

**CITY OF WASHINGTON, ILLINOIS**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2012**

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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, 2012, 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. The prior year summarized comparative information has been derived from the City's 2011 financial statements and, in our report dated October 6, 2011, we expressed unqualified opinions on the respective financial statements.

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 the 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 4, 2012, on our consideration of the City of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 60-63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Illinois' financial statements as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, on pages 64-80, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information included on page 81 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 4, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2012

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, 2011 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, 2012 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, 2012 by \$64,583,441, a \$2,440,368 or 3.9% increase over the prior year. Of the \$64.6 million, \$14,309,241 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, 2011 totaled \$14,092,873.
- At April 30, 2012, the governmental funds reported combined fund balances of \$9,706,494, of which \$6,005,251 were unassigned. In the prior year, the governmental funds combined fund balance was \$10,032,141 of which \$6,837,603 was unassigned.
- Unrestricted cash, cash equivalents and investments decreased by \$485,739 in the General Fund, increased by \$64,851 in the Sewer Funds and increased by \$72,679 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 \$13,424,774 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, 2011 was \$13,766,054. The only additional long-term debt proceeds during 2012 related 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 sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the WACC Debt Service Fund, and Police Station Remodel Fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As stated earlier, net 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 (\$64,583,441 for FYE April 2012 compared to \$62,143,073 for FYE April 2011, a 3.9% increase), as well as for governmental activities (\$32,702,388 compared to \$30,799,888, an 6.2% increase) and business-type activities (\$31,881,053 compared to \$31,343,185, a 1.7% 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 \$9,706,494, a decrease of \$325,647. The sum of \$6,005,251 is unassigned.

The General Fund is the primary operating fund of the City. Unassigned fund balances at fiscal year-end totaled \$6,330,911. During the year, revenues exceeded expenditures in the general fund by \$1,645,071. After planned transfers to various other funds, a net decrease in the fund balance totaled \$223,744.

### **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 \$12,018,575 with \$2,316,978 being unrestricted. Net assets decreased by \$29,265 during the year ending April 30, 2012. Sewerage Fund net assets total \$19,538,308; \$5,077,994 are unrestricted. Net assets in this fund grew by \$510,366.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net assets of \$663,626 and the Motor Equipment Replacement Fund with net assets of \$2,210,130.

### **Financial Analysis: Trust and Agency Funds**

Total fund balances in Trust and Agency Funds are \$5,874,901 which represents the fund balance of the Police Pension Fund (Pension Trust). Importantly, the net assets grew by \$78,422 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, 2012 was \$55,247,032 (net of accumulated depreciation) compared to \$53,888,908 in the prior year. See Note 3 for further details.

### **Long-Term Debt**

The city's long-term debt totaled \$13,424,774 at April 30, 2012 compared to \$13,766,054 at April 30, 2011. Governmental activity debt totaled \$6,252,063. Business-type activity debt (associated with the City's enterprise funds) totaled \$7,172,711.

Debt reductions during the year totaled \$720,028. Additions to long-term debt during the year totaled \$378,748. The sum of \$375,565 is attributable to the IEPA loan for the expansion of Sewer Treatment Plant No. 2 and \$3,183 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. Sales tax increases remain relatively flat; however income tax distributions have shown a moderate increase over the prior year. 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 a few years ago in anticipation of the latter project. In addition, the next phase of the Sewer Treatment Plant #2 Expansion is anticipated for 2014 with completion scheduled for 2017.

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. Notably, investment yields that took a downturn during the fiscal year will more than likely result in an increase in pension levies.

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](mailto:jbaxter@ci.washington.il.us).

**CITY OF WASHINGTON, ILLINOIS  
COMPARISON OF REVENUES, EXPENDITURES - GOVERNMENTAL FUNDS  
AND OTHER DATA - GOVERNMENT WIDE  
YEARS ENDED APRIL 30, 2008 THROUGH 2012**

	2012	2011	2010	2009	2008
<b>REVENUES</b>					
Property taxes	\$ 1,618,695	\$ 1,514,701	\$ 1,572,154	\$ 1,524,420	\$ 1,314,403
Licenses and permits	282,710	306,098	284,742	281,064	305,427
Intergovernmental	7,195,456	6,729,979	6,724,263	6,761,846	6,275,488
Grant proceeds	645,940	585,928	186,782	248,247	1,198,599
Charges for services	180,978	141,545	150,564	151,087	122,579
Fines and forfeitures	87,461	107,048	100,577	119,912	137,215
Special projects	45,998	50,392	57,877	116,449	107,721
Interest	118,851	109,339	34,776	107,357	326,341
Other	144,891	244,933	66,200	80,831	73,056
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,320,980	9,789,963	9,177,935	9,391,213	9,860,829
<b>EXPENDITURES</b>					
Current					
General government	1,661,341	2,107,677	1,586,989	1,439,161	1,987,562
Public safety	3,671,141	3,610,357	3,378,940	3,112,587	2,889,324
Highways and streets	1,629,832	1,248,548	1,241,015	1,298,155	1,185,165
Health and welfare	16,384	15,403	15,012	13,608	13,724
Cemetery	68,804	60,272	67,207	52,049	48,777
Debt service					
Principal	296,120	282,560	270,520	276,309	268,177
Interest	302,559	319,402	335,381	352,882	489,218
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,646,181	7,644,219	6,895,064	6,544,751	6,881,947
Excess of revenues over expenditures before capital outlay	2,674,799	2,145,744	2,282,871	2,846,462	2,978,882
Capital outlay	3,097,350	648,033	3,815,142	2,097,685	2,414,376
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	\$ (422,551)	\$ 1,497,711	\$ (1,532,271)	\$ 748,777	\$ 564,506
<b>OTHER DATA</b>					
Assets and liabilities					
Unrestricted cash and investments	\$ 16,488,644	\$ 16,554,867	\$ 14,669,442	\$ 16,597,846	\$ 14,974,364
Capital assets	55,247,032	53,888,908	49,290,281	43,266,915	40,271,369
Long-term liabilities	13,424,774	13,766,054	10,528,867	9,628,898	10,159,344
Total Payroll	3,591,646	3,413,506	3,389,620	3,258,577	3,092,696
Annual Pension Costs					
IMRF	293,891	241,959	189,521	180,066	171,863
Police Pension	264,413	265,010	178,179	141,018	120,502
Assessed Valuation	302,711,642	296,446,874	291,456,522	270,622,514	250,528,233
Property tax rates	0.4174	0.4102	0.3906	0.3757	0.3706

**CITY OF WASHINGTON, ILLINOIS**  
**COMPARISON OF OPERATING REVENUES AND EXPENSES**  
**WATERWORKS AND SEWERAGE FUNDS**  
**YEARS ENDED APRIL 30, 2008 THROUGH 2012**

**WATERWORKS**

	2012	2011	2010	2009	2008
<b>OPERATING REVENUES</b>	\$ 1,202,567	\$ 1,201,275	\$ 1,101,199	\$ 1,119,005	\$ 1,248,604
<b>OPERATING EXPENSES</b>					
Personal services	480,025	427,381	469,336	430,342	364,451
Heat, light, and power	109,115	139,662	133,890	152,352	134,151
Materials and supplies	149,011	127,949	119,896	123,920	106,647
Other services and charges	164,725	157,622	208,755	182,292	160,433
	<u>902,876</u>	<u>852,614</u>	<u>931,877</u>	<u>888,906</u>	<u>765,682</u>
Cash Generated from Operations	299,691	348,661	169,322	230,099	482,922
Depreciation	<u>(367,159)</u>	<u>(353,003)</u>	<u>(327,868)</u>	<u>(322,626)</u>	<u>(301,944)</u>
Operating income (loss)	<u>\$ (67,468)</u>	<u>\$ (4,342)</u>	<u>\$ (158,546)</u>	<u>\$ (92,527)</u>	<u>\$ 180,978</u>

**SEWERAGE**

	2012	2011	2010	2009	2008
<b>OPERATING REVENUES</b>	\$ 2,145,468	\$ 2,184,169	\$ 2,125,557	\$ 2,069,817	\$ 2,416,060
<b>OPERATING EXPENSES</b>					
Personal services	609,994	579,206	565,380	563,237	503,317
Heat, light, and power	147,588	206,828	212,175	226,214	197,371
Materials and supplies	20,923	18,919	13,044	17,419	15,134
Other services and charges	224,739	191,565	190,394	182,223	240,759
	<u>1,003,244</u>	<u>996,518</u>	<u>980,993</u>	<u>989,093</u>	<u>956,581</u>
Cash Generated from Operations	1,142,224	1,187,651	1,144,564	1,080,724	1,459,479
Depreciation	<u>(568,194)</u>	<u>(491,953)</u>	<u>(470,843)</u>	<u>(464,041)</u>	<u>(451,684)</u>
Operating income	<u>\$ 574,030</u>	<u>\$ 695,698</u>	<u>\$ 673,721</u>	<u>\$ 616,683</u>	<u>\$ 1,007,795</u>

## BASIC FINANCIAL STATEMENTS

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**APRIL 30, 2012**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>2011 (Memorandum Only)</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,724,937	\$ 6,411,739	\$ 16,136,676	\$ 16,205,219
Investments	-	351,968	351,968	349,648
Receivables (net of allowance for uncollectibles)				
Property taxes	1,626,314	-	1,626,314	1,575,099
Other taxes	1,957,022	-	1,957,022	1,637,749
Special assessments	314,000	-	314,000	346,000
Accounts - customers	9,004	32,357	41,361	28,650
Estimated unbilled usage	-	841,693	841,693	759,818
Interest	-	316	316	401
Other	844,074	384,694	1,228,768	1,985,376
Internal balances	(311,369)	311,369	-	-
Inventory	26,730	-	26,730	-
Due from fiduciary funds	-	2,470	2,470	2,468
Prepaid items	87,198	17,161	104,359	99,107
Restricted assets				
Cash and cash equivalents	586,011	1,053,948	1,639,959	1,326,972
Bond costs, net of accumulated amortization	82,973	-	82,973	87,854
Capital assets not being depreciated	2,667,819	413,760	3,081,579	9,334,076
Capital assets, net of accumulated depreciation	22,376,918	29,788,535	52,165,453	44,554,832
	<u>\$ 39,991,631</u>	<u>\$ 39,610,010</u>	<u>\$ 79,601,641</u>	<u>\$ 78,293,269</u>

See accompanying notes.

