



Phillips, Salmi & Associates, LLC
Certified Public Accountants

CITY OF WASHINGTON, ILLINOIS
FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2011

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Phillips, Salmi & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the City Council
City of Washington, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Washington, Illinois**, as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 6, 2011, on our consideration of the City of Washington's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police pension trust fund (unaudited) on pages 3-11 and 62-65, 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Washington, Illinois' basic financial statements. The other supplementary information, as listed in the accompanying table of contents, is presented for additional analysis and is not a required part of the basic financial statements. Such information, on pages 66-84, is the responsibility of management and was derived from and relate 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 85 has been summarized from the City's records. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Phillips, Salmi & Associates, LLC

October 6, 2011

CITY OFFICIALS

Gary W. Manier, *Mayor*

Patricia S. Brown, *City Clerk*

Ellen L. Dingleline, *City Treasurer*

Robert A. Morris, *City Administrator*



ALDERMEN

Robert A. Brucks, *Ward I*

James A. Newman, *Ward I*

Donald R. Brubaker, *Ward II*

Todd A. Clanin, *Ward II*

Alan L. Howerter, *Ward III*

David Dingleline, *Ward III*

James L. Gee, *Ward IV*

Richard E. Schneider, *Ward IV*

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2011

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, 2010 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, 2011 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 assets of the City of Washington exceeded liabilities at April 30, 2011 by \$62,143,073, a \$3,631,618 or 6.2% increase over the prior year. Of the \$62.1 million, \$13,164,512 is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net assets for the year ending April 30, 2010 totaled \$11,378,448.

- At April 30, 2011, the governmental funds reported combined fund balances of \$10,032,141, of which \$9,869,813 were unreserved. In the prior year, the governmental funds combined fund balance was \$8,443,684 of which \$8,251,197 was unreserved.
- Unrestricted cash, cash equivalents and investments increased by \$1,701,940 in the General Fund, increased by \$6,038 in the Sewer Funds and decreased by \$16,348 in the Water Funds.
- The city strives to maintain cash reserves equal to at least three months annual operating revenues for cash flow purposes. 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 \$13,766,054 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, 2010 was \$10,528,867. The increase during 2011 is primarily attributable to the IEPA loan for the expansion of Sewage Treatment Plant No. 2.

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 assets presents information on all of the City of Washington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 fifteen 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 and the WACC Debt Service Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City of Washington's net assets 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 is able to report increased positive balances in all categories of net assets, both for the government as a whole (\$62,143,073 for FYE April 2011 compared to \$58,511,455 for FYE April 2010, a 6.2% increase), as well as for governmental activities (\$30,799,888 compared to \$28,461,630, an 8.2% increase) and business-type activities (\$31,343,185 compared to \$30,049,825, a 4.3% 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 \$10,032,141, an increase of \$1,588,457. The sum of \$9,869,813 is unrestricted.

The General Fund is the primary operating fund of the City. Unreserved fund balances at fiscal year-end totaled \$7,268,334. During the year, revenues exceeded expenditures in the general fund by \$2,076,612. After planned transfers to various other funds, the net increase in the fund balance totaled \$1,575,559.

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 assets in the Waterworks Fund total \$12,047,840 with \$2,301,688 being unrestricted. Net assets increased by \$87,996 during the year ending April 30, 2011. Sewerage Fund net assets total \$19,027,942; \$4,400,272 are unrestricted. Net assets in this fund grew by \$1,145,026.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net assets of \$575,685 and the Motor Equipment Replacement Fund with net assets of \$2,085,307.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$5,796,479 which represents the fund balance of the Police Pension Fund (Pension Trust). Importantly, the net assets grew by over \$542,000 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, 2011 was \$53,888,908 (net of accumulated depreciation) compared to \$49,290,281 in the prior year. See Note 3 for further details.

Long-Term Debt

The city's long-term debt totaled \$13,766,054 at April 30, 2011 compared to \$10,528,867 at April 30, 2010. Governmental activity debt totaled \$6,588,947. Business-type activity debt (associated with the City's enterprise funds) totaled \$7,177,107.

Debt reductions during the year totaled \$560,167. Additions to long-term debt during the year totaled \$3,797,354. The sum of \$3,797,089 is attributable to the IEPA loan for the expansion of Sewer Treatment Plant No. 2 and \$265 is related to increases in vested employee 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 4 of this report.

Economic Factors and Next Year's Budget

The nation-wide economic recession continues to affect General Fund revenues. While improving moderately in recent months, projected Income Tax distributions are still twelve percent below FY07-08. Sales tax collections have remained essentially flat over the past two years. The growth of the city's assessed valuation has also slowed in conjunction with the downturn in building activity.

The primary financial risk facing the city at this time involves potential state legislative intervention designed to ease the state's budgetary problems by shifting some of the burden to local governmental bodies. Short term, the state's late payment practices adversely affect the city's cash balances and diminish investment earnings. Continued threats to permanently reduce state revenue distributions to municipalities would have long term consequences.

Barring a substantial worsening of the economy or adverse actions by the state legislature, staff does not presently anticipate serious difficulties in maintaining current service levels in the coming year. Nevertheless, staff will remain vigilant in maintaining tight control over spending and in deferring purchases, where appropriate.

Capital spending is projected to be dramatically reduced in future years in response to declining revenues. Supplemental funding is needed in the near term for the following specific capital purposes: general street repair and maintenance, storm water management and control, and replacement of STP No. 1. A phased-in thirteen percent sewer user fee rate hike was approved this past June in anticipation of the latter project.

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. Health insurance and workers compensation insurance premiums are of particular concern. On a positive note, improving investment returns on pension assets have tempered the rate of growth in mandated pension contributions.

Despite some moderation in pricing due to weakening demand resulting from the recession, energy and other commodity (road salt, softener salt, asphalt, chemicals, trap rock, etc.) costs have steadily escalated in recent years. While we have managed to absorb these increased operating costs into the budget, the net effect has resulted in a corresponding decrease in capital funding. The impact has been particularly detrimental to funding for capital repairs and major maintenance to the city's water and sewer systems.

The city's near-term financial well being is directly dependent on the sustained growth of the city's key sources of revenue: sales tax, income tax, and water and sewer user fees. 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. While property taxes account for a comparatively small portion of total city revenue, growth in the city's assessed valuation is 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 Ms. Joanie Baxter, Washington City Controller at City Hall, 301 Walnut Street, Washington, IL, 61571, 309-444-1124, jbaxter@ci.washington.il.us.

Changes in Net Assets
Year Ended April 30, 2011

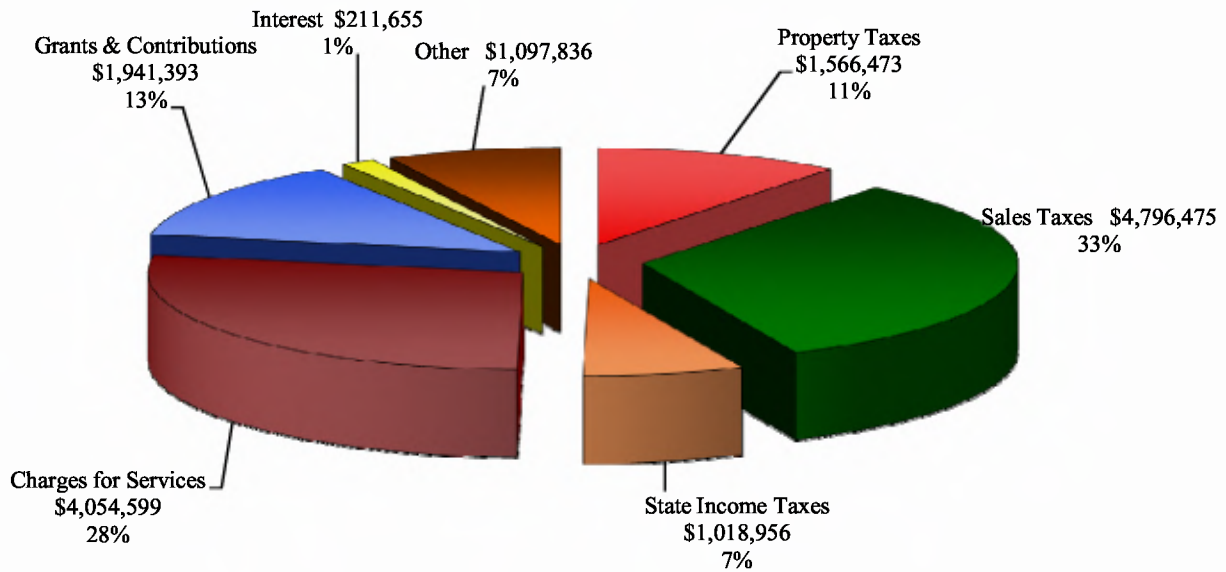
	Governmental Activities	Business-Type Activities	Total Reporting Entity
Revenues			
Program Revenues:			
Charges for Services	\$ 658,434	\$ 3,396,165	\$ 4,054,599
Operating Grants and Contributions	1,300,094	-	1,300,094
Capital Grant and Contributions	94,154	547,145	641,299
General Revenues:			
Taxes			
Property	1,566,473	-	1,566,473
Replacement	55,282	-	55,282
Sales	4,796,475	-	4,796,475
State income	1,018,956	-	1,018,956
Other local	400,027	-	400,027
Motor fuel	399,633	-	399,633
Interest on investments	109,339	102,316	211,655
Other	200,651	42,243	242,894
Transfers	90,746	(90,746)	-
Total Revenues	\$ 10,690,264	\$ 3,997,123	\$ 14,687,387
Expenditures			
General government	\$ 2,098,086	\$ -	\$ 2,098,086
Public safety	3,565,695	-	3,565,695
Highway and streets	2,326,897	-	2,326,897
Health and welfare	15,403	-	15,403
Cemetery	66,481	-	66,481
Interest on long-term debt	279,444		279,444
Waterworks	-	1,181,525	1,181,525
Sewerage	-	1,522,238	1,522,238
Total Expenditures	\$ 8,352,006	\$ 2,703,763	\$ 11,055,769
Change in net assets	\$ 2,338,258	\$ 1,293,360	\$ 3,631,618

CITY OF WASHINGTON, ILLINOIS

Revenues (All Activities)

