84,719) | (124,270) | 617 | (121,541) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (725,149) | (717,163) | (1,442,312) | (802,523) | (4,969,863) |
| Proceeds from sale of equipment | - | - | - | 200,312 | 22,400 |
| Loan proceeds | 58,928 | 3,815,030 | 3,873,958 | - | 2,166,395 |
| Principal paid on capital leases | - | - | - | (5,581) | (16,382) |
| Principal paid on bond and loan maturities | (217,656) | (635,218) | (852,874) | - | (683,820) |
| Interest paid on bonds, loans and capital leases | (51,578) | (33,178) | (84,756) | (37) | (28,640) |
| Net cash provided by (used in) capital and related financing activities | (935,455) | 2,429,471 | 1,494,016 | (607,829) | (3,509,910) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 39,734 | 85,357 | 125,091 | 41,706 | 114,001 |
| Rental income received | 32,097 | - | 32,097 | - | 31,163 |
| Proceeds from sale/maturity of investments | 101,337 | 1,614,251 | 1,715,588 | - | 100,841 |
| Purchase of investments | (119,419) | (1,298,485) | (1,417,904) | (21,413) | (7,488,476) |
| Net cash provided by (used in) investing activities | 53,749 | 401,123 | 454,872 | 20,293 | (7,242,471) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (415,222) | 2,505,639 | 2,090,417 | 163,151 | (7,700,159) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,025,427 | 2,139,314 | 4,164,741 | 1,993,200 | 13,858,100 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,610,205</u> | <u>\$ 4,644,953</u> | <u>\$ 6,255,158</u> | <u>\$ 2,156,351</u> | <u>\$ 6,157,941</u> |

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2018**

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds | 2017 (Memorandum Only) |
|---|--|------------------|----------------|---|---------------------------------------|
| | Waterworks | Sewerage | Total | | |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | | |
| Operating income | \$ 16,294 | \$ 381,919 | \$ 398,213 | \$ 517,645 | \$ 1,824,400 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 504,550 | 733,433 | 1,237,983 | 295,853 | 1,308,875 |
| (Increase) decrease in usage receivable | (19,125) | (36,827) | (55,952) | - | 454,857 |
| (Increase) decrease in other receivables | - | (212) | (212) | (23,396) | 2,396 |
| (Increase) decrease in prepaid items | 663 | 204 | 867 | (120) | 1,820 |
| Increase (decrease) in accounts payable and accrued liabilities | 1,131 | (1,096,842) | (1,095,711) | (41,416) | (772,811) |
| Increase in accrued compensated absences | 70 | 2,344 | 2,414 | 1,504 | 8,858 |
| Increase (decrease) in unearned revenue | (2,628) | - | (2,628) | - | 648 |
| Increase (decrease) in retainage payable | - | (224,255) | (224,255) | - | 328,100 |
| Increase in customer deposits | 5,080 | - | 5,080 | - | 16,620 |
| Net cash provided by (used in) operating activities | \$ 506,035 | \$ (240,236) | \$ 265,799 | \$ 750,070 | \$ 3,173,763 |

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

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|--|------------------|------------------|---|
| | Waterworks | Sewerage | Total | |
| Cash and cash equivalents | \$ 1,610,205 | \$ 3,844,658 | \$ 5,454,863 | \$ 2,156,351 |
| Restricted cash and cash equivalents | - | 800,295 | 800,295 | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 1,610,205 | \$ 4,644,953 | \$ 6,255,158 | \$ 2,156,351 |

NONCASH TRANSACTIONS

| | Waterworks | Sewerage | Total |
|---------------------------------------|-------------------|-----------------|--------------|
| Capital contributions from developers | \$ 340,778 | \$ 381,607 | \$ 722,385 |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
APRIL 30, 2018

| | <u>Pension Trust</u> | | | 2017 |
|---|-----------------------|---------------|--------------|-------------------|
| | <u>Police Pension</u> | <u>Agency</u> | <u>Total</u> | (Memorandum Only) |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 426,184 | \$ 168 | \$ 426,352 | \$ 368,563 |
| Investments | 6,713,635 | - | 6,713,635 | 6,325,351 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Employer contribution | 539,747 | - | 539,747 | 503,436 |
| Interest | 13,122 | - | 13,122 | 8,702 |
| Other | 144 | 2,470 | 2,614 | 3,578 |
| Due from other funds | 3,939 | - | 3,939 | - |
| | <hr/> | | | |
| Total assets | \$ 7,696,771 | \$ 2,638 | \$ 7,699,409 | \$ 7,209,630 |
| <hr/> | | | | |
| LIABILITIES AND NET POSITION | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ 1,520 |
| Due to other governmental entities | - | 168 | 168 | \$ - |
| Due to other funds | 49,316 | 2,470 | 51,786 | 2,843 |
| | <hr/> | | | |
| Total liabilities | 49,316 | 2,638 | 51,954 | 4,363 |
| <hr/> | | | | |
| Net Position | | | | |
| Reserved for police pension benefits | 7,647,455 | - | 7,647,455 | 7,205,267 |
| | <hr/> | | | |
| Total net position | 7,647,455 | - | 7,647,455 | 7,205,267 |
| | <hr/> | | | |
| | \$ 7,696,771 | \$ 2,638 | \$ 7,699,409 | \$ 7,209,630 |
| | <hr/> | | | |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
YEAR ENDED APRIL 30, 2018

| | <u>Pension Trust</u> | | <u>2017</u> (Memorandum Only) |
|---------------------------------------|---------------------------|----|-------------------------------------|
| | <u>Police Pension</u> | | |
| Additions | | | |
| Contributions | | | |
| Plan members' contributions | \$ 135,723 | \$ | 130,676 |
| Employer contributions | 551,778 | | 514,605 |
| Other | 1,527 | | 27,356 |
| Investment earnings | | | |
| Investment income | 185,306 | | 134,071 |
| Net gain in fair value of investments | 244,645 | | 365,374 |
| | <u>1,118,979</u> | | <u>1,172,082</u> |
| Deductions | | | |
| Benefits paid | 581,986 | | 569,929 |
| Refund of contributions | 57,222 | | - |
| Administrative expenses | 37,583 | | 28,497 |
| | <u>676,791</u> | | <u>598,426</u> |
| Change in net position | 442,188 | | 573,656 |
| Net position | | | |
| Beginning of year | 7,205,267 | | 6,631,611 |
| End of year | <u>\$ 7,647,455</u> | \$ | <u>7,205,267</u> |

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2018

| | Balance | | | | Balance |
|------------------------------------|----------------|-----------|------------|--|----------------|
| | April 30, 2017 | Additions | Deductions | | April 30, 2018 |
| 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 | \$ - | \$ 5,675 | \$ 5,675 | | \$ - |
| LIABILITIES | | | | | |
| Due to other governmental entities | \$ - | \$ 5,675 | \$ 5,675 | | \$ - |
| EMERGENCY ASSISTANCE FUND | | | | | |
| ASSETS | | | | | |
| Cash | \$ - | \$ 400 | \$ 232 | | \$ 168 |
| LIABILITIES | | | | | |
| Due to other governmental entities | \$ - | \$ 400 | \$ 232 | | \$ 168 |
| TOTAL - ALL AGENCY FUNDS | | | | | |
| ASSETS | | | | | |
| Cash | \$ - | \$ 6,075 | \$ 5,907 | | \$ 168 |
| Due from property owners | 2,470 | - | - | | 2,470 |
| | \$ 2,470 | \$ 6,075 | \$ 5,907 | | \$ 2,638 |
| LIABILITIES | | | | | |
| Due to other funds | \$ 2,470 | \$ - | \$ - | | \$ 2,470 |
| Due to other governmental entities | - | 6,075 | 5,907 | | 168 |
| | \$ 2,470 | \$ 6,075 | \$ 5,907 | | \$ 2,638 |

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 – A budgetary comparison schedule is 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 223 Fund – Accounts for the financial transactions related to the repayment of debt associated with the Washington 223 property.

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.

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 health plan. The purpose of the Fund is to pay the premiums for health insurance of the City's employees and retirees and their covered dependents.

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 17, 2017. No amendments were made to the budget.

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, 2018 was passed December 19, 2016. 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 \$2,628,587 of restricted net position for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$38,887, motor fuel tax of \$883,623 incremental tax of \$1,093,770, liability insurance of \$183,595 and RBDG of \$167,255. In addition, \$261,457 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 4.

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 grants.

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

Highways and Streets – Grants and a subdivision donation from a developer.

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 5.

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. The government wide statement of net position reports the City’s defined benefit pension plan items that qualify for this treatment. These outflows are described at Note 5.

U. Subsequent Events

The City has evaluated subsequent events through October 10, 2018, the date which the financial statements were available to be issued.