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>2011 (Memorandum Only)</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 932,527	\$ 283,251	\$ 1,215,778	\$ 1,653,350
Construction retainage payable	38,347	-	38,347	410,600
Escrow and customer deposits	-	272,995	272,995	255,100
Deferred revenue	66,306	-	66,306	65,092
Long-term liabilities:				
Due within one year	326,561	535,699	862,260	732,690
Due in more than one year	5,925,502	6,637,012	12,562,514	13,033,364
	<hr/>			
Total liabilities	7,289,243	7,728,957	15,018,200	16,150,196
	<hr/>			
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	23,979,497	23,107,963	47,087,460	45,738,047
Restricted for:				
Debt service	491,095	1,053,948	1,545,043	864,081
Other purposes	1,641,697	-	1,641,697	1,448,072
Unrestricted	6,590,099	7,719,142	14,309,241	14,092,873
	<hr/>			
Total net assets	32,702,388	31,881,053	64,583,441	62,143,073
	<hr/>			
	\$ 39,991,631	\$ 39,610,010	\$ 79,601,641	\$ 78,293,269
	<hr/> <hr/>			

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2012**

<b>FUNCTION/PROGRAMS</b>	<b>PROGRAM REVENUES</b>			
	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>
<b>Governmental activities:</b>				
General government	\$ 1,724,165	\$ 420,966	\$ -	\$ -
Public safety	3,651,057	132,860	4,893	19,272
Highways and streets	2,814,511	6,184	15,780	650,902
Health and welfare	16,384	-	-	-
Cemetery	74,886	103,750	-	-
Interest on long term debt	264,662	-	-	-
<b>Total governmental activities</b>	<b>8,545,665</b>	<b>663,760</b>	<b>20,673</b>	<b>670,174</b>
<b>Business-type activities:</b>				
Waterworks	1,246,758	1,253,584	-	-
Sewerage	1,599,331	2,144,731	-	-
<b>Total business-type activities</b>	<b>2,846,089</b>	<b>3,398,315</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 11,391,754</b>	<b>\$ 4,062,075</b>	<b>\$ 20,673</b>	<b>\$ 670,174</b>

See accompanying notes.



**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS -TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>2011 (Memorandum Only)</b>
	\$ (1,303,199)	\$ -	\$ (1,303,199)	\$ (419,929)
	(3,494,032)	-	(3,494,032)	(3,432,477)
	(2,141,645)	-	(2,141,645)	(2,159,640)
	(16,384)	-	(16,384)	(15,403)
	28,864	-	28,864	7,569
	(264,662)	-	(264,662)	(279,444)
	(7,191,058)	-	(7,191,058)	(6,299,324)
	-	6,826	6,826	87,309
	-	545,400	545,400	1,152,238
	-	552,226	552,226	1,239,547
	(7,191,058)	552,226	(6,638,832)	(5,059,777)
<b>General Revenues</b>				
Taxes:				
Property	1,659,704	-	1,659,704	1,566,473
Replacement	48,960	-	48,960	55,282
Sales	4,936,423	-	4,936,423	4,796,475
State income	1,282,244	-	1,282,244	1,018,956
Other local	387,454	-	387,454	400,027
Motor fuel	441,886	-	441,886	399,633
Interest on investments	118,851	78,272	197,123	211,655
Other	121,132	4,274	125,406	242,894
<b>Transfers</b>	96,904	(96,904)	-	-
Total general revenues and transfers	9,093,558	(14,358)	9,079,200	8,691,395
Change in net assets	1,902,500	537,868	2,440,368	3,631,618
<b>NET ASSETS - BEGINNING</b>	30,799,888	31,343,185	62,143,073	58,511,455
<b>NET ASSETS - ENDING</b>	\$ 32,702,388	\$ 31,881,053	\$ 64,583,441	\$ 62,143,073

**CITY OF WASHINGTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
APRIL 30, 2012**

<b>ASSETS</b>	<b>General</b>	<b>WACC Debt Service</b>	<b>Police Station Remodel</b>	<b>Nonmajor</b>	<b>Total</b>	<b>2011 (Memorandum Only)</b>
Cash and cash equivalents	\$ 5,349,095	\$ 260,997	\$ -	\$ 2,158,598	\$ 7,768,690	\$ 8,029,417
Receivables ( net of allowance for uncollectibles)						
Property taxes	776,395	-	-	849,919	1,626,314	1,575,099
Other taxes	1,952,701	-	-	-	1,952,701	1,633,534
Special assessments	-	-	-	47,062	47,062	47,584
Accounts-customers	-	-	-	9,004	9,004	3,939
Other	55,842	710,366	-	29,313	795,521	773,564
Due from other funds	16,731	-	-	278	17,009	56,042
Due from other governments	-	-	-	29,381	29,381	27,172
Prepaid items	31,674	-	-	53,105	84,779	80,442
Inventory	26,730	-	-	-	26,730	-
Restricted assets						
Cash and cash equivalents	188,929	396,319	-	763	586,011	558,797
	<u>\$ 8,398,097</u>	<u>\$ 1,367,682</u>	<u>\$ -</u>	<u>\$ 3,177,423</u>	<u>\$ 12,943,202</u>	<u>\$ 12,785,590</u>

See accompanying notes.

	General	WACC Debt Service	Police Station Remodel	Nonmajor	Total	2011 (Memorandum Only)
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 364,086	\$ -	\$ 221,224	\$ 158,795	\$ 744,105	\$ 266,628
Construction retainage payable	12,100	-	26,247	-	38,347	12,900
Due to other funds	278	-	-	3,930	4,208	65,574
Deferred revenue	814,715	710,366	-	924,967	2,450,048	2,408,347
<b>Total liabilities</b>	<b>1,191,179</b>	<b>710,366</b>	<b>247,471</b>	<b>1,087,692</b>	<b>3,236,708</b>	<b>2,753,449</b>
<b>Fund balances</b>						
Nonspendable						
Prepays	31,674	-	-	53,105	84,779	80,442
Inventory	26,730	-	-	-	26,730	-
Restricted for:						
Special Police Funds	94,153	-	-	-	94,153	66,219
Debt Service	94,776	396,319	-	-	491,095	492,578
Civil Defense	-	-	-	24,418	24,418	22,131
Audit	-	-	-	15,128	15,128	13,518
Motor Fuel Tax	-	-	-	403,776	403,776	322,484
Incremental Tax	-	-	-	990,814	990,814	928,361
Liability Insurance	-	-	-	113,408	113,408	85,946
Assigned for:						
Capital Projects	628,674	-	-	-	628,674	380,904
Cemetery	-	-	-	265,826	265,826	227,184
Storm Water Management	-	-	-	25,952	25,952	81,946
Illinois Municipal Retirement	-	-	-	133,275	133,275	114,402
Social Security	-	-	-	142,218	142,218	121,086
Debt Service	-	260,997	-	-	260,997	257,337
Unassigned	6,330,911	-	(247,471)	(78,189)	6,005,251	6,837,603
<b>Total fund balances</b>	<b>7,206,918</b>	<b>657,316</b>	<b>(247,471)</b>	<b>2,089,731</b>	<b>9,706,494</b>	<b>10,032,141</b>
	<b>\$ 8,398,097</b>	<b>\$ 1,367,682</b>	<b>\$ -</b>	<b>\$ 3,177,423</b>	<b>\$ 12,943,202</b>	<b>\$ 12,785,590</b>

**CITY OF WASHINGTON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
APRIL 30, 2012**

**RECONCILIATION TO STATEMENT OF NET ASSETS**

Total fund balances - governmental funds	\$	9,706,494
Capital assets used in governmental activities of \$30,999,406, net of accumulated depreciation of \$6,927,252 are not financial resources and, therefore, are not reported in the governmental funds.		24,072,154
Property taxes and long term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		2,383,742
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.		2,549,586
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.		(6,359,499)
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.		266,938
Bond costs of \$112,259, net of accumulated amortization of \$29,286, 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>82,973</u>
Net assets of governmental activities.	\$	<u><u>32,702,388</u></u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED APRIL 30, 2012**

	General	WACC Debt Service	Police Station Remodel	Nonmajor	Total	2011 (Memorandum Only)
<b>REVENUES</b>						
Property taxes	\$ 755,415	\$ -	\$ -	\$ 863,280	\$ 1,618,695	\$ 1,514,701
Licenses and permits	282,710	-	-	-	282,710	306,098
Intergovernmental	6,731,496	-	-	463,960	7,195,456	6,729,979
Grant proceeds	38,320	-	-	607,620	645,940	585,928
Charges for services	77,228	-	-	103,750	180,978	141,545
Fines and forfeitures	87,461	-	-	-	87,461	107,048
Special projects	45,998	-	-	-	45,998	50,392
Interest	56,508	44,197	-	18,146	118,851	109,339
Other	39,460	10,206	43,282	51,943	144,891	244,933
	<u>8,114,596</u>	<u>54,403</u>	<u>43,282</u>	<u>2,108,699</u>	<u>10,320,980</u>	<u>9,789,963</u>
<b>EXPENDITURES</b>						
Current						
General government	917,013	-	-	744,328	1,661,341	2,107,677
Public safety	3,666,761	-	-	4,380	3,671,141	3,610,357
Highways and streets	1,625,213	-	-	-	1,625,213	1,248,548
Health and welfare	16,384	-	-	-	16,384	15,403
Cemetery	-	-	-	68,804	68,804	60,272
Capital outlay	244,154	-	1,540,802	1,317,013	3,101,969	648,033
Debt service						
Principal	-	145,000	-	151,120	296,120	282,560
Interest	-	246,393	-	56,166	302,559	319,402
	<u>6,469,525</u>	<u>391,393</u>	<u>1,540,802</u>	<u>2,341,811</u>	<u>10,743,531</u>	<u>8,292,252</u>
Excess (deficiency) of revenues over expenditures	<u>1,645,071</u>	<u>(336,990)</u>	<u>(1,497,520)</u>	<u>(233,112)</u>	<u>(422,551)</u>	<u>1,497,711</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	34,376	340,500	1,267,103	358,116	2,000,095	953,680
Transfers out	(1,903,191)	-	-	-	(1,903,191)	(862,934)
Total other financing sources (uses)	<u>(1,868,815)</u>	<u>340,500</u>	<u>1,267,103</u>	<u>358,116</u>	<u>96,904</u>	<u>90,746</u>
Net change in fund balances	(223,744)	3,510	(230,417)	125,004	(325,647)	1,588,457
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>7,430,662</u>	<u>653,806</u>	<u>(17,054)</u>	<u>1,964,727</u>	<u>10,032,141</u>	<u>8,443,684</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,206,918</u>	<u>\$ 657,316</u>	<u>\$ (247,471)</u>	<u>\$ 2,089,731</u>	<u>\$ 9,706,494</u>	<u>\$ 10,032,141</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED APRIL 30, 2012**