Year Ended April 30, 2011

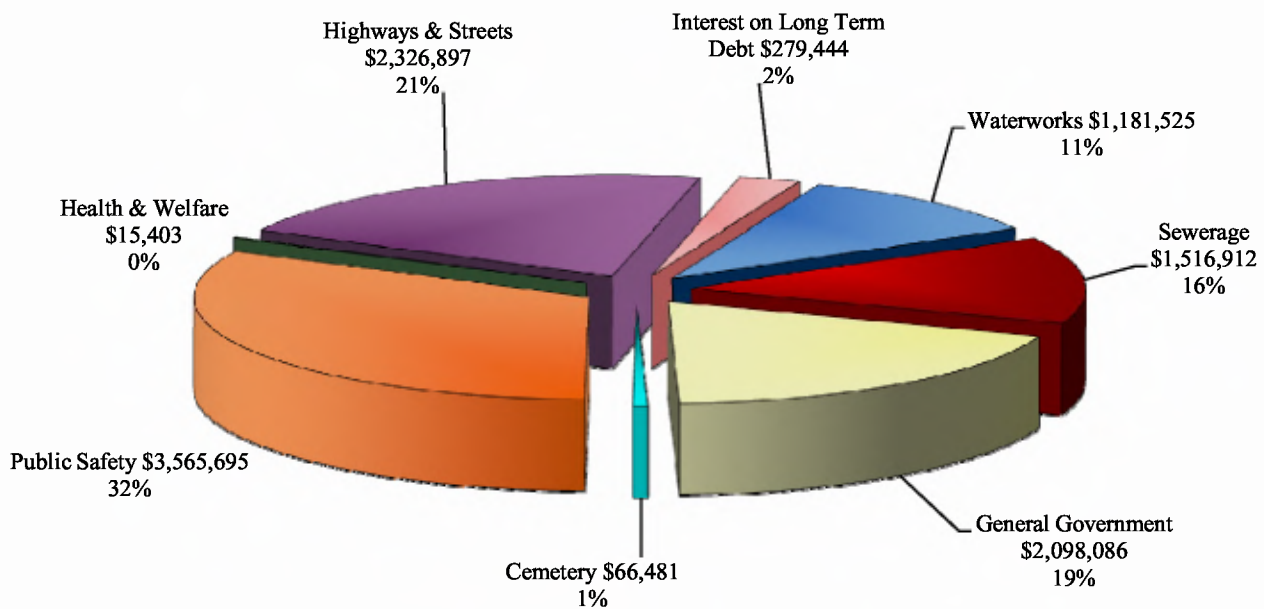
Total \$14,687,387



Expenses (All Activities)

Year Ended April 30, 2011

Total \$11,055,769



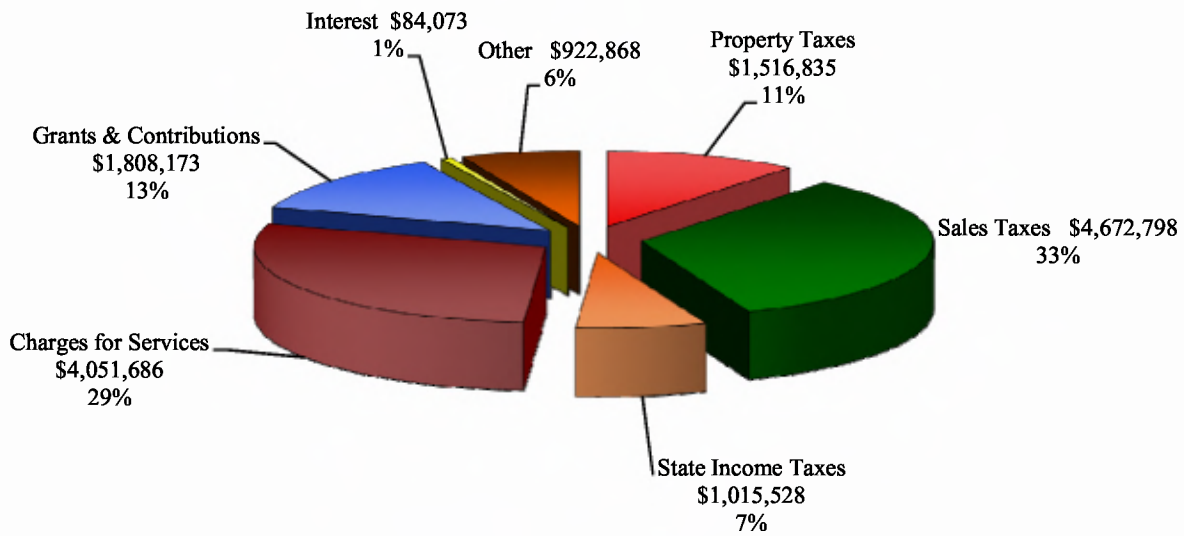
CITY OF WASHINGTON, ILLINOIS

Revenues

(All Activities)

Year Ended April 30, 2010

Total \$14,071,961

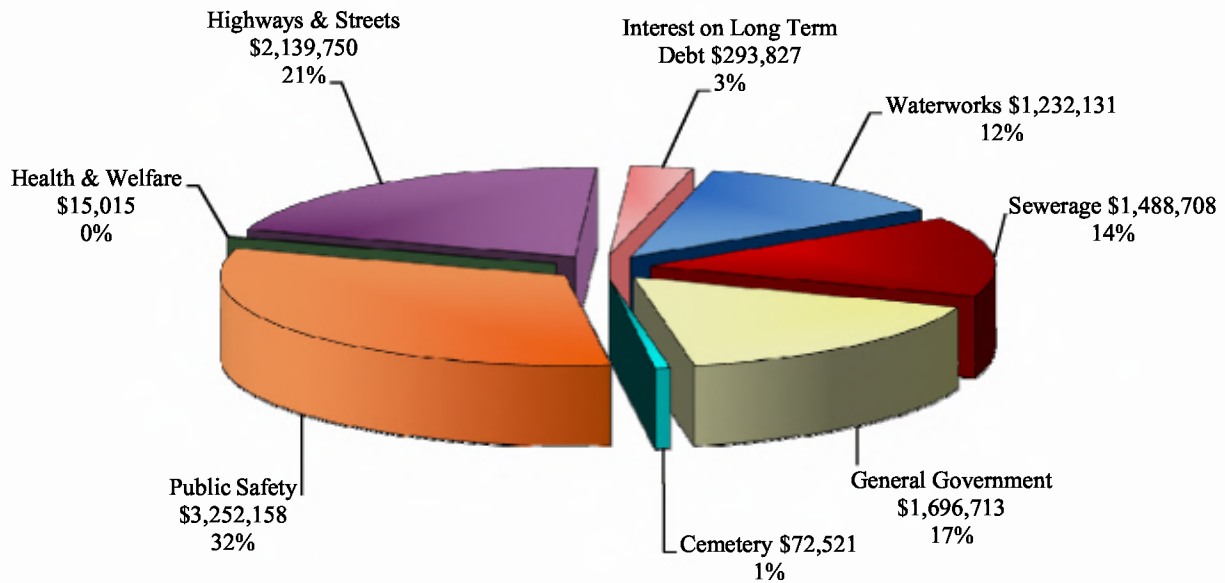


Expenses

(All Activities)

Year Ended April 30, 2010

Total \$10,190,823



BASIC FINANCIAL STATEMENTS

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2011

	GOVERNMENTAL	BUSINESS-TYPE		2010
	ACTIVITIES	ACTIVITIES	TOTAL	(Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 9,928,690	\$ 6,276,529	\$ 16,205,219	\$ 14,322,558
Investments	-	349,648	349,648	346,884
Receivables (net of allowance for uncollectibles)				
Property taxes	1,575,099	-	1,575,099	1,476,246
Other taxes	1,637,749	-	1,637,749	1,680,631
Special assessments	346,000	-	346,000	376,000
Accounts - customers	3,939	24,711	28,650	20,879
Estimated unbilled usage	-	759,818	759,818	681,059
Interest	-	401	401	168
Other	882,509	1,102,867	1,985,376	1,527,615
Internal balances	(272,696)	272,696	-	-
Due from fiduciary funds	-	2,468	2,468	2,464
Prepaid items	82,553	16,554	99,107	184,532
Restricted assets				
Cash and cash equivalents	558,797	768,175	1,326,972	1,093,205
Bond costs, net of accumulated amortization	87,854	-	87,854	92,735
Capital assets not being depreciated	1,020,036	8,314,040	9,334,076	4,817,574
Capital assets, net of accumulated depreciation	22,161,314	22,393,518	44,554,832	44,472,707
	<u>\$ 38,011,844</u>	<u>\$ 40,281,425</u>	<u>\$ 78,293,269</u>	<u>\$ 71,095,257</u>

See accompanying notes.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2010 (Memorandum Only)
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 545,017	\$ 1,108,333	\$ 1,653,350	\$ 1,417,640
Construction retainage payable	12,900	397,700	410,600	336,623
Escrow and customer deposits	-	255,100	255,100	242,320
Deferred revenue	65,092	-	65,092	58,352
Long-term liabilities:				
Due within one year	330,691	401,999	732,690	727,466
Due in more than one year	6,258,256	6,775,108	13,033,364	9,801,401
Total liabilities	7,211,956	8,938,240	16,150,196	12,583,802
NET ASSETS				
Invested in capital assets, net of related debt	22,132,400	23,605,647	45,738,047	44,378,277
Restricted for:				
Debt service	95,906	768,175	864,081	999,784
Other purposes	1,448,072	-	1,448,072	1,754,946
Unrestricted	7,123,510	6,969,363	14,092,873	11,378,448
Total net assets	30,799,888	31,343,185	62,143,073	58,511,455
	\$ 38,011,844	\$ 40,281,425	\$ 78,293,269	\$ 71,095,257

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2011**

FUNCTION/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 2,098,086	\$ 457,585	\$ 1,220,572	\$ -
Public safety	3,565,695	119,303	6,469	7,446
Highways and streets	2,326,897	7,496	73,053	86,708
Health and welfare	15,403	-	-	-
Cemetery	66,481	74,050	-	-
Interest on long term debt	279,444	-	-	-
Total governmental activities	8,352,006	658,434	1,300,094	94,154
Business-type activities:				
Waterworks	1,181,525	1,244,899	-	23,935
Sewerage	1,522,238	2,151,266	-	523,210
Total business-type activities	2,703,763	3,396,165	-	547,145
TOTAL	\$ 11,055,769	\$ 4,054,599	\$ 1,300,094	\$ 641,299

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	2010 (Memorandum Only)
\$	(419,929)	\$ -	\$ (419,929)	\$ (1,270,302)
	(3,432,477)	-	(3,432,477)	(3,126,238)
	(2,159,640)	-	(2,159,640)	(1,786,110)
	(15,403)	-	(15,403)	(15,015)
	7,569	-	7,569	13,379
	(279,444)	-	(279,444)	(293,827)
	(6,299,324)	-	(6,299,324)	(6,478,113)
	-	87,309	87,309	(84,191)
	-	1,152,238	1,152,238	2,231,340
	-	1,239,547	1,239,547	2,147,149
	(6,299,324)	1,239,547	(5,059,777)	(4,330,964)
General Revenues				
Taxes:				
Property	1,566,473	-	1,566,473	1,516,835
Replacement	55,282	-	55,282	44,813
Sales	4,796,475	-	4,796,475	4,672,798
State income	1,018,956	-	1,018,956	1,015,528
Other local	400,027	-	400,027	413,968
Motor fuel	399,633	-	399,633	341,652
Interest on investments	109,339	102,316	211,655	84,073
Gain on sale of capital assets	-	-	-	12,172
Other	200,651	42,243	242,894	110,263
Transfers	90,746	(90,746)	-	-
Total general revenues and transfers	8,637,582	53,813	8,691,395	8,212,102
Change in net assets	2,338,258	1,293,360	3,631,618	3,881,138
NET ASSETS - BEGINNING	28,461,630	30,049,825	58,511,455	54,630,317
NET ASSETS - ENDING	\$ 30,799,888	\$ 31,343,185	\$ 62,143,073	\$ 58,511,455

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2011**

	General	WACC Debt Service	Nonmajor	Total	2010 (Memorandum Only)
ASSETS					
Cash and cash equivalents	\$ 5,834,834	\$ 257,337	\$ 1,937,246	\$ 8,029,417	\$ 6,283,066
Receivables (net of allowance for uncollectibles)					
Property taxes	756,177	-	818,922	1,575,099	1,476,246
Other taxes	1,633,534	-	-	1,633,534	1,680,631
Special assessments	-	-	47,584	47,584	47,081
Accounts-customers	-	-	3,939	3,939	5,615
Other	48,777	720,572	4,215	773,564	91,063
Due from other funds	14,704	-	41,338	56,042	15,094
Due from other governments	-	-	27,172	27,172	28,561
Prepaid items	31,776	-	48,666	80,442	148,190
Restricted assets					
Cash and cash equivalents	162,328	396,469	-	558,797	597,596
	<u>\$ 8,482,130</u>	<u>\$ 1,374,378</u>	<u>\$ 2,929,082</u>	<u>\$ 12,785,590</u>	<u>\$ 10,373,143</u>

See accompanying notes.