NOTE 2. 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, 2018 consisted of deposits with financial institutions.

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.

As of April 30, 2018, \$30,237,671 of the City's bank balances, including checking, savings and money market accounts and certificates of deposits, were over the FDIC insurance limit but was covered by collateral held by the pledging bank.

At April 30, 2018, all the City's deposits, excluding \$900 in cash on hand, were covered by federal depository insurance or by collateral held by the financial institution's trust department or agent in the City's name.

The following is a reconciliation of cash and cash equivalents at April 30, 2018:

| | <u>Carrying Amount</u> |
|--|-------------------------------|
| Money market funds | \$ 14,952,724 |
| Checking and savings | 1,218,870 |
| Cash on hand | <u>900</u> |
| Total cash and cash equivalents | <u>\$ 16,172,494</u> |

The deposits are reflected on the financial statements at April 30, 2018 as follows:

| | |
|---|-----------------------------|
| Government-wide statement of net position: | |
| Cash and cash equivalents | \$ 14,679,612 |
| Restricted assets – cash and cash equivalents | 1,066,530 |
| Statement of fiduciary net position: | |
| Cash and cash equivalents | <u>426,352</u> |
| | <u>\$ 16,172,494</u> |

Investments

As of April 30, 2018, 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 | \$ 15,033,255 | N/A | 1.22 |
| Fiduciary Fund | | | |
| Certificates of deposit | 1,874,879 | N/A | 1.14 |
| Mutual funds-equities | 3,205,972 | N/A | N/A |
| Money market | 119,986 | N/A | N/A |
| Treasury Inflation Protected Securities | 276,510 | N/A | 4.47 |
| Corporate bonds | 1,236,288 | A | 3.66 |
| Total Fiduciary Fund Investments | <u>6,713,635</u> | | |
| Total Investments | <u>\$ 21,746,890</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, 2018 are as follows:

| | |
|--|--------------|
| Certificate of Deposit – Morton Community Bank | \$ 7,755,178 |
|--|--------------|

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2018 was as follows:

| | <u>Balance</u> <u>May 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>April 30, 2018</u> |
|--|--|-------------------------|-------------------------|---|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,710,515 | \$ - | \$ - | \$ 5,710,515 |
| Construction in process | 834,591 | 40,475 | 470,811 | 404,255 |
| | | | | |
| Total capital assets not being depreciated | 6,545,106 | 40,475 | 470,811 | 6,114,770 |
| | | | | |
| Other capital assets: | | | | |
| Land improvements | 537,894 | 150,987 | - | 688,881 |
| Buildings | 4,611,143 | 238,127 | - | 4,849,270 |
| Infrastructure | 35,228,729 | 4,348,345 | - | 39,577,074 |
| Equipment and vehicles | 4,294,249 | 943,960 | 563,268 | 4,674,941 |
| | | | | |
| Total other capital assets | 44,672,015 | 5,681,419 | 563,268 | 49,790,166 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Land improvements | 214,294 | 16,327 | - | 230,621 |
| Buildings | 1,273,376 | 101,258 | - | 1,374,634 |
| Infrastructure | 14,472,792 | 2,007,206 | - | 16,479,998 |
| Equipment and vehicles | 2,352,276 | 388,617 | 475,578 | 2,265,315 |
| | | | | |
| Total accumulated depreciation | 18,312,738 | 2,513,408 | 475,578 | 20,350,568 |
| | | | | |
| Other capital assets, net | 26,359,277 | 3,168,011 | 87,690 | 29,439,598 |
| | | | | |
| Governmental activities, net | \$ 32,904,383 | \$ 3,208,486 | \$ 558,501 | \$ 35,554,368 |

| | <u>Balance</u> <u>May 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>April 30, 2018</u> |
|--|--|-------------------------|-------------------------|---|
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 242,176 | \$ - | \$ - | \$ 242,176 |
| Construction in process | 4,269,759 | 83,496 | 4,038,425 | 314,830 |
| | | | | |
| Total capital assets not being depreciated | 4,511,935 | 83,496 | 4,038,425 | 557,006 |
| | | | | |
| Other capital assets: | | | | |
| Water system | 14,655,509 | 1,142,109 | - | 15,797,618 |
| Sewer system | 31,097,918 | 4,862,675 | - | 35,960,593 |
| Equipment | 2,850,771 | 114,842 | - | 2,965,613 |
| | | | | |
| Total other capital assets | 48,604,198 | 6,119,626 | - | 54,723,824 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Water system | 5,701,935 | 471,639 | - | 6,173,574 |
| Sewer system | 12,748,150 | 719,849 | - | 13,467,999 |
| Equipment | 951,970 | 46,495 | - | 998,465 |
| | | | | |
| Total accumulated depreciation | 19,402,055 | 1,237,983 | - | 20,640,038 |
| | | | | |
| Other capital assets, net | 29,202,143 | 4,881,643 | - | 34,083,786 |
| | | | | |
| Business- type activities, net | \$ 33,714,078 | \$ 4,965,139 | \$ 4,038,425 | \$ 34,640,792 |

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

Governmental Activities:

| | |
|---|-----------|
| General government | \$ 48,736 |
| Public safety | 120,602 |
| Highways and streets | 2,041,505 |
| Cemetery | 6,712 |
| Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets | 295,853 |

| | |
|--|---------------------|
| Total depreciation expense for governmental activities | <u>\$ 2,513,408</u> |
|--|---------------------|

Business-Type Activities:

| | |
|-------|------------|
| Water | \$ 504,550 |
| Sewer | 733,433 |

| | |
|---|---------------------|
| Total depreciation expense for business-type activities | <u>\$ 1,237,983</u> |
|---|---------------------|

NOTE 4. 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, 2018 are as follows:

| | <u>Balance</u> <u>May 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>April 30, 2018</u> | <u>Amount</u> <u>Due In</u> <u>One Year</u> |
|--|--------------------------------------|------------------|-------------------|---|---|
| Governmental Activities: | | | | | |
| General obligation bonds: | | | | | |
| Special Assessment Bonds, Series 2005 | \$ 132,000 | \$ - | \$ 42,000 | \$ 90,000 | \$ 44,000 |
| Promissory Note | | | | | |
| Morton Community Bank | 130,215 | - | 130,215 | - | - |
| Refunding Promissory Note | | | | | |
| South Side Bank | 3,965,000 | - | 260,000 | 3,705,000 | 270,000 |
| Promissory Note | | | | | |
| Washington 223 | 4,965,801 | - | - | 4,965,801 | - |
| Capitalized equipment | | | | | |
| leases | 17,613 | - | 8,651 | 8,962 | 3,285 |
| Other postemployment | | | | | |
| retirement benefits | 760 | - | - | 760 | - |
| Vested compensated | | | | | |
| absences | 416,735 | 42,145 | - | 458,880 | 27,019 |
| | | | | | |
| Total Governmental Activities | \$ 9,628,124 | \$ 42,145 | \$ 440,866 | \$ 9,229,403 | \$ 344,304 |
| Business-Type Activities: | | | | | |
| 2009 Illinois Environmental | | | | | |
| Protection Agency Loan | \$ 4,052,241 | \$ - | \$ 289,446 | \$ 3,762,795 | \$ 289,446 |
| 2017 Illinois Environmental | | | | | |
| Protection Agency Loan, Phase 2A | - | 3,815,029 | 70,248 | 3,744,781 | 167,534 |
| Promissory Note | | | | | |
| Morton Community Bank | 283,315 | - | 283,315 | - | - |
| Promissory Note | | | | | |
| Morton Community Bank | 2,110,947 | 58,928 | 209,865 | 1,960,010 | 214,029 |
| Vested compensated | | | | | |
| absences | 65,364 | 2,415 | - | 67,779 | 13,001 |
| | | | | | |
| Total Business-Type Activities | \$ 6,511,867 | \$ 3,876,372 | \$ 852,874 | \$ 9,535,365 | \$ 684,010 |

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:

| <u>Years Ending</u> <u>April 30,</u> | <u>Principal</u> | <u>Interest</u> <u>Rate</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------------|--|------------------------|-------------------------|
| 2019 | \$ 44,000 | 4.75 | \$ 4,275 | \$ 48,275 |
| 2020 | <u>46,000</u> | <u>4.75</u> | <u>2,185</u> | <u>48,185</u> |
| Total | <u>\$ 90,000</u> | | <u>\$ 6,460</u> | <u>\$ 96,460</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, 2018, \$4,778 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, 2018, 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><u>\$ 4,778</u></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> |
|--|----------------------------|---------------------------------|--------------------------|----------------------------|
| 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 | 295,000 | 2.50 | 61,063 | 356,063 |
| 2024-2028 | 1,605,000 | 2.50 | 188,439 | 1,793,439 |
| 2029-2030 | <u>690,000</u> | <u>2.50</u> | <u>17,375</u> | <u>707,375</u> |
| Total | <u>\$ 3,705,000</u> | | <u>\$ 582,440</u> | <u>\$ 4,287,440</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 <u>April 30,</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------------|---------------------------------|--------------------------|----------------------------|
| 2019 | \$ - | 2.75% | \$ 136,560 | \$ 136,560 |
| 2020 | - | 2.75 | 136,560 | 136,560 |
| 2021 | <u>4,965,801</u> | <u>2.75</u> | <u>136,560</u> | <u>5,102,361</u> |
| Total | <u>\$ 4,965,801</u> | | <u>\$ 409,680</u> | <u>\$ 5,375,481</u> |

