



Phillips, Salmi & Associates, LLC
Certified Public Accountants

CITY OF WASHINGTON, ILLINOIS
FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited each fiduciary fund type of the City of Washington, Illinois as of and for the year ended April 30, 2014.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund,

and the aggregate remaining fund information of the City of Washington, Illinois, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police pension trust fund (unaudited) on pages 3-11 and 62-65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be 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.

The prior year summarized comparative information has been derived from the City's 2013 financial statements and, in our report dated October 16, 2013, we expressed unqualified opinions on the respective financial statements.

Other Information

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 66-81, 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 82 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 22, 2014

CITY OFFICIALS

Gary W. Manier, *Mayor*

Patricia S. Brown, *City Clerk*

Ellen L. Dingedine, *City Treasurer*

Timothy A. Gleason, *City Administrator*



ALDERMEN

Robert A. Brucks, *Ward I*

Michael J. Brownfield, *Ward I*

Carol K. Moss, *Ward II*

Tyler J. Gee, *Ward II*

Brian H. Butler, *Ward III*

David Dingedine, *Ward III*

James L. Gee, *Ward IV*

Richard E. Schneider, *Ward IV*

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2013

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, 2012 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, 2013 are in accordance with the GASB 34 reporting model. Among other things, GASB 34 requires the city to account for the depreciation of fixed assets (city-owned streets, buildings, land, etc.) within governmental activities.

FINANCIAL HIGHLIGHTS

- The total net position of the City of Washington exceeded liabilities at April 30, 2013 by \$68,368,327, a \$3,784,886 or 5.9% increase over the prior year. Of the \$68.4 million, \$17,123,594 is unrestricted and may be used to meet the city's ongoing obligations to citizens and creditors. Unrestricted net position for the year ending April 30, 2012 totaled \$14,309,241.
- At April 30, 2013, the governmental funds reported combined fund balances of \$10,984,528, of which \$7,125,285 were unassigned. In the prior year, the governmental funds combined fund balance was \$9,706,494 of which \$6,005,251 was unassigned.
- Unrestricted cash, cash equivalents and investments increased by \$844,339 in the General Fund, increased by \$1,365,963 in the Sewer Funds and increased by \$120,987 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 \$12,597,753 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, 2012 was \$13,424,774. The only additional long-term debt in 2013 relates to a new capital lease for three backhoes.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Washington, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the City of Washington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City of Washington's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City of Washington maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the WACC Debt Service Fund which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in this report.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City of Washington's net position reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the fiscal year, the City of Washington is able to report increased positive balances in all categories of net position, both for the government as a whole (\$68,368,327 for FYE April 2013 compared to \$64,583,441 for FYE April 2012, a 5.9% increase), as well as for governmental activities (\$34,998,383 compared to \$32,702,388, an 7.0% increase) and business-type activities (\$33,369,944 compared to \$31,881,053, a 4.7% 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 \$10,984,528, an increase of \$1,278,034. The sum of \$7,125,285 is unassigned.

The General Fund is the primary operating fund of the City. Unassigned fund balances at fiscal year-end totaled \$7,204,408. During the year, revenues exceeded expenditures in the general fund by \$1,781,811. After planned transfers to various other funds, a net increase in the fund balance totaled \$706,431.

Financial Analysis: Proprietary Funds

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

Net position in the Waterworks Fund total \$12,240,887 with \$2,579,163 being unrestricted. Net position increased by \$222,312 during the year ending April 30, 2013. Sewerage Fund net position total \$20,703,165; \$5,972,541 are unrestricted. Net position in this fund grew by \$1,164,857.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net position of \$883,766 and the Motor Equipment Replacement Fund with net position of \$2,447,472.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$6,179,578 which represents the fund balance of the Police Pension Fund (Pension Trust). Importantly, the net position grew by \$304,677 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, 2013 was \$55,306,058 (net of accumulated depreciation) compared to \$55,247,032 in the prior year. See Note 3 for further details.

Long-Term Debt

The city's long-term debt totaled \$12,597,753 at April 30, 2013 compared to \$13,424,774 at April 30, 2012. Governmental activity debt totaled \$5,953,106. Business-type activity debt (associated with the City's enterprise funds) totaled \$6,644,647.

Debt reductions during the year totaled \$924,241. Additions to long-term debt during the year totaled \$97,220. The sum of \$77,745 is attributable to a new capital equipment lease and \$19,475 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 economy is showing signs of improving as are indicated by the slight increase in sales tax revenue of 2.7% and the significant increase of 11.7% in income tax revenue. The growth of the city's assessed valuation continues to remain somewhat flat in conjunction with the downturn in building activity.

A fiscal concern involves potential state legislative action in an attempt to ease the state's budgetary problems by shifting some of the burden to local governmental bodies. On a positive note, the state's late payment practices have improved over the past fiscal year. However, continued threats to permanently reduce state revenue distributions to municipalities would have long term consequences. Staff continues to remain aware of these concerns and the need to diversify revenue sources as so not to be too dependent on intergovernmental revenues.

Capital spending is anticipated to increase in the coming years. 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. The next phase of the Sewer Treatment Plant #2 Expansion is anticipated for 2014 with completion scheduled for 2017. City owned property with planned development presents long-term benefits to the community as well as opportunities to explore alternatives for revenue sources for debt service financing.

Personnel costs account for about one-third of total budgeted expenditures. These expenses present steady upward pressure on the city's budget from year to year. A new approach to health insurance benefits with an emphasis on wellness has been implemented with the long-term goal of containment of health insurance costs and a healthier workforce. Notably, investment yields have improved during the fiscal year which will more than likely result in stabilized 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

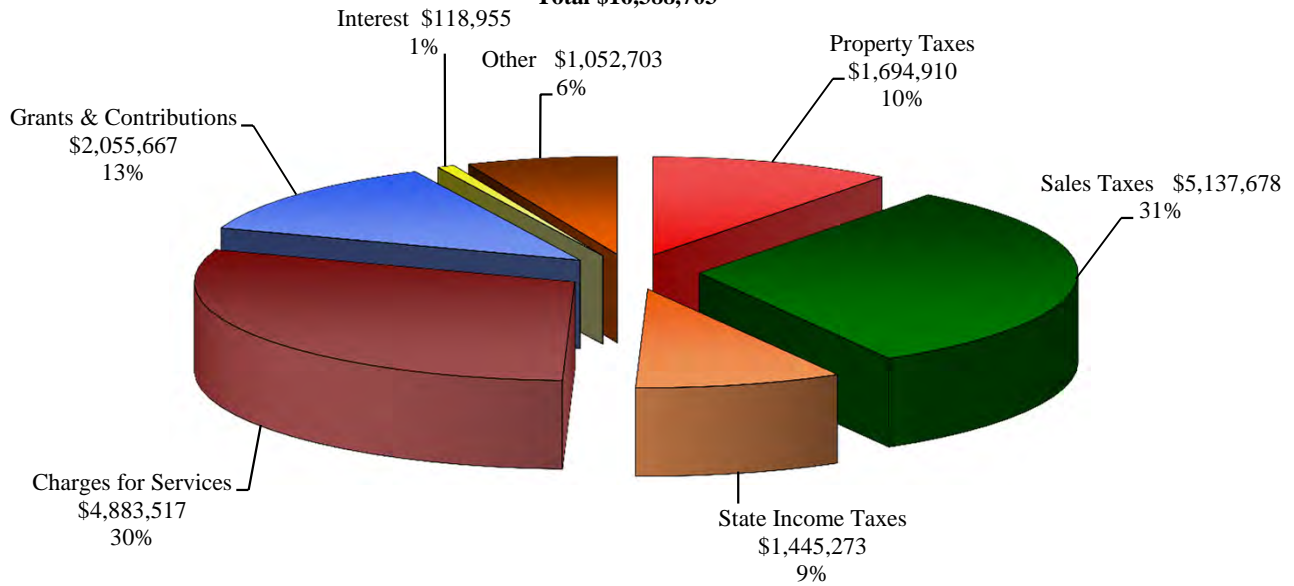
This financial report is designed to provide a general overview of the City of Washington's finances. Questions concerning the information provided in this report or requests for additional financial information should be directed to City Hall at 301 Walnut Street, Washington, IL 61571, (309) 444-3196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