					2010 (Memorandum Only)
LIABILITIES AND FUND BALANCES	General	WACC Debt Service	Nonmajor	Total	
Liabilities					
Accounts payable and accrued liabilities	\$ 214,731	\$ -	\$ 51,897	\$ 266,628	\$ 309,608
Construction retainage payable	12,900	-	-	12,900	34,923
Due to other funds	31,090	-	34,484	65,574	3,249
Deferred revenue	792,747	720,572	895,028	2,408,347	1,581,679
Total liabilities	1,051,468	720,572	981,409	2,753,449	1,929,459
Fund balances					
Reserved for:					
Drug enforcement	2,787	-	-	2,787	1,718
Alcohol enforcement	12,059	-	-	12,059	8,908
Police fundraiser	1,162	-	-	1,162	1,159
Police DARE	4,316	-	-	4,316	6,222
Police vehicle seizure	14,517	-	-	14,517	1,501
Police vehicle seizure forfeiture	31,378	-	-	31,378	73,913
Bond debt service	96,109	-	-	96,109	99,066
Unreserved	7,268,334	653,806	1,947,673	9,869,813	8,251,197
Total fund balances	7,430,662	653,806	1,947,673	10,032,141	8,443,684
	\$ 8,482,130	\$ 1,374,378	\$ 2,929,082	\$ 12,785,590	\$ 10,373,143

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2011**

RECONCILIATION TO STATEMENT OF NET ASSETS

Total fund balances - governmental funds	\$ 10,032,141
Capital assets used in governmental activities of \$27,904,114, net of accumulated depreciation of \$5,571,007 are not financial resources and, therefore, are not reported in the governmental funds.	22,333,107
Long term contractual receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	720,572
Property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,622,683
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 Assets.	2,393,589
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.	(6,688,474)
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 Assets.	298,416
Bond costs of \$112,259, net of accumulated amortization of \$24,405, are recorded as expenditures in the governmental funds, but the cost creates a capital asset which must be expensed over the life of the bond.	<u>87,854</u>
Net assets of governmental activities.	<u><u>\$ 30,799,888</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2011

	General	WACC Debt Service	Nonmajor	Total	2010 (Memorandum Only)
REVENUES					
Property taxes	\$ 748,459	\$ -	\$ 766,242	\$ 1,514,701	\$ 1,572,154
Licenses and permits	306,098	-	-	306,098	284,742
Intergovernmental	6,311,087	-	418,892	6,729,979	6,724,263
Grant proceeds	585,928	-	-	585,928	186,782
Charges for services	67,495	-	74,050	141,545	150,564
Fines and forfeitures	107,048	-	-	107,048	100,577
Special projects	50,392	-	-	50,392	57,877
Interest	77,677	5,705	25,957	109,339	34,776
Other	149,150	50,000	45,783	244,933	66,200
	<u>8,403,334</u>	<u>55,705</u>	<u>1,330,924</u>	<u>9,789,963</u>	<u>9,177,935</u>
EXPENDITURES					
Current					
General government	1,319,368	-	788,309	2,107,677	1,586,989
Public safety	3,605,658	-	4,699	3,610,357	3,378,940
Highways and streets	1,248,548	-	-	1,248,548	1,241,015
Health and welfare	15,403	-	-	15,403	15,012
Cemetery	-	-	60,272	60,272	67,207
Capital outlay	137,745	-	510,288	648,033	3,815,142
Debt service					
Principal	-	135,000	147,560	282,560	270,520
Interest	-	256,194	63,208	319,402	335,381
	<u>6,326,722</u>	<u>391,194</u>	<u>1,574,336</u>	<u>8,292,252</u>	<u>10,710,206</u>
Excess (deficiency) of revenues over expenditures	<u>2,076,612</u>	<u>(335,489)</u>	<u>(243,412)</u>	<u>1,497,711</u>	<u>(1,532,271)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	140,648	341,300	471,732	953,680	684,595
Transfers out	(641,701)	-	(221,233)	(862,934)	(741,595)
Total other financing sources (uses)	<u>(501,053)</u>	<u>341,300</u>	<u>250,499</u>	<u>90,746</u>	<u>(57,000)</u>
Net change in fund balances	1,575,559	5,811	7,087	1,588,457	(1,589,271)
FUND BALANCES, BEGINNING OF YEAR	<u>5,855,103</u>	<u>647,995</u>	<u>1,940,586</u>	<u>8,443,684</u>	<u>10,032,955</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,430,662</u>	<u>\$ 653,806</u>	<u>\$ 1,947,673</u>	<u>\$ 10,032,141</u>	<u>\$ 8,443,684</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2011

RECONCILIATION TO STATEMENT OF ACTIVITIES

Net change in fund balances - governmental funds	\$ 1,588,457
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases capitalized	648,033
Depreciation expense	<u>(1,264,450)</u>
	(616,417)
Capital contributions made to the City that are not recorded as proceeds in the governmental fund, but are reported in the Statement of Activities.	86,708
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital debt obligation principal payments	282,560
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	789,425
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.	(6,294)
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.	186,025
Amortization of bond costs are recorded as expenditures in the governmental funds in the year of issuance, but the costs create a capital asset which must be expensed over the life of the bond.	(4,881)
Amortization of capital debt premium is recorded as a revenue in the governmental funds in the year of issuance, but the premium creates a capital liability which must be amortized over the life of the debt.	<u>32,675</u>
	<u>749,801</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,338,258</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
APRIL 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2010 (Memorandum Only)
ASSETS	Waterworks	Sewerage	Total		
Current assets					
Cash and cash equivalents	\$ 2,170,576	\$ 4,105,953	\$ 6,276,529	\$ 1,899,273	\$ 8,039,492
Investments	249,648	100,000	349,648	-	346,884
Receivables (net of allowance for uncollectibles)					
Accounts - customers	7,904	16,807	24,711	-	15,264
Estimated unbilled usage	280,825	478,993	759,818	-	681,059
Interest	290	111	401	-	168
Other	-	1,102,867	1,102,867	85,988	1,407,991
Due from other funds	25,015	20,562	45,577	4,239	28,435
Prepaid items	6,794	9,760	16,554	2,111	36,342
Restricted assets					
Cash and cash equivalents	7,827	760,348	768,175	-	495,609
Total current assets	2,748,879	6,595,401	9,344,280	1,991,611	11,051,244
Capital assets, net of accumulated depreciation	9,791,110	20,916,448	30,707,558	848,243	26,427,465
Total assets	\$ 12,539,989	\$ 27,511,849	\$ 40,051,838	\$ 2,839,854	\$ 37,478,709

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
APRIL 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2010 (Memorandum Only)
	Waterworks	Sewerage	Total		
LIABILITIES AND NET ASSETS					
Current liabilities					
Current maturities of long term debt	\$ 7,480	\$ 383,573	\$ 391,053	\$ -	\$ 384,903
Accounts payable and accrued liabilities	128,540	979,793	1,108,333	173,222	1,008,413
Accrued compensated absences	5,667	5,279	10,946	406	13,039
Retainage payable	17,989	379,711	397,700	-	301,700
Due to other funds	-	37,816	37,816	-	37,816
Customer deposits	255,100	-	255,100	-	242,320
Total current liabilities	414,776	1,786,172	2,200,948	173,628	1,988,191
Noncurrent liabilities					
Accrued compensated absences	32,068	32,182	64,250	5,234	69,948
IEPA loans payable, net of current maturities	-	6,189,098	6,189,098	-	2,558,541
Bonds payable, net of current maturities	45,305	476,455	521,760	-	604,640
Total noncurrent liabilities	77,373	6,697,735	6,775,108	5,234	3,233,129
Total liabilities	492,149	8,483,907	8,976,056	178,862	5,221,320
Net assets					
Invested in capital assets, net of related debt	9,738,325	13,867,322	23,605,647	848,243	22,879,381
Restricted for:					
IEPA loan debt service	-	707,795	707,795	-	433,302
Bond debt service	7,827	52,553	60,380	-	62,307
Other	-	-	-	-	-
Unrestricted	2,301,688	4,400,272	6,701,960	1,812,749	8,882,399
Total net assets	12,047,840	19,027,942	31,075,782	2,660,992	32,257,389
	<u>\$ 12,539,989</u>	<u>\$ 27,511,849</u>		<u>\$ 2,839,854</u>	<u>\$ 37,478,709</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			267,403		
Net assets of business-type activities			<u>\$ 31,343,185</u>		

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2010 (Memorandum Only)
	Waterworks	Sewerage	Total		
OPERATING REVENUES					
Metered sales	\$ 1,126,917	\$ 1,723,132	\$ 2,850,049	\$ -	\$ 2,538,983
Charges for services	65,018	428,134	493,152	1,560,533	2,229,064
Employee contributions	-	-	-	83,157	70,117
Other	9,340	32,903	42,243	112,109	109,456
	<u>1,201,275</u>	<u>2,184,169</u>	<u>3,385,444</u>	<u>1,755,799</u>	<u>4,947,620</u>
OPERATING EXPENSES					
General and administrative	-	-	-	21,197	26,075
Personal services	427,381	579,206	1,006,587	1,120,929	2,041,286
Heat, light, and power	139,662	206,828	346,490	-	346,065
Materials and supplies	127,949	18,919	146,868	140,957	263,198
Other services and charges	157,622	191,565	349,187	102,649	493,601
Depreciation	353,003	491,953	844,956	175,196	970,942
	<u>1,205,617</u>	<u>1,488,471</u>	<u>2,694,088</u>	<u>1,560,928</u>	<u>4,141,167</u>
Operating income (loss)	<u>(4,342)</u>	<u>695,698</u>	<u>691,356</u>	<u>194,871</u>	<u>806,453</u>
NONOPERATING (REVENUES) EXPENSES					
Interest income	(36,364)	(65,952)	(102,316)	(25,737)	(62,450)
Rental income	(52,964)	-	(52,964)	-	(55,604)
Interest and fiscal agent fee expense	2,537	67,476	70,013	-	78,454
Grant proceeds	-	(460,971)	(460,971)	-	(1,601,036)
Gain on sale of equipment	-	-	-	(25,755)	(12,171)
	<u>(86,791)</u>	<u>(459,447)</u>	<u>(546,238)</u>	<u>(51,492)</u>	<u>(1,652,807)</u>
Net income before capital contributions and transfers	82,449	1,155,145	1,237,594	246,363	2,459,260
CAPITAL CONTRIBUTIONS FROM DEVELOPERS	23,935	62,239	86,174	-	-
TRANSFERS IN (OUT), NET	<u>(18,388)</u>	<u>(72,358)</u>	<u>(90,746)</u>	<u>-</u>	<u>57,000</u>
Change in net assets	87,996	1,145,026	1,233,022	246,363	2,516,260
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>11,959,844</u>	<u>17,882,916</u>		<u>2,414,629</u>	<u>29,741,129</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 12,047,840</u>	<u>\$ 19,027,942</u>		<u>\$ 2,660,992</u>	<u>\$ 32,257,389</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>60,338</u>		
Change in net assets of business-type activities			<u>\$ 1,293,360</u>		