Capital Leases

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 |
|-------------|-----------------|---------------|-----------------|
| 2019 | \$ 3,285 | \$ 507 | \$ 3,792 |
| 2020 | 3,515 | 277 | 3,792 |
| 2021 | 2,162 | 50 | 2,212 |
| | <u>\$ 8,962</u> | <u>\$ 834</u> | <u>\$ 9,796</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> |
|-------------------------------|---------------------|-----------------|---------------------|
| 2019 | \$ 289,446 | \$ - | \$ 289,446 |
| 2020 | 289,446 | - | 289,446 |
| 2021 | 289,446 | - | 289,446 |
| 2022 | 289,446 | - | 289,446 |
| 2023 | 289,446 | - | 289,446 |
| 2024-2028 | 1,447,230 | - | 1,447,230 |
| 2029-2031 | 868,335 | - | 868,335 |
| Total | <u>\$ 3,762,795</u> | <u>\$ -</u> | <u>\$ 3,762,795</u> |

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, 2018, \$134,569 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, 2018, \$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 10% of the total outstanding balance is accumulated. As of April 30, 2018, \$376,280 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

\$ 800,295

2017 IEPA Loan Payable

In fiscal year 2017, 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 a 1.75 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> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 167,534 | \$ 65,384 | \$ 232,918 |
| 2020 | 173,927 | 63,035 | 236,962 |
| 2021 | 176,984 | 59,978 | 236,962 |
| 2022 | 180,095 | 56,867 | 236,962 |
| 2023 | 183,260 | 53,702 | 236,962 |
| 2024-2028 | 965,765 | 219,045 | 1,184,810 |
| 2029-2033 | 1,053,675 | 131,135 | 1,184,810 |
| 2034-2037 | 843,541 | 36,258 | 879,799 |
| Total | \$ 3,744,781 | \$ 685,404 | \$ 4,430,185 |

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.

| <u>Years Ending April 30,</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|---------------------|--------------------------|-------------------|---------------------|
| 2019 | \$ 214,029 | 2.46 | \$ 47,286 | \$ 261,315 |
| 2020 | 219,129 | 2.46 | 42,185 | 261,314 |
| 2021 | 224,523 | 2.46 | 36,791 | 261,314 |
| 2022 | 230,264 | 2.46 | 31,051 | 261,315 |
| 2023 | 236,043 | 2.46 | 25,272 | 261,315 |
| 2024-2027 | 836,022 | 2.46 | 40,857 | 876,879 |
| | <u>\$ 1,960,010</u> | | <u>\$ 223,442</u> | <u>\$ 2,183,452</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 5. 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. 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, 2017, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Retirees and Beneficiaries currently receiving benefits | 33 |
| Inactive Plan Members entitled to but not yet receiving benefits | 26 |
| Active Plan Members | <u>43</u> |
| Total | <u>102</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 2017 was 14.73%. For the fiscal year ended April 30, 2018, the City contributed \$390,552 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, 2017. 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, 2017:

- 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 3.39% to 14.25%, 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 2017 valuation pursuant to an experience study from years 2014 to 2016.
- 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-2017 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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, 2017:

| <u>Asset Class</u> | <u>Portfolio Target Percentage</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--|---|
| Domestic Equity | 37% | 6.85% |
| International Equity | 18% | 6.75% |
| Fixed Income | 28% | 3.00% |
| Real Estate | 9% | 5.75% |
| Alternative Investments | 7% | 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

| | <u>Total Pension Liability (A)</u> | <u>Plan Fiduciary Net Position (B)</u> | <u>Net Pension Liability (A) - (B)</u> |
|---|--|--|--|
| Balances at December 31, 2016 | \$14,819,473 | \$ 11,646,372 | \$ 3,173,101 |
| Changes for the year: | | | |
| Service Cost | 289,151 | - | 289,151 |
| Interest on the Total Pension Liability | 1,094,710 | - | 1,094,710 |
| Differences Between Expected and Actual Experience of the Total Pension Liability | (201,115) | - | (201,115) |
| Changes of Assumptions | (430,251) | - | (430,251) |
| Contributions - Employer | - | 385,941 | (385,941) |
| Contributions - Employees | - | 117,905 | (117,905) |
| Net Investment Income | - | 2,114,999 | (2,114,999) |
| Benefit Payments, including Refunds of Employee Contributions | (735,824) | (735,824) | - |
| Other (Net Transfer) | - | (257,194) | 257,194 |
| Net Changes | 16,671 | 1,625,827 | (1,609,156) |
| Balances at December 31, 2017 | \$ 14,836,144 | \$ 13,272,199 | \$ 1,563,945 |

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 | \$ 3,516,410 | \$ 1,563,945 | \$ (49,597) |

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

For the year ended April 30, 2018, the City recognized pension expense of \$138,984. At April 30, 2018, the City reported deferred outflows of 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 | \$ 191,463 | \$ 163,293 |
| Changes of assumptions | - | 386,058 |
| Net difference between projected and actual earnings on pension plan investments | 341,324 | 1,007,892 |
| | | |
| Total deferred amounts to be recognized in pension expense in future periods | 532,787 | 1,557,243 |
| | | |
| <i>Employer Pension Contributions made subsequent to the Measurement Date</i> | 119,145 | - |
| | | |
| Total deferred amounts related to IMRF pension | \$ 651,932 | \$ 1,557,243 |

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:

| Year Ending December 31 | Net Deferred Outflows of Resources | Net Deferred Inflows of Resources |
|----------------------------|---------------------------------------|--------------------------------------|
| 2018 | \$ - | \$ 20,391 |
| 2019 | - | 139,537 |
| 2020 | - | 332,345 |
| 2021 | - | 375,352 |
| 2022 | - | 37,686 |
| Total | \$ - | \$ 905,311 |

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, 2017, 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 38.50 percent of annual covered payroll. For the fiscal year ended April 30, 2018, the City contributed \$551,778 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, 2017. 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, 2017 were as follows:

| | | |
|--|----|------------|
| Total pension liability | \$ | 12,578,857 |
| Plan fiduciary net position | | 7,205,268 |
| City's net pension liability | | 5,373,589 |
| Plan fiduciary net position as a percentage of the total pension liability | | 57.28% |

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at April 30, 2017:

- 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, 2017 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 3.82 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

| | <u>Total Pension Liability (A)</u> | <u>Plan Fiduciary Net Position (B)</u> | <u>Net Pension Liability (A) - (B)</u> |
|--|--|--|--|
| Balances at April 30, 2016 | \$ 11,918,285 | \$ 6,631,611 | \$ 5,286,674 |
| Changes for the year: | | | |
| Service Cost | 324,331 | - | 324,331 |
| Interest | 807,141 | - | 807,141 |
| Differences Between Expected and Experience | 99,029 | - | 99,029 |
| Contributions - Employer | - | 514,605 | (514,605) |
| Contributions - Employees | - | 130,676 | (130,676) |
| Net Investment Income (Loss) | - | 504,132 | (504,132) |
| Benefit Payments, including Refunds of Employee Contributions | (569,929) | (569,929) | - |
| Administrative expense | - | (5,827) | 5,827 |
| Net Changes | 660,572 | 573,657 | 86,915 |
| Balances at April 30, 2017 | \$ 12,578,857 | \$ 7,205,268 | \$ 5,373,589 |

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 (5.75%) | Current Discount (6.75%) | 1% Higher (7.75%) |
|-----------------------|---------------------|-----------------------------|----------------------|
| Net Pension Liability | \$ 7,222,868 | \$ 5,373,589 | \$ 3,871,624 |

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

For the year ended April 30, 2018, the City recognized pension expense of \$178,580. At April 30, 2018, 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 | \$ 86,653 | \$ 69,699 |
| Changes of assumptions | 480,824 | - |
| Net difference between projected and actual earnings on pension plan investments | 267,633 | - |
| Total deferred amounts to be recognized in pension expense in future periods | 835,110 | 69,699 |
| <i>Pension Contributions made subsequent to the Measurement Date</i> | 551,778 | - |
| Total deferred amounts related to the Police Pension | \$ 1,386,888 | \$ 69,699 |

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:

| Year Ending December 31 | Net Deferred Outflows of Resources | Net Deferred Inflows of Resources |
|----------------------------|---------------------------------------|--------------------------------------|
| 2018 | \$ 725,498 | \$ - |
| 2019 | 173,720 | - |
| 2020 | 173,720 | - |
| 2021 | 70,070 | - |
| 2022 | 80,901 | - |
| Thereafter | 93,280 | - |
| Total | \$ 1,317,189 | \$ - |

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, 2018, the retiree's portion of coverage is \$170/month for family and \$81/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 | 62 |
| 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 2018, 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, 2018 (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, April 30, 2016 | <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, 2016, 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, 2018 was approximately \$48,000.