CITY OF WASHINGTON, ILLINOIS

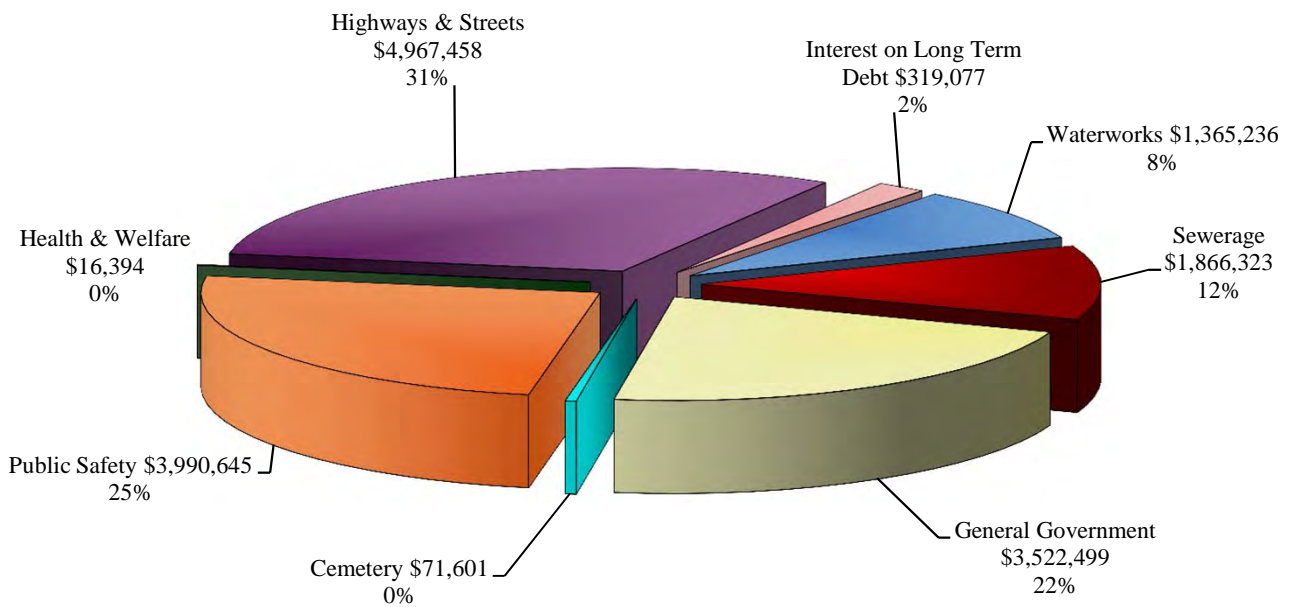
**Revenues
(All Activities)**

Year Ended April 30, 2014

Total \$16,388,703



**Expenses
(All Activities)
Year Ended April 30, 2014
Total \$16,119,233**

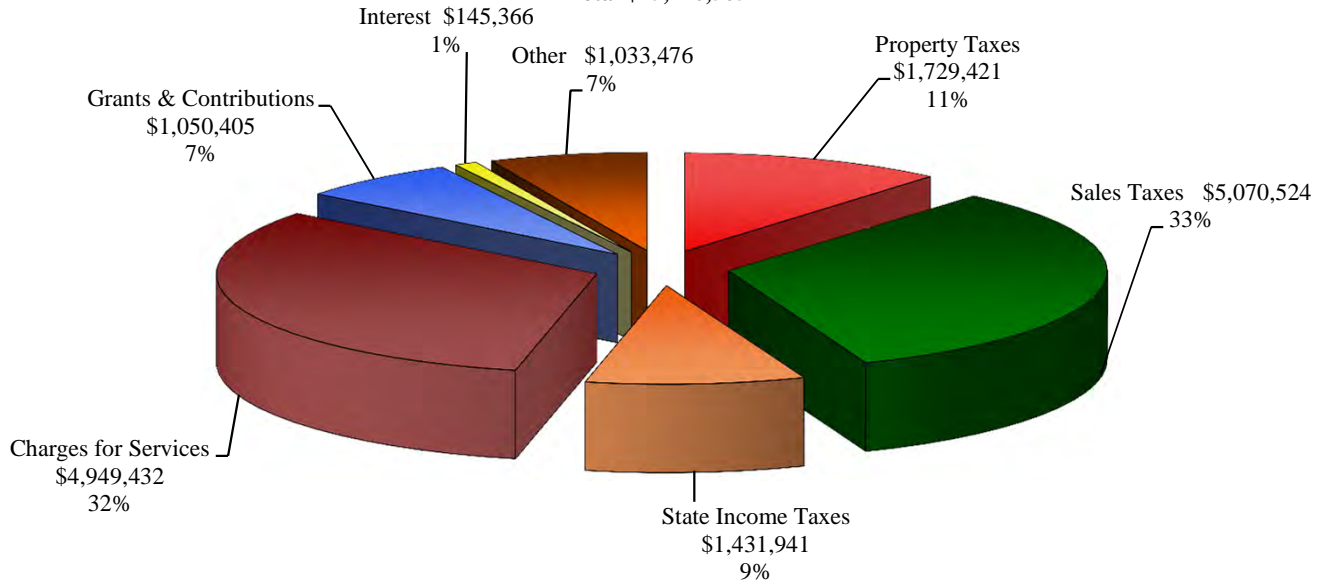


CITY OF WASHINGTON, ILLINOIS

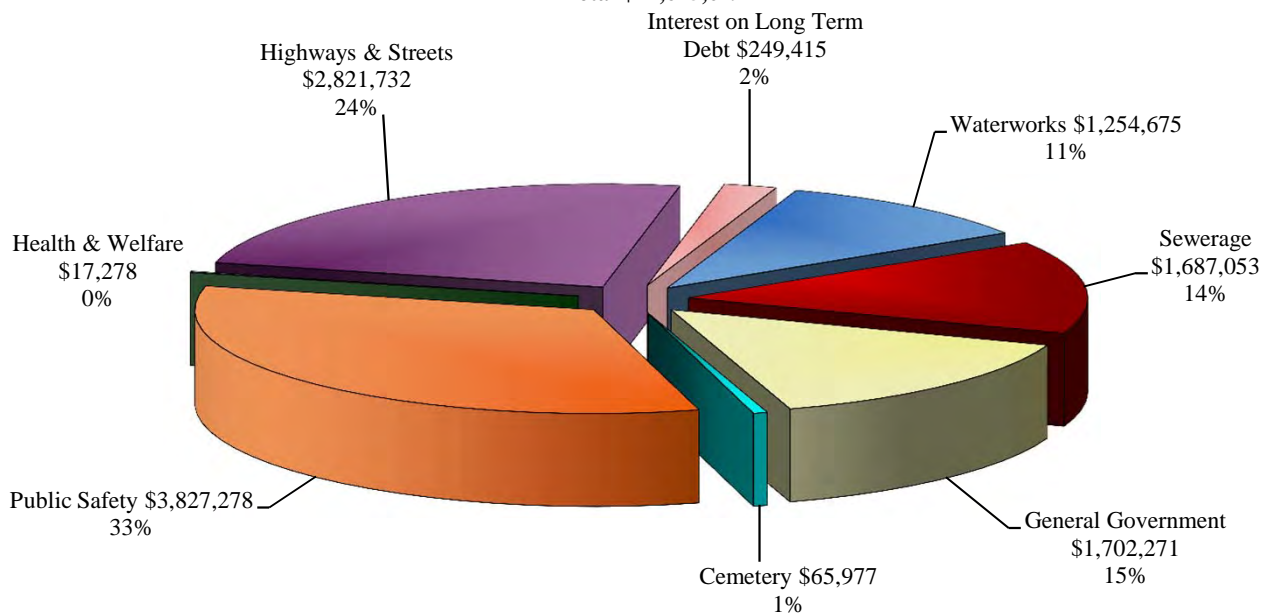
**Revenues
(All Activities)**

Year Ended April 30, 2013

Total \$15,410,565



**Expenses
(All Activities)
Year Ended April 30, 2013
Total \$11,625,679**



**CITY OF WASHINGTON, ILLINOIS
COMPARISON OF REVENUES, EXPENDITURES - GOVERNMENTAL FUNDS
AND OTHER DATA - GOVERNMENT WIDE
YEARS ENDED APRIL 30, 2010 THROUGH 2014**

	2014	2013	2012	2011	2010
REVENUES					
Property taxes	\$ 1,705,521	\$ 1,667,174	\$ 1,618,695	\$ 1,514,701	\$ 1,572,154
Licenses and permits	499,061	347,478	282,710	306,098	284,742
Intergovernmental	7,600,478	7,487,969	7,195,456	6,729,979	6,724,263
Grant proceeds	1,228,937	166,288	645,940	585,928	186,782
Charges for services	205,932	159,873	180,978	141,545	150,564
Fines and forfeitures	190,254	197,201	133,459	157,440	158,454
Interest	76,926	90,517	118,851	109,339	34,776
Other	190,951	209,669	144,891	244,933	66,200
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,698,060	10,326,169	10,320,980	9,789,963	9,177,935
EXPENDITURES					
Current					
General government	3,406,938	1,673,180	1,661,341	2,107,677	1,586,989
Public safety	4,060,119	3,916,140	3,671,141	3,610,357	3,378,940
Highways and streets	1,604,436	1,646,075	1,629,832	1,248,548	1,241,015
Health and welfare	16,394	17,278	16,384	15,403	15,012
Cemetery	68,089	63,181	68,804	60,272	67,207
Debt service					
Principal	321,720	308,160	296,120	282,560	270,520
Interest	266,406	284,882	302,559	319,402	335,381
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	9,744,102	7,908,896	7,646,181	7,644,219	6,895,064
Excess of revenues over expenditures before capital outlay					
	1,953,958	2,417,273	2,674,799	2,145,744	2,282,871
Capital outlay					
	5,567,335	1,216,548	3,097,350	648,033	3,815,142
Excess (deficiency) of revenues over expenditures					
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (3,613,377)	\$ 1,200,725	\$ (422,551)	\$ 1,497,711	\$ (1,532,271)
OTHER DATA					
Assets and liabilities					
Unrestricted cash and investments	\$ 21,533,557	\$ 19,550,489	\$ 16,488,644	\$ 16,554,867	\$ 14,669,442
Capital assets	57,148,352	55,306,058	55,247,032	53,888,908	49,290,281
Long-term liabilities	16,686,727	12,597,753	13,424,774	13,766,054	10,528,867
Total Payroll	3,945,337	3,592,416	3,591,646	3,413,506	3,389,620
Annual Pension Costs					
IMRF	345,393	293,757	293,891	241,959	189,521
Police Pension	304,010	247,629	264,413	265,010	178,179
Assessed Valuation	312,276,092	305,649,264	302,711,642	296,446,874	291,456,522
Property tax rates	0.4192	0.4212	0.4174	0.4102	0.3906

CITY OF WASHINGTON, ILLINOIS
COMPARISON OF OPERATING REVENUES AND EXPENSES
WATERWORKS AND SEWERAGE FUNDS
YEARS ENDED APRIL 30, 2010 THROUGH 2014

WATERWORKS

	2014	2013	2012	2011	2010
OPERATING REVENUES	\$ 1,317,462	\$ 1,391,999	\$ 1,202,567	\$ 1,201,275	\$ 1,101,199
OPERATING EXPENSES					
Personal services	559,012	489,200	480,025	427,381	469,336
Heat, light, and power	116,982	118,069	109,115	139,662	133,890
Materials and supplies	165,628	144,529	149,011	127,949	119,896
Other services and charges	133,905	155,692	164,725	157,622	208,755
	<u>975,527</u>	<u>907,490</u>	<u>902,876</u>	<u>852,614</u>	<u>931,877</u>
Cash Generated from Operations	341,935	484,509	299,691	348,661	169,322
Depreciation	<u>(391,941)</u>	<u>(386,224)</u>	<u>(367,159)</u>	<u>(353,003)</u>	<u>(327,868)</u>
Operating income (loss)	<u>\$ (50,006)</u>	<u>\$ 98,285</u>	<u>\$ (67,468)</u>	<u>\$ (4,342)</u>	<u>\$ (158,546)</u>