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2010 (Memorandum Only)
	Waterworks	Sewerage	Total		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,171,259	\$ 2,131,875	\$ 3,303,134	\$ 1,052,998	\$ 4,368,970
Receipts from interfund services provided	-	-	-	627,400	659,153
Payments to suppliers	(433,371)	(223,394)	(656,765)	(1,169,143)	(2,179,465)
Payments to employees	(441,666)	(582,210)	(1,023,876)	(84,317)	(1,209,433)
Receipt of utility customer deposits	12,780	-	12,780	-	7,145
Net cash provided by operating activities	309,002	1,326,271	1,635,273	426,938	1,646,370
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
(Advances to) repayments from other funds	-	(17,192)	(17,192)	(4,189)	(971)
Transfers from (to) other funds	(18,388)	(72,358)	(90,746)	-	57,000
Net cash provided by (used in) noncapital and related financing activities	(18,388)	(89,550)	(107,938)	(4,189)	56,029
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(386,373)	(5,264,936)	(5,651,309)	(324,857)	(3,379,704)
Proceeds from sale of equipment	-	-	-	25,755	12,172
Grant proceeds	-	460,971	460,971	-	437,372
Loan proceeds	-	4,085,730	4,085,730	-	1,427,566
Principal paid on bond and loan maturities	(7,480)	(235,782)	(243,262)	-	(237,724)
Interest paid on bonds and loans	(2,537)	(69,719)	(72,256)	-	(80,804)
Net cash used in capital and related financing activities	(396,390)	(1,023,736)	(1,420,126)	(299,102)	(1,821,122)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	36,242	65,841	102,083	25,737	63,717
Rental income received	52,964	-	52,964	-	55,604
Proceeds from sale/maturity of investments	-	-	-	-	570,389
Purchase of investments	(2,764)	-	(2,764)	-	(257,023)
Net cash provided by investing activities	86,442	65,841	152,283	25,737	432,687
NET CHANGE IN CASH AND CASH EQUIVALENTS	(19,334)	278,826	259,492	149,384	313,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,197,737	4,587,475	6,785,212	1,749,889	8,221,137
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,178,403</u>	<u>\$ 4,866,301</u>	<u>\$ 7,044,704</u>	<u>\$ 1,899,273</u>	<u>\$ 8,535,101</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2010 (Memorandum Only)
	Waterworks	Sewerage	Total		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (4,342)	\$ 695,698	\$ 691,356	\$ 194,871	\$ 806,453
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	353,003	491,953	844,956	175,196	970,942
(Increase) decrease in usage receivable	(30,519)	(48,240)	(78,759)	-	1,576
(Increase) decrease in other receivables	503	(4,054)	(3,551)	(75,401)	98,927
Decrease in prepaid items	7,185	9,540	16,725	952	2,101
Increase (decrease) in accounts payable and accrued liabilities	(27,275)	84,711	57,436	131,801	(509,173)
Increase (decrease) in accrued compensated absences	2,802	(4,472)	(1,670)	(481)	9,827
Decrease in deferred revenue	-	-	-	-	(20,000)
Increase (decrease) in retainage payable	(5,135)	101,135	96,000	-	278,572
Increase in customer deposits	12,780	-	12,780	-	7,145
 Net cash provided by operating activities	 \$ 309,002	 \$ 1,326,271	 \$ 1,635,273	 \$ 426,938	 \$ 1,646,370

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Waterworks	Sewerage	Total	
Cash and cash equivalents	\$ 2,170,576	\$ 4,105,953	\$ 6,276,529	\$ 1,899,273
Restricted cash and cash equivalents	7,827	760,348	768,175	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,178,403	\$ 4,866,301	\$ 7,044,704	\$ 1,899,273

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
APRIL 30, 2011**

	<u>Pension Trust</u>	<u>Agency Special</u>		<u>2010</u>
	<u>Police</u>	<u>Assessment</u>		<u>(Memorandum</u>
	<u>Pension</u>	<u>Collection</u>	<u>Total</u>	<u>Only)</u>
ASSETS				
Cash and cash equivalents	\$ 177,701	\$ -	\$ 177,701	\$ 161,536
Investments	5,350,073	-	5,350,073	4,820,626
Receivables (net of allowance for uncollectibles)				
Employer contribution	258,538	-	258,538	261,114
Interest	10,167	-	10,167	10,636
Other	-	2,468	2,468	2,464
	<u>\$ 5,796,479</u>	<u>\$ 2,468</u>	<u>\$ 5,798,947</u>	<u>\$ 5,256,376</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Due to other funds	\$ -	\$ 2,468	\$ 2,468	\$ 2,464
Net Assets			-	
Reserved for police pension benefits	5,796,479	-	5,796,479	5,253,912
Total net assets	5,796,479	-	5,796,479	5,253,912
	<u>\$ 5,796,479</u>	<u>\$ 2,468</u>	<u>\$ 5,798,947</u>	<u>\$ 5,256,376</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
TRUST FUND
YEAR ENDED APRIL 30, 2011

	<u>Pension Trust</u>	
	Police Pension	2010 (Memorandum Only)
Additions		
Contributions		
Plan members' contributions	\$ 99,144	\$ 104,567
Employer contributions	266,805	266,726
Other	23	50
Investment earnings		
Investment income	147,625	145,509
Net gain in fair value of investments	293,598	509,930
	<u>807,195</u>	<u>1,026,782</u>
Deductions		
Benefits paid	257,027	249,673
Administrative expenses	7,601	14,627
	<u>264,628</u>	<u>264,300</u>
Change in net assets	542,567	762,482
Net assets		
Beginning of year	<u>5,253,912</u>	<u>4,491,430</u>
End of year	<u>\$ 5,796,479</u>	<u>\$ 5,253,912</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2011

	Balance				Balance
	April 30, 2010	Additions	Deductions		April 30, 2011
SPECIAL ASSESSMENT					
COLLECTION FUND					
ASSETS					
Due from property owners	\$ 2,464	\$ 31	\$ 27	\$	2,468
LIABILITIES					
Due to other funds	\$ 2,464	\$ 31	\$ 27	\$	2,468
POLICE BOND REMITTANCE FUND					
ASSETS					
Cash	\$ -	\$ 38,223	\$ 38,223	\$	-
LIABILITIES					
Due to other governmental entities	\$ -	\$ 38,223	\$ 38,223	\$	-
EMERGENCY ASSISTANCE FUND					
ASSETS					
Cash	\$ -	\$ 400	\$ 400	\$	-
LIABILITIES					
Due to other governmental entities	\$ -	\$ 400	\$ 400	\$	-
TOTAL - ALL AGENCY FUNDS					
ASSETS					
Cash	\$ -	\$ 38,623	\$ 38,623	\$	-
Due from property owners	2,464	31	27		2,468
	\$ 2,464	\$ 38,654	\$ 38,650	\$	2,468
LIABILITIES					
Due to other funds	\$ 2,464	\$ 31	\$ 27	\$	2,468
Due to other governmental entities	-	38,623	38,623		-
	\$ 2,464	\$ 38,654	\$ 38,650	\$	2,468

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

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

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

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.

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

Capital Projects Funds – 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:

Dallas Road Improvement Fund – To account for the reconstruction of Dallas Road.

Police Station Remodel – To account for the remodeling of the police station.

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

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

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 Assets 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 assets (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 assets.

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 19, 2010.

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 budget was amended on April 18, 2011.

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 whose original maturity exceeds three months and Police Pension Trust Fund investments, including federal agency notes, mutual funds, certificates of deposit and annuities. 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, 2011 was passed December 21, 2009. 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 Assets. 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 Assets. 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 to a position classification of a range lower than 90 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 assigned to a position classification of a range 90 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 assets.

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. Equity Classification

Government-Wide Statements

Equity is classified as net assets 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 assets - Net assets with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
- (3) Unrestricted net assets - All other net assets 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 assets reports \$1,722,627 of restricted net assets for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$13,518, the motor fuel fund of \$322,484, retirement benefits of \$235,488, incremental tax of \$928,361 and liability insurance of \$133,736. In addition, \$22,821 is restricted for civil defense, \$66,219 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. Proprietary fund equity is classified the same as in the government-wide statements.

Reserves for bond debt service in the General Fund and the Enterprise Funds have been established to provide for certain restricted accounts as required by bond ordinances. These restrictions are described at Note 4.

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. 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, and fines.

Public Safety - Fine revenue, reimbursement for school activities, specific donations, and grants from the US Departments of Justice and Transportation and the Illinois Liquor Control Commission.

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

Cemetery – Grave sites, interment fees and footings.

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

Q. 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.

R. 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 Assets, 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.

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, 2011 consisted of deposits with financial institutions and the Illinois Funds Money Market Fund. The Illinois Funds have a credit rating of AAAM, by an independent rating agency, indicating a strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks.

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

At April 30, 2011, all the City's deposits, excluding \$16,204 in cash on hand, were covered by federal depository insurance, by collateral held by the financial institution's trust department or agent in the City's name, or invested in Illinois Funds Money Market Fund.

The following is a reconciliation of cash and cash equivalents at April 30, 2011:

	<u>Carrying Amount</u>
Illinois Funds	\$ 1,531,438
Money market funds	15,430,091
Checking and savings	732,159
Cash on hand	16,204
Total cash and cash equivalents	<u>\$ 17,709,892</u>

The deposits are reflected on the financial statements at April 30, 2011 as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 16,205,219
Restricted assets – cash and cash equivalents	1,326,972
Statement of fiduciary net assets:	
Cash and cash equivalents	177,701
	<u>\$ 17,709,892</u>

Investments

As of April 30, 2011, 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	\$ 349,648	N/A	0.41
Fiduciary Fund			
Certificates of deposit	3,071,867	N/A	1.54
Mutual funds-equities	855,096	N/A	N/A
Mutual funds-diversified	449,323	N/A	4.34
Annuities-equities	809,387	N/A	N/A
Annuities-diversified	164,400	N/A	5.42
Total Fiduciary Fund Investments	<u>5,350,073</u>		
Total Investments	<u>\$ 5,699,721</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. Investments are insured by FDIC insurance or collateralized with securities held by the City or its agent in the City's name.