NOTE 6. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2018 are as follows:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|---|--|--------------------------------------|
| General Fund | \$ 164,073 | \$ 103,961 |
| Special Revenue Fund | | |
| Motor Fuel Tax Fund | 83,294 | - |
| Incremental Tax Fund | - | 10,316 |
| Storm Water Management Fund | - | 7,569 |
| Illinois Municipal Retirement Fund | 2,757 | 30,452 |
| Social Security Fund | 2,132 | 26,380 |
| Debt Service Fund | | |
| Mallard Crossing Special Assessment Fund | - | 14,197 |
| Enterprise Funds | | |
| Waterworks Fund | 36,466 | 925 |
| Sewerage Fund | 2,470 | 38,741 |
| Internal Service Fund | | |
| Employees' Benefit Fund | - | 751 |
| Motor Equipment Replacement Fund | 1,850 | 11,903 |
| Trust and Agency Fund | | |
| Police Pension Fund | 3,939 | 49,316 |
| Special Assessment Collection Fund | - | 2,470 |
| Total interfund receivables and payables | <u>\$ 296,981</u> | <u>\$ 296,981</u> |

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 7. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2018, were as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------------------------|--------------------|---------------------|
| General Fund | \$ 253,839 | \$ 822,994 |
| Special Revenue Funds | | |
| Civil Defense Fund | 55,000 | - |
| Incremental Tax Fund | 2,500 | - |
| Storm Water Management Fund | - | 13,538 |
| Illinois Municipal Retirement Fund | 39,500 | - |
| Social Security Fund | 76,500 | - |
| Capital Project Fund | | |
| Washington 223 Fund | 25,937 | 13 |
| Debt Service Funds | | |
| South Cummings Lane Fund | 63,355 | - |
| Cruger Road Fund | 68,999 | - |
| Washington 223 Fund | 63,776 | - |
| Washington Area Community Center Fund | 305,749 | - |
| Enterprise Funds | | |
| Waterworks Fund | 26,608 | 59,574 |
| Sewerage Fund | - | 85,644 |
| Total interfund transfers | \$ 981,763 | \$ 981,763 |

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 8. 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.

For its health insurance coverages, the City began participating in a sub-pool in the Intergovernmental Personnel Benefit Cooperative (IPBC) in July 2017. IPBC is a public entity risk pool established in 1979 by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental, and life insurance coverage) offered by these members to their officers and employees and to the officers and employees of certain other governmental, quasi governmental, and nonprofit public service entities. Management consists of a Board of Directors comprised of one appointed representative from each member. The officers of IPBC are chosen by the Board of Directors from among their membership. The City does not exercise any control over the activities of IPBC beyond its representation on the Board of Directors of the sub-pool. To obtain IPBC's financial statements, contact the administrative offices of IPBC, 1220 Oak Brook Road, Oak Brook, Illinois 60107.

NOTE 9. COMMITMENTS

The City has a contract for the expansion of the Sewer Treatment Plant #2 phase 2B – Farm Creek Trunk Sewer. As of April 30, 2018, the total estimated City obligation was \$541,700. A total of \$301,292 has been paid or is included in payables as of the year end.

The City has an agreement with the Washington Volunteer Fire Department and Rescue Squad to provide fire protection services and ambulance and emergency medical services to the City through October 31, 2020. The City has agreed to pay the Washington Volunteer Fire Department and Rescue Squad \$1,601,176 for the services to be provided over the next two and a half years.

NOTE 10. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2018:

| | |
|--------------------------------------|----------|
| Mallard Crossing – Debt Service Fund | \$ 9,419 |
|--------------------------------------|----------|

NOTE 11. 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, 2018:

- Mutual fund securities of \$3,205,972 are valued using quoted market prices (Level 1 inputs)
- Treasury Inflation Protected securities of \$276,510 are valued using quoted market prices (Level 1 inputs)
- Money market securities of \$119,986 are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of \$1,236,288 are valued using a matrix pricing model (Level 2 inputs)

NOTE 12. SUBSEQUENT EVENTS

At April 30, 2018, the City had an outstanding loan of \$4,965,801 with Morton Community Bank. Subsequent to year end, the City paid off this loan in full using a combination of loan proceeds and available funds from the General Fund. The loan proceeds of \$1,000,000 were obtained from Busey Bank for a 10-year term at an interest rate of 4.35%. The first semi-annual \$62,386 payment is due December 4, 2018 and final maturity is June 4, 2028.

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, 2018

| | General Fund | | |
|---|-----------------------|-----------------------|---|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Property taxes | \$ 898,550 | \$ 904,622 | \$ 6,072 |
| Licenses and permits | 472,500 | 503,354 | 30,854 |
| Intergovernmental | 7,444,000 | 7,320,806 | (123,194) |
| Grant proceeds | 244,000 | 263,666 | 19,666 |
| Charges for services | 97,500 | 135,737 | 38,237 |
| Fines and forfeitures | 134,300 | 169,653 | 35,353 |
| Interest | 36,200 | 131,405 | 95,205 |
| Other | 39,700 | 182,680 | 142,980 |
| | <u>9,366,750</u> | <u>9,611,923</u> | <u>245,173</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 1,434,163 | 1,286,402 | 147,761 |
| Public safety | 5,148,416 | 4,874,609 | 273,807 |
| Highways and streets | 1,871,887 | 1,735,326 | 136,561 |
| Health and welfare | 15,000 | 13,780 | 1,220 |
| Capital outlay | 2,661,800 | 2,636,869 | 24,931 |
| | <u>11,131,266</u> | <u>10,546,986</u> | <u>584,280</u> |
| Deficiency of revenue under expenditures | <u>(1,764,516)</u> | <u>(935,063)</u> | <u>829,453</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 21,140 | 253,839 | 232,699 |
| Transfers out | <u>(1,270,702)</u> | <u>(822,994)</u> | <u>447,708</u> |
| Total other financing sources (uses) | <u>(1,249,562)</u> | <u>(569,155)</u> | <u>680,407</u> |
| Net change in fund balances | <u>\$ (3,014,078)</u> | <u>\$ (1,504,218)</u> | <u>\$ 1,509,860</u> |

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)

| | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|
| Calendar year ending December 31, | | | |
| Total pension liability: | | | |
| Service cost | \$ 289,151 | \$ 270,831 | \$ 263,773 |
| Interest on the total pension liability | 1,094,710 | 1,049,524 | 981,553 |
| Difference between expected and actual experience | (201,115) | 1,984 | 419,869 |
| Assumption changes | (430,251) | (57,997) | - |
| Benefit payments and refunds | (735,824) | (718,617) | (798,996) |
| Net change in total pension liability | 16,671 | 545,725 | 866,199 |
| Total pension liability - beginning | 14,819,473 | 14,273,748 | 13,407,549 |
| Total pension liability - ending (a) | 14,836,144 | 14,819,473 | 14,273,748 |
| Plan fiduciary net position: | | | |
| Contributions - employer | 385,941 | 395,121 | 343,295 |
| Contributions - employee | 117,905 | 130,400 | 142,475 |
| Net investment income | 2,114,999 | 764,487 | 53,662 |
| Benefit payments and refunds | (735,824) | (718,617) | (798,996) |
| Other | (257,194) | 32,124 | 413,324 |
| Net change in plan fiduciary net position | 1,625,827 | 603,515 | 153,760 |
| Plan fiduciary net position - beginning | 11,646,372 | 11,042,857 | 10,889,097 |
| Plan fiduciary net position - ending (b) | 13,272,199 | 11,646,372 | 11,042,857 |
| City's net pension liability - ending (a) - (b) | \$ 1,563,945 | \$ 3,173,101 | \$ 3,230,891 |
| Plan fiduciary net position as a percentage of the total pension liability | 89.46% | 78.59% | 77.36% |
| Covered - employee payroll | \$ 2,620,105 | \$ 2,580,806 | \$ 2,409,094 |
| City's net position liability as a percentage of covered-employee payroll | 59.69% | 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, | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|
| Total pension liability: | | | |
| Service cost | \$ 324,331 | \$ 290,520 | \$ 284,738 |
| Interest | 807,141 | 759,768 | 681,523 |
| Difference between expected and actual experience | 99,029 | (92,933) | (293,629) |
| Changes of assumptions | - | 641,098 | 662,460 |
| Benefit payments and refunds | (569,929) | (486,957) | (528,697) |
| Net change in total pension liability | 660,572 | 1,111,496 | 806,395 |
| Total pension liability - beginning | 11,918,285 | 10,806,789 | 10,000,394 |
| Total pension liability - ending (a) | 12,578,857 | 11,918,285 | 10,806,789 |
| Plan fiduciary net position: | | | |
| Contributions - employer | 514,605 | 373,617 | 320,283 |
| Contributions - employee | 130,676 | 124,594 | 115,109 |
| Net investment income | 504,132 | (50,667) | 283,752 |
| Benefit payments and refunds | (569,929) | (486,957) | (528,697) |
| Administrative expense | (5,827) | (6,318) | (4,357) |
| Net change in plan fiduciary net position | 573,657 | (45,731) | 186,090 |
| Plan fiduciary net position - beginning | 6,631,611 | 6,677,342 | 6,491,252 |
| Plan fiduciary net position - ending (b) | 7,205,268 | 6,631,611 | 6,677,342 |
| City's net pension liability - ending (a) - (b) | \$ 5,373,589 | \$ 5,286,674 | \$ 4,129,447 |
| Plan fiduciary net position as a percentage of the total pension liability | 57.28% | 55.64% | 61.79% |
| Covered - employee payroll | \$ 1,336,695 | \$ 1,268,296 | \$ 1,179,945 |
| Net pension liability as a percentage of coverage employee payroll | 402.01% | 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 | | | | | |
| 12/31/2017 | \$ 385,941 | * \$ 385,941 | \$ - | \$ 2,620,105 | 14.73% |
| 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 14.73% and covered valuation payroll of \$2,620,105.

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 2017 Contribution Rate****

Valuation Date:

| | |
|-------|---|
| Notes | Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. |
|-------|---|

Methods and Assumptions Used to Determine 2017 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> | 26-year closed period |
| <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 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 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, 2015 actuarial valuation.

**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 | | | | | |
| 4/30/2017 | \$ 378,061 | \$ 514,605 | \$ (136,544) | \$ 1,336,695 | 38.50 % |
| 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: 5/1/2015

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> | 26 years (as of valuation 05/01/2015) | | | | |
| <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> | 5.00%. | | | | |
| <i>Mortality:</i> | RP 2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date. | | | | |
| <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> | Based on studies of the Fund and the Department of Insurance, Sample Rates below. (100% by age 70). | | | | |
| <i>Marital Status:</i> | 80% Married, Female spouses 3 years younger. | | | | |
| <i>Sample Annual Rates per 100 Participants:</i> | <u>Age</u> | <u>Mortality</u> | <u>Withdrawal</u> | <u>Disability</u> | <u>Retirement</u> |
| | 20 | 0.03 | 10.00 | 0.05 | |
| | 25 | 0.04 | 7.50 | 0.05 | |
| | 30 | 0.07 | 5.00 | 0.22 | |
| | 35 | 0.11 | 3.00 | 0.26 | |
| | 40 | 0.14 | 2.00 | 0.40 | |
| | 45 | 0.18 | 2.00 | 0.65 | |
| | 50 | 0.24 | 3.50 | 0.95 | 20.00 |
| | 55 | 0.42 | 3.50 | 1.30 | 25.00 |
| | 60 | 0.83 | 3.50 | 1.65 | 33.00 |
| | 65 | 1.55 | 3.50 | 2.00 | 50.00 |
| | 70 | 2.68 | | | 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>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|
| Annual money-weighted return rate of return, net of investment expense | 3.81% | 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
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT HEALTH INSURANCE PLAN**

(Unaudited - See Accompanying Independent Auditors' Report)

| 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) |
|--|--|--|--|-----------------------------------|
| 2017 | \$ - | \$ 3,096,284 | \$ 3,096,284 | - % |
| 2016 | - | 3,096,284 | 3,096,284 | - |
| 2015 | - | 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, 2018

| | General Corporate | City Hall | Street |
|--|------------------------------|----------------------|----------------------|
| REVENUES | | | |
| Property taxes | \$ 194,529 | \$ - | \$ 212,777 |
| Licenses and permits | 503,354 | - | - |
| Intergovernmental | 7,279,931 | - | 3,824 |
| Grant proceeds | 228,620 | - | 34,746 |
| Charges for services | 12,879 | - | 2,973 |
| Fines and forfeitures | 103,825 | - | - |
| Interest | 131,207 | - | - |
| Other | 33,590 | - | 21,750 |
| | <hr/> 8,487,935 | <hr/> - | <hr/> 276,070 |
| EXPENDITURES | | | |
| General government | | | |
| Personal services | 523,216 | 47,539 | - |
| Supplies | 5,435 | 1,653 | - |
| Other services and charges | 127,453 | 37,411 | - |
| Total general government | <hr/> 656,104 | <hr/> 86,603 | <hr/> - |
| Public safety | | | |
| Personal services | - | - | - |
| Supplies | - | - | - |
| Special projects | - | - | - |
| Other services and charges | - | - | - |
| Total public safety | <hr/> - | <hr/> - | <hr/> - |
| Highways and streets | | | |
| Personal services | - | - | 809,785 |
| Supplies | - | - | 19,395 |
| Other services and charges | - | - | 906,146 |
| Total highways and streets | <hr/> - | <hr/> - | <hr/> 1,735,326 |
| Health and welfare | | | |
| Other services and charges | 13,360 | 420 | - |
| Capital outlay | 3,555 | 3,019 | 2,552,893 |
| | <hr/> 673,019 | <hr/> 90,042 | <hr/> 4,288,219 |
| Excess (deficiency) of revenue over expenditures | <hr/> 7,814,916 | <hr/> (90,042) | <hr/> (4,012,149) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 179,885 | 15,438 | 33,516 |
| Transfers out | (547,819) | - | (275,175) |
| Total other financing sources (uses) | <hr/> (367,934) | <hr/> 15,438 | <hr/> (241,659) |
| Net change in fund balance | <hr/> \$ 7,446,982 | <hr/> \$ (74,604) | <hr/> \$ (4,253,808) |

FUND BALANCE, BEGINNING OF YEAR

FUND BALANCE, END OF YEAR

| Police | Tourism and Economic Development | Zoning | Fire and Rescue | Total | 2017 (Memorandum Only) |
|----------------|---|---------------|----------------------------|---------------|---------------------------------------|
| \$ 497,316 | \$ - | \$ - | \$ - | \$ 904,622 | \$ 911,068 |
| - | - | - | - | 503,354 | 560,096 |
| 18,733 | - | - | 18,318 | 7,320,806 | 7,343,734 |
| 300 | - | - | - | 263,666 | 526,804 |
| 119,885 | - | - | - | 135,737 | 89,736 |
| 65,828 | - | - | - | 169,653 | 141,474 |
| 198 | - | - | - | 131,405 | 93,171 |
| 86,636 | 40,000 | 704 | - | 182,680 | 47,493 |
| 788,896 | 40,000 | 704 | 18,318 | 9,611,923 | 9,713,576 |
| - | 36,071 | 185,331 | - | 792,157 | 794,820 |
| - | - | 790 | - | 7,878 | 10,815 |
| - | 135,500 | 186,003 | - | 486,367 | 305,259 |
| - | 171,571 | 372,124 | - | 1,286,402 | 1,110,894 |
| 3,697,965 | - | - | - | 3,697,965 | 3,425,829 |
| 18,655 | - | - | - | 18,655 | 21,957 |
| 43,986 | - | - | - | 43,986 | 19,985 |
| 519,858 | - | - | 594,145 | 1,114,003 | 1,124,780 |
| 4,280,464 | - | - | 594,145 | 4,874,609 | 4,592,551 |
| - | - | - | - | 809,785 | 773,769 |
| - | - | - | - | 19,395 | 20,446 |
| - | - | - | - | 906,146 | 917,148 |
| - | - | - | - | 1,735,326 | 1,711,363 |
| - | - | - | - | 13,780 | 14,526 |
| 62,540 | - | - | 14,862 | 2,636,869 | 750,053 |
| 4,343,004 | 171,571 | 372,124 | 609,007 | 10,546,986 | 8,179,387 |
| (3,554,108) | (131,571) | (371,420) | (590,689) | (935,063) | 1,534,189 |
| 21,000 | - | - | 4,000 | 253,839 | 395,190 |
| - | - | - | - | (822,994) | (262,154) |
| 21,000 | - | - | 4,000 | (569,155) | 133,036 |
| \$ (3,533,108) | \$ (131,571) | \$ (371,420) | \$ (586,689) | (1,504,218) | 1,667,225 |
| | | | | 14,659,580 | 12,992,355 |
| | | | | \$ 13,155,362 | \$ 14,659,580 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2018**