**RECONCILIATION TO STATEMENT OF ACTIVITIES**

Net change in fund balances - governmental funds	\$ (325,647)
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases capitalized	3,101,969
Depreciation expense	(1,362,922)
	1,739,047
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	296,120
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	9,008
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.	2,603
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.	155,997
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.	30,253
	2,228,147
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,902,500</b>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**APRIL 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	<b>2011 (Memorandum Only)</b>
	<b>Waterworks</b>	<b>Sewerage</b>	<b>Total</b>		
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,240,935	\$ 4,170,804	\$ 6,411,739	\$ 1,956,247	\$ 8,175,802
Investments	251,968	100,000	351,968	-	349,648
Receivables (net of allowance for uncollectibles)					
Accounts - customers	8,090	24,267	32,357	-	24,711
Estimated unbilled usage	305,222	536,471	841,693	-	759,818
Interest	316	-	316	-	401
Other	-	384,694	384,694	23,493	1,188,855
Due from other funds	25,015	2,470	27,485	-	49,816
Prepaid items	7,124	10,037	17,161	2,419	18,665
Restricted assets					
Cash and cash equivalents	7,753	1,046,195	1,053,948	-	768,175
	<hr/>				
Total current assets	2,846,423	6,274,938	9,121,361	1,982,159	11,335,891
Capital assets, net of accumulated depreciation	9,739,149	20,463,146	30,202,295	972,583	31,555,801
	<hr/>				
Total assets	<u>\$ 12,585,572</u>	<u>\$ 26,738,084</u>	<u>\$ 39,323,656</u>	<u>\$ 2,954,742</u>	<u>\$ 42,891,692</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
APRIL 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>	<b>2011 (Memorandum Only)</b>
	<b>Waterworks</b>	<b>Sewerage</b>	<b>Total</b>		
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Current maturities of long term debt	\$ 7,480	\$ 521,808	\$ 529,288	\$ -	\$ 391,053
Accounts payable and accrued liabilities	210,174	73,077	283,251	74,888	1,281,555
Accrued compensated absences	2,784	3,627	6,411	248	11,352
Retainage payable	-	-	-	-	397,700
Due to other funds	-	37,816	37,816	-	37,816
Customer deposits	272,995	-	272,995	-	255,100
Total current liabilities	493,433	636,328	1,129,761	75,136	2,374,576
<b>Noncurrent liabilities</b>					
Accrued compensated absences	35,739	36,229	71,968	5,850	69,484
IEPA loans payable, net of current maturities	-	6,127,124	6,127,124	-	6,189,098
Bonds payable, net of current maturities	37,825	400,095	437,920	-	521,760
Total noncurrent liabilities	73,564	6,563,448	6,637,012	5,850	6,780,342
Total liabilities	566,997	7,199,776	7,766,773	80,986	9,154,918
<b>Net assets</b>					
Invested in capital assets, net of related debt	9,693,844	13,414,119	23,107,963	972,583	24,453,890
Restricted for:					
IEPA loan debt service	-	994,529	994,529	-	707,795
Bond debt service	7,753	51,666	59,419	-	60,380
Unrestricted	2,316,978	5,077,994	7,394,972	1,901,173	8,514,709
Total net assets	12,018,575	19,538,308	31,556,883	2,873,756	33,736,774
	<u>\$ 12,585,572</u>	<u>\$ 26,738,084</u>		<u>\$ 2,954,742</u>	<u>\$ 42,891,692</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>324,170</u>		
Net assets of business-type activities			<u>\$ 31,881,053</u>		



**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED APRIL 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>	<u>2011 (Memorandum Only)</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>		
<b>OPERATING REVENUES</b>					
Metered sales	\$ 1,150,606	\$ 1,793,344	\$ 2,943,950	\$ -	\$ 2,850,049
Charges for services	41,784	319,461	361,245	1,655,212	2,053,685
Employee contributions	-	-	-	99,805	83,157
Other	10,177	32,663	42,840	37,346	154,352
	<u>1,202,567</u>	<u>2,145,468</u>	<u>3,348,035</u>	<u>1,792,363</u>	<u>5,141,243</u>
<b>OPERATING EXPENSES</b>					
General and administrative	-	-	-	19,798	21,197
Personal services	480,025	609,994	1,090,019	1,095,202	2,127,516
Heat, light, and power	109,115	147,588	256,703	-	346,490
Materials and supplies	149,011	20,923	169,934	175,032	287,825
Other services and charges	164,725	224,739	389,464	93,543	451,836
Depreciation	367,159	568,194	935,353	221,190	1,020,152
	<u>1,270,035</u>	<u>1,571,438</u>	<u>2,841,473</u>	<u>1,604,765</u>	<u>4,255,016</u>
Operating income (loss)	<u>(67,468)</u>	<u>574,030</u>	<u>506,562</u>	<u>187,598</u>	<u>886,227</u>
<b>NONOPERATING (REVENUES) EXPENSES</b>					
Interest income	(25,111)	(53,161)	(78,272)	(18,142)	(128,053)
Rental income	(54,554)	-	(54,554)	-	(52,964)
Interest and fiscal agent fee expense	2,182	59,201	61,383	-	70,013
Grant proceeds	-	-	-	-	(460,971)
Gain on sale of equipment	-	-	-	(7,024)	(25,755)
	<u>(77,483)</u>	<u>6,040</u>	<u>(71,443)</u>	<u>(25,166)</u>	<u>(597,730)</u>
Net income before capital contributions and transfers	10,015	567,990	578,005	212,764	1,483,957
<b>CAPITAL CONTRIBUTIONS FROM DEVELOPERS</b>	-	-	-	-	86,174
<b>TRANSFERS IN (OUT), NET</b>	<u>(39,280)</u>	<u>(57,624)</u>	<u>(96,904)</u>	<u>-</u>	<u>(90,746)</u>
Change in net assets	(29,265)	510,366	481,101	212,764	1,479,385
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	<u>12,047,840</u>	<u>19,027,942</u>		<u>2,660,992</u>	<u>32,257,389</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 12,018,575</u>	<u>\$ 19,538,308</u>		<u>\$ 2,873,756</u>	<u>\$ 33,736,774</u>

**RECONCILIATION TO STATEMENT OF ACTIVITIES:**

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>56,767</u>
Change in net assets of business-type activities	<u>\$ 537,868</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED APRIL 30, 2012**

	Business-Type Activities - Enterprise Funds			Governmental Activities -	2011
	Waterworks	Sewerage	Total	Internal Service Funds	(Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,177,984	\$ 2,798,703	\$ 3,976,687	\$ 1,186,558	\$ 4,356,132
Receipts from interfund services provided	-	-	-	668,300	627,400
Payments to suppliers	(535,279)	(1,693,310)	(2,228,589)	(1,393,356)	(1,825,908)
Payments to employees	(476,573)	(603,637)	(1,080,210)	(88,403)	(1,108,193)
Receipt of utility customer deposits	17,895	-	17,895	-	12,780
Net cash provided by operating activities	184,027	501,756	685,783	373,099	2,062,211
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
(Advances to) repayments from other funds	-	18,092	18,092	4,239	(21,381)
Transfers from (to) other funds	(39,280)	(57,624)	(96,904)	-	(90,746)
Net cash provided by (used in) noncapital and related financing activities	(39,280)	(39,532)	(78,812)	4,239	(112,127)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(142,119)	(103,204)	(245,323)	(372,331)	(5,976,166)
Proceeds from sale of equipment	-	-	-	33,825	25,755
Grant proceeds	-	-	-	-	460,971
Loan proceeds	-	375,565	375,565	-	4,085,730
Principal paid on bond and loan maturities	(7,480)	(375,664)	(383,144)	-	(243,262)
Interest paid on bonds and loans	(2,182)	(61,495)	(63,677)	-	(72,256)
Net cash used in capital and related financing activities	(151,781)	(164,798)	(316,579)	(338,506)	(1,719,228)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	25,085	53,272	78,357	18,142	127,820
Rental income received	54,554	-	54,554	-	52,964
Purchase of investments	(2,320)	-	(2,320)	-	(2,764)
Net cash provided by investing activities	77,319	53,272	130,591	18,142	178,020
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	70,285	350,698	420,983	56,974	408,876
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,178,403	4,866,301	7,044,704	1,899,273	8,535,101
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,248,688	\$ 5,216,999	\$ 7,465,687	\$ 1,956,247	\$ 8,943,977