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, 2011 are as follows:

Morton Community Bank Certificates of Deposit	\$ 1,080,909
Washington State Bank Certificates of Deposit	746,923

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2011 was as follows:

	Balance May 1, 2010	Additions	Deletions	Balance April 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 745,515	\$ -	\$ -	\$ 745,515
Construction in process	377,421	170,170	273,070	274,521
Total capital assets not being depreciated	1,122,936	170,170	273,070	1,020,036
Other capital assets:				
Land improvements	331,667	-	-	331,667
Buildings	2,717,247	-	-	2,717,247
Infrastructure	22,183,653	787,471	-	22,971,124
Equipment and vehicles	2,751,185	375,617	193,636	2,933,166
Total other capital assets	27,983,752	1,163,088	193,636	28,953,204
Less accumulated depreciation for:				
Land improvements	88,998	8,330	-	97,328
Buildings	664,244	60,955	-	725,199
Infrastructure	3,293,002	1,129,707	-	4,422,709
Equipment and vehicles	1,499,046	240,654	193,046	1,546,654
Total accumulated depreciation	5,545,290	1,439,646	193,046	6,791,890
Other capital assets, net	22,438,462	(276,558)	590	22,161,314
Governmental activities, net	\$ 23,561,398	\$ (106,388)	\$ 273,660	\$ 23,181,350

	<u>Balance May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2011</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 204,676	\$ -	\$ -	\$ 204,676
Construction in process	3,489,962	4,663,704	44,302	8,109,364
	<hr/>			
Total capital assets not being depreciated	3,694,638	4,663,704	44,302	8,314,040
	<hr/>			
Other capital assets:				
Water system	12,538,714	33,745	-	12,572,459
Sewer system	20,495,529	768,763	-	21,264,292
Equipment	640,313	401,721	-	1,042,034
	<hr/>			
Total other capital assets	33,674,556	1,204,229	-	34,878,785
	<hr/>			
Less accumulated depreciation for:				
Water system	3,155,939	336,737	-	3,492,676
Sewer system	7,767,077	482,250	-	8,249,327
Equipment	717,295	25,969	-	743,264
	<hr/>			
Total accumulated depreciation	11,640,311	844,956	-	12,485,267
	<hr/>			
Other capital assets, net	22,034,245	359,273	-	22,393,518
	<hr/>			
Business- type activities, net	\$ 25,728,883	\$ 5,022,977	\$ 44,302	\$ 30,707,558
	<hr/>			

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

Governmental Activities:

General government	\$ 53,371
Public safety	53,835
Highways and streets	1,149,149
Cemetery	8,095
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<hr/> 175,196

Total depreciation expense for governmental activities	<hr/> \$ 1,439,646
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Business-Type Activities:

Water	\$ 353,003
Sewer	<hr/> 491,953

Total depreciation expense for business-type activities	<hr/> \$ 844,956
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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, 2011 are as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2011</u>	<u>Amount</u> <u>Due In</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds:					
Special Assessment Bonds,					
Series 2005	\$ 376,000	\$ -	\$ 30,000	\$ 346,000	\$ 32,000
Alternate Revenue Source,					
Series 2002**	482,120	-	59,840	422,280	59,840
Alternate Revenue Source,					
Series 2002B**	505,800	-	57,720	448,080	59,280
General Obligation Bonds,					
Series 2006	5,164,857	-	167,675	4,997,182	145,000
Other postemployment					
retirement benefits	51,649	-	-	51,649	-
Vested compensated					
absences	323,491	265	-	323,756	34,571
Total Governmental					
Activities	\$ 6,903,917	\$ 265	\$ 315,235	\$ 6,588,947	\$ 330,691
Business-Type Activities:					
General obligation bonds:					
Alternate Revenue Source,					
Series 2002**	\$ 226,880	\$ -	\$ 28,160	\$ 198,720	\$ 28,160
Alternate Revenue Source,					
Series 2002B**	459,200	-	53,280	405,920	54,720
1997 Illinois Environmental					
Protection Agency Loan	1,434,428	-	161,822	1,272,606	166,532
2009 Illinois Environmental					
Protection Agency Loan	1,427,576	3,797,089	-	5,224,665	141,641
Vested compensated					
absences	76,866	-	1,670	75,196	10,946
Total Business-Type					
Activities	\$ 3,624,950	\$ 3,797,089	\$ 244,932	\$ 7,177,107	\$ 401,999

** These bonds were issued as Alternate Revenue Source bonds by the City, payable from various tax revenues; however, portions of the projects include improvements to the water and sewer systems. The portion of the debt related to water and sewer activities has been recorded in the Enterprise Funds.

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 April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 32,000	4.75	\$ 16,435	\$ 48,435
2013	33,000	4.75	14,915	47,915
2014	35,000	4.75	13,348	48,348
2015	36,000	4.75	11,685	47,685
2016	38,000	4.75	9,975	47,975
2017 to 2020	<u>172,000</u>	4.75	<u>20,900</u>	<u>192,900</u>
Total	<u>\$ 346,000</u>		<u>\$ 87,258</u>	<u>\$ 433,258</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, 2011, \$0 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, 2010, 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	\$ -
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General Obligation Bonds – Alternate Revenue Source

In fiscal year 2003, the City issued Alternate Revenue Bonds, Series 2002. These bonds are general obligations of the City and contain a pledge of its full faith and credit for the payment of principal and interest. The City, however, expects these bonds to be paid by sales and income taxes and charges for services. Portions of the project relate to improvements to the water and sewer systems and, therefore, the portion of the debt related to these projects has been recorded in the Enterprise Funds.

The debt service requirements on these bonds are as follows:

Years Ending April 30,	Principal	Interest Rate	Interest	Total
2012	\$ 88,000	4.75	\$ 27,408	\$ 115,408
2013	88,000	4.75	23,228	111,228
2014	88,000	4.75	19,048	107,048
2015	88,000	4.75	14,868	102,868
2016	88,000	4.75	10,688	98,688
2017 – 2018	181,000	4.75	8,712	189,712
Total	\$ 621,000		\$ 103,952	\$ 724,952

Payable from:

Governmental Funds	\$ 422,280
Enterprise Funds	198,720
	<u>\$ 621,000</u>

Principal paying date: June 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>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2011, all proceeds have been used.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2011, \$92,086 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

General Fund	\$ 62,619
Waterworks Fund	7,827
Sewerage Fund	<u>21,640</u>
	<u>\$ 92,086</u>

In fiscal year 2003, the City issued Alternate Revenue Bonds, Series 2002B. These bonds are general obligations of the City and contain a pledge of its full faith and credit for the payment of taxes and charges for services. A portion of the project relates to improvements to the sewer system and, therefore, the portion of the debt related to the sewer project has been recorded in the Enterprise Funds. The debt service requirements on these bonds are as follows:

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 114,000	4.75	\$ 40,565	\$ 154,565
2013	116,000	4.75	35,150	151,150
2014	119,000	4.75	29,640	148,640
2015	122,000	4.75	23,988	145,988
2016	125,000	4.75	18,192	143,192
2017-2018	<u>258,000</u>	4.75	<u>18,428</u>	<u>276,428</u>
Total	<u>\$ 854,000</u>		<u>\$ 165,963</u>	<u>\$ 1,019,963</u>

Payable from:

Governmental Funds	\$ 448,080
Enterprise Funds	<u>405,920</u>
	<u>\$ 854,000</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>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2011, there were no remaining bond proceeds.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2011, \$64,403 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

General Fund	\$ 33,490
Sewerage Fund	<u>30,913</u>
	<u>\$ 64,403</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, however, expects these bonds to be paid by sales and income taxes. The debt service requirements on these bonds are as follows:

Years Ending April 30,	Principal	Interest Rate	Interest	Total
2012	\$ 145,000	7.00%	\$ 246,394	\$ 391,394
2013	155,000	7.00	235,893	390,893
2014	165,000	7.00	224,694	389,694
2015	175,000	7.00	212,794	387,794
2016	190,000	7.00	200,019	390,019
2017	200,000	7.00	186,369	386,369
2018	215,000	4.00	175,069	390,069
2019-2020	455,000	4.125	322,872	777,872
2021-2025	1,335,000	5.00	599,875	1,934,875
2026-2030	<u>1,705,000</u>	5.00	<u>221,125</u>	<u>1,926,125</u>
Total	4,740,000		<u>\$ 2,625,104</u>	<u>\$ 7,365,104</u>
Bond premium	428,165			
Accumulated amortization	<u>(170,983)</u>			
	<u>\$ 4,997,182</u>			

These General Obligation Bonds were issued at a premium of \$428,165. This premium is amortized over the life of the bonds using the interest method. Amortization on the premium was \$32,675 for the year ended April 30, 2011. The City incurred \$112,259 of bond issuance costs to issue these bonds. Bond issuance costs are carried net of accumulated amortization, which is calculated using the straight line method over the life of the bonds, which approximates interest method. Amortization expense was \$4,881 and accumulated amortization was \$24,405 at April 30, 2011.

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2011, there are no proceeds that remain in this account.	Costs associated with the project.
Principal and interest	Amount necessary to make the amount credited to the account equal to any principal and interest due and unpaid plus the amount of principal and interest deemed to accrue monthly on the outstanding bonds. As of April 30, 2011, \$396,469 has been required to be accumulated.	Paying current principal and interest.
The following amounts are reported as restricted cash as follows:		
Debt Service Fund		\$ 396,469

Business-Type Activities

1997 IEPA Loan Payable

In fiscal year 1997, 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 fixed interest rate of 2.89 percent for a term of twenty years. Payments are due in semiannual amounts of \$101,058, including interest, thereafter, with final payment due March 1, 2018. 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>
2012	\$ 166,532	\$35,584	\$202,116
2013	171,380	30,736	202,116
2014	176,369	25,747	202,116
2015	181,502	20,614	202,116
2016	186,786	15,330	202,116
2017-2018	390,037	14,192	404,229
Total	\$ 1,272,606	\$142,203	\$1,414,809

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, 2011, \$33,686 has been required to be accumulated.	Paying current principal and interest on bonds.
(c) Bond reserve	1/120 of maximum annual debt service per month, commencing May 1, 1997, until the account accumulates the total sum of \$202,116 (maximum annual debt service). As of April 30, 2011, \$202,116 has been accumulated.	Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds.
(d) Depreciation	\$1,200 per month, commencing May 1, 1997, until the account accumulates the total sum of \$145,000. As of April 30, 2011, \$145,000 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

\$ 380,802

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 maximum loan amount is \$7,554,185 with \$1,888,545 not required to be repaid. The total outstanding on the loan net of the amount not required to be repaid at April, 30, 2011 is \$5,224,665. The City expects the project to be completed during fiscal year 2012 and expects to borrow the full amount of the loan. The loan carries zero percent interest rate for a term of twenty years. Payments are due in semiannual amounts of \$141,641, including interest, thereafter, with final payment due September 30, 2031. 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>
2012	\$ 141,641	\$ -	\$141,641
2013	283,282	-	283,282
2014	283,282	-	283,282
2015	283,282	-	283,282
2016	283,282	-	283,282
2017-2021	1,416,410	-	1,416,410
2022-2026	1,416,410	-	1,416,410
2027-2031	1,416,410	-	1,416,410
2032	141,641	-	141,641
Total	\$ 5,665,640	\$ -	\$ 5,665,640

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, 2011, \$0 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 \$283,282 (maximum annual debt service). As of April 30, 2011, \$213,146 has been accumulated.	Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds.
(d) Depreciation	1/120 of 10% of the total outstanding debt, until the account accumulates the total sum of \$566,564. As of April 30, 2011, \$113,847 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	\$ 326,993
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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 employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 11.76 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2010, the City's annual pension cost of \$241,959 for the Regular plan was equal to your employer's required and actual contributions.

Three Year Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 241,959	100%	\$ -
12/31/09	189,521	100%	-
12/31/08	180,066	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually.

The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at the December 31, 2008, valuation was 30 years.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 66.38 percent funded. The actuarial accrued liability for benefits was \$6,535,089 and the actuarial value of assets was \$4,338,053, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,197,036. The covered payroll (annual payroll of active employees covered by the plan) was \$2,057,477 and the ratio of the UAAL to the covered payroll was 107 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. 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.