| | Special Revenue | | | | | |
|---|-------------------|------------------|------------------|----------------------|---------------------|------------------------|
| | Cemetery | Civil Defense | Audit | Motor Fuel Tax | Incremental Tax | Liability Insurance |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 305,924 | \$ 54,252 | \$ 38,887 | \$ 762,405 | \$ 84,185 | \$ 183,595 |
| Investments | - | - | - | - | 1,025,231 | - |
| Receivables (net of allowance for uncollectibles) | | | | | | |
| Property taxes | - | 3,308 | 29,003 | - | 220,717 | 104,034 |
| Special assessments | - | - | - | - | - | - |
| Accounts - customers | 1,250 | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Due from other funds | - | - | - | 83,294 | - | - |
| Due from other governments | - | - | - | 37,924 | - | - |
| Prepaid items | 352 | 82 | - | - | - | 15,302 |
| Restricted assets | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - |
| | <u>\$ 307,526</u> | <u>\$ 57,642</u> | <u>\$ 67,890</u> | <u>\$ 883,623</u> | <u>\$ 1,330,133</u> | <u>\$ 302,931</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,085 | \$ - | \$ - | \$ - | \$ 5,330 | \$ - |
| Due to other funds | - | - | - | - | 10,316 | - |
| Unearned revenue | - | - | - | - | - | - |
| Total liabilities | <u>3,085</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,646</u> | <u>-</u> |
| Deferred inflows of resources | | | | | | |
| Unavailable revenue | | | | | | |
| Property taxes | - | 3,308 | 29,003 | - | 220,717 | 104,034 |
| Special assessments | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>3,308</u> | <u>29,003</u> | <u>-</u> | <u>220,717</u> | <u>104,034</u> |
| Fund balances | | | | | | |
| Nonspendable | 352 | 82 | - | - | - | 15,302 |
| Restricted | - | - | 38,887 | 883,623 | 1,093,770 | 183,595 |
| Assigned | 304,089 | 54,252 | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | <u>304,441</u> | <u>54,334</u> | <u>38,887</u> | <u>883,623</u> | <u>1,093,770</u> | <u>198,897</u> |
| | <u>\$ 307,526</u> | <u>\$ 57,642</u> | <u>\$ 67,890</u> | <u>\$ 883,623</u> | <u>\$ 1,330,133</u> | <u>\$ 302,931</u> |

| Storm Water Management | Illinois Municipal Retirement | Social Security | RBDG Fund | Total |
|---------------------------------------|--|----------------------------|----------------------|--------------|
| \$ 235,723 | \$ 239,558 | \$ 273,686 | \$ 40,154 | \$ 2,218,369 |
| - | - | - | - | 1,025,231 |
| - | 375,016 | 290,027 | - | 1,022,105 |
| - | - | - | - | - |
| - | - | - | - | 1,250 |
| 5,188 | 2,811 | 2,174 | 127,101 | 137,274 |
| - | 2,757 | 2,132 | - | 88,183 |
| - | - | - | - | 37,924 |
| - | - | - | - | 15,736 |
| - | - | - | - | - |
| \$ 240,911 | \$ 620,142 | \$ 568,019 | \$ 167,255 | \$ 4,546,072 |

| | | | | |
|------------|------------|------------|------------|--------------|
| \$ 2,648 | \$ 25,648 | \$ 19,154 | \$ - | \$ 55,865 |
| 7,569 | 30,452 | 26,380 | - | 74,717 |
| 373 | - | - | - | 373 |
| 10,590 | 56,100 | 45,534 | - | 130,955 |
| - | 375,016 | 290,027 | - | 1,022,105 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 375,016 | 290,027 | - | 1,022,105 |
| - | - | - | - | 15,736 |
| - | - | - | 167,255 | 2,367,130 |
| 230,321 | 189,026 | 232,458 | - | 1,010,146 |
| - | - | - | - | - |
| 230,321 | 189,026 | 232,458 | 167,255 | 3,393,012 |
| \$ 240,911 | \$ 620,142 | \$ 568,019 | \$ 167,255 | \$ 4,546,072 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2018**

| | Debt Service | | | |
|---|-----------------------------|---------------------------|-------------------|-------------------|
| | Mallard Crossing | Washington 223 | WACC | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - |
| Receivables (net of allowance for uncollectibles) | | | | |
| Property taxes | - | - | - | - |
| Special assessments | 47,158 | - | - | 47,158 |
| Accounts - customers | - | - | - | - |
| Other | - | 4,979 | 619,424 | 624,403 |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Prepaid items | - | - | - | - |
| Restricted assets | | | | |
| Cash and cash equivalents | 4,778 | - | - | 4,778 |
| | <u>\$ 51,936</u> | <u>\$ 4,979</u> | <u>\$ 619,424</u> | <u>\$ 676,339</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 14,197 | - | - | 14,197 |
| Unearned revenue | - | - | - | - |
| Total liabilities | <u>14,197</u> | <u>-</u> | <u>-</u> | <u>14,197</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenue | | | | |
| Property taxes | - | - | - | - |
| Special assessments | 47,158 | - | - | 47,158 |
| Other receivables | - | - | 619,424 | 619,424 |
| Total deferred inflows | <u>47,158</u> | <u>-</u> | <u>619,424</u> | <u>666,582</u> |
| Fund balances | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Assigned | - | 4,979 | - | 4,979 |
| Unassigned | (9,419) | - | - | (9,419) |
| | <u>(9,419)</u> | <u>4,979</u> | <u>-</u> | <u>(4,440)</u> |
| | <u>\$ 51,936</u> | <u>\$ 4,979</u> | <u>\$ 619,424</u> | <u>\$ 676,339</u> |

| Total Nonmajor Governmental | | 2017 (Memorandum Only) | |
|-----------------------------------|-----------|------------------------------|-----------|
| \$ | 2,218,369 | \$ | 2,302,281 |
| | 1,025,231 | | 1,011,996 |
| | 1,022,105 | | 967,818 |
| | 47,158 | | 47,210 |
| | 1,250 | | 7,360 |
| | 761,677 | | 710,192 |
| | 88,183 | | 28,124 |
| | 37,924 | | 33,135 |
| | 15,736 | | 15,473 |
| | 4,778 | | 2,848 |
| \$ | 5,222,411 | \$ | 5,126,437 |

| | | | |
|----|---------|----|--------|
| \$ | 55,865 | \$ | 50,461 |
| | 88,914 | | 26,034 |
| | 373 | | 386 |
| | 145,152 | | 76,881 |

| | | | |
|--|-----------|--|---------|
| | 1,022,105 | | 967,818 |
| | 47,158 | | 47,210 |
| | 619,424 | | 638,758 |

| | | | |
|--|-----------|--|-----------|
| | 1,688,687 | | 1,653,786 |
|--|-----------|--|-----------|

| | | | |
|----|-----------|----|-----------|
| | 15,736 | | 15,473 |
| | 2,367,130 | | 2,418,045 |
| | 1,015,125 | | 978,293 |
| | (9,419) | | (16,041) |
| | 3,388,572 | | 3,395,770 |
| \$ | 5,222,411 | \$ | 5,126,437 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018**

| | Special Revenue | | | | | |
|--|-----------------|------------------|-----------|-------------------|--------------------|------------------------|
| | Cemetery | Civil Defense | Audit | Motor Fuel Tax | Incremental Tax | Liability Insurance |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ 3,312 | \$ 31,829 | \$ - | \$ 217,437 | \$ 89,546 |
| Intergovernmental | - | - | - | 413,819 | - | - |
| Grant proceeds | - | - | - | - | - | - |
| Charges for services | 59,550 | - | - | - | - | - |
| Interest | 3,044 | 409 | 447 | 7,184 | 14,649 | 2,229 |
| Rental | - | - | - | - | - | - |
| Other | 783 | - | - | - | - | - |
| | 63,377 | 3,721 | 32,276 | 421,003 | 232,086 | 91,775 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | - | - | 25,701 | - | 326,930 | 90,571 |
| Public safety | - | 36,397 | - | - | - | - |
| Cemetery | 80,449 | - | - | - | - | - |
| Capital outlay | - | - | - | 319,421 | 155,859 | - |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| | 80,449 | 36,397 | 25,701 | 319,421 | 482,789 | 90,571 |
| Excess (deficiency) of revenues over expenditures | (17,072) | (32,676) | 6,575 | 101,582 | (250,703) | 1,204 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 55,000 | - | - | 2,500 | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 55,000 | - | - | 2,500 | - |
| Net change in fund balances | (17,072) | 22,324 | 6,575 | 101,582 | (248,203) | 1,204 |
| FUND BALANCES, BEGINNING OF YEAR | 321,513 | 32,010 | 32,312 | 782,041 | 1,341,973 | 197,693 |
| FUND BALANCES, END OF YEAR | \$ 304,441 | \$ 54,334 | \$ 38,887 | \$ 883,623 | \$ 1,093,770 | \$ 198,897 |