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED APRIL 30, 2012**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2011 (Memorandum Only)
	Waterworks	Sewerage	Total		
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (67,468)	\$ 574,030	\$ 506,562	\$ 187,598	\$ 886,227
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	367,159	568,194	935,353	221,190	1,020,152
(Increase) decrease in usage receivable	(24,397)	(57,478)	(81,875)	-	(78,759)
(Increase) decrease in other receivables	(186)	710,713	710,527	62,495	(78,952)
(Increase) decrease in prepaid items	(330)	(277)	(607)	(308)	17,677
Increase (decrease) in accounts payable and accrued liabilities	(91,445)	(916,110)	(1,007,555)	(98,334)	189,237
Increase (decrease) in accrued compensated absences	788	2,395	3,183	458	(2,151)
Increase (decrease) in retainage payable	(17,989)	(379,711)	(397,700)	-	96,000
Increase in customer deposits	17,895	-	17,895	-	12,780
Net cash provided by operating activities	\$ 184,027	\$ 501,756	\$ 685,783	\$ 373,099	\$ 2,062,211

**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	\$ 2,240,935	\$ 4,170,804	\$ 6,411,739	\$ 1,956,247
Restricted cash and cash equivalents	7,753	1,046,195	1,053,948	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,248,688</b>	<b>\$ 5,216,999</b>	<b>\$ 7,465,687</b>	<b>\$ 1,956,247</b>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
TRUST AND AGENCY FUNDS  
APRIL 30, 2012**

	<u>Pension Trust</u>	<u>Agency Special</u>		<u>2011 (Memorandum Only)</u>
	<u>Police Pension</u>	<u>Assessment Collection</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 262,388	\$ -	\$ 262,388	\$ 177,701
Investments	5,359,886	-	5,359,886	5,350,073
Receivables (net of allowance for uncollectibles)				
Employer contribution	241,977	-	241,977	258,538
Interest	10,650	-	10,650	10,167
Other	-	2,470	2,470	2,468
	<u>\$ 5,874,901</u>	<u>\$ 2,470</u>	<u>\$ 5,877,371</u>	<u>\$ 5,798,947</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Due to other funds	\$ -	\$ 2,470	\$ 2,470	\$ 2,468
<b>Net Assets</b>			-	
Reserved for police pension benefits	<u>5,874,901</u>	<u>-</u>	<u>5,874,901</u>	<u>5,796,479</u>
Total net assets	<u>5,874,901</u>	<u>-</u>	<u>5,874,901</u>	<u>5,796,479</u>
	<u>\$ 5,874,901</u>	<u>\$ 2,470</u>	<u>\$ 5,877,371</u>	<u>\$ 5,798,947</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**TRUST FUND**  
**YEAR ENDED APRIL 30, 2012**

	<u>Pension Trust</u>	
	<u>Police Pension</u>	<u>2011 (Memorandum Only)</u>
<b>Additions</b>		
Contributions		
Plan members' contributions	\$ 114,600	\$ 99,144
Employer contributions	250,121	266,805
Other	46	23
Investment earnings		
Investment income	139,202	147,625
Net gain (loss) in fair value of investments	(105,978)	293,598
	<u>397,991</u>	<u>807,195</u>
<b>Deductions</b>		
Benefits paid	315,721	257,027
Administrative expenses	3,848	7,601
	<u>319,569</u>	<u>264,628</u>
Change in net assets	78,422	542,567
<b>Net assets</b>		
Beginning of year	<u>5,796,479</u>	<u>5,253,912</u>
End of year	<u>\$ 5,874,901</u>	<u>\$ 5,796,479</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**YEAR ENDED APRIL 30, 2012**

	Balance				Balance
	April 30, 2011	Additions	Deductions		April 30, 2012
<b>SPECIAL ASSESSMENT</b>					
<b>COLLECTION FUND</b>					
<b>ASSETS</b>					
Due from property owners	\$ 2,468	\$ 11	\$ 9		\$ 2,470
<b>LIABILITIES</b>					
Due to other funds	\$ 2,468	\$ 11	\$ 9		\$ 2,470
<b>POLICE BOND REMITTANCE FUND</b>					
<b>ASSETS</b>					
Cash	\$ -	\$ 35,958	\$ 35,958		\$ -
<b>LIABILITIES</b>					
Due to other governmental entities	\$ -	\$ 35,958	\$ 35,958		\$ -
<b>EMERGENCY ASSISTANCE FUND</b>					
<b>ASSETS</b>					
Cash	\$ -	\$ 300	\$ 300		\$ -
<b>LIABILITIES</b>					
Due to other governmental entities	\$ -	\$ 300	\$ 300		\$ -
<b>TOTAL - ALL AGENCY FUNDS</b>					
<b>ASSETS</b>					
Cash	\$ -	\$ 36,258	\$ 36,258		\$ -
Due from property owners	2,468	11	9		2,470
	\$ 2,468	\$ 36,269	\$ 36,267		\$ 2,470
<b>LIABILITIES</b>					
Due to other funds	\$ 2,468	\$ 11	\$ 9		\$ 2,470
Due to other governmental entities	-	36,258	36,258		-
	\$ 2,468	\$ 36,269	\$ 36,267		\$ 2,470

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Nature of Operations**

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

**B. Financial Reporting Entity**

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

**C. Basis of Presentation**

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

*Government wide financial statements* – The Statement of Net 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 18, 2011](#).

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 16, 2012](#).

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, 2012 was passed [December 20, 2010](#). 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 as a commander or 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 or 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 \$1,641,697 of restricted net assets for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$15,128, the motor fuel fund of \$403,776, incremental tax of \$990,814 and liability insurance of \$113,408. In addition, \$24,418 is restricted for civil defense, and \$94,153 is restricted for drug and alcohol enforcement, police fundraising, education, vehicle seizures and miscellaneous other police purposes.

##### Fund Financial Statements

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

- Non-spendable – consists of resources that cannot be spent because of their form.
- Restricted – consists of resources which have limitations imposed by enabling legislation and limitations imposed by creditors, grantors, or contributors.
- Committed – consists of resources which have limitations imposed by the governing board through formal action.

- Assigned – consists of resources which have limitations resulting from intended use.
- Unassigned – consists of the residual net resources of a fund.

The City’s flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. If different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first followed by assigned and, lastly unassigned funds.

Reserves for bond debt service in the 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.

**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, 2012 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, 2012, all the City’s deposits, excluding \$600 in cash on hand, were covered by federal depository insurance, by collateral held by the financial institution’s trust department or agent in the City’s name, or invested in Illinois Funds Money Market Fund.

The following is a reconciliation of cash and cash equivalents at April 30, 2012:

	<u>Carrying Amount</u>
Illinois Funds	\$ 1,757,091
Money market funds	15,460,129
Checking and savings	821,203
Cash on hand	<u>600</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 18,039,023</u></u>

The deposits are reflected on the financial statements at April 30, 2012 as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 16,136,676
Restricted assets – cash and cash equivalents	1,639,959
Statement of fiduciary net assets:	
Cash and cash equivalents	<u>262,388</u>
	<u><u>\$ 18,039,023</u></u>

Investments

As of April 30, 2012, 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	\$ 351,968	N/A	0.42
Fiduciary Fund			
Certificates of deposit	3,145,808	N/A	1.11
Mutual funds-equities	1,197,525	N/A	N/A
Mutual funds-diversified	393,219	N/A	5.23
Annuities-equities	530,763	N/A	N/A
Annuities-diversified	92,571	N/A	8.57
Total Fiduciary Fund Investments	<u>5,359,886</u>		
Total Investments	<u>\$ 5,711,854</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, 2012 are as follows:

Morton Community Bank Certificates of Deposit	\$ 1,084,069
Washington State Bank Certificates of Deposit	681,383
Heartland Bank Certificates of Deposit	303,767

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended April 30, 2012 was as follows:

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2012</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 745,515	\$ -	\$ -	\$ 745,515
Construction in process	274,521	1,760,161	112,378	1,922,304
	<hr/>			
Total capital assets not being depreciated	1,020,036	1,760,161	112,378	2,667,819
	<hr/>			
Other capital assets:				
Land improvements	331,667	-	-	331,667
Buildings	2,717,247	-	-	2,717,247
Infrastructure	22,971,124	1,377,807	-	24,348,931
Equipment and vehicles	2,933,166	448,710	364,879	3,016,997
	<hr/>			
Total other capital assets	28,953,204	1,826,517	364,879	30,414,842
	<hr/>			
Less accumulated depreciation for:				
Land improvements	97,328	19,003	-	116,331
Buildings	725,199	60,955	-	786,154
Infrastructure	4,422,709	1,216,768	-	5,639,477
Equipment and vehicles	1,546,654	287,386	338,078	1,495,962
	<hr/>			
Total accumulated depreciation	6,791,890	1,584,112	338,078	8,037,924
	<hr/>			
Other capital assets, net	22,161,314	242,405	26,801	22,376,918
	<hr/>			
Governmental activities, net	\$ 23,181,350	\$ 2,002,566	\$ 139,179	\$ 25,044,737
	<hr/>			

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30,</u> <u>2012</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 204,676	\$ -	\$ -	\$ 204,676
Construction in process	8,109,364	209,083	8,109,363	209,084
	<hr/>			
Total capital assets not being depreciated	8,314,040	209,083	8,109,363	413,760
	<hr/>			
Other capital assets:				
Water system	12,572,459	393,895	-	12,966,354
Sewer system	21,264,292	7,910,362	-	29,174,654
Equipment	1,042,034	26,113	-	1,068,147
	<hr/>			
Total other capital assets	34,878,785	8,330,370	-	43,209,155
	<hr/>			
Less accumulated depreciation for:				
Water system	3,492,676	342,921	-	3,835,597
Sewer system	8,249,327	560,307	-	8,809,634
Equipment	743,264	32,125	-	775,389
	<hr/>			
Total accumulated depreciation	12,485,267	935,353	-	13,420,620
	<hr/>			
Other capital assets, net	22,393,518	7,395,017	-	29,788,535
	<hr/>			
Business- type activities, net	<u>\$ 30,707,558</u>	<u>\$ 7,604,100</u>	<u>\$ 8,109,363</u>	<u>\$ 30,202,295</u>