Membership of the plan consisted of the following at May 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	18
Total	23
Number of participating employers	1

Financial information for the Police Pension Trust Fund is recorded only in the City's fund financial statements.

Funding Policy

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 27.39 percent of annual covered payroll.

Recognition of Contributions and Benefits Paid

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligations to the Police Pension Trust Fund for May 1, 2010 (the date of the latest actuarial valuation) were as follows:

Annual Required Contribution (ARC)	\$ 265,416
Interest on net pension obligation	(1,567)
Adjustment to ARC	<u>1,161</u>
Annual pension cost	265,010
Contributions made	<u>266,726</u>
Decrease in net pension obligation	(1,716)
Net pension obligation, beginning of year	<u>(21,607)</u>
Net pension obligation, end of year	<u>\$ (23,323)</u>

The required contribution was determined as part of the May 1, 2010 actuarial valuation using the entry age level percentage of payroll method over a 23 year closed period. The actuarial assumptions included (a) 7.25 percent investment rate of return which included a 3.00 percent increase for inflation (b) projected salary increases of 5.00 percent which included a 3.00 percent increase for inflation and (c) 3.00 percent per year cost of living adjustment. The actuarial value of Police Pension Plan's assets was determined using market value method. There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to future interest rates.

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>
5/1/10	\$ 265,010	100.6%	\$ (23,323)
5/1/09	178,179	101.0%	(21,607)
5/1/08	141,018	100.8%	(19,798)

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, 2011, the retiree's portion of coverage is \$50/month for family and \$25/month for single. Membership of the plan consisted of the following at April, 30 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active vested plan members	32
Active plan members	22
Total	<u>59</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 2011, the City contributed \$150,272.

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, 2011 (based on the latest actuarial valuation on April 30, 2010) were as follows:

Annual Required Contribution (ARC)	\$ 150,272
Interest on net OPEB obligation	2,582
Adjustment to ARC	-
Annual OPEB cost	152,854
Contributions made	152,854
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	51,649
Net OPEB obligation, end of year	\$ 51,649

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>
4/30/11	\$ 150,272	100.0%	\$ 51,649
4/30/10	175,278	70.5%	51,649

Funded status and funding progress

As of April 30, 2010, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,664,486 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$2,664,486.

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 5 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 5% and an initial annual health care cost trend rate of 8% which is reduced over time to an ultimate rate of 6%. 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 three retirement health savings plans which cover the unionized telecommunicators, the unionized police 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, 2011 was approximately \$28,790.

NOTE 6. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2011 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 14,704	\$ 31,090
Special Revenue Funds		
Motor Fuel Tax	10,230	
Liability Insurance	-	1,973
Social Security Fund	-	31,108
Illinois Municipal Retirement Fund	31,108	473
Debt Service		
Mallard Crossing Special Assessment Fund	-	930
Enterprise and Internal Service Funds		
Waterworks Fund	25,015	-
Sewerage Fund	20,562	37,816
Employees' Benefit Fund	240	-
MERF Fund	3,999	-
Trust and Agency Fund		
Special Assessment Collection Fund	-	2,468
Total interfund receivables and payables	\$ 105,858	\$ 105,858

NOTE 7. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2011, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 140,648	\$ 641,701
Special Revenue Funds		
Illinois Municipal Retirement Fund	21,500	108,387
Social Security Fund	166,388	-
Incremental Tax Fund	-	112,846
Civil Defense Fund	5,000	-
Capital Projects Funds		
Dallas Road Improvement Fund	39,702	-
Police Station Remodel	76,266	-
Debt Service Funds		
South Cummings Lane Fund	81,320	-
Cruger Road Fund	81,556	-
Washington Area Community Center Fund	341,300	-
Enterprise Funds		
Waterworks Fund	174,735	193,123
Sewerage Fund	617,510	689,868
Total interfund transfers	\$ 1,745,925	\$ 1,745,925

NOTE 8. SELF INSURANCE

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

The City uses an internal service fund, the Employees' Benefit Fund, to account for and finance its uninsured risks of loss associated with medical and dental claims of its employees and their dependents. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated payables for claims and losses for medical and hospital claims include an amount for claims incurred but not reported based upon actuarial estimates and prior experience. The City has specific excess insurance that provides coverage when medical and hospital claims in a given year exceed \$35,000 individually and \$815,935 in the aggregate for claims paid over an annual liability period.

Various funds of the City participate and make payments to the internal service fund based on historical cost information. Based on the requirements of *Governmental Accounting Standards Board Statement No. 10*, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated, unpaid claims of \$161,176 at April 30, 2011 have been included in the financial statements as a payable.

Changes in the claims liability in fiscal year 2011 were:

Balance at April 30, 2010	\$ 28,464
Current year claims and changes in estimates	919,244
Claims paid	<u>(786,532)</u>
Balance at April 30, 2011	<u>\$ 161,176</u>

NOTE 9. LITIGATION

The City is the defendant in several claims and lawsuits. Based on information of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 10. CONDUIT DEBT AGREEMENTS

In October 2006, the City issued Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities will transfer to the private-sector entity. As of April 30, 2011, the outstanding Industrial Project Revenue Bonds had an aggregate principal amount outstanding of \$4,726,328.

The City is not obligated in any manner for repayment of the above bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 11. COMMITMENTS

The City is under contract for work to be completed in remodeling the Police Station. As of April 30, 2011, the total amount of all contracts was \$1,386,500. Of this amount, \$93,320 has been paid or is included in payables as of the year-end. The City is obligated to pay the remainder of the costs under the contract as the work is completed.

The City is under contract for the Summit Drive Extension. As of April 30, 2011, the total amount of all contracts was \$278,000. There have been no expenses paid or included in payables as of the year end.

The City is under contract for the reconstruction of Dallas Road. As of April 30, 2011, the total amount of all contracts was \$755,758. A total of \$36,980 has been paid or is included in payables as of the year-end.

The City is under contract for the Sewer Treatment Plant #2 Expansion. As of April 30, 2011, the total amount of all contracts was \$7,554,185. A total of \$7,113,211 has been paid or is included in payables as of the year end.

NOTE 12. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

In February, 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. Governments are also required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for all prior periods presented. While earlier application of the Statement is encouraged, the City has not completed the process of evaluating the impact of Statement No. 54 on its financial statements

NOTE 13. SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 6, 2011, the date which the financial statements were available to be issued.

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, 2011

	General Fund			Variance
	Budget	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 744,000	\$ 744,000	\$ 748,459	\$ 4,459
Licenses and permits	262,600	262,600	306,098	43,498
Intergovernmental	6,101,000	6,101,000	6,311,087	210,087
Grant proceeds	188,780	188,780	585,928	397,148
Charges for services	59,900	59,900	67,495	7,595
Fines and forfeitures	101,300	101,300	107,048	5,748
Special projects	83,500	83,500	50,392	(33,108)
Interest	50,800	50,800	77,677	26,877
Other	32,000	32,000	149,150	117,150
	7,623,880	7,623,880	8,403,334	779,454
EXPENDITURES				
Current				
General government	965,880	965,880	1,319,368	(353,488)
Public safety	3,912,110	3,912,110	3,605,658	306,452
Highways and streets	1,488,600	1,988,600	1,248,548	740,052
Health and welfare	15,600	15,600	15,403	197
Capital outlay	538,300	538,300	137,745	400,555
	6,920,490	7,420,490	6,326,722	1,093,768
Excess (deficiency) of revenue over expenditures	703,390	203,390	2,076,612	1,873,222
OTHER FINANCING SOURCES (USES)				
Transfers in	17,790	29,237	140,648	111,411
Transfers out	(559,070)	(559,070)	(641,701)	(82,631)
Total other financing sources (uses)	(541,280)	(529,833)	(501,053)	28,780
Net change in fund balances	\$ 162,110	\$ (326,443)	\$ 1,575,559	\$ 1,902,002

**CITY OF WASHINGTON, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND**

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2010	\$ 4,338,053	\$ 6,535,089	\$ 2,197,036	66.38 %	\$ 2,057,477	106.78 %
12/31/2009	4,672,750	6,722,861	2,050,111	69.51	2,055,541	99.74
12/31/2008	4,705,446	5,889,568	1,184,122	79.89	1,843,052	64.25

On a market value basis, the actuarial value of the assets as of December 31, 2010 is \$4,649,038. On a market basis, the funded ratio would be 71.14%.

**CITY OF WASHINGTON, ILLINOIS
POLICE PENSION TRUST FUND**

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	\$ 5,253,911	\$ 7,872,538	\$2,618,627	66.7 %	\$ 973,705	268.9 %
2009	4,491,429	7,180,493	2,689,064	62.6	997,766	269.5
2008	5,049,983	6,269,050	1,219,067	80.6	953,435	127.9

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

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2010	\$ -	\$ 2,664,486	\$ 2,664,486	0.0 %
2009	-	-	-	-
2008	-	-	-	-

OTHER SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED APRIL 30, 2011

	General			Variance
	Budget	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 744,000	\$ 744,000	\$ 748,459	\$ 4,459
Licenses and permits	262,600	262,600	306,098	43,498
Intergovernmental	6,101,000	6,101,000	6,311,087	210,087
Grant proceeds	188,780	188,780	585,928	397,148
Charges for services	59,900	59,900	67,495	7,595
Fines and forfeitures	101,300	101,300	107,048	5,748
Special projects	83,500	83,500	50,392	(33,108)
Interest	50,800	50,800	77,677	26,877
Other	32,000	32,000	149,150	117,150
Total revenues	7,623,880	7,623,880	8,403,334	779,454
EXPENDITURES				
Current				
General government	965,880	965,880	1,319,368	(353,488)
Public safety	3,912,110	3,912,110	3,605,658	306,452
Highways and streets	1,488,600	1,988,600	1,248,548	740,052
Health and welfare	15,600	15,600	15,403	197
Cemetery	-	-	-	-
Capital outlay	538,300	538,300	137,745	400,555
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	6,920,490	7,420,490	6,326,722	1,093,768
Excess (deficiency) of revenue over expenditures	703,390	203,390	2,076,612	1,873,222
OTHER FINANCING SOURCES (USES)				
Transfers in	17,790	29,237	140,648	111,411
Transfers out	(559,070)	(559,070)	(641,701)	(82,631)
Total other financing sources (uses)	(541,280)	(529,833)	(501,053)	28,780
Net change in fund balances	\$ 162,110	\$ (326,443)	\$ 1,575,559	\$ 1,902,002

Special Revenue				Capital Projects			
Budget	Final	Actual	Variance Favorable (Unfavorable)	Original	Budget	Actual	Variance Favorable (Unfavorable)
\$ 721,200	\$ 721,200	\$ 727,800	\$ 6,600	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
353,000	353,000	418,892	65,892	-	-	-	-
-	-	-	-	-	-	-	-
71,000	71,000	74,050	3,050	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,850	12,850	25,900	13,050	-	-	-	-
41,500	41,500	45,783	4,283	-	-	-	-
1,199,550	1,199,550	1,292,425	92,875	-	-	-	-
945,317	945,317	788,309	157,008	-	-	-	-
11,700	11,700	4,699	7,001	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
91,140	91,140	60,272	30,868	-	-	-	-
1,064,000	1,064,000	379,988	684,012	1,075,000	1,095,000	130,300	964,700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,112,157	2,112,157	1,233,268	878,889	1,075,000	1,095,000	130,300	964,700
(912,607)	(912,607)	59,157	971,764	(1,075,000)	(1,095,000)	(130,300)	964,700
150,500	150,500	192,888	42,388	25,000	25,000	115,968	90,968
(113,553)	(125,000)	(221,233)	(96,233)	-	-	-	-
36,947	25,500	(28,345)	(53,845)	25,000	25,000	115,968	90,968
\$ (875,660)	\$ (887,107)	\$ 30,812	\$ 917,919	\$ (1,050,000)	\$ (1,070,000)	\$ (14,332)	\$ 1,055,668