SEWERAGE

	2014	2013	2012	2011	2010
OPERATING REVENUES	\$ 2,600,112	\$ 2,751,782	\$ 2,145,468	\$ 2,184,169	\$ 2,125,557
OPERATING EXPENSES					
Personal services	742,261	652,533	609,994	579,206	565,380
Heat, light, and power	146,953	145,948	147,588	206,828	212,175
Materials and supplies	20,566	24,074	20,923	18,919	13,044
Other services and charges	202,098	216,371	224,739	191,565	190,394
	<u>1,111,878</u>	<u>1,038,926</u>	<u>1,003,244</u>	<u>996,518</u>	<u>980,993</u>
Cash Generated from Operations	1,488,234	1,712,856	1,142,224	1,187,651	1,144,564
Depreciation	<u>(667,938)</u>	<u>(658,254)</u>	<u>(568,194)</u>	<u>(491,953)</u>	<u>(470,843)</u>
Operating income	<u>\$ 820,296</u>	<u>\$ 1,054,602</u>	<u>\$ 574,030</u>	<u>\$ 695,698</u>	<u>\$ 673,721</u>

BASIC FINANCIAL STATEMENTS

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2014**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2013 (Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 12,272,360	\$ 8,954,052	\$ 21,226,412	\$ 19,245,392
Investments	-	307,145	307,145	305,097
Receivables (net of allowance for uncollectibles)				
Property taxes	1,702,123	-	1,702,123	1,671,986
Other taxes	1,799,272	-	1,799,272	1,784,364
Special assessments	246,000	-	246,000	281,000
Accounts - customers	13,036	71,290	84,326	19,080
Estimated unbilled usage	-	634,679	634,679	896,856
Interest	-	-	-	259
Other	2,173,875	79,614	2,253,489	2,691,863
Internal balances	(467,984)	467,984	-	-
Inventory	11,000	-	11,000	26,730
Due from fiduciary funds	-	2,470	2,470	2,470
Prepaid items	42,530	11,800	54,330	83,694
Restricted assets				
Cash and cash equivalents	672,002	1,131,399	1,803,401	1,709,248
Bond costs, net of accumulated amortization	-	-	-	78,092
Capital assets not being depreciated	5,788,092	641,873	6,429,965	1,747,153
Capital assets, net of accumulated depreciation	21,969,715	28,748,672	50,718,387	53,558,905
	<u>\$ 46,222,021</u>	<u>\$ 41,050,978</u>	<u>\$ 87,272,999</u>	<u>\$ 84,102,189</u>

See accompanying notes.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	2013 (Memorandum Only)
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,006,963	\$ 293,280	\$ 1,300,243	\$ 2,791,086
Construction retainage payable	8,700	10,853	19,553	15,333
Escrow and customer deposits	-	301,725	301,725	290,870
Deferred revenue	315,329	11,625	326,954	38,820
Long-term liabilities:				
Due within one year	373,665	571,562	945,227	907,253
Due in more than one year	10,207,110	5,534,390	15,741,500	11,690,500
Total liabilities	11,911,767	6,723,435	18,635,202	15,733,862
NET POSITION				
Invested in capital assets, net of related debt	21,983,448	23,358,999	45,342,447	47,754,247
Restricted for:				
Debt service	484,616	1,131,399	1,616,015	1,579,405
Other purposes	2,258,750	-	2,258,750	1,911,081
Unrestricted	9,583,440	9,837,145	19,420,585	17,123,594
Total net position	34,310,254	34,327,543	68,637,797	68,368,327
	\$ 46,222,021	\$ 41,050,978	\$ 87,272,999	\$ 84,102,189

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2014**

FUNCTION/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 3,522,499	\$ 668,476	\$ 1,221,910	\$ -
Public safety	3,990,645	210,693	4,375	-
Highways and streets	4,967,458	5,040	15,780	425,882
Health and welfare	16,394	-	-	-
Cemetery	71,601	125,100	-	-
Interest on long term debt	319,077	-	-	-
Total governmental activities	12,887,674	1,009,309	1,242,065	425,882
Business-type activities:				
Waterworks	1,365,236	1,331,542	32,263	81,218
Sewerage	1,866,323	2,542,666	106,640	167,599
Total business-type activities	3,231,559	3,874,208	138,903	248,817
TOTAL	\$ 16,119,233	\$ 4,883,517	\$ 1,380,968	\$ 674,699

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	2013 (Memorandum Only)
	\$ (1,632,113)	\$ -	\$ (1,632,113)	\$ (1,168,374)
	(3,775,577)	-	(3,775,577)	(3,557,043)
	(4,520,756)	-	(4,520,756)	(2,122,284)
	(16,394)	-	(16,394)	(17,278)
	53,499	-	53,499	6,723
	(319,077)	-	(319,077)	(249,415)
	(10,210,418)	-	(10,210,418)	(7,107,671)
	-	79,787	79,787	248,194
	-	950,582	950,582	1,233,635
	-	1,030,369	1,030,369	1,481,829
	(10,210,418)	1,030,369	(9,180,049)	(5,625,842)
General Revenues				
Taxes:				
Property	1,694,910	-	1,694,910	1,729,421
Replacement	54,083	-	54,083	51,604
Sales	5,137,678	-	5,137,678	5,070,524
State income	1,445,273	-	1,445,273	1,431,941
Other local	510,972	-	510,972	497,583
Motor fuel	452,472	-	452,472	436,317
Interest on investments	76,926	42,029	118,955	145,366
Other	28,575	6,601	35,176	47,972
Transfers	121,400	(121,400)	-	-
Total general revenues and transfers	9,522,289	(72,770)	9,449,519	9,410,728
Change in net position	(688,129)	957,599	269,470	3,784,886
NET POSITION - BEGINNING	34,998,383	33,369,944	68,368,327	64,583,441
NET POSITION - ENDING	\$ 34,310,254	\$ 34,327,543	\$ 68,637,797	\$ 68,368,327

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2014**

ASSETS	General	WACC Debt Service	Nonmajor	Total	2013 (Memorandum Only)
Cash and cash equivalents	\$ 6,649,739	\$ 273,963	\$ 2,765,666	\$ 9,689,368	\$ 8,951,739
Receivables (net of allowance for uncollectibles)					
Property taxes	847,517	-	854,606	1,702,123	1,671,986
Other taxes	1,794,264	-	-	1,794,264	1,778,373
Special assessments	-	-	46,766	46,766	47,438
Accounts-customers	-	-	7,477	7,477	6,876
Other	1,237,826	686,193	5,008	1,929,027	800,891
Due from other funds	38,938	-	25,000	63,938	39,187
Due from other governments	-	-	27,900	27,900	26,026
Prepaid items	27,640	-	13,192	40,832	64,065
Inventory	11,000	-	-	11,000	26,730
Restricted assets					
Cash and cash equivalents	272,042	393,919	6,041	672,002	617,766
	<u>\$ 10,878,966</u>	<u>\$ 1,354,075</u>	<u>\$ 3,751,656</u>	<u>\$ 15,984,697</u>	<u>\$ 14,031,077</u>

See accompanying notes.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	General	WACC Debt Service	Nonmajor	Total	2013
					(Memorandum Only)
Liabilities					
Accounts payable and accrued liabilities	\$ 724,472	\$ -	\$ 26,236	\$ 750,708	\$ 542,429
Construction retainage payable	8,700	-	-	8,700	13,939
Due to other funds	2,000	-	11,062	13,062	4,996
Unearned revenue	287,320	-	28,009	315,329	2,485,185
Total liabilities	1,022,492	-	65,307	1,087,799	3,046,549
Deferred inflows of resources					
Unavailable revenue					
Property taxes	847,517	-	854,606	1,702,123	-
Special assessments	-	-	46,766	46,766	-
Other receivables	-	686,193	-	686,193	-
Total deferred inflows of resources	847,517	686,193	901,372	2,435,082	-
Fund balances					
Nonspendable					
Prepays	27,640	-	13,192	40,832	64,065
Inventory	11,000	-	-	11,000	26,730
Restricted for:					
Special Police Funds	179,345	-	-	179,345	129,574
Debt Service	90,697	393,919	-	484,616	487,923
Civil Defense	-	-	25,718	25,718	24,846
Audit	-	-	18,507	18,507	16,709
Motor Fuel Tax	-	-	619,247	619,247	514,949
Incremental Tax	-	-	1,222,562	1,222,562	1,076,071
Liability Insurance	-	-	193,371	193,371	148,932
Assigned for:					
Capital Projects	741,485	-	-	741,485	427,706
Cemetery	-	-	336,111	336,111	276,644
Storm Water Management	-	-	23,738	23,738	51,794
Illinois Municipal Retirement	-	-	148,128	148,128	169,906
Social Security	-	-	189,424	189,424	178,346
Debt Service	-	273,963	-	273,963	265,048
Unassigned	7,958,790	-	(5,021)	7,953,769	7,125,285
Total fund balances	9,008,957	667,882	2,784,977	12,461,816	10,984,528
	\$ 10,878,966	\$ 1,354,075	\$ 3,751,656	\$ 15,984,697	\$ 14,031,077

CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2014

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balances - governmental funds	\$ 12,461,816
Capital assets used in governmental activities of \$38,712,676, net of accumulated depreciation of \$11,991,520 are not financial resources and, therefore, are not reported in the governmental funds.	26,721,156
Property taxes and long term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,435,082
Internal service funds are used to account for the financing of goods or services by one department to other departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	3,189,895
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.	(10,696,930)
Special assessment capital debt obligations are recorded as capital debt proceeds in the governmental funds, but the proceeds create current and long-term receivables and long-term liabilities in the Statement of Net Position.	<u>199,235</u>
Net position of governmental activities.	<u><u>\$ 34,310,254</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2014