| Storm Water Management | Illinois Municipal Retirement | Social Security | RBDG Fund | Total |
|---------------------------------------|--|----------------------------|----------------------|--------------|
| \$ - | \$ 353,094 | \$ 268,568 | \$ - | \$ 963,786 |
| - | 13,180 | 10,132 | - | 437,131 |
| - | - | - | 85,520 | 85,520 |
| - | - | - | - | 59,550 |
| 2,213 | 3,266 | 3,475 | 2,737 | 39,653 |
| 53,674 | - | - | - | 53,674 |
| - | 2,466 | - | - | 3,249 |
| 55,887 | 372,006 | 282,175 | 88,257 | 1,642,563 |
| 30,362 | 400,882 | 354,533 | - | 1,228,979 |
| - | - | - | - | 36,397 |
| - | - | - | - | 80,449 |
| 219 | - | - | - | 475,499 |
| - | - | - | - | - |
| - | - | - | - | - |
| 30,581 | 400,882 | 354,533 | - | 1,821,324 |
| 25,306 | (28,876) | (72,358) | 88,257 | (178,761) |
| - | 39,500 | 76,500 | - | 173,500 |
| (13,538) | - | - | - | (13,538) |
| (13,538) | 39,500 | 76,500 | - | 159,962 |
| 11,768 | 10,624 | 4,142 | 88,257 | (18,799) |
| 218,553 | 178,402 | 228,316 | 78,998 | 3,411,811 |
| \$ 230,321 | \$ 189,026 | \$ 232,458 | \$ 167,255 | \$ 3,393,012 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018**

| | Debt Service | | | |
|--|----------------|---------------------------|---------------------|-------------------|
| | Cruger Road | South Cummings Lane | Mallard Crossing | Washington 223 |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ 47,070 | \$ - |
| Intergovernmental | - | - | - | - |
| Grant proceeds | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 8 | - |
| Rental | - | - | - | 79,659 |
| Other | - | - | - | - |
| | - | - | 47,078 | 79,659 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Cemetery | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | 67,884 | 62,331 | 42,000 | - |
| Interest | 1,115 | 1,024 | 6,270 | 138,456 |
| | 68,999 | 63,355 | 48,270 | 138,456 |
| Excess (deficiency) of revenues over expenditures | (68,999) | (63,355) | (1,192) | (58,797) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 68,999 | 63,355 | - | 63,776 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 68,999 | 63,355 | - | 63,776 |
| Net change in fund balances | - | - | (1,192) | 4,979 |
| FUND BALANCES, BEGINNING OF YEAR | - | - | (8,227) | - |
| FUND BALANCES, END OF YEAR | \$ - | \$ - | \$ (9,419) | \$ 4,979 |

| | | Capital Project | | | |
|-------------|--------------|---------------------------|--|---------------------------------------|-------------|
| WACC | Total | Washington 223 | Total Nonmajor Governmental | 2017 (Memorandum Only) | |
| \$ - | \$ 47,070 | \$ - | \$ 1,010,856 | \$ | 944,698 |
| - | - | - | 437,131 | | 431,319 |
| - | - | - | 85,520 | | 935,115 |
| - | - | - | 59,550 | | 99,550 |
| 30,666 | 30,674 | - | 70,327 | | 64,976 |
| - | 79,659 | - | 133,333 | | 91,692 |
| 19,334 | 19,334 | - | 22,583 | | 18,156 |
| 50,000 | 176,737 | - | 1,819,300 | | 2,585,506 |
| - | - | 9,049 | 1,238,028 | | 1,085,967 |
| - | - | - | 36,397 | | 39,397 |
| - | - | - | 80,449 | | 83,756 |
| - | - | 9,061 | 484,560 | | 1,324,529 |
| 260,000 | 432,215 | - | 432,215 | | 4,124,423 |
| 95,749 | 242,614 | - | 242,614 | | 347,567 |
| 355,749 | 674,829 | 18,110 | 2,514,263 | | 7,005,639 |
| (305,749) | (498,092) | (18,110) | (694,963) | | (4,420,133) |
| 305,749 | 501,879 | 25,937 | 701,316 | | 369,604 |
| - | - | (13) | (13,551) | | (370,912) |
| 305,749 | 501,879 | 25,924 | 687,765 | | (1,308) |
| - | 3,787 | 7,814 | (7,198) | | (4,421,441) |
| - | (8,227) | (7,814) | 3,395,770 | | 7,817,211 |
| \$ - | \$ (4,440) | \$ - | \$ 3,388,572 | \$ | 3,395,770 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
APRIL 30, 2018**

| | Employees' Benefit Fund | Motor Equipment Replacement Fund | Capital Replacement Fund | Total | 2017 (Memorandum Only) |
|--|--|---|---|---------------------|---------------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 956,230 | \$ 936,597 | \$ 263,524 | \$ 2,156,351 | \$ 1,993,200 |
| Investments | 515,570 | 1,025,231 | - | 1,540,801 | 1,519,388 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Interest | - | 550 | - | 550 | 664 |
| Other | 40,043 | 2,376 | - | 42,419 | 19,023 |
| Due from other funds | - | 1,850 | - | 1,850 | 717 |
| Prepaid items | - | 5,360 | - | 5,360 | 5,240 |
| Total current assets | 1,511,843 | 1,971,964 | 263,524 | 3,747,331 | 3,538,232 |
| Noncurrent assets | | | | | |
| Capital assets, net of accumulated depreciation | - | 1,761,076 | 5,625 | 1,766,701 | 1,350,221 |
| | \$ 1,511,843 | \$ 3,733,040 | \$ 269,149 | \$ 5,514,032 | \$ 4,888,453 |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 4,508 | \$ 30,674 | \$ - | \$ 35,182 | \$ 76,598 |
| Current portion of lease payable | - | - | - | - | 5,581 |
| Accrued compensated absences | - | 666 | - | 666 | 894 |
| Due to other funds | 751 | 11,903 | - | 12,654 | 10,904 |
| Total current liabilities | 5,259 | 43,243 | - | 48,502 | 93,977 |
| Noncurrent liabilities | | | | | |
| Accrued compensated absences | - | 10,613 | - | 10,613 | 8,881 |
| Total liabilities | 5,259 | 53,856 | - | 59,115 | 102,858 |
| Net position | | | | | |
| Invested in capital assets | - | 1,761,076 | 5,625 | 1,766,701 | 1,350,221 |
| Unrestricted | 1,506,584 | 1,918,108 | 263,524 | 3,688,216 | 3,435,374 |
| Total net position | 1,506,584 | 3,679,184 | 269,149 | 5,454,917 | 4,785,595 |
| | \$ 1,511,843 | \$ 3,733,040 | \$ 269,149 | \$ 5,514,032 | \$ 4,888,453 |

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2018**

| | Employees' Benefit Fund | Motor Equipment Replacement Fund | Capital Replacement Fund | Total | 2017 (Memorandum Only) |
|--|--|---|---|--------------|---------------------------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 1,433,070 | \$ 1,018,400 | \$ 160,207 | \$ 2,611,677 | \$ 2,692,023 |
| Employee contributions | 167,362 | - | - | 167,362 | 151,797 |
| Other | 21,375 | 16,211 | - | 37,586 | 28,551 |
| | 1,621,807 | 1,034,611 | 160,207 | 2,816,625 | 2,872,371 |
| OPERATING EXPENSES | | | | | |
| General and administrative | 10,232 | - | - | 10,232 | 43,882 |
| Personal services | 1,609,394 | 111,049 | - | 1,720,443 | 1,192,070 |
| Materials and supplies | - | 136,405 | - | 136,405 | 114,149 |
| Other services and charges | 143 | 135,904 | - | 136,047 | 126,490 |
| Depreciation | - | 294,353 | 1,500 | 295,853 | 231,090 |
| | 1,619,769 | 677,711 | 1,500 | 2,298,980 | 1,707,681 |
| Operating income | 2,038 | 356,900 | 158,707 | 517,645 | 1,164,690 |
| NONOPERATING REVENUES | | | | | |
| Interest income | (16,563) | (22,787) | (2,242) | (41,592) | (26,854) |
| Interest expense | - | 37 | - | 37 | 464 |
| Gain on sale of equipment | - | (110,122) | - | (110,122) | (22,400) |
| | (16,563) | (132,872) | (2,242) | (151,677) | (48,790) |
| Change in net position | 18,601 | 489,772 | 160,949 | 669,322 | 1,213,480 |
| TOTAL NET POSITION, BEGINNING OF YEAR | 1,487,983 | 3,189,412 | 108,200 | 4,785,595 | 3,572,115 |
| TOTAL NET POSITION, END OF YEAR | \$ 1,506,584 | \$ 3,679,184 | \$ 269,149 | \$ 5,454,917 | \$ 4,785,595 |