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

**Governmental Activities:**

General government	\$ 52,487
Public safety	55,070
Highways and streets	1,247,270
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	<u>221,190</u>

Total depreciation expense for governmental activities \$ 1,584,112

**Business-Type Activities:**

Water	\$ 367,159
Sewer	<u>568,194</u>

Total depreciation expense for business-type activities \$ 935,353

**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, 2012 are as follows:

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2012</u>	<u>Amount</u> <u>Due In</u> <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds:					
Special Assessment Bonds, Series 2005	\$ 346,000	\$ -	\$ 32,000	\$ 314,000	\$ 33,000
Alternate Revenue Source, Series 2002**	422,280	-	59,840	362,440	59,840
Alternate Revenue Source, Series 2002B**	448,080	-	59,280	388,800	60,320
General Obligation Bonds, Series 2006	4,997,182	-	175,252	4,821,930	155,000
Other postemployment retirement benefits	51,649	-	-	51,649	-
Vested compensated absences	323,756	-	10,512	313,244	18,401
	<hr/>				
Total Governmental Activities	<u>\$ 6,588,947</u>	<u>\$ -</u>	<u>\$ 336,884</u>	<u>\$ 6,252,063</u>	<u>\$ 326,561</u>
<b>Business-Type Activities:</b>					
General obligation bonds:					
Alternate Revenue Source, Series 2002**	\$ 198,720	\$ -	\$ 28,160	\$ 170,560	\$ 28,160
Alternate Revenue Source, Series 2002B**	405,920	-	54,720	351,200	55,680
1997 Illinois Environmental Protection Agency Loan	1,272,606	-	166,532	1,106,074	171,380
2009 Illinois Environmental Protection Agency Loan	5,224,665	375,565	133,732	5,466,498	274,068
Vested compensated absences	75,196	3,183	-	78,379	6,411
	<hr/>				
Total Business-Type Activities	<u>\$ 7,177,107</u>	<u>\$ 378,748</u>	<u>\$ 383,144</u>	<u>\$ 7,172,711</u>	<u>\$ 535,699</u>

\*\* 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:

<b>Years Ending April 30,</b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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	40,000	4.75	8,170	48,170
2018 to 2020	<u>132,000</u>	4.75	<u>12,730</u>	<u>144,730</u>
<b>Total</b>	<b>\$ 314,000</b>		<b>\$ 70,823</b>	<b>\$ 384,823</b>

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:

<b><u>Account</u></b>	<b><u>Amount</u></b>	<b><u>Nature of Authorized Expenditures</u></b>
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, 2012, \$763 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, 2012, no amounts were transferred to the General Fund for administration of the Fund.	Paying costs and expenses related to the administration of the Special Services Fund.

The following amounts are reported as restricted cash as follows:

Debt Service Fund	<u>\$ 763</u>
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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:

<b>Years Ending April 30,</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Interest</b>	<b>Total</b>
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	88,000	4.75	6,508	94,508
2018	93,000	4.75	2,204	95,204
<b>Total</b>	<b>\$ 533,000</b>		<b>\$ 76,544</b>	<b>\$ 609,544</b>

Payable from:

Governmental Funds	\$ 362,440
Enterprise Funds	170,560
	<u>\$ 533,000</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:

<b>Account</b>	<b>Amount</b>	<b>Nature of Authorized Expenditures</b>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2012, 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, 2012, \$91,216 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

General Fund	\$ 62,027
Waterworks Fund	7,753
Sewerage Fund	<u>21,436</u>
	<u>\$ 91,216</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:

<b>Years Ending April 30,</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 116,000	4.75	\$ 35,150	\$ 148,640
2014	119,000	4.75	29,640	145,988
2015	122,000	4.75	23,988	143,192
2016	125,000	4.75	18,192	140,255
2017	128,000	4.75	12,255	140,255
2018	<u>130,000</u>	4.75	<u>6,173</u>	<u>136,173</u>
<b>Total</b>	<u>\$ 740,000</u>		<u>\$ 125,398</u>	<u>\$ 854,503</u>

Payable from:	
Governmental Funds	\$ 388,800
Enterprise Funds	<u>351,200</u>
	<u>\$ 740,000</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:

<b><u>Account</u></b>	<b><u>Amount</u></b>	<b><u>Nature of Authorized Expenditures</u></b>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2012, 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, 2012, \$62,979 has been required to be accumulated.	Paying current principal and interest.



The following amounts are reported as restricted cash as follows:

General Fund	\$ 32,749
Sewerage Fund	<u>30,230</u>
	<u>\$ 62,979</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:

<b>Years Ending April 30,</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Interest</b>	<b>Total</b>
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>
<b>Total</b>	4,595,000		<u>\$ 2,378,710</u>	<u>\$ 6,973,710</u>
Bond premium	428,165			
Accumulated amortization	<u>(201,235)</u>			
	<u>\$ 4,821,930</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 \$30,253 for the year ended April 30, 2012.

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 \$29,286 at April 30, 2012.

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2012, 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, 2012, \$396,319 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

Debt Service Fund	\$ 396,319
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*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>
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	192,223	9,893	202,116
2018	197,814	4,299	202,113
<b>Total</b>	<b>\$ 1,106,074</b>	<b>\$ 106,619</b>	<b>\$ 1,212,693</b>

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, 2012, \$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, 2012, \$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, 2012, \$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, 2012 is \$5,466,497. The loan carries zero percent interest rate for a term of twenty years. While the final payment amounts have not been finalized, the City expects to pay a semiannual amount of \$140,336, 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>
2013	\$ 274,068	\$ -	\$274,068
2014	280,672	-	280,672
2015	280,672	-	280,672
2016	280,672	-	280,672
2017	280,672	-	280,672
2018-2022	1,403,360	-	1,403,360
2023-2027	1,403,360	-	1,403,360
2028-2032	1,263,022	-	1,263,022
<b>Total</b>	<b>\$ 5,466,498</b>	<b>\$ -</b>	<b>\$ 5,466,498</b>

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, 2012, \$143,910 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 \$280,672 (maximum annual debt service). As of April 30, 2012, \$280,829 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 \$546,650. As of April 30, 2012, \$188,988 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	\$ 613,727
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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](http://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 statute requires 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 2011 was 13.77 percent. 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.* The required contribution for calendar year 2011 was \$293,891.

Three Year Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 293,891	100%	\$ -
12/31/10	241,959	100%	-
12/31/09	189,521	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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 at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 61.08 percent funded. The actuarial accrued liability for benefits was \$6,316,642 and the actuarial value of assets was \$3,858,021, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,458,621. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$2,134,288 and the ratio of the UAAL to the covered payroll was 115 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.

For employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee’s Accrued Benefit is based on the employee’s final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) to the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse’s Benefits are 66 2/3% of the employee’s benefit at the time of death.

Membership of the plan consisted of the following at May 1, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>20</u>
<b>Total</b>	<u>28</u>
<b>Number of participating employers</b>	<u><u>1</u></u>

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 24.13 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, 2011 (the date of the latest actuarial valuation) were as follows:

Annual Required Contribution (ARC)	\$ 264,809
Interest on net pension obligation	(1,691)
Adjustment to ARC	<u>1,295</u>
Annual pension cost	264,413
Contributions made	<u>266,805</u>
Decrease in net pension obligation	(2,392)
Net pension obligation, beginning of year	<u>(23,323)</u>
<b>Net pension obligation, end of year</b>	<b><u><u>\$ (25,715)</u></u></b>

The required contribution was determined as part of the May 1, 2011 actuarial valuation using the entry age level percentage of payroll method over a 30 year closed period. The actuarial assumptions included (a) 7.00 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**

<b><u>Actuarial Valuation Date</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
5/1/11	\$ 264,413	100.9%	\$ (25,715)
5/1/10	265,010	100.6%	(23,323)
5/1/09	178,179	101.0%	(21,607)

**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, 2012, the retiree's portion of coverage is \$80/month for family and \$40/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	<u>22</u>
<b>Total</b>	<u>59</u>
<b>Number of participating employers</b>	<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 2012, the City contributed \$152,854.

**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, 2012 (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	<u>-</u>
Annual OPEB cost	152,854
Contributions made	<u>152,854</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>51,649</u>
<b>Net OPEB obligation, end of year</b>	<b><u><u>\$ 51,649</u></u></b>

**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	\$ 150,272	100.0%	\$ 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, 2012 was approximately \$26,556.

## NOTE 6. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2012 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 16,731	\$ 278
Special Revenue Fund		
Incremental Tax - Downtown	278	-
Debt Service		
Mallard Crossing Special Assessment Fund	-	3,930
Enterprise and Internal Service Funds		
Waterworks Fund	25,015	-
Sewerage Fund	2,470	37,816
Trust and Agency Fund		
Special Assessment Collection Fund	-	2,470
	<hr/>	<hr/>
<b>Total interfund receivables and payables</b>	<b>\$ 44,494</b>	<b>\$ 44,494</b>

## NOTE 7. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2012, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 34,376	\$ 1,903,191
Special Revenue Funds		
Illinois Municipal Retirement Fund	25,500	-
Social Security Fund	61,000	-
Incremental Tax Fund	-	-
Civil Defense Fund	3,000	-
Capital Projects Funds		
Dallas Road Improvement Fund	109,765	-
Police Station Remodel	1,267,103	-
Debt Service Funds		
South Cummings Lane Fund	78,477	-
Cruger Road Fund	80,374	-
Washington Area Community Center Fund	340,500	-
Enterprise Funds		
Waterworks Fund	4,421	43,701
Sewerage Fund	1,930,823	1,988,447
	<hr/>	<hr/>
<b>Total interfund transfers</b>	<b>\$ 3,935,339</b>	<b>\$ 3,935,339</b>

**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 \$881,098 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 \$58,923 at April 30, 2012 have been included in the financial statements as a payable.

Changes in the claims liability in fiscal year 2012 were:

Balance at April 30, 2011	\$ 161,176
Current year claims and changes in estimates	852,158
Claims paid	<u>(954,411)</u>
<b>Balance at April 30, 2012</b>	<b><u>\$ 58,923</u></b>

**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, 2012, the outstanding Industrial Project Revenue Bonds had an aggregate principal amount outstanding of \$4,659,103.