	General	WACC Debt Service	Nonmajor	Total	2013 (Memorandum Only)
REVENUES					
Property taxes	\$ 801,382	\$ -	\$ 904,139	\$ 1,705,521	\$ 1,667,174
Licenses and permits	499,061	-	-	499,061	347,478
Intergovernmental	7,125,572	-	474,906	7,600,478	7,487,969
Grant proceeds	1,228,937	-	-	1,228,937	166,288
Charges for services	80,832	-	125,100	205,932	159,873
Fines and forfeitures	190,254	-	-	190,254	197,201
Interest	27,222	39,310	10,394	76,926	90,517
Rental	22,236	-	-	22,236	-
Other	103,317	12,750	52,648	168,715	209,669
	<u>10,078,813</u>	<u>52,060</u>	<u>1,567,187</u>	<u>11,698,060</u>	<u>10,326,169</u>
EXPENDITURES					
Current					
General government	2,551,801	-	855,137	3,406,938	1,673,180
Public safety	4,052,543	-	7,576	4,060,119	3,916,140
Highways and streets	1,604,436	-	-	1,604,436	1,646,075
Health and welfare	16,394	-	-	16,394	17,278
Cemetery	-	-	68,089	68,089	63,181
Capital outlay	5,026,030	-	541,305	5,567,335	1,216,548
Debt service					
Principal	-	165,000	156,720	321,720	308,160
Interest	-	224,694	41,712	266,406	284,882
	<u>13,251,204</u>	<u>389,694</u>	<u>1,670,539</u>	<u>15,311,437</u>	<u>9,125,444</u>
Excess (deficiency) of revenues over expenditures	<u>(3,172,391)</u>	<u>(337,634)</u>	<u>(103,352)</u>	<u>(3,613,377)</u>	<u>1,200,725</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	67,687	345,000	527,689	940,376	1,318,028
Transfers out	(765,489)	-	(50,023)	(815,512)	(1,240,719)
Debt issuance	4,965,801	-	-	4,965,801	-
Total other financing sources	<u>4,267,999</u>	<u>345,000</u>	<u>477,666</u>	<u>5,090,665</u>	<u>77,309</u>
Net change in fund balances	1,095,608	7,366	374,314	1,477,288	1,278,034
FUND BALANCES, BEGINNING OF YEAR	<u>7,913,349</u>	<u>660,516</u>	<u>2,410,663</u>	<u>10,984,528</u>	<u>9,706,494</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,008,957</u>	<u>\$ 667,882</u>	<u>\$ 2,784,977</u>	<u>\$ 12,461,816</u>	<u>\$ 10,984,528</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2014

RECONCILIATION TO STATEMENT OF ACTIVITIES

Net change in fund balances - governmental funds	\$ 1,477,288
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases capitalized	5,567,335
Capital asset impairment loss	(2,030,073)
Depreciation expense	(1,553,427)
	1,983,835
Capital contributions made to the City that are not recorded as proceeds in the governmental fund, but are reported in the Statement of Activities.	404,119
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Capital debt obligation principal payments	321,720
Issuance of debt is revenue in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.	(4,983,266)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(49,074)
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.	(76,955)
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.	288,013
Implementation of <i>GASB 65 Items Previously Reported as Assets and Liabilities</i> requires writing off any remaining bond costs in the year of implementation.	(78,092)
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.	24,283
	(2,165,417)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (688,129)

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2013 (Memorandum Only)
	Waterworks	Sewerage	Total		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,703,188	\$ 6,250,864	\$ 8,954,052	\$ 2,582,992	\$ 10,293,653
Investments	206,392	100,753	307,145	-	305,097
Receivables (net of allowance for uncollectibles)					
Accounts - customers	2,681	11,797	14,478	-	8,795
Estimated unbilled usage	219,315	415,364	634,679	-	896,856
Interest	-	-	-	-	259
Other	33,317	103,109	136,426	227,515	1,874,346
Due from other funds	28,956	2,470	31,426	-	27,485
Prepaid items	5,397	6,403	11,800	1,698	19,629
Restricted assets					
Cash and cash equivalents	7,383	1,124,016	1,131,399	-	1,091,482
Total current assets	3,206,629	8,014,776	11,221,405	2,812,205	14,517,602
Capital assets, net of accumulated depreciation	9,462,462	19,928,083	29,390,545	1,036,651	30,972,856
Total assets	\$ 12,669,091	\$ 27,942,859	\$ 40,611,950	\$ 3,848,856	\$ 45,490,458

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2014**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2013 (Memorandum Only)
	Waterworks	Sewerage	Total		
LIABILITIES AND NET POSITION					
Current liabilities					
Current maturities of long term debt	\$ 7,480	\$ 550,188	\$ 557,668	\$ -	\$ 542,321
Accounts payable and accrued liabilities	28,284	264,996	293,280	79,209	2,144,683
Accrued compensated absences	3,126	10,768	13,894	213	8,619
Retainage payable	-	10,853	10,853	-	1,394
Current portion of lease payable	-	-	-	15,368	14,885
Due to other funds	-	62,816	62,816	17,016	59,206
Unearned revenue	-	11,625	11,625	-	-
Customer deposits	301,725	-	301,725	-	290,870
Total current liabilities	340,615	911,246	1,251,861	111,806	3,061,978
Noncurrent liabilities					
Lease payable	-	-	-	37,830	53,198
Accrued compensated absences	32,138	28,374	60,512	7,481	70,665
IEPA loans payable, net of current maturities	-	5,207,958	5,207,958	-	5,676,687
Bonds payable, net of current maturities	22,865	243,055	265,920	-	352,640
Total noncurrent liabilities	55,003	5,479,387	5,534,390	45,311	6,153,190
Total liabilities	395,618	6,390,633	6,786,251	157,117	9,215,168
Net position					
Invested in capital assets, net of related debt	9,432,117	13,926,882	23,358,999	1,036,651	24,401,208
Restricted for:					
IEPA loan debt service	-	1,074,405	1,074,405	-	1,033,401
Bond debt service	7,383	49,611	56,994	-	58,081
Unrestricted	2,833,973	6,501,328	9,335,301	2,655,088	10,782,600
Total net position	12,273,473	21,552,226	33,825,699	3,691,739	36,275,290
	\$ 12,669,091	\$ 27,942,859		\$ 3,848,856	\$ 45,490,458
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			501,844		
Net position of business-type activities			\$ 34,327,543		

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>	<u>2013 (Memorandum Only)</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>		
OPERATING REVENUES					
Metered sales	\$ 1,156,487	\$ 1,947,686	\$ 3,104,173	\$ -	\$ 3,262,229
Charges for services	146,537	595,465	742,002	1,964,222	2,663,588
Employee contributions	-	-	-	126,665	106,578
Other	14,438	56,961	71,399	49,427	120,492
	<u>1,317,462</u>	<u>2,600,112</u>	<u>3,917,574</u>	<u>2,140,314</u>	<u>6,152,887</u>
OPERATING EXPENSES					
General and administrative	-	-	-	31,159	21,336
Personal services	559,012	742,261	1,301,273	1,390,785	2,154,019
Heat, light, and power	116,982	146,953	263,935	-	264,017
Materials and supplies	165,628	20,566	186,194	202,754	355,094
Other services and charges	133,905	202,098	336,003	101,941	457,012
Depreciation	391,941	667,938	1,059,879	219,432	1,280,494
	<u>1,367,468</u>	<u>1,779,816</u>	<u>3,147,284</u>	<u>1,946,071</u>	<u>4,531,972</u>
Operating income (loss)	(50,006)	820,296	770,290	194,243	1,620,915
NONOPERATING (REVENUES) EXPENSES					
Interest income	(13,419)	(28,610)	(42,029)	(10,843)	(69,919)
Rental income	(28,518)	-	(28,518)	-	(44,249)
Interest and fiscal agent fee expense	1,471	42,062	43,533	1,962	54,126
Grant proceeds	(23,474)	(50,146)	(73,620)	(214,841)	-
Tornado recovery	30,799	85,895	116,694	55,325	-
(Gain) loss on sale of equipment	-	-	-	(1,325)	24,046
	<u>(33,141)</u>	<u>49,201</u>	<u>16,060</u>	<u>(169,722)</u>	<u>(35,996)</u>
Net income (loss) before capital contributions and transfers	(16,865)	771,095	754,230	363,965	1,656,911
CAPITAL CONTRIBUTIONS FROM DEVELOPERS	81,218	167,599	248,817	-	265,049
TRANSFERS IN (OUT), NET	(31,767)	(89,633)	(121,400)	(3,464)	(77,309)
Change in net position	32,586	849,061	881,647	360,501	1,844,651
TOTAL NET POSITION, BEGINNING OF YEAR	<u>12,240,887</u>	<u>20,703,165</u>		<u>3,331,238</u>	<u>34,430,639</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 12,273,473</u>	<u>\$ 21,552,226</u>		<u>\$ 3,691,739</u>	<u>\$ 36,275,290</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>75,952</u>		
Change in net position of business-type activities			<u>\$ 957,599</u>		