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2018

| | Employees' Benefit Fund | Motor Equipment Replacement Fund | Capital Replacement Fund | Total | 2017 (Memorandum Only) |
|--|-------------------------------|---|--------------------------------|--------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 1,594,967 | \$ 19,655 | \$ - | \$ 1,614,622 | \$ 1,770,662 |
| Receipts from interfund services provided | - | 1,018,400 | 160,207 | 1,178,607 | 1,103,476 |
| Payments to suppliers | (1,669,678) | (264,237) | - | (1,933,915) | (1,372,698) |
| Payments to employees | - | (109,244) | - | (109,244) | (109,218) |
| Net cash provided by (used in) operating activities | (74,711) | 664,574 | 160,207 | 750,070 | 1,392,222 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Advances from (to) other funds | 1,128 | (511) | - | 617 | 8,837 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | - | (802,523) | - | (802,523) | (502,295) |
| Proceeds from sale of equipment | - | 200,312 | - | 200,312 | 22,400 |
| Principal payments on lease | - | (5,581) | - | (5,581) | (16,382) |
| Interest paid | - | (37) | - | (37) | (464) |
| Net cash used in capital and related financing activities | - | (607,829) | - | (607,829) | (496,741) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 16,563 | 22,901 | 2,242 | 41,706 | 26,190 |
| Purchase of investments | (8,178) | (13,235) | - | (21,413) | (1,519,388) |
| Net cash provided by (used in) investing activities | 8,385 | 9,666 | 2,242 | 20,293 | (1,493,198) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (65,198) | 65,900 | 162,449 | 163,151 | (588,880) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,021,428 | 870,697 | 101,075 | 1,993,200 | 2,582,080 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 956,230 | \$ 936,597 | \$ 263,524 | \$ 2,156,351 | \$ 1,993,200 |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | | |
| Operating income | \$ 2,038 | \$ 356,900 | \$ 158,707 | \$ 517,645 | \$ 1,164,690 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities | | | | | |
| Depreciation | - | 294,353 | 1,500 | 295,853 | 231,090 |
| (Increase) decrease in receivables | (26,840) | 3,444 | - | (23,396) | 3,747 |
| (Increase) decrease in prepaid items | - | (120) | - | (120) | 607 |
| Increase (decrease) in accounts payable and accrued liabilities | (49,909) | 8,493 | - | (41,416) | (5,498) |
| Increase (decrease) in unearned revenue | - | - | - | - | (1,980) |
| Increase (decrease) in accrued comp. absences | - | 1,504 | - | 1,504 | (434) |
| Net cash provided by (used in) operating activities | \$ (74,711) | \$ 664,574 | \$ 160,207 | \$ 750,070 | \$ 1,392,222 |

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2018

| | | | | 2017 (Memorandum Only) |
|-----------------------------------|--------------|--------------|--------------|------------------------------|
| | Waterworks | Sewerage | Total | |
| Personal services | | | | |
| Wages and salaries | \$ 421,049 | \$ 515,042 | \$ 936,091 | \$ 922,480 |
| Payroll taxes | 11,716 | 13,190 | 24,906 | 36,158 |
| Group insurance | 164,519 | 192,349 | 356,868 | 392,312 |
| Uniforms | 1,887 | 2,798 | 4,685 | 3,765 |
| Total personal services | 599,171 | 723,379 | 1,322,550 | 1,354,715 |
| Heat, lights, and power | | | | |
| Electricity | 114,859 | 166,565 | 281,424 | 270,680 |
| Heating | 5,459 | 5,134 | 10,593 | 6,161 |
| Total heat, lights, and power | 120,318 | 171,699 | 292,017 | 276,841 |
| Materials and supplies | | | | |
| Chemicals and supplies | 145,601 | 34,093 | 179,694 | 164,909 |
| Office supplies | 15,202 | 16,005 | 31,207 | 24,473 |
| Perishable tools | 9,305 | 15,170 | 24,475 | 22,400 |
| Total materials and supplies | 170,108 | 65,268 | 235,376 | 211,782 |
| Other services and charges | | | | |
| Training and recruitment | 2,104 | 2,128 | 4,232 | 2,847 |
| Insurance | 5,502 | 9,534 | 15,036 | 13,652 |
| Printing fees | 2,342 | 1,605 | 3,947 | 4,670 |
| Legal fees | 10,825 | 12,275 | 23,100 | 5,543 |
| Engineering fees | - | 227 | 227 | 20,319 |
| Consulting fees | 23,762 | 19,239 | 43,001 | 57,430 |
| Rent | 2,319 | 3,397 | 5,716 | 6,692 |
| Repairs and maintenance: | | | | |
| Building | 11,380 | 18,781 | 30,161 | 24,148 |
| Equipment | 14,054 | 9,236 | 23,290 | 26,558 |
| System | 54,197 | 94,003 | 148,200 | 111,413 |
| Motor equipment replacement | 130,000 | 170,000 | 300,000 | 273,000 |
| Capital replacement | 34,527 | 40,980 | 75,507 | 49,484 |
| Telephone | 10,361 | 10,693 | 21,054 | 34,956 |
| Miscellaneous | 6,087 | 36,092 | 42,179 | 39,051 |
| Total other services and charges | 307,460 | 428,190 | 735,650 | 669,763 |
| | \$ 1,197,057 | \$ 1,388,536 | \$ 2,585,593 | \$ 2,513,101 |

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2015 THROUGH 2017**

| | 2017 Levy | | | 2016 Levy | | | 2015 Levy | | |
|---|-----------------------|---------------|---------------------|-----------------------|---------------|---------------------|-----------------------|---------------|---------------------|
| | Levy | Rate | Amounts Extended | Levy | Rate | Collections | Levy | Rate | Collections |
| GENERAL FUND | | | | | | | | | |
| General Corporate | \$ 195,579 | 0.0561 | \$ 195,603 | \$ 195,550 | 0.0570 | \$ 194,529 | \$ 354,950 | 0.1070 | \$ 350,333 |
| Police Pension | 535,700 | 0.1539 | 535,732 | 500,000 | 0.1456 | 497,316 | 365,000 | 0.1101 | 360,251 |
| SPECIAL REVENUE FUNDS | | | | | | | | | |
| Civil Defense | 3,300 | 0.0010 | 3,308 | 3,300 | 0.0010 | 3,312 | 3,300 | 0.0010 | 3,274 |
| Audit | 29,000 | 0.0083 | 29,003 | 32,000 | 0.0093 | 31,829 | 32,000 | 0.0097 | 31,587 |
| Illinois Municipal Retirement | 375,000 | 0.1077 | 375,016 | 355,000 | 0.1034 | 353,094 | 330,000 | 0.0995 | 325,720 |
| Social Security | 290,000 | 0.0833 | 290,027 | 270,000 | 0.0786 | 268,568 | 250,000 | 0.0754 | 246,735 |
| INTERNAL SERVICE FUND | | | | | | | | | |
| Liability Insurance | 104,000 | 0.0299 | 104,034 | 90,000 | 0.0262 | 89,546 | 75,000 | 0.0226 | 74,040 |
| TOTAL | \$ 1,532,579 | 0.4402 | \$ 1,532,723 | \$ 1,445,850 | 0.4211 | \$ 1,438,194 | \$ 1,410,250 | 0.4253 | \$ 1,391,940 |
| CITY SHARE OF TOWNSHIP ROAD AND BRIDGE | | | <u>\$ 217,607</u> | | | <u>\$ 212,777</u> | | | <u>\$ 200,484</u> |
| INCREMENTAL TAX DISTRICT | | | <u>\$ 220,717</u> | | | <u>\$ 217,437</u> | | | <u>\$ 216,523</u> |
| ASSESSED VALUATIONS | <u>\$ 348,171,597</u> | | | <u>\$ 343,361,222</u> | | | <u>\$ 331,654,600</u> | | |

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2018**

(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 | 798,060,000 |
| Total gallons of wastewater billed based on the user-charge system for the year | 263,598,386 |
| Number of metered users connected to the system at April 30, 2018 | 5,346 |
| Number of nonmetered users at April 30, 2018 | 1 |