



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF WASHINGTON, ILLINOIS
INCREMENTAL TAX FUND**

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2020

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Washington, Illinois

We have audited the accompanying financial statements of the Incremental Tax Fund of the City of Washington, Illinois, as of and for the year ended April 30, 2020 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Incremental Tax Fund of the City of Washington, Illinois, as of April 30, 2020, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Incremental Tax Fund and do not purport to, and do not, present fairly the financial position of the City of Washington, Illinois as of April 30, 2020, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

We have also issued a report dated September 18, 2020 on compliance with the provisions of Subsection (q) of Section 11-74.4-3 (65 ILCS 5/11-74.4-3(q)) of the Illinois Tax Increment Allocation Redevelopment Act of the Incremental Tax Fund of the City of Washington, Illinois.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the Incremental Tax Fund financial statements taken as a whole. The schedule of receipts and disbursements, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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.

Phillips, Salmi & Associates, LLC

September 18, 2020
Washington, Illinois

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
INCREMENTAL TAX FUND
APRIL 30, 2020**

ASSETS

Cash and cash equivalents	\$ 613,471
Investments	506,424
Receivables	
Property taxes	236,492
Other	<u>21,660</u>
	<u><u>\$ 1,378,047</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES**

Liabilities

Accounts payable and accrued liabilities	\$ 2,569
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Deferred inflows of resources

Unavailable revenue - property taxes	<u>257,652</u>
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Fund balances

Restricted	<u>1,117,826</u>
	<u><u>\$ 1,378,047</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
INCREMENTAL TAX FUND
YEAR ENDED APRIL 30, 2020

REVENUES

Property taxes	\$ 230,595
Interest	<u>17,291</u>
	247,886

EXPENDITURES

General government	208,783
Capital outlay	<u>50,470</u>
	<u>259,253</u>

Net change in fund balance	(11,367)
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FUND BALANCE, BEGINNING OF YEAR	<u>1,129,193</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 1,117,826</u></u>
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See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
INCREMENTAL TAX FUND
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Washington, Illinois Incremental Tax Fund conforms to the accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies.

A. Nature of Operations

The City of Washington, Illinois provides a broad range of services to citizens, including general government, public safety, streets and the water and sewer utilities.

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 financial statements.

The accompanying financial statements do not include the governmental fund types, enterprise funds, internal service funds or trust and agency funds which should be included in order to conform with generally accepted accounting principles.

C. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accompanying financial statements present only the Incremental Tax Fund and are not intended to present fairly the financial position and results of operations of the City of Washington, Illinois in conformity with generally accepted accounting principles.

The Incremental Tax Fund of the City of Washington, Illinois is accounted for in the Special Revenue Funds under the governmental fund types in the financial statements of the City. The Incremental Tax Fund was established to account for tax increment allocation financing which finances certain redevelopment project areas. Ad valorem taxes levied upon taxable real property in such redevelopment project areas, to the extent the taxes exceed the amount of taxes which would have been levied upon the redevelopment project areas as determined just prior to the commencement of the project, are allocated to this fund.

D. Basis of Presentation and Accounting

Basis of Presentation

These financial statements include the Incremental Tax Fund, a separate accounting entity of the City. The statements as presented in the table of contents are representative of the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The City maintains its accounting records for the Incremental Tax Fund on the modified accrual basis of accounting. Revenue is recognized in the accounting period when it becomes both measurable and available. "Available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable, except for un-matured interest on general long-term debt which is recognized when due. General fixed asset purchases are recorded as expenditures of the purchasing fund at the time the expenditure is incurred.

E. Property Taxes

Property taxes are levied in December and attach as an enforceable lien on the property as of January 1. The property taxes receivable represents the 2019 tax levy which is due and collectible in June and September 2020. Since these taxes are not due and collectible until June, they are not considered available as of April 30 and are, therefore, shown as deferred revenue in the Incremental Tax Fund and will be recognized as revenue only as they become available.

F. Property, Plant and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with the fund is determined by its measurement focus. The fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

G. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

NOTE 2. CASH AND CASH EQUIVALENTS

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.

Cash and cash equivalents at April 30, 2020 consisted of deposits with a local financial institution.

NOTE 3. INVESTMENTS

Investments classified in the financial statements consist of certificates of deposits, 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.

NOTE 4. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources: In addition to liabilities, the 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 TIF fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 5. FUND BALANCE

The TIF fund balance is classified as "Restricted" due to limitations on the use of those funds. TIF funds may be used for costs associated with the development of property within the TIF, allowing blighted, declining, and underperforming areas to again become viable.

NOTE 6. COMMITMENTS

The City has private redevelopment agreements with several companies in the TIF district. As of April 30, 2020, the total City obligation for these agreements was \$331,423. A total of \$139,116 has been paid as of the year-end.

SUPPLEMENTAL INFORMATION

CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
INCREMENTAL TAX FUND
YEAR ENDED APRIL 30, 2020

RECEIPTS

Tax increment financing:	
Property taxes	\$ 230,595
Redemption of investments	1,032,215
Interest	<u>16,976</u>
	<u>1,279,786</u>

DISBURSEMENTS

General government	211,779
Capital outlay	50,470
Purchase of investments	<u>500,000</u>
	<u>762,249</u>

Excess of receipts over disbursements	517,537
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CASH AND CASH EQUIVALENTS AT APRIL 30, 2019	<u>95,934</u>
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CASH AND CASH EQUIVALENTS AT APRIL 30, 2020	<u><u>\$ 613,471</u></u>
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SUBSECTION (q) OF SECTION 11-74.4-3 OF THE ILLINOIS
TAX INCREMENT ALLOCATION REDEVELOPMENT ACT**

Honorable Mayor and Members of the City Council
City of Washington, Illinois

We have audited the balance sheet of the Incremental Tax Fund of the City of Washington, Illinois as of April 30, 2020, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended, and have issued our report thereon dated September 18, 2020. The financial statements present only the Incremental Tax Fund and are not intended to present fairly the financial position and results of operations of the City of Washington, Illinois and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

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 of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Washington, Illinois' compliance with the provisions of Subsection (q) of Section 11-74.4-3 (65 ILCS 5/11-74.4-3(q)) of the Illinois Tax Increment Allocation Redevelopment Act (Illinois Public Act 85-1142) as it relates to the eligibility of expenditures for costs incurred incidental to the implementation of the City of Washington, Illinois, Tax Increment Redevelopment Project Areas and noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. Compliance with laws, regulations, contracts, and grants applicable to the City of Washington, Illinois is the responsibility of City of Washington, Illinois' management. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance with Subsection (q) of Section 11-74.4-3 (65 ILCS 5/11-74.4-3(q)) of the Illinois Tax Increment Allocation Redevelopment Act.

This report is intended solely for the information and use of management, State of Illinois Department of Revenue, and to taxing districts overlapping the Tax Increment Redevelopment Project Area administered by the 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

September 18, 2020