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2014**

	Business-Type Activities - Enterprise Funds			Governmental Activities -	2013
	Waterworks	Sewerage	Total	Internal Service Funds	(Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,400,309	\$ 2,718,610	\$ 4,118,919	\$ 3,460,086	\$ 5,325,600
Receipts from interfund services provided	-	-	-	541,900	819,111
Payments to suppliers	(475,226)	(345,535)	(820,761)	(3,512,607)	(2,099,638)
Payments to employees	(556,651)	(739,831)	(1,296,482)	(107,612)	(1,243,422)
Receipt of utility customer deposits	10,855	-	10,855	-	17,875
Net cash provided by operating activities	379,287	1,633,244	2,012,531	381,767	2,819,526
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
(Advances to) repayments from other funds	(3,941)	3,610	(331)	17,016	21,390
Transfers to other funds	(31,767)	(89,633)	(121,400)	(3,464)	(77,309)
Net cash used in noncapital and related financing activities	(35,708)	(86,023)	(121,731)	13,552	(55,919)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(128,121)	(860,618)	(988,739)	(155,741)	(783,925)
Insurance proceeds	46,954	612,692	659,646	-	-
Proceeds from sale of equipment	-	-	-	1,325	24,200
Grant proceeds	-	3,849	3,849	-	-
Loan proceeds	-	-	-	-	384,694
Principal paid on capital leases	-	-	-	(14,885)	(9,662)
Principal paid on bond and loan maturities	(7,480)	(532,622)	(540,102)	-	(522,683)
Interest paid on bonds and loans	(1,471)	(44,332)	(45,803)	(1,962)	(54,126)
Net cash provided by (used in) capital and related financing activities	(90,118)	(821,031)	(911,149)	(171,263)	(961,502)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	13,563	28,725	42,288	10,843	69,976
Rental income received	28,518	-	28,518	-	44,249
Proceeds from sale/maturity of investments	-	-	-	-	47,022
Purchase of investments	(1,446)	(602)	(2,048)	-	(151)
Net cash provided by investing activities	40,635	28,123	68,758	10,843	161,096
NET CHANGE IN CASH AND CASH EQUIVALENTS	294,096	754,313	1,048,409	234,899	1,963,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,416,475	6,620,567	9,037,042	2,348,093	9,421,934
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,710,571	\$ 7,374,880	\$10,085,451	\$ 2,582,992	\$ 11,385,135

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>	<u>2013 (Memorandum Only)</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>		
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (50,006)	\$ 820,296	\$ 770,290	\$ 194,243	\$ 1,620,915
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	391,941	667,938	1,059,879	219,432	1,280,494
Tornado recovery	(30,799)	(85,895)	(116,694)	(55,325)	-
(Increase) decrease in usage receivable	92,690	167,369	260,059	-	(55,163)
(Increase) decrease in other receivables	(9,843)	(60,496)	(70,339)	1,861,672	(1,827,291)
(Increase) decrease in prepaid items	2,057	2,786	4,843	1,288	(49)
Increase (decrease) in accounts payable and accrued liabilities	(27,101)	98,248	71,147	(1,840,952)	1,786,544
Increase (decrease) in accrued compensated absences	887	520	1,407	1,409	(5,193)
Increase in unearned revenue	-	11,625	11,625	-	-
Increase (decrease) in retainage payable	(1,394)	10,853	9,459	-	1,394
Increase in customer deposits	10,855	-	10,855	-	17,875
Net cash provided by operating activities	\$ 379,287	\$ 1,633,244	\$ 2,012,531	\$ 381,767	\$ 2,819,526

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

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>	
Cash and cash equivalents	\$ 2,703,188	\$ 6,250,864	\$ 8,954,052	\$ 2,582,992
Restricted cash and cash equivalents	7,383	1,124,016	1,131,399	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,710,571	\$ 7,374,880	\$ 10,085,451	\$ 2,582,992

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
APRIL 30, 2014**

	<u>Pension Trust</u>	<u>Agency Special</u>		<u>2013</u>
	<u>Police</u>	<u>Assessment</u>	<u>Total</u>	<u>(Memorandum</u>
	<u>Pension</u>	<u>Collection</u>		<u>Only)</u>
ASSETS				
Cash and cash equivalents	\$ 176,165	\$ -	\$ 176,165	\$ 237,239
Investments	6,014,447	-	6,014,447	5,665,936
Receivables (net of allowance for uncollectibles)				
Employer contribution	296,466	-	296,466	267,004
Interest	4,157	-	4,157	9,399
Other	16	2,470	2,486	2,470
	<u>\$ 6,491,251</u>	<u>\$ 2,470</u>	<u>\$ 6,493,721</u>	<u>\$ 6,182,048</u>
LIABILITIES AND NET POSITION				
Liabilities				
Due to other funds	\$ -	\$ 2,470	\$ 2,470	\$ 2,470
Net Position				
Reserved for police pension benefits	<u>6,491,251</u>	<u>-</u>	<u>6,491,251</u>	<u>6,179,578</u>
Total net position	<u>6,491,251</u>	<u>-</u>	<u>6,491,251</u>	<u>6,179,578</u>
	<u>\$ 6,491,251</u>	<u>\$ 2,470</u>	<u>\$ 6,493,721</u>	<u>\$ 6,182,048</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
YEAR ENDED APRIL 30, 2014

	<u>Pension Trust</u>	
	Police Pension	2013 (Memorandum Only)
Additions		
Contributions		
Plan members' contributions	\$ 110,135	\$ 110,124
Employer contributions	303,294	274,706
Other	-	50
Investment earnings		
Investment income	102,807	122,262
Net gain in fair value of investments	281,563	226,877
	<u>797,799</u>	<u>734,019</u>
Deductions		
Benefits paid	460,314	388,992
Administrative expenses	25,812	40,350
	<u>486,126</u>	<u>429,342</u>
Change in net position	311,673	304,677
Net position		
Beginning of year	<u>6,179,578</u>	<u>5,874,901</u>
End of year	<u>\$ 6,491,251</u>	<u>\$ 6,179,578</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2014

	Balance				Balance
	April 30, 2013	Additions	Deductions		April 30, 2014
SPECIAL ASSESSMENT					
COLLECTION FUND					
ASSETS					
Due from property owners	\$ 2,470	\$ 11	\$ 11		\$ 2,470
LIABILITIES					
Due to other funds	\$ 2,470	\$ 11	\$ 11		\$ 2,470
POLICE BOND REMITTANCE FUND					
ASSETS					
Cash	\$ -	\$ 19,065	\$ 19,065		\$ -
LIABILITIES					
Due to other governmental entities	\$ -	\$ 19,065	\$ 19,065		\$ -
EMERGENCY ASSISTANCE FUND					
ASSETS					
Cash	\$ -	\$ 181	\$ 181		\$ -
LIABILITIES					
Due to other governmental entities	\$ -	\$ 181	\$ 181		\$ -
TOTAL - ALL AGENCY FUNDS					
ASSETS					
Cash	\$ -	\$ 19,246	\$ 19,246		\$ -
Due from property owners	2,470	11	11		2,470
	\$ 2,470	\$ 19,257	\$ 19,257		\$ 2,470
LIABILITIES					
Due to other funds	\$ 2,470	\$ 11	\$ 11		\$ 2,470
Due to other governmental entities	-	19,246	19,246		-
	\$ 2,470	\$ 19,257	\$ 19,257		\$ 2,470

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Nature of Operations

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

B. Financial Reporting Entity

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

C. Basis of Presentation

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

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

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

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

Basis of Accounting

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 75 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

E. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified accrual basis of accounting, which is the same basis that is used in the fund financial reporting. This allows for comparability between budget and actual amounts. The budget was passed on April 15, 2013 and amended on April 23, 2014.

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

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

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 1, the budget is legally adopted through passage of an ordinance.

- (4) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. No revision of the budget can be made increasing the budget in the event funds are not available.

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

F. Cash and Cash Equivalents

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

G. Investments

Investments classified in the financial statements consist of certificates of deposit 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, 2014 was passed December 24, 2012. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

I. Prepaid Items

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

J. Restricted Assets

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

K. Capital Assets

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

Government-Wide Statements

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

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

Capitalization

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

Fund Financial Statements

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

L. Compensated Absences

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

The City's vacation policy allows each regular full-time employee assigned as a commander or to a position classification of a range lower than 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 position.

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

O. Equity Classification

Government-Wide Statements

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

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

The governmental activities column of the government wide statement of net position reports \$2,258,750 of restricted net position for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$18,507, the motor fuel fund of \$619,247, incremental tax of \$1,222,562 and liability insurance of \$193,371. In addition, \$25,718 is restricted for civil defense, and \$179,345 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 Position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

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

S. Deferred Inflows and Outflows of Resources

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

Deferred inflows of resources: In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, in the current year. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format, reclassified certain assets and liabilities to deferred outflows/inflows of resources and the City wrote-off bond issuance costs that had previously been capitalized.

T. Subsequent Events

The City has evaluated subsequent events through October 22, 2014, the date which the financial statements were available to be issued.

NOTE 2. NATURAL DISASTER

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

In 2014, the City received a grant of \$1,474,686 from the Illinois Emergency Management Agency for reimbursement of expenditures for recovery efforts that began immediately after the tornado. This grant is reflected as an operating grant in the accompanying statement of activities. The City accumulated the direct and indirect costs of the tornado recovery efforts and recorded them in the appropriate funds. Excluding asset impairment losses, the City had expended \$1,717,858 in tornado recovery costs through April 30, 2014. The City realized \$2,030,073 in asset impairment losses for damages to its infrastructure. See Note 4 Capital Assets for more information on the asset impairment.

Subsequent to year end, the City received \$6.5 million from the Illinois Department of Transportation to repair infrastructure damage from the tornado.