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 regarding the construction and maintenance of planned improvements to Illinois Route 8 between Summit Drive and Legion Road. As of April 30, 2012, the total estimated City obligation was \$337,525 and there were no costs incurred for the project.

The City is under contract for work to be completed in conjunction with the Cruger Road Water Main Extension from Nofsinger Road to Independence Court. As of April 30, 2012, the total amount of all contracts was \$158,002. A total of \$15,080 has been paid or is included in payables as of the year end.

The City is under contract for work to be completed in conjunction with the Eldridge Street Water Main Replacement project. As of April 30, 2012, the total amount of all contracts was \$249,167. A total of \$178,627 has been paid or is included in payables as of the year end.

The City has agreed to a consent order with the Illinois Environmental Protection Agency. This consent order obligates the City to complete the expansion of the Sewer Treatment Plant #2 phase 2a by December 31, 2014 and phase 2b December 31, 2017. The total estimated cost of these projects is \$7,000,000.

**NOTE 12. DEFICIT FUND BALANCES**

The following City funds have a deficit fund/equity balance as of April 30, 2012.

Police Station Remodel – Capital Project Fund	\$247,471
Dallas Road – Capital Project Fund	75,022
Mallard Crossing – Debt Service Fund	3,167

**NOTE 13. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through October 4, 2012, 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, 2012**

	General Fund			Variance Favorable (Unfavorable)
	Budget	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 748,310	\$ 748,310	\$ 755,415	\$ 7,105
Licenses and permits	278,100	278,100	282,710	4,610
Intergovernmental	6,312,050	6,312,050	6,731,496	419,446
Grant proceeds	21,780	21,780	38,320	16,540
Charges for services	65,700	65,700	77,228	11,528
Fines and forfeitures	99,000	99,000	87,461	(11,539)
Special projects	59,500	59,500	45,998	(13,502)
Interest	50,700	50,700	56,508	5,808
Other	40,000	40,000	39,460	(540)
	<u>7,675,140</u>	<u>7,675,140</u>	<u>8,114,596</u>	<u>439,456</u>
<b>EXPENDITURES</b>				
Current				
General government	1,022,640	1,022,640	917,013	105,627
Public safety	3,867,005	3,867,005	3,666,761	200,244
Highways and streets	1,796,190	1,796,190	1,625,213	170,977
Health and welfare	18,300	18,300	16,384	1,916
Capital outlay	103,200	136,200	244,154	(107,954)
	<u>6,807,335</u>	<u>6,840,335</u>	<u>6,469,525</u>	<u>370,810</u>
Excess of revenue over expenditures	<u>867,805</u>	<u>834,805</u>	<u>1,645,071</u>	<u>810,266</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,350	15,350	34,376	19,026
Transfers out	(2,291,015)	(2,291,015)	(1,903,191)	387,824
Total other financing sources (uses)	<u>(2,275,665)</u>	<u>(2,275,665)</u>	<u>(1,868,815)</u>	<u>406,850</u>
Net change in fund balances	<u>\$ (1,407,860)</u>	<u>\$ (1,440,860)</u>	<u>\$ (223,744)</u>	<u>\$ 1,217,116</u>

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

(Unaudited - See Accompanying Independent Auditors' Report)

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Entry Age (b)</b>	<b>Unfunded AAL (UAAL) Liability (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
12/31/2011	\$ 3,858,021	\$ 6,316,642	\$ 2,458,621	61.08 %	\$ 2,134,288	115.20 %
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

On a market value basis, the actuarial value of the assets as of December 31, 2011 is \$3,612,122. On a market basis, the funded ratio would be 57.18%.



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

(Unaudited - See Accompanying Independent Auditors' Report)

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date (Year beginning May 1)</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
2011	\$ 5,796,480	\$ 8,032,667	\$2,236,187	72.2 %	\$1,105,881	202.2 %
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

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

(Unaudited - See Accompanying Independent Auditors' Report)

**SCHEDULE OF FUNDING PROGRESS**

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

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, 2012**

	General			
	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 748,310	\$ 748,310	\$ 755,415	\$ 7,105
Licenses and permits	278,100	278,100	282,710	4,610
Intergovernmental	6,312,050	6,312,050	6,731,496	419,446
Grant proceeds	21,780	21,780	38,320	16,540
Charges for services	65,700	65,700	77,228	11,528
Fines and forfeitures	99,000	99,000	87,461	(11,539)
Special projects	59,500	59,500	45,998	(13,502)
Interest	50,700	50,700	56,508	5,808
Other	40,000	40,000	39,460	(540)
	<hr/>			
Total revenues	7,675,140	7,675,140	8,114,596	439,456
	<hr/>			
<b>EXPENDITURES</b>				
Current				
General government	1,022,640	1,022,640	917,013	105,627
Public safety	3,867,005	3,867,005	3,666,761	200,244
Highways and streets	1,796,190	1,796,190	1,625,213	170,977
Health and welfare	18,300	18,300	16,384	1,916
Cemetery	-	-	-	-
Capital outlay	103,200	136,200	244,154	(107,954)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
	<hr/>			
Total expenditures	6,807,335	6,840,335	6,469,525	370,810
	<hr/>			
Excess (deficiency) of revenue over expenditures	867,805	834,805	1,645,071	810,266
	<hr/>			
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,350	15,350	34,376	19,026
Transfers out	(2,291,015)	(2,291,015)	(1,903,191)	387,824
	<hr/>			
Total other financing sources (uses)	(2,275,665)	(2,275,665)	(1,868,815)	406,850
	<hr/>			
Net change in fund balances	\$ (1,407,860)	\$ (1,440,860)	\$ (223,744)	\$ 1,217,116

Special Revenue				Capital Projects		
Budget		Actual	Variance Favorable (Unfavorable)	Budget		Variance Favorable (Unfavorable)
Original	Final			Final	Actual	
\$ 813,800	\$ 813,800	\$ 817,908	\$ 4,108	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
356,000	356,000	463,960	107,960	-	-	-
-	-	-	-	681,966	607,620	(74,346)
71,000	71,000	103,750	32,750	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,230	19,230	18,069	(1,161)	-	10	10
52,000	52,000	51,911	(89)	-	43,282	43,282
1,312,030	1,312,030	1,455,598	143,568	681,966	650,912	(31,054)
849,995	945,995	744,328	201,667	-	-	-
12,450	12,450	4,380	8,070	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
88,160	88,160	68,804	19,356	-	-	-
1,185,500	1,237,500	525,894	711,606	2,498,630	2,331,921	166,709
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,136,105	2,284,105	1,343,406	940,699	2,498,630	2,331,921	166,709
(824,075)	(972,075)	112,192	1,084,267	(1,816,664)	(1,681,009)	135,655
91,500	91,500	89,500	(2,000)	243,414	1,376,868	1,133,454
-	-	-	-	-	-	-
91,500	91,500	89,500	(2,000)	243,414	1,376,868	1,133,454
\$ (732,575)	\$ (880,575)	\$ 201,692	\$ 1,082,267	\$ (1,573,250)	\$ (304,141)	\$ 1,269,109

**CITY OF WASHINGTON, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED APRIL 30, 2012**

	<b>Debt Service</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$ 48,675	\$ 45,372	\$ (3,303)
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Grant proceeds	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Special projects	-	-	-
Interest	100	44,264	44,164
Other	-	10,238	10,238
	<hr/>	<hr/>	<hr/>
Total revenues	48,775	99,874	51,099
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Cemetery	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	296,120	296,120	-
Interest	302,559	302,559	-
	<hr/>	<hr/>	<hr/>
Total expenditures	598,679	598,679	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue over expenditures	(549,904)	(498,805)	51,099
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	499,351	499,351	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	499,351	499,351	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ (50,553)	\$ 546	\$ 51,099

**CITY OF WASHINGTON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED APRIL 30, 2012**

	<b>General Corporate</b>	<b>City Hall</b>	<b>Street</b>
<b>REVENUES</b>			
Property taxes	\$ 329,616	\$ -	\$ 169,764
Licenses and permits	282,710	-	-
Intergovernmental	6,699,644	-	6,680
Grant proceeds	-	-	15,780
Charges for services	-	-	324
Fines and forfeitures	87,461	-	-
Special projects	-	-	-
Interest	56,397	-	-
Other	10,710	-	12,172
	<u>7,466,538</u>	<u>-</u>	<u>204,720</u>
<b>EXPENDITURES</b>			
General government			
Personal services	486,974	20,816	-
Supplies	6,840	2,494	-
WACC Grant	201	-	-
Other services and charges	100,335	23,099	-
Total general government	<u>594,350</u>	<u>46,409</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	-	-	729,525
Supplies	-	-	17,352
Summit road payment	-	-	278,000
Other services and charges	-	-	600,336
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,625,213</u>
Health and welfare			
Other services and charges	13,229	3,155	-
Capital outlay	2,450	-	106,204
	<u>610,029</u>	<u>49,564</u>	<u>1,731,417</u>
Excess (deficiency) of revenue over expenditures	<u>6,856,509</u>	<u>(49,564)</u>	<u>(1,526,697)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	492	9,912	23,972
Transfers out	(1,726,647)	-	(176,544)
Total other financing sources (uses)	<u>(1,726,155)</u>	<u>9,912</u>	<u>(152,572)</u>
Net change in fund balance	<u>\$ 5,130,354</u>	<u>\$ (39,652)</u>	<u>\$ (1,679,269)</u>