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED APRIL 30, 2011**

	Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 48,148	\$ 38,442	\$ (9,706)
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Grant proceeds	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Special projects	-	-	-
Interest	1,800	5,762	3,962
Other	-	50,000	50,000
Total revenues	49,948	94,204	44,256
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Cemetery	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	282,560	282,560	-
Interest	319,370	319,402	(32)
Total expenditures	601,930	601,962	(32)
Excess (deficiency) of revenue over expenditures	(551,982)	(507,758)	44,224
OTHER FINANCING SOURCES (USES)			
Transfers in	554,070	504,176	(49,894)
Transfers out	-	-	-
Total other financing sources (uses)	554,070	504,176	(49,894)
Net change in fund balances	\$ 2,088	\$ (3,582)	\$ (5,670)

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED APRIL 30, 2011

	General Corporate	City Hall	Street
REVENUES			
Property taxes	\$ 329,983	\$ -	\$ 159,485
Licenses and permits	306,098	-	-
Intergovernmental	6,279,217	-	7,298
Grant proceeds	500,000	-	73,053
Charges for services	-	-	2,352
Fines and forfeitures	107,048	-	-
Special projects	-	-	-
Interest	77,457	-	-
Other	124,598	-	11,080
	<u>7,724,401</u>	<u>-</u>	<u>253,268</u>
EXPENDITURES			
General government			
Personal services	391,468	18,834	-
Supplies	6,044	4,700	-
WACC Grant	500,000	-	-
Other services and charges	96,439	27,132	-
Total general government	<u>993,951</u>	<u>50,666</u>	<u>-</u>
Public safety			
Personal services	-	-	-
Supplies	-	-	-
Special projects	-	-	-
Other services and charges	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>
Highways and streets			
Personal services	-	-	669,825
Supplies	-	-	13,290
Other services and charges	-	-	565,433
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,248,548</u>
Health and welfare			
Other services and charges	12,932	2,471	-
Capital outlay	4,025	-	122,419
	<u>1,010,908</u>	<u>53,137</u>	<u>1,370,967</u>
Excess (deficiency) of revenue over expenditures	<u>6,713,493</u>	<u>(53,137)</u>	<u>(1,117,699)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	113,651	10,440	16,557
Transfers out	(427,110)	-	(164,591)
Total other financing sources (uses)	<u>(313,459)</u>	<u>10,440</u>	<u>(148,034)</u>
Net change in fund balance	<u>\$ 6,400,034</u>	<u>\$ (42,697)</u>	<u>\$ (1,265,733)</u>

FUND BALANCE, BEGINNING OF YEAR

FUND BALANCE, END OF YEAR

Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2010 (Memorandum Only)
\$ 258,991	\$ -	\$ -	\$ -	\$ 748,459	\$ 654,749
-	-	-	-	306,098	284,742
10,493	-	-	14,079	6,311,087	6,369,714
12,875	-	-	-	585,928	186,782
65,143	-	-	-	67,495	64,664
-	-	-	-	107,048	100,577
50,392	-	-	-	50,392	57,877
220	-	-	-	77,677	21,448
13,472	-	-	-	149,150	24,402
411,586	-	-	14,079	8,403,334	7,764,955
-	22,643	140,030	-	572,975	552,730
-	-	1,985	-	12,729	18,720
-	-	-	-	500,000	-
-	48,390	61,703	-	233,664	300,675
-	71,033	203,718	-	1,319,368	872,125
2,480,887	-	-	-	2,480,887	2,291,003
14,171	-	-	-	14,171	15,324
21,837	-	-	-	21,837	26,254
511,241	-	-	577,522	1,088,763	1,042,805
3,028,136	-	-	577,522	3,605,658	3,375,386
-	-	-	-	669,825	655,732
-	-	-	-	13,290	14,743
-	-	-	-	1,065,433	539,700
-	-	-	-	1,248,548	1,210,175
-	-	-	-	15,403	15,012
11,301	-	-	-	137,745	3,136,286
3,039,437	71,033	203,718	577,522	6,326,722	8,608,984
(2,627,851)	(71,033)	(203,718)	(563,443)	2,076,612	(844,029)
-	-	-	-	140,648	36,802
(50,000)	-	-	-	(641,701)	(567,793)
(50,000)	-	-	-	(501,053)	(530,991)
<u>\$ (2,677,851)</u>	<u>\$ (71,033)</u>	<u>\$ (203,718)</u>	<u>\$ (563,443)</u>	1,575,559	(1,375,020)
				5,855,103	7,230,123
				<u>\$ 7,430,662</u>	<u>\$ 5,855,103</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET -
INCREMENTAL TAX FUND BY ACCOUNTS
APRIL 30, 2011**

	Downtown	2010 (Memorandum Only)
ASSETS		
Cash and cash equivalents	\$ 930,103	\$ 1,012,850
Receivables (net of allowance for uncollectibles)		
Property taxes	189,061	178,448
	<u>\$ 1,119,164</u>	<u>\$ 1,191,298</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,742	\$ 884
Construction retainage payable	-	5,399
Deferred revenue	189,061	178,448
Total liabilities	<u>190,803</u>	<u>184,731</u>
Fund balances		
Unreserved	<u>928,361</u>	<u>1,006,567</u>
	<u>\$ 1,119,164</u>	<u>\$ 1,191,298</u>

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
INCREMENTAL TAX FUND BY ACCOUNTS
YEAR ENDED APRIL 30, 2011

	Downtown	Washington Road	Total	2010 (Memorandum Only)
REVENUES				
Property taxes	\$ 178,577	\$ -	\$ 178,577	\$ 360,792
Interest	11,207	2,148	13,355	4,639
	<u>189,784</u>	<u>2,148</u>	<u>191,932</u>	<u>365,431</u>
EXPENDITURES				
General government	48,673	106,894	155,567	113,252
Capital outlay	1,725	-	1,725	300,463
	<u>50,398</u>	<u>106,894</u>	<u>157,292</u>	<u>413,715</u>
Excess (deficiency) of revenues over expenditures	<u>139,386</u>	<u>(104,746)</u>	<u>34,640</u>	<u>(48,284)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(112,846)</u>	<u>(112,846)</u>	<u>(173,802)</u>
Net change in fund balances	139,386	(217,592)	(78,206)	(222,086)
FUND BALANCES, BEGINNING OF YEAR	<u>788,975</u>	<u>217,592</u>	<u>1,006,567</u>	<u>1,228,653</u>
FUND BALANCES, END OF YEAR	<u>\$ 928,361</u>	<u>\$ -</u>	<u>\$ 928,361</u>	<u>\$ 1,006,567</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2011**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance	Storm Water Management
ASSETS							
Cash and cash equivalents	\$ 225,453	\$ 23,654	\$ 13,518	\$ 285,082	\$ 930,103	\$ 87,919	\$ 110,468
Receivables (net of allowance for uncollectibles)							
Property taxes	-	3,202	30,000	-	189,061	105,624	-
Special assessments	-	-	-	-	-	-	-
Accounts - customers	3,939	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	-	-	-	10,230	-	-	-
Due from other governments	-	-	-	27,172	-	-	-
Prepaid items	690	186	-	-	-	47,790	-
Restricted assets							
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>\$ 230,082</u>	<u>\$ 27,042</u>	<u>\$ 43,518</u>	<u>\$ 322,484</u>	<u>\$1,119,164</u>	<u>\$ 241,333</u>	<u>\$ 110,468</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 2,208	\$ 1,019	\$ -	\$ -	\$ 1,742	\$ -	\$ -
Construction retainage payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	1,973	-
Deferred revenue	-	3,202	30,000	-	189,061	105,624	28,522
Total liabilities	2,208	4,221	30,000	-	190,803	107,597	28,522
Fund balances							
Unreserved	227,874	22,821	13,518	322,484	928,361	133,736	81,946
	<u>\$ 230,082</u>	<u>\$ 27,042</u>	<u>\$ 43,518</u>	<u>\$ 322,484</u>	<u>\$1,119,164</u>	<u>\$ 241,333</u>	<u>\$ 110,468</u>

Illinois		
Municipal Retirement	Social Security	Total
\$ 93,934	\$ 166,388	\$1,936,519
265,024	226,011	818,922
-	-	-
-	-	3,939
4,215	-	4,215
31,108	-	41,338
-	-	27,172
-	-	48,666
-	-	-
\$ 394,281	\$ 392,399	\$2,880,771

\$ 14,382	\$ 14,194	\$ 33,545
-	-	-
473	31,108	33,554
265,024	226,011	847,444
279,879	271,313	914,543
114,402	121,086	1,966,228
\$ 394,281	\$ 392,399	\$2,880,771

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2011**

	Capital Projects			Debt Service	Total	2010
	Dallas Road	Police Station Remodel	Total	Mallard Crossing	Nonmajor Governmental	(Memorandum Only)
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 727	\$ 1,937,246	\$ 1,898,096
Receivables (net of allowance for uncollectibles)						
Property taxes	-	-	-	-	818,922	727,727
Special assessments	-	-	-	47,584	47,584	47,081
Accounts - customers	-	-	-	-	3,939	5,615
Other	-	-	-	-	4,215	3,399
Due from other funds	-	-	-	-	41,338	2,293
Due from other governments	-	-	-	-	27,172	28,561
Prepaid items	-	-	-	-	48,666	63,065
Restricted assets						
Cash and cash equivalents	-	-	-	-	-	9,190
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,311</u>	<u>\$ 2,929,082</u>	<u>\$ 2,785,027</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 1,298	\$ 17,054	\$ 18,352	\$ -	\$ 51,897	\$ 42,352
Construction retainage payable	-	-	-	-	-	5399
Due to other funds	-	-	-	930	34,484	-
Deferred revenue	-	-	-	47,584	895,028	796,690
Total liabilities	1,298	17,054	18,352	48,514	981,409	844,441
Fund balances						
Unreserved	(1,298)	(17,054)	(18,352)	(203)	1,947,673	1,940,586
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,311</u>	<u>\$ 2,929,082</u>	<u>\$ 2,785,027</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2011**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance	Storm Water Management
REVENUES							
Property taxes	\$ -	\$ 3,206	\$ 30,017	\$ -	\$ 178,577	\$ 95,996	\$ -
Intergovernmental	-	-	-	399,633	-	-	-
Charges for services	74,050	-	-	-	-	-	-
Interest	3,410	29	47	3,280	13,355	592	91
Other	1,344	-	-	-	-	-	44,439
	78,804	3,235	30,064	402,913	191,932	96,588	44,530
EXPENDITURES							
Current							
General government	-	-	28,454	-	155,567	85,706	7,848
Public safety	-	4,699	-	-	-	-	-
Highway and streets	-	-	-	-	-	-	-
Cemetery	60,272	-	-	-	-	-	-
Capital outlay	-	-	-	378,263	1,725	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
	60,272	4,699	28,454	378,263	157,292	85,706	7,848
Excess (deficiency) of revenues over expenditures	18,532	(1,464)	1,610	24,650	34,640	10,882	36,682
OTHER FINANCING SOURCES (USES)							
Transfers in	-	5,000	-	-	-	-	-
Transfers out	-	-	-	-	(112,846)	-	-
Total other financing sources (uses)	-	5,000	-	-	(112,846)	-	-
Net change in fund balances	18,532	3,536	1,610	24,650	(78,206)	10,882	36,682
FUND BALANCES, BEGINNING OF YEAR	209,342	19,285	11,908	297,834	1,006,567	122,854	45,264
FUND BALANCES, END OF YEAR	\$ 227,874	\$ 22,821	\$ 13,518	\$322,484	\$ 928,361	\$ 133,736	\$ 81,946