NOTE 3. CASH AND INVESTMENTS

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

Deposits

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

The City’s cash and cash equivalents at April 30, 2014 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, 2014, 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, 2014:

	<u>Carrying Amount</u>
Illinois Funds	\$ 948,730
Money market funds	20,890,960
Checking and savings	1,365,688
Cash on hand	600
Total cash and cash equivalents	<u><u>\$ 23,205,978</u></u>

The deposits are reflected on the financial statements at April 30, 2014 as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 21,226,412
Restricted assets – cash and cash equivalents	1,803,401
Statement of fiduciary net position:	
Cash and cash equivalents	176,165
	<u><u>\$ 23,205,978</u></u>

Investments

As of April 30, 2014, 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	\$ 307,145	N/A	0.44
Fiduciary Fund			
Certificates of deposit	3,182,255	N/A	2.12
Mutual funds-bonds	171,670	N/A	N/A
Mutual funds-equities	1,315,175	N/A	N/A
Mutual funds-diversified	517,886	N/A	5.93
Annuities-equities	712,537	N/A	N/A
Annuities-diversified	114,924	N/A	6.60
Total Fiduciary Fund Investments	<u>6,014,447</u>		
Total Investments	<u>\$ 6,321,592</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, 2014 are as follows:

Washington State Bank Certificates of Deposit	\$ 1,235,579
GE Capital Bank Certificates of Deposit	351,836

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2014 was as follows:

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2014</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 745,515	\$ 4,965,000	\$ -	\$ 5,710,515
Construction in process	465,852	12,914	401,189	77,577
	<hr/>			
Total capital assets not being depreciated	1,211,367	4,977,914	401,189	5,788,092
	<hr/>			
Other capital assets:				
Land improvements	370,150	-	-	370,150
Buildings	4,572,257	4,948	-	4,577,205
Infrastructure	25,618,637	1,346,612	-	26,965,249
Equipment and vehicles	3,221,046	198,911	41,051	3,378,906
	<hr/>			
Total other capital assets	33,782,090	1,550,471	41,051	35,291,510
	<hr/>			
Less accumulated depreciation for:				
Land improvements	136,037	20,058	-	156,095
Buildings	877,376	98,272	-	975,648
Infrastructure	6,946,835	3,403,860	-	10,350,695
Equipment and vehicles	1,599,665	280,743	41,051	1,839,357
	<hr/>			
Total accumulated depreciation	9,559,913	3,802,933	41,051	13,321,795
	<hr/>			
Other capital assets, net	24,222,177	(2,252,462)	-	21,969,715
	<hr/>			
Governmental activities, net	\$ 25,433,544	\$ 2,725,452	\$ 401,189	\$ 27,757,807
	<hr/>			

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30,</u> <u>2014</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 204,676	\$ 37,500	\$ -	\$ 242,176
Construction in process	331,110	240,201	171,614	399,697
	<hr/>			
Total capital assets not being depreciated	535,786	277,701	171,614	641,873
	<hr/>			
Other capital assets:				
Water system	13,321,120	358,261	-	13,679,381
Sewer system	29,378,081	789,302	37,500	30,129,883
Equipment	1,102,625	21,404	-	1,124,029
	<hr/>			
Total other capital assets	43,801,826	1,168,967	37,500	44,933,293
	<hr/>			
Less accumulated depreciation for:				
Water system	4,196,975	414,188	-	4,611,163
Sewer system	9,460,975	1,272,993	-	10,733,968
Equipment	807,148	32,342	-	839,490
	<hr/>			
Total accumulated depreciation	14,465,098	1,719,523	-	16,184,621
	<hr/>			
Other capital assets, net	29,336,728	(550,556)	37,500	28,748,672
	<hr/>			
Business- type activities, net	<u>\$ 29,872,514</u>	<u>\$ (272,855)</u>	<u>\$ 209,114</u>	<u>\$ 29,390,545</u>

On November 17, 2013, the City was severely impacted by a powerful EF-4 tornado. The City suffered direct damages the water and sewer plants and various other capital assets. In addition to the direct damages, the City's infrastructure was significantly impacted by the cleanup efforts and rebuilding process. Accordance with *GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the City evaluated Capital Assets for Impairment. The City realized an impairment loss of \$2,030,073 related to damages to the City's infrastructure. The City also realized an impairment loss of \$659,644 in the Water and Sewer Funds, for damages to the utility plants, however the City was insured from these losses and received payments from insurers for the depreciated cost of the losses equal to the impairment loss. Thus, no gains or losses were recorded in these funds. As the utility plants are rebuilt and replacement cost insurance proceeds are received these will be recorded in future years as impairment gains.

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

Governmental Activities:

General government	\$ 49,651
Public safety	91,381
Highways and streets	1,406,544
Cemetery	5,851
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>219,432</u>
Total depreciation expense for governmental activities	<u>\$ 1,772,859</u>

Business-Type Activities:

Water	\$ 391,941
Sewer	<u>667,938</u>
Total depreciation expense for business-type activities	<u>\$ 1,059,879</u>

NOTE 5. LONG-TERM DEBT

The City's long term debt is segregated between amounts to be paid from governmental activities and amounts repaid from business type activities. The changes in the City's long-term debt for the year ended April 30, 2014 are as follows:

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2014</u>	<u>Amount</u> <u>Due In</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds:					
Special Assessment Bonds, Series 2005	\$ 281,000	\$ -	\$ 35,000	\$ 246,000	\$ 36,000
Alternate Revenue Source, Series 2002**	302,600	-	59,840	242,760	59,840
Alternate Revenue Source, Series 2002B**	328,480	-	61,880	266,600	63,440
General Obligation Bonds, Series 2006	4,639,468	-	189,283	4,450,185	175,000
Capitalized equipment lease	68,083	-	14,885	53,198	15,368
Promissory Note Washington 223	-	4,965,801	-	4,965,801	-
Other postemployment retirement benefits	756	-	-	756	-
Vested compensated absences	332,719	22,756	-	355,475	24,017
Total Governmental Activities	<u>\$ 5,953,106</u>	<u>\$ 4,988,557</u>	<u>\$ 360,888</u>	<u>\$ 10,580,775</u>	<u>\$ 373,665</u>

Business-Type Activities:

General obligation bonds:

Alternate Revenue Source, Series 2002**	\$ 142,400	\$ -	\$ 28,160	\$ 114,240	\$ 28,160
Alternate Revenue Source, Series 2002B**	295,520	-	57,120	238,400	58,560
1997 Illinois Environmental Protection Agency Loan	934,695	-	176,368	758,327	181,502
2009 Illinois Environmental Protection Agency Loan	5,199,033	-	278,454	4,920,579	289,446
Vested compensated absences	72,999	10,323	8,916	74,406	13,894
	<hr/>				
Total Business-Type Activities	\$ 6,644,647	\$ 10,323	\$ 549,018	\$ 6,105,952	\$ 571,562
	<hr/>				

** 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 related to water and sewer activities is 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:

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
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	42,000	4.75	6,270	48,270
2019	44,000	4.75	4,275	48,275
2020	46,000	4.75	2,185	48,185
	<hr/>			
Total	\$ 246,000		\$ 42,560	\$ 288,560
	<hr/>			

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

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

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Principal and interest	Amount that results from deposit of property tax levy receipts less payment of principal and interest on the bonds as they become due. As of April 30, 2014, \$6,041 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, 2014, 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>\$ 6,041</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:

<u>Years Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Total</u>
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	<u>93,000</u>	4.75	<u>2,204</u>	<u>95,204</u>
Total	<u>\$ 357,000</u>		<u>\$ 34,268</u>	<u>\$ 391,268</u>

Payable from:

Governmental Funds	\$ 242,760
Enterprise Funds	<u>114,240</u>
	<u>\$ 357,000</u>

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

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

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2014, 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, 2014, \$86,862 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

General Fund	\$ 59,066
Waterworks Fund	7,383
Sewerage Fund	<u>20,413</u>
	<u>\$ 86,862</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:

<u>Years Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 122,000	4.75	\$ 23,988	\$ 145,988
2016	125,000	4.75	18,192	143,192
2017	128,000	4.75	12,255	140,255
2018	<u>130,000</u>	4.75	<u>6,173</u>	<u>136,173</u>
Total	<u>\$ 505,000</u>		<u>\$ 60,608</u>	<u>\$ 565,608</u>

Payable from:

Governmental Funds	\$ 266,600
Enterprise Funds	238,400
	<u>\$ 505,000</u>

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

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

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2014, 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, 2014, \$60,828 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

General Fund	\$ 31,631
Sewerage Fund	<u>29,197</u>
	<u>\$ 60,828</u>

General Obligation Bonds

In fiscal year 2007, the City issued General Obligation Bonds, Series 2006. The proceeds of these bonds were used to construct a community center complex within the City. The Bonds constitute valid and legally binding full faith and credit general obligations of the City, payable from ad valorem taxes levied on all taxable property in the City, without limitation as to rate or amount. The City, however, expects these bonds to be paid by sales and income taxes. The debt service requirements on these bonds are as follows:

Years Ending April 30,	Principal	Interest Rate	Interest	Total
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	225,000	4.125	166,128	391,128
2020-2021	470,000	4.125-5.00	302,744	772,744
2022-2026	1,405,000	5.00	531,375	1,936,375
2027-2030	1,395,000	5.00	143,625	1,538,625
Total	4,275,000		\$ 1,918,123	\$ 6,193,123
Bond premium	428,165			
Accumulated amortization	(252,980)			
	\$ 4,450,185			

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 \$24,283 for the year ended April 30, 2014.

Account	Amount	Nature of Authorized Expenditures
Project	Proceeds of bonds net of issuance costs. As of April 30, 2014, 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, 2014, \$393,919 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

Debt Service Fund	\$ 393,919
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Promissory Note

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

Years Ending April 30,	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	2.75	\$ 136,560	\$ 136,560
2016	-	2.75	136,560	136,560
2017	-	2.75	136,560	136,560
2018	-	2.75	136,560	136,560
2019	-	2.75	136,560	136,560
2020	-	2.75	136,560	136,560
2021	<u>4,965,801</u>	2.75	<u>136,560</u>	<u>5,102,361</u>
Total	<u>\$ 4,965,801</u>		<u>\$ 955,920</u>	<u>\$ 5,921,721</u>

Capital Lease

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

The future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 15,368	\$ 1,478	\$ 16,846
2016	15,867	979	16,846
2017	16,382	464	16,846
2018	<u>5,581</u>	<u>37</u>	<u>5,618</u>
	<u>\$ 53,198</u>	<u>\$ 2,958</u>	<u>\$ 56,156</u>

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>
2015	\$ 181,502	\$ 20,614	\$ 202,116
2016	186,786	15,330	202,116
2017	192,223	9,893	202,116
2018	197,816	4,299	202,115
Total	\$ 758,327	\$ 50,136	\$ 808,463

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, 2014, \$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, 2014, \$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, 2014, \$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
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2009 IEPA Loan Payable

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

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 289,446	\$ -	\$289,446
2016	289,446	-	289,446
2017	289,446	-	289,446
2018	289,446	-	289,446
2019	289,446	-	289,446
2020-2024	1,447,230	-	1,447,230
2025-2029	1,447,230	-	1,447,230
2030-2031	578,889	-	578,889
Total	\$ 4,920,579	\$ -	\$ 4,920,579

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, 2014, \$133,062 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 \$267,464 (maximum annual debt service). As of April 30, 2014, \$267,464 has been accumulated.	Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds.
(d) Depreciation	1/120 of 10% of the total outstanding debt, until the account accumulates the total sum of \$521,553. As of April 30, 2014, \$293,078 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

\$ 693,604

Debt Covenants

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

NOTE 6. 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. During the year, the private-sector entity paid off these bonds.

NOTE 7. RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

Illinois Municipal Retirement Fund

Plan Description. The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's plan members are required to contribute 4.50 percent of their annual covered salary. The 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 2013 was 14.96 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 2013 was \$345,393.

Three Year Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/13	\$ 345,393	100%	\$ -
12/31/12	293,757	100%	-
12/31/11	293,891	100%	-

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, 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, 2011 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, 2013, the most recent actuarial valuation date, the Regular plan was 63.42 percent funded. The actuarial accrued liability for benefits was \$6,874,716 and the actuarial value of assets was \$4,359,873, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,514,843. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$2,308,780 and the ratio of the UAAL to the covered payroll was 109 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, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u>31</u>
Number of participating employers	<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 22.78 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, 2013 (the date of the latest actuarial valuation) were as follows:

Annual Required Contribution (ARC)	\$ 304,709
Interest on net pension obligation	(1,974)
Adjustment to ARC	<u>1,275</u>
Annual pension cost	304,010
Contributions made	<u>274,706</u>
Increase in net pension obligation	29,304
Net pension obligation, beginning of year	<u>(28,207)</u>
Net pension obligation, end of year	<u><u>\$ 1,097</u></u>

The required contribution was determined as part of the May 1, 2013 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

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
5/1/13	\$ 304,010	90.4%	\$ 1,097
5/1/12	247,629	101.0%	(28,207)
5/1/11	264,413	100.9%	(25,715)

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, 2014, the retiree’s portion of coverage is \$100/month for family and \$50/month for single. Membership of the plan consisted of the following at April, 30 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active vested plan members	28
Active plan members	28
Total	<u>66</u>
Number of participating employers	<u>1</u>

Funding Policy

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

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2014, the City contributed \$150,100.

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, 2014 (based on the latest actuarial valuation on April 30, 2013) were as follows:

Annual Required Contribution (ARC)	\$ 150,272
Interest on net OPEB obligation	(1,029)
Adjustment to ARC	<u>857</u>
Annual OPEB cost	150,100
Contributions made	<u>150,100</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>756</u>
Net OPEB obligation, end of year	<u><u>\$ 756</u></u>

Three Year Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
5/1/13	\$ 150,100	82.4%	\$ 756

Funded status and funding progress

As of April 30, 2013, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,210,847 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$3,210,847.

Actuarial methods and assumptions

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

The actuarial assumptions included a 4 percent investment rate of return which is based on the expected long-term investment return of the City’s own investments used to pay plan benefits, discount rate of 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 four retirement health savings plans which cover the unionized telecommunicators, the unionized police and public services employees and non-union employees hired after July 31, 1998. The City will contribute 1.75% of an eligible participant’s base wage plus longevity, with the exception of police officers who receive 1.5% of base plus longevity on an annual basis. The funds will be available to any participant upon separation from service. The City’s contribution to the plan for the year ended April 30, 2014 was approximately \$33,000.

NOTE 8. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2014 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 38,938	\$ 2,000
Special Revenue Fund		
Social Security	-	-
Storm Water Management	25,000	-
Internal Service Fund		
Motor Equipment Replacement Fund	-	17,016
Debt Service Fund		
Mallard Crossing Special Assessment Fund	-	11,062
Enterprise and Internal Service Funds		
Waterworks Fund	28,956	-
Sewerage Fund	2,470	62,816
Trust and Agency Fund		
Special Assessment Collection Fund	-	2,470
	<hr/>	<hr/>
Total interfund receivables and payables	\$ 95,364	\$ 95,364

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

NOTE 9. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2014, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 67,687	\$ 765,489
Special Revenue Funds		
Illinois Municipal Retirement Fund	35,900	-
Social Security Fund	69,300	-
Civil Defense Fund	5,000	-
Storm Water Management Fund	142,380	
Internal Service Fund		
Dallas Road Improvement	-	3,464
Capital Projects Fund		
Dallas Road Improvement	125,024	50,023
Debt Service Funds		
South Cummings Lane Fund	72,792	-
Cruger Road Fund	77,293	-
Washington Area Community Center Fund	345,000	-
Enterprise Funds		
Waterworks Fund	22,469	54,236
Sewerage Fund	-	89,633
Total interfund transfers	<u>\$ 962,845</u>	<u>\$ 962,845</u>

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

NOTE 10. SELF INSURANCE

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

The City uses an internal service fund, the Employees' Benefit Fund, to account for and finance its uninsured risks of loss associated with medical and dental claims of its employees and their dependents. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimated payables for claims and losses for medical and hospital claims include an amount for claims incurred but not reported based upon actuarial estimates and prior experience. The City has specific excess insurance that provides coverage when medical and hospital claims in a given year exceed \$50,000 individually over an annual liability period. In addition, two covered individuals had higher reinsurance coverage deductibles, coverage begins when claims exceed \$1,000,000 and \$75,000 in each specific case.

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 \$44,201 at April 30, 2014 have been included in the financial statements as a payable. The City has also recorded a receivable at April 30, 2014 for \$2,206 the amount expected to be reimbursed through reinsurance.

Changes in the claims liability in fiscal years 2014 and 2013 were:

Balance at April 30, 2012	\$ 58,923
Prior year claims and changes in estimates	2,683,620
Prior year claims paid	(841,974)
Balance at April 30, 2013	<u>1,900,569</u>
Current year claims and changes in estimates	959,442
Claims paid	<u>(2,815,810)</u>
Balance at April 30, 2014	<u><u>\$ 44,201</u></u>

NOTE 11. LITIGATION AND CLAIMS

The City has received a demand for payment in the amount of \$666,619 from a health care provider based on alleged assignments of insurance benefits under the City’s self-insurance plan. The claim arises from medical services performed during 2013. The City maintains that even if there were valid assignments of benefits, the City’s obligation under its self-funded insurance plan is capped and that it has paid its providers the maximum amount due under the cap. The City further maintains that the charges exceed what is customary and reasonable for the services. Acting through its third party administrator, the City denied the health care provider’s claim for payment in excess of the cap. No amount has been accrued in these financial statements since the outcome of this matter is uncertain and the amount of liability, if any, cannot be determined.

NOTE 12. COMMITMENTS

The City has agreed to a consent order with the Illinois Environmental Protection Agency (IEPA). This consent order obligates the City to complete the expansion of the Sewer Treatment Plant #2 phase 2A by December 31, 2014 and phase 2B December 31, 2017. The total estimated cost of these projects is \$7,000,000. The IEPA has extended these deadlines due to the tornado recovery efforts.

The City has a contract for repairs needed to Sewer Treatment Plant #2 due to tornado damage. As of April 30, 2014, the total estimated City obligation was \$766,004. A total of \$217,050 has been paid or is included in payables as of the year end.

NOTE 13. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2014:

Mallard Crossing – Debt Service Fund	\$5,021
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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, 2014

	General Fund			Variance Favorable (Unfavorable)
	Budget	Final	Actual	
REVENUES				
Property taxes	\$ 804,000	\$ 804,000	\$ 801,382	\$ (2,618)
Licenses and permits	367,900	367,900	499,061	131,161
Intergovernmental	7,167,300	7,167,300	7,125,572	(41,728)
Grant proceeds	464,620	464,620	1,228,937	764,317
Charges for services	78,666	78,666	80,832	2,166
Fines and forfeitures	138,200	138,200	190,254	52,054
Interest	30,610	30,610	27,222	(3,388)
Rental	-	-	22,236	22,236
Other	45,500	45,500	103,317	57,817
	<u>9,096,796</u>	<u>9,096,796</u>	<u>10,078,813</u>	<u>982,017</u>
EXPENDITURES				
Current				
General government	1,156,825	2,906,825	2,551,801	355,024
Public safety	4,211,357	4,211,357	4,052,543	158,814
Highways and streets	1,711,720	1,711,720	1,604,436	107,284
Health and welfare	18,700	18,700	16,394	2,306
Capital outlay	1,013,160	313,160	5,026,030	(4,712,870)
	<u>8,111,762</u>	<u>9,161,762</u>	<u>13,251,204</u>	<u>(4,089,442)</u>
Excess (deficiency) of revenue over expenditures	<u>985,034</u>	<u>(64,966)</u>	<u>(3,172,391)</u>	<u>(3,107,425)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22,770	22,770	67,687	44,917
Transfers out	(887,626)	(887,626)	(765,489)	122,137
Debt issuance	-	-	4,965,801	4,965,801
Total other financing sources (uses)	<u>(864,856)</u>	<u>(864,856)</u>	<u>4,267,999</u>	<u>5,132,855</u>
Net change in fund balances	<u>\$ 120,178</u>	<u>\$ (929,822)</u>	<u>\$ 1,095,608</u>	<u>\$ 2,025,430</u>

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

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2013	\$ 4,359,873	\$ 6,874,716	\$ 2,514,843	63.42 %	\$ 2,308,780	108.93 %
12/31/2012	4,470,911	6,842,337	2,371,426	65.34	2,087,828	113.58
12/31/2011	3,858,021	6,316,642	2,458,621	61.08	2,134,288	115.20

On a market value basis, the actuarial value of the assets as of December 31, 2013 is \$5,420,506. On a market basis, the funded ratio would be 78.85%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Washington. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

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

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2013	\$ 6,179,579	\$ 9,402,034	\$3,222,455	65.7 %	\$1,205,760	267.3 %
2012	5,874,900	8,784,493	2,909,593	66.9	1,115,826	260.8
2011	5,796,480	8,032,667	2,236,187	72.2	1,105,881	202.2

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

(Unaudited - See Accompanying Independent Auditors' Report)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date (Year beginning May 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2014	\$ -	\$ 3,210,847	\$ 3,210,847	- %
2013	-	3,210,847	3,210,847	-
2012	-	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, 2014**