**FUND BALANCE, BEGINNING OF YEAR**

**FUND BALANCE, END OF YEAR**

	Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2011 (Memorandum Only)
\$	256,035	\$ -	\$ -	\$ -	\$ 755,415	\$ 748,459
	-	-	-	-	282,710	306,098
	10,404	-	-	14,768	6,731,496	6,311,087
	22,540	-	-	-	38,320	585,928
	76,904	-	-	-	77,228	67,495
	-	-	-	-	87,461	107,048
	45,998	-	-	-	45,998	50,392
	111	-	-	-	56,508	77,677
	16,578	-	-	-	39,460	149,150
	428,570	-	-	14,768	8,114,596	8,403,334
	-	26,453	144,224	-	678,467	572,975
	-	-	1,471	-	10,805	12,729
	-	-	-	-	201	500,000
	-	46,336	57,770	-	227,540	239,664
	-	72,789	203,465	-	917,013	1,325,368
	2,537,426	-	-	-	2,537,426	2,480,887
	31,501	-	-	-	31,501	14,171
	26,300	-	-	-	26,300	21,837
	473,976	-	-	597,558	1,071,534	1,088,763
	3,069,203	-	-	597,558	3,666,761	3,605,658
	-	-	-	-	729,525	669,825
	-	-	-	-	17,352	13,290
	-	-	-	-	278,000	-
	-	-	-	-	600,336	559,433
	-	-	-	-	1,625,213	1,242,548
	-	-	-	-	16,384	15,403
	132,767	-	2,733	-	244,154	137,745
	3,201,970	72,789	206,198	597,558	6,469,525	6,326,722
	(2,773,400)	(72,789)	(206,198)	(582,790)	1,645,071	2,076,612
	-	-	-	-	34,376	140,648
	-	-	-	-	(1,903,191)	(641,701)
	-	-	-	-	(1,868,815)	(501,053)
\$	(2,773,400)	\$ (72,789)	\$ (206,198)	\$ (582,790)	(223,744)	1,575,559
					7,430,662	5,855,103
					\$ 7,206,918	\$ 7,430,662



**CITY OF WASHINGTON, ILLINOIS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
APRIL 30, 2012**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance	Storm Water Management
<b>ASSETS</b>							
Cash and cash equivalents	\$ 258,601	\$ 24,453	\$ 15,128	\$ 374,395	\$ 990,911	\$ 113,408	\$ 63,572
Receivables (net of allowance for uncollectibles)							
Property taxes	-	3,330	30,029	-	186,496	100,016	-
Special assessments	-	-	-	-	-	-	-
Accounts - customers	9,004	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	278	-	-
Due from other governments	-	-	-	29,381	-	-	-
Prepaid items	654	237	-	-	-	52,214	-
Restricted assets							
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>\$ 268,259</u>	<u>\$ 28,020</u>	<u>\$ 45,157</u>	<u>\$ 403,776</u>	<u>\$ 1,177,685</u>	<u>\$ 265,638</u>	<u>\$ 63,572</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 1,779	\$ 35	\$ -	\$ -	\$ 375	\$ -	\$ 9,634
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	3,330	30,029	-	186,496	100,016	27,986
Total liabilities	1,779	3,365	30,029	-	186,871	100,016	37,620
<b>Fund balances</b>							
Nonspendable	654	237	-	-	-	52,214	-
Restricted	-	24,418	15,128	403,776	990,814	113,408	-
Assigned	265,826	-	-	-	-	-	25,952
Unassigned	-	-	-	-	-	-	-
Total fund balances	266,480	24,655	15,128	403,776	990,814	165,622	25,952
	<u>\$ 268,259</u>	<u>\$ 28,020</u>	<u>\$ 45,157</u>	<u>\$ 403,776</u>	<u>\$ 1,177,685</u>	<u>\$ 265,638</u>	<u>\$ 63,572</u>

<b>Illinois</b>		
<b>Municipal Retirement</b>	<b>Social Security</b>	<b>Total</b>
\$ 142,616	\$ 150,504	\$2,133,588
290,028	240,020	849,919
-	-	-
-	-	9,004
4,321	-	4,321
-	-	278
-	-	29,381
-	-	53,105
-	-	-
<b>\$ 436,965</b>	<b>\$ 390,524</b>	<b>\$3,079,596</b>

\$ 13,662	\$ 8,286	\$ 33,771
-	-	-
290,028	240,020	877,905
303,690	248,306	911,676
-	-	53,105
-	-	1,547,544
133,275	142,218	567,271
-	-	-
133,275	142,218	2,167,920
<b>\$ 436,965</b>	<b>\$ 390,524</b>	<b>\$3,079,596</b>

**CITY OF WASHINGTON, ILLINOIS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
APRIL 30, 2012**

	<u>Debt Service</u>		<u>Capital Project</u>		<b>Total Nonmajor Governmental</b>	<b>2011 (Memorandum Only)</b>
	<b>Mallard Crossing</b>		<b>Dallas Road</b>			
<b>ASSETS</b>						
Cash and cash equivalents	\$ -		\$ 25,010		\$ 2,158,598	\$ 1,937,246
Receivables (net of allowance for uncollectibles)						
Property taxes	-		-		849,919	818,922
Special assessments	47,062		-		47,062	47,584
Accounts - customers	-		-		9,004	3,939
Other	-		24,992		29,313	4,215
Due from other funds	-		-		278	41,338
Due from other governments	-		-		29,381	27,172
Prepaid items	-		-		53,105	48,666
Restricted assets						
Cash and cash equivalents	763		-		763	-
	<u>\$ 47,825</u>		<u>\$ 50,002</u>		<u>\$ 3,177,423</u>	<u>\$ 2,929,082</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ -		\$ 125,024		\$ 158,795	\$ 34,843
Due to other funds	3,930		-		3,930	34,484
Deferred revenue	47,062		-		924,967	895,028
Total liabilities	50,992		125,024		1,087,692	964,355
<b>Fund balances</b>						
Nonspendable	-		-		53,105	48,666
Restricted	-		-		1,547,544	1,372,944
Assigned	-		-		567,271	544,618
Unassigned	(3,167)		(75,022)		(78,189)	(1,501)
	<u>(3,167)</u>		<u>(75,022)</u>		<u>2,089,731</u>	<u>1,964,727</u>
	<u>\$ 47,825</u>		<u>\$ 50,002</u>		<u>\$ 3,177,423</u>	<u>\$ 2,929,082</u>

**CITY OF WASHINGTON, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2012**

	<b>Special Revenue</b>						
	<b>Cemetery</b>	<b>Civil Defense</b>	<b>Audit</b>	<b>Motor Fuel Tax</b>	<b>Incremental Tax</b>	<b>Liability Insurance</b>	<b>Storm Water Management</b>
<b>REVENUES</b>							
Property taxes	\$ -	\$ 3,197	\$ 29,965	\$ -	\$ 188,793	\$ 105,499	\$ -
Intergovernmental	-	-	-	441,886	-	-	-
Grant proceeds	-	-	-	-	-	-	-
Charges for services	103,750	-	-	-	-	-	-
Interest	2,544	17	37	2,833	7,981	284	41
Other	1,116	-	-	-	-	-	50,795
	<u>107,410</u>	<u>3,214</u>	<u>30,002</u>	<u>444,719</u>	<u>196,774</u>	<u>105,783</u>	<u>50,836</u>
<b>EXPENDITURES</b>							
Current							
General government	-	-	28,392	-	37,708	73,897	40,976
Public safety	-	4,380	-	-	-	-	-
Cemetery	68,804	-	-	-	-	-	-
Capital outlay	-	-	-	363,427	96,613	-	65,854
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
	<u>68,804</u>	<u>4,380</u>	<u>28,392</u>	<u>363,427</u>	<u>134,321</u>	<u>73,897</u>	<u>106,830</u>
Excess (deficiency) of revenues over expenditures	38,606	(1,166)	1,610	81,292	62,453	31,886	(55,994)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	3,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	38,606	1,834	1,610	81,292	62,453	31,886	(55,994)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	227,874	22,821	13,518	322,484	928,361	133,736	81,946
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 266,480</u>	<u>\$ 24,655</u>	<u>\$ 15,128</u>	<u>\$403,776</u>	<u>\$ 990,814</u>	<u>\$ 165,622</u>	<u>\$ 25,952</u>

<b>Illinois</b>		
<b>Municipal Retirement</b>	<b>Social Security</b>	<b>Total</b>
\$ 264,711	\$ 225,743	\$ 817,908
22,074	-	463,960
-	-	-
-	-	103,750
2,029	2,303	18,069
-	-	51,911
<b>288,814</b>	<b>228,046</b>	<b>1,455,598</b>
295,441	267,914	744,328
-	-	4,380
-	-	68,804
-	-	525,894
-	-	-
-	-	-
<b>295,441</b>	<b>267,914</b>	<b>1,343,406</b>
(6,627)	(39,868)	112,192
25,500	61,000	89,500
-	-	-
<b>25,500</b>	<b>61,000</b>	<b>89,500</b>
18,873	21,132	201,692
<b>114,402</b>	<b>121,086</b>	<b>1,966,228</b>
<b>\$ 133,275</b>	<b>\$ 142,218</b>	<b>\$2,167,920</b>

**CITY OF WASHINGTON, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2012**

	Debt Service			
	Cruger Road	South Cummings Lane	Mallard Crossing	Total
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 45,372	\$ 45,372
Intergovernmental	-	-	-	-
Grant proceeds	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	67	67
Other	-	-	32	32
	-	-	45,471	45,471
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	59,280	59,840	32,000	151,120
Interest	21,094	18,637	16,435	56,166
	80,374	78,477	48,435	207,286
Excess (deficiency) of revenues over expenditures	(80,374)	(78,477)	(2,964)	(161,815)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	80,374	78,477	-	158,851
Transfers out	-	-	-	-
Total other financing sources (uses)	80,374	78,477	-	158,851
Net change in fund balances	-	-	(2,964)	(2,964)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	-	-	(203)	(203)
<b>FUND BALANCES, END OF YEAR</b>	\$ -	\$ -	\$ (3,167)	\$ (3,167)