Illinois Municipal Retirement	Social Security	Total
\$ 210,002	\$ 210,002	\$ 727,800
19,259	-	418,892
-	-	74,050
5,096	-	25,900
-	-	45,783
234,357	210,002	1,292,425
255,430	255,304	788,309
-	-	4,699
-	-	-
-	-	60,272
-	-	379,988
-	-	-
-	-	-
255,430	255,304	1,233,268
(21,073)	(45,302)	59,157
21,500	166,388	192,888
(108,387)	-	(221,233)
(86,887)	166,388	(28,345)
(107,960)	121,086	30,812
222,362	-	1,935,416
\$ 114,402	\$ 121,086	\$1,966,228

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2011**

	Capital Project		
	Dallas Road	Police Station Remodel	Total
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest	-	-	-
Other	-	-	-
	-	-	-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Highway and streets	-	-	-
Cemetery	-	-	-
Capital outlay	36,980	93,320	130,300
Debt service			
Principal	-	-	-
Interest	-	-	-
	36,980	93,320	130,300
Excess (deficiency) of revenues over expenditures	(36,980)	(93,320)	(130,300)
OTHER FINANCING SOURCES (USES)			
Transfers in	39,702	76,266	115,968
Transfers out	-	-	-
Total other financing sources (uses)	39,702	76,266	115,968
Net change in fund balances	2,722	(17,054)	(14,332)
FUND BALANCES, BEGINNING OF YEAR	(4,020)	-	(4,020)
FUND BALANCES, END OF YEAR	\$ (1,298)	\$ (17,054)	\$ (18,352)

Debt Service				Total Nonmajor Governmental	2010 (Memorandum Only)
Cruger Road	South Cummings Lane	Mallard Crossing	Total		
\$ -	\$ -	\$ 38,442	\$ 38,442	\$ 766,242	\$ 917,405
-	-	-	-	418,892	354,549
-	-	-	-	74,050	85,900
-	-	57	57	25,957	10,887
-	-	-	-	45,783	41,798
-	-	38,499	38,499	1,330,924	1,410,539
-	-	-	-	788,309	714,864
-	-	-	-	4,699	3,554
-	-	-	-	-	30,840
-	-	-	-	60,272	67,207
-	-	-	-	510,288	678,856
57,720	59,840	30,000	147,560	147,560	145,520
23,836	21,480	17,892	63,208	63,208	70,088
81,556	81,320	47,892	210,768	1,574,336	1,710,929
(81,556)	(81,320)	(9,393)	(172,269)	(243,412)	(300,390)
81,556	81,320	-	162,876	471,732	265,793
-	-	-	-	(221,233)	(173,802)
81,556	81,320	-	162,876	250,499	91,991
-	-	(9,393)	(9,393)	7,087	(208,399)
-	-	9,190	9,190	1,940,586	2,148,985
\$ -	\$ -	\$ (203)	\$ (203)	\$ 1,947,673	\$ 1,940,586

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
APRIL 30, 2011**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2010 (Memorandum Only)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 651,002	\$ 1,248,271	\$ 1,899,273	\$ 1,749,889
Receivables (net of allowance for uncollectibles)				
Other	85,619	369	85,988	10,587
Due from other funds	240	3,999	4,239	50
Prepaid items	-	2,111	2,111	3,063
Total current assets	736,861	1,254,750	1,991,611	1,763,589
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	848,243	848,243	698,582
	<u>\$ 736,861</u>	<u>\$ 2,102,993</u>	<u>\$ 2,839,854</u>	<u>\$ 2,462,171</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 161,176	\$ 12,046	\$ 173,222	\$ 41,421
Accrued compensated absences	-	406	406	613
Total current liabilities	161,176	12,452	173,628	42,034
Noncurrent liabilities				
Accrued compensated absences	-	5,234	5,234	5,508
Total liabilities	161,176	17,686	178,862	47,542
Net assets				
Invested in capital assets	-	848,243	848,243	698,582
Unrestricted	575,685	1,237,064	1,812,749	1,716,047
Total net assets	575,685	2,085,307	2,660,992	2,414,629
	<u>\$ 736,861</u>	<u>\$ 2,102,993</u>	<u>\$ 2,839,854</u>	<u>\$ 2,462,171</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2011**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2010 (Memorandum Only)
OPERATING REVENUES				
Charges for services	\$ 933,133	\$ 627,400	\$ 1,560,533	\$ 1,577,109
Employee contributions	83,157	-	83,157	70,117
Other	92,942	19,167	112,109	73,638
	1,109,232	646,567	1,755,799	1,720,864
OPERATING EXPENSES				
General and administrative	21,197	-	21,197	26,075
Personal services	1,036,808	84,121	1,120,929	1,006,570
Materials and supplies	-	140,957	140,957	130,258
Other services and charges	-	102,649	102,649	94,452
Depreciation	-	175,196	175,196	172,231
	1,058,005	502,923	1,560,928	1,429,586
Operating income	51,227	143,644	194,871	291,278
NONOPERATING REVENUES				
Interest income	(10,855)	(14,882)	(25,737)	(13,153)
Gain on sale of equipment	-	(25,755)	(25,755)	(5,109)
	(10,855)	(40,637)	(51,492)	(18,262)
Change in net assets	62,082	184,281	246,363	309,540
TOTAL NET ASSETS, BEGINNING OF YEAR	513,603	1,901,026	2,414,629	2,105,089
TOTAL NET ASSETS, END OF YEAR	\$ 575,685	\$ 2,085,307	\$ 2,660,992	\$ 2,414,629

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2011

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2010 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,031,502	\$ 21,496	\$ 1,052,998	\$ 1,140,610
Receipts from interfund services provided	-	627,400	627,400	659,153
Payments to suppliers	(925,293)	(243,850)	(1,169,143)	(1,302,190)
Payments to employees	-	(84,317)	(84,317)	(89,714)
Net cash provided by operating activities	106,209	320,729	426,938	407,859
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from (to) other funds	(190)	(3,999)	(4,189)	(50)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(324,857)	(324,857)	(65,141)
Proceeds from sale of equipment	-	25,755	25,755	5,109
Net cash used in capital and related financing activities	-	(299,102)	(299,102)	(60,032)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,855	14,882	25,737	13,153
NET CHANGE IN CASH AND CASH EQUIVALENTS	116,874	32,510	149,384	360,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	534,128	1,215,761	1,749,889	1,388,959
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 651,002	\$ 1,248,271	\$ 1,899,273	\$ 1,749,889
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 51,227	\$ 143,644	\$ 194,871	\$ 291,278
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	-	175,196	175,196	172,231
(Increase) decrease in receivables	(77,730)	2,329	(75,401)	78,899
Decrease in prepaid items	-	952	952	530
Increase (decrease) in accounts payable and accrued liabilities	132,712	(911)	131,801	(136,435)
Increase (decrease) in accrued compensated absences	-	(481)	(481)	1,356
Net cash provided by operating activities	\$ 106,209	\$ 320,729	\$ 426,938	\$ 407,859

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2011

				2010 (Memorandum Only)
	Waterworks	Sewerage	Total	
Personal services				
Wages and salaries	\$ 298,681	\$ 397,294	\$ 695,975	\$ 774,410
Payroll taxes	16,530	31,280	47,810	34,552
Group insurance	109,402	146,794	256,196	219,761
Uniforms	2,768	3,838	6,606	5,993
Total personal services	427,381	579,206	1,006,587	1,034,716
Heat, lights, and power				
Electricity	137,319	199,265	336,584	336,595
Heating	2,343	7,563	9,906	9,470
Total heat, lights, and power	139,662	206,828	346,490	346,065
Materials and supplies				
Chemicals and supplies	119,332	12,068	131,400	116,335
Office supplies	5,750	5,171	10,921	11,783
Perishable tools	2,867	1,680	4,547	4,822
Total materials and supplies	127,949	18,919	146,868	132,940
Other services and charges				
Training and recruitment	397	1,350	1,747	160
Insurance	6,069	8,785	14,854	18,760
Printing fees	1,439	1,413	2,852	2,790
Legal fees	1,485	1,248	2,733	6,339
Consulting fees	13,991	6,552	20,543	27,493
Rent	995	1,307	2,302	6,455
Repairs and maintenance:				
Building	4,630	4,988	9,618	11,519
Equipment	2,945	1,705	4,650	5,405
System	46,302	33,151	79,453	119,220
Motor equipment replacement	66,000	82,500	148,500	146,000
Telephone	5,366	7,069	12,435	12,830
Miscellaneous	8,003	41,497	49,500	42,178
Total other services and charges	157,622	191,565	349,187	399,149
	\$ 852,614	\$ 996,518	\$ 1,849,132	\$ 1,912,870

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2008 THROUGH 2010**

	2010 Levy			2009 Levy			2008 Levy		
	Levy	Rate	Amounts Extended	Levy	Rate	Collections	Levy	Rate	Collections
GENERAL FUND									
General Corporate	\$ 330,000	0.1113	\$ 330,005	\$ 330,000	0.1132	\$ 330,509	\$ 330,000	0.1220	\$ 330,024
Police Pension	256,310	0.0865	256,338	259,000	0.0889	259,404	173,000	0.0639	173,009
SPECIAL REVENUE FUNDS									
Civil Defense	3,200	0.0011	3,202	3,200	0.0011	3,211	3,200	0.0012	3,220
Audit	30,000	0.0101	30,000	30,000	0.0103	30,065	30,000	0.0111	30,012
Illinois Municipal Retirement	265,000	0.0894	265,024	210,000	0.0721	210,337	175,000	0.0647	175,011
Social Security	226,000	0.0762	226,011	210,000	0.0721	210,337	215,000	0.0795	215,009
INTERNAL SERVICE FUND									
Liability Insurance	105,600	0.0356	105,624	96,000	0.0329	96,149	90,000	0.0333	90,009
TOTAL	\$ 1,216,110	0.4102	\$ 1,216,204	\$ 1,138,200	0.3906	\$ 1,140,012	\$ 1,016,200	0.3757	\$ 1,016,294
CITY SHARE OF TOWNSHIP ROAD AND BRIDGE			\$ 169,834			\$ 159,485			\$ 152,428
ASSESSED VALUATIONS	\$ 296,446,874			\$ 291,456,522			\$ 270,622,514		

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2011**

(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	886,000,000
Total gallons of wastewater billed based on the user-charge system for the year	260,130,899
Number of metered users connected to the system at April 30, 2011	4,982
Number of nonmetered users at April 30, 2011	4