	General			
	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 804,000	\$ 804,000	\$ 801,382	\$ (2,618)
Licenses and permits	367,900	367,900	499,061	131,161
Intergovernmental	7,167,300	7,167,300	7,125,572	(41,728)
Grant proceeds	464,620	464,620	1,228,937	764,317
Charges for services	78,666	78,666	80,832	2,166
Fines and forfeitures	138,200	138,200	190,254	52,054
Interest	30,610	30,610	27,222	(3,388)
Rental	-	-	22,236	22,236
Other	45,500	45,500	103,317	57,817
Total revenues	9,096,796	9,096,796	10,078,813	982,017
EXPENDITURES				
Current				
General government	1,156,825	2,906,825	2,551,801	355,024
Public safety	4,211,357	4,211,357	4,052,543	158,814
Highways and streets	1,711,720	1,711,720	1,604,436	107,284
Health and welfare	18,700	18,700	16,394	2,306
Cemetery	-	-	-	-
Capital outlay	1,013,160	313,160	5,026,030	(4,712,870)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	8,111,762	9,161,762	13,251,204	(4,089,442)
Excess (deficiency) of revenue over expenditures	985,034	(64,966)	(3,172,391)	(3,107,425)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,770	22,770	67,687	44,917
Transfers out	(887,626)	(887,626)	(765,489)	122,137
Debt issuance	-	-	4,965,801	4,965,801
Total other financing sources (uses)	(864,856)	(864,856)	4,267,999	5,132,855
Net change in fund balances	\$ 120,178	\$ (929,822)	\$ 1,095,608	\$ 2,025,430

Special Revenue				Capital Projects			
Budget		Actual	Variance Favorable (Unfavorable)	Budget		Actual	Variance Favorable (Unfavorable)
Original	Final			Final	Final		
\$ 855,300	\$ 855,300	\$ 856,701	\$ 1,401	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	-
382,000	382,000	474,906	92,906	-	-	-	-
-	-	-	-	-	-	-	-
86,000	86,000	125,100	39,100	-	-	-	-
-	-	-	-	-	-	-	-
13,940	13,940	10,384	(3,556)	-	4	4	4
-	-	-	-	-	-	-	-
52,500	52,500	52,648	148	-	-	-	-
1,389,740	1,389,740	1,519,739	129,999	-	4	4	4
920,600	970,600	855,137	115,463	-	-	-	-
8,990	8,990	7,576	1,414	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
82,950	82,950	68,089	14,861	-	-	-	-
1,366,000	1,366,000	541,305	824,695	16,100	-	16,100	16,100
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,378,540	2,428,540	1,472,107	956,433	16,100	-	16,100	16,100
(988,800)	(1,038,800)	47,632	1,086,432	(16,100)	4	16,104	16,104
360,900	360,900	252,580	(108,320)	125,024	125,024	-	-
-	-	-	-	(49,992)	(50,023)	(31)	(31)
-	-	-	-	-	-	-	-
360,900	360,900	252,580	(108,320)	75,032	75,001	(31)	(31)
\$ (627,900)	\$ (677,900)	\$ 300,212	\$ 978,112	\$ 58,932	\$ 75,005	\$ 16,073	\$ 16,073

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED APRIL 30, 2014**

	Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 48,517	\$ 47,438	\$ (1,079)
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Grant proceeds	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest	4,050	39,316	35,266
Rental	-	12,750	12,750
Other	-	12,750	12,750
	<hr/>	<hr/>	<hr/>
Total revenues	52,567	99,504	46,937
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Cemetery	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	321,720	321,720	-
Interest	266,406	266,406	-
	<hr/>	<hr/>	<hr/>
Total expenditures	588,126	588,126	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue over expenditures	(535,559)	(488,622)	46,937
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	493,085	495,085	2,000
Transfers out	-	-	-
Debt issuance	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	493,085	495,085	2,000
	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ (42,474)	\$ 6,463	\$ 48,937
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED APRIL 30, 2014

	General Corporate	City Hall	Street
REVENUES			
Property taxes	\$ 356,606	\$ -	\$ 183,263
Licenses and permits	499,061	-	-
Intergovernmental	7,090,034	-	7,140
Grant proceeds	1,190,074	-	37,543
Charges for services	-	-	-
Fines and forfeitures	95,649	-	-
Interest	27,069	-	-
Rental	22,236	-	-
Other	49,804	-	11,298
	<u>9,330,533</u>	<u>-</u>	<u>239,244</u>
EXPENDITURES			
General government			
Personal services	458,719	44,196	-
Supplies	12,445	2,735	-
Tornado recovery	1,545,733	-	-
Other services and charges	126,559	25,992	-
Total general government	<u>2,143,456</u>	<u>72,923</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	-	-	743,966
Supplies	-	-	10,762
Centennial road payment	-	-	250,000
Other services and charges	-	-	599,708
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,604,436</u>
Health and welfare			
Other services and charges	13,360	3,034	-
Capital outlay	4,983,559	2,837	38,450
	<u>7,140,375</u>	<u>78,794</u>	<u>1,642,886</u>
Excess (deficiency) of revenue over expenditures	<u>2,190,158</u>	<u>(78,794)</u>	<u>(1,403,642)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	17,187	15,760	34,740
Transfers out	(615,404)	-	(150,085)
Debt issuance	4,965,801	-	-
Total other financing sources (uses)	<u>4,367,584</u>	<u>15,760</u>	<u>(115,345)</u>
Net change in fund balance	<u>\$ 6,557,742</u>	<u>\$ (63,034)</u>	<u>\$ (1,518,987)</u>

FUND BALANCE, BEGINNING OF YEAR

FUND BALANCE, END OF YEAR

	Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2013 (Memorandum Only)
\$	261,513	\$ -	\$ -	\$ -	\$ 801,382	\$ 773,202
	-	-	-	-	499,061	347,478
	12,074	-	-	16,324	7,125,572	7,027,561
	1,320	-	-	-	1,228,937	166,288
	80,832	-	-	-	80,832	87,173
	94,605	-	-	-	190,254	197,201
	153	-	-	-	27,222	34,565
	-	-	-	-	22,236	-
	40,030	2,005	180	-	103,317	116,039
	490,527	2,005	180	16,324	10,078,813	8,749,507
	-	25,819	186,295	-	715,029	628,673
	-	-	1,813	-	16,993	10,817
	-	-	-	-	1,545,733	-
	-	51,678	69,817	-	274,046	261,246
	-	77,497	257,925	-	2,551,801	900,736
	2,910,411	-	-	-	2,910,411	2,605,917
	17,426	-	-	-	17,426	16,770
	33,646	-	-	-	33,646	75,163
	460,415	-	-	630,645	1,091,060	1,211,663
	3,421,898	-	-	630,645	4,052,543	3,909,513
	-	-	-	-	743,966	720,662
	-	-	-	-	10,762	18,513
	-	-	-	-	250,000	-
	-	-	-	-	599,708	906,900
	-	-	-	-	1,604,436	1,646,075
	-	-	-	-	16,394	17,278
	-	-	1,184	-	5,026,030	494,094
	3,421,898	77,497	259,109	630,645	13,251,204	6,967,696
	(2,931,371)	(75,492)	(258,929)	(614,321)	(3,172,391)	1,781,811
	-	-	-	-	67,687	132,717
	-	-	-	-	(765,489)	(1,208,097)
	-	-	-	-	4,965,801	-
	-	-	-	-	4,267,999	(1,075,380)
\$	(2,931,371)	\$ (75,492)	\$ (258,929)	\$ (614,321)	1,095,608	706,431
					7,913,349	7,206,918
					\$ 9,008,957	\$ 7,913,349

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2014**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance	Storm Water Management
ASSETS							
Cash and cash equivalents	\$ 329,678	\$ 26,726	\$ 18,507	\$ 591,347	\$ 1,223,099	\$ 193,371	\$ 27,359
Receivables (net of allowance for uncollectibles)							
Property taxes	-	3,310	30,010	-	199,263	85,002	-
Special assessments	-	-	-	-	-	-	-
Accounts - customers	7,477	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	25,000
Due from other governments	-	-	-	27,900	-	-	-
Prepaid items	545	118	-	-	-	12,529	-
Restricted assets							
Cash and cash equivalents	-	-	-	-	-	-	-
	<u>\$ 337,700</u>	<u>\$ 30,154</u>	<u>\$ 48,517</u>	<u>\$ 619,247</u>	<u>\$ 1,422,362</u>	<u>\$ 290,902</u>	<u>\$ 52,359</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 1,044	\$ 1,008	\$ -	\$ -	\$ 537	\$ -	\$ 612
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	28,009
	<u>1,044</u>	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>537</u>	<u>-</u>	<u>28,621</u>
Deferred inflows of resources							
Unavailable revenue							
Property taxes	-	3,310	30,010	-	199,263	85,002	-
Special assessments	-	-	-	-	-	-	-
	<u>-</u>	<u>3,310</u>	<u>30,010</u>	<u>-</u>	<u>199,263</u>	<u>85,002</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>3,310</u>	<u>30,010</u>	<u>-</u>	<u>199,263</u>	<u>85,002</u>	<u>-</u>
Fund balances							
Nonspendable	545	118	-	-	-	12,529	-
Restricted	-	25,718	18,507	619,247	1,222,562	193,371	-
Assigned	336,111	-	-	-	-	-	23,738
Unassigned	-	-	-	-	-	-	-
	<u>336,656</u>	<u>25,836</u>	<u>18,507</u>	<u>619,247</u>	<u>1,222,562</u>	<u>205,900</u>	<u>23,738</u>
Total fund balances	<u>\$ 337,700</u>	<u>\$ 30,154</u>	<u>\$ 48,517</u>	<u>\$ 619,247</u>	<u>\$ 1,422,362</u>	<u>\$ 290,902</u>	<u>\$ 52,359</u>

Debt Service					
Illinois Municipal Retirement	Social Security	Total	Mallard Crossing	Total Nonmajor Governmental