<u>Capital Project</u>		
<u>Dallas Road</u>	<u>Total Nonmajor Governmental</u>	<u>2011 (Memorandum Only)</u>
\$ -	\$ 863,280	\$ 766,242
-	463,960	418,892
607,620	607,620	-
-	103,750	74,050
10	18,146	25,957
-	51,943	45,783
<hr/> 607,630	<hr/> 2,108,699	<hr/> 1,330,924
-	744,328	788,309
-	4,380	4,699
-	68,804	60,272
791,119	1,317,013	416,968
-	-	-
-	151,120	147,560
-	56,166	63,208
<hr/> 791,119	<hr/> 2,341,811	<hr/> 1,481,016
<hr/> (183,489)	<hr/> (233,112)	<hr/> (150,092)
109,765	358,116	395,466
-	-	(221,233)
<hr/> 109,765	<hr/> 358,116	<hr/> 174,233
<hr/> (73,724)	<hr/> 125,004	<hr/> 24,141
<hr/> (1,298)	<hr/> 1,964,727	<hr/> 1,940,586
<hr/> <hr/> \$ (75,022)	<hr/> <hr/> \$ 2,089,731	<hr/> <hr/> \$ 1,964,727

**CITY OF WASHINGTON, ILLINOIS  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
APRIL 30, 2012**

<b>ASSETS</b>	<b>Employees' Benefit Fund</b>	<b>Motor Equipment Replacement Fund</b>	<b>Total</b>	<b>2011 (Memorandum Only)</b>
<b>Current assets</b>				
Cash and cash equivalents	\$ 699,340	\$ 1,256,907	\$ 1,956,247	\$ 1,899,273
Receivables (net of allowance for uncollectibles)				
Other	23,209	284	23,493	85,988
Due from other funds	-	-	-	4,239
Prepaid items	-	2,419	2,419	2,111
Total current assets	722,549	1,259,610	1,982,159	1,991,611
<b>Noncurrent assets</b>				
Capital assets, net of accumulated depreciation	-	972,583	972,583	848,243
	<u>\$ 722,549</u>	<u>\$ 2,232,193</u>	<u>\$ 2,954,742</u>	<u>\$ 2,839,854</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 58,923	\$ 15,965	\$ 74,888	\$ 173,222
Accrued compensated absences	-	248	248	406
Total current liabilities	58,923	16,213	75,136	173,628
<b>Noncurrent liabilities</b>				
Accrued compensated absences	-	5,850	5,850	5,234
Total liabilities	58,923	22,063	80,986	178,862
<b>Net assets</b>				
Invested in capital assets	-	972,583	972,583	848,243
Unrestricted	663,626	1,237,547	1,901,173	1,812,749
Total net assets	663,626	2,210,130	2,873,756	2,660,992
	<u>\$ 722,549</u>	<u>\$ 2,232,193</u>	<u>\$ 2,954,742</u>	<u>\$ 2,839,854</u>



**CITY OF WASHINGTON, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED APRIL 30, 2012**

	<b>Employees' Benefit Fund</b>	<b>Motor Equipment Replacement Fund</b>	<b>Total</b>	<b>2011 (Memorandum Only)</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 986,912	\$ 668,300	\$ 1,655,212	\$ 1,560,533
Employee contributions	99,805	-	99,805	83,157
Other	19,672	17,674	37,346	112,109
	<u>1,106,389</u>	<u>685,974</u>	<u>1,792,363</u>	<u>1,755,799</u>
<b>OPERATING EXPENSES</b>				
General and administrative	19,798	-	19,798	21,197
Personal services	1,005,822	89,380	1,095,202	1,120,929
Materials and supplies	-	175,032	175,032	140,957
Other services and charges	-	93,543	93,543	102,649
Depreciation	-	221,190	221,190	175,196
	<u>1,025,620</u>	<u>579,145</u>	<u>1,604,765</u>	<u>1,560,928</u>
Operating income	<u>80,769</u>	<u>106,829</u>	<u>187,598</u>	<u>194,871</u>
<b>NONOPERATING REVENUES</b>				
Interest income	(7,172)	(10,970)	(18,142)	(25,737)
Gain on sale of equipment	-	(7,024)	(7,024)	(25,755)
	<u>(7,172)</u>	<u>(17,994)</u>	<u>(25,166)</u>	<u>(51,492)</u>
Change in net assets	87,941	124,823	212,764	246,363
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	<u>575,685</u>	<u>2,085,307</u>	<u>2,660,992</u>	<u>2,414,629</u>
<b>TOTAL NET ASSETS, END OF YEAR</b>	<u>\$ 663,626</u>	<u>\$ 2,210,130</u>	<u>\$ 2,873,756</u>	<u>\$ 2,660,992</u>

**CITY OF WASHINGTON, ILLINOIS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED APRIL 30, 2012**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2011 (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,168,799	\$ 17,759	\$ 1,186,558	\$ 1,052,998
Receipts from interfund services provided	-	668,300	668,300	627,400
Payments to suppliers	(1,127,873)	(265,483)	(1,393,356)	(1,169,143)
Payments to employees	-	(88,403)	(88,403)	(84,317)
Net cash provided by operating activities	40,926	332,173	373,099	426,938
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Advances from (to) other funds	240	3,999	4,239	(4,189)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	-	(372,331)	(372,331)	(324,857)
Proceeds from sale of equipment	-	33,825	33,825	25,755
Net cash used in capital and related financing activities	-	(338,506)	(338,506)	(299,102)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	7,172	10,970	18,142	25,737
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	48,338	8,636	56,974	149,384
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	651,002	1,248,271	1,899,273	1,749,889
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 699,340	\$ 1,256,907	\$ 1,956,247	\$ 1,899,273
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 80,769	\$ 106,829	\$ 187,598	\$ 194,871
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	-	221,190	221,190	175,196
(Increase) decrease in receivables	62,410	85	62,495	(75,401)
(Increase) decrease in prepaid items	-	(308)	(308)	952
Increase (decrease) in accounts payable and accrued liabilities	(102,253)	3,919	(98,334)	131,801
Increase (decrease) in accrued compensated absences	-	458	458	(481)
Net cash provided by operating activities	\$ 40,926	\$ 332,173	\$ 373,099	\$ 426,938

**CITY OF WASHINGTON, ILLINOIS**  
**COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION**  
**ENTERPRISE FUNDS**  
**YEAR ENDED APRIL 30, 2012**

	<b>Waterworks</b>	<b>Sewerage</b>	<b>Total</b>	<b>2011 (Memorandum Only)</b>
<b>Personal services</b>				
Wages and salaries	\$ 336,823	\$ 410,260	\$ 747,083	\$ 695,975
Payroll taxes	27,036	42,795	69,831	47,810
Group insurance	113,140	152,134	265,274	256,196
Uniforms	3,026	4,805	7,831	6,606
Total personal services	480,025	609,994	1,090,019	1,006,587
<b>Heat, lights, and power</b>				
Electricity	107,692	142,010	249,702	336,584
Heating	1,423	5,578	7,001	9,906
Total heat, lights, and power	109,115	147,588	256,703	346,490
<b>Materials and supplies</b>				
Chemicals and supplies	142,103	14,836	156,939	131,400
Office supplies	4,276	4,346	8,622	10,921
Perishable tools	2,632	1,741	4,373	4,547
Total materials and supplies	149,011	20,923	169,934	146,868
<b>Other services and charges</b>				
Training and recruitment	327	-	327	1,747
Insurance	3,320	5,879	9,199	14,854
Printing fees	628	2,576	3,204	2,852
Legal fees	1,934	3,646	5,580	2,733
Engineering fees	-	595	595	-
Consulting fees	14,038	10,091	24,129	20,543
Rent	1,651	2,274	3,925	2,302
Repairs and maintenance:				
Building	1,442	7,765	9,207	9,618
Equipment	2,943	3,027	5,970	4,650
System	41,897	46,230	88,127	79,453
Motor equipment replacement	85,000	100,000	185,000	148,500
Telephone	4,914	6,964	11,878	12,435
Miscellaneous	6,631	35,692	42,323	49,500
Total other services and charges	164,725	224,739	389,464	349,187
	\$ 902,876	\$ 1,003,244	\$ 1,906,120	\$ 1,849,132

**CITY OF WASHINGTON, ILLINOIS  
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,  
AND ASSESSED VALUATION  
2009 THROUGH 2011**

	2011 Levy		2010 Levy		2009 Levy	
	Levy	Rate	Levy	Rate	Levy	Rate
	Amounts					
		Extended		Extended		Extended
<b>GENERAL FUND</b>						
General Corporate	\$ 360,000	0.1189	\$ 360,015	\$	330,000	0.1113
Police Pension	240,000	0.0793	240,020	256,310	0.0865	259,000
<b>SPECIAL REVENUE FUNDS</b>						
Civil Defense	3,300	0.0011	3,330	3,200	0.0011	3,200
Audit	30,000	0.0099	30,029	30,000	0.0101	30,000
Illinois Municipal Retirement	290,000	0.0958	290,028	265,000	0.0894	210,000
Social Security	240,000	0.0793	240,020	226,000	0.0762	210,000
<b>INTERNAL SERVICE FUND</b>						
Liability Insurance	100,000	0.0330	100,016	105,600	0.0356	96,000
<b>TOTAL</b>	\$ 1,263,300	0.4174	\$ 1,263,458	\$ 1,216,110	0.4102	\$ 1,138,200
<b>CITY SHARE OF TOWNSHIP ROAD AND BRIDGE</b>						
			\$ 176,360	\$ 169,764		\$ 159,485
<b>INCREMENTAL TAX DISTRICT</b>						
			\$ 186,496	\$ 189,061		\$ 178,448
<b>ASSESSED VALUATIONS</b>	\$ 302,711,642		\$ 296,446,874	\$ 291,456,522		

**CITY OF WASHINGTON, ILLINOIS  
INFORMATION REGARDING WASTEWATER  
USER-CHARGE SYSTEM  
YEAR ENDED APRIL 30, 2012**

(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	689,890,000
Total gallons of wastewater billed based on the user-charge system for the year	259,622,079
Number of metered users connected to the system at April 30, 2012	5,249
Number of nonmetered users at April 30, 2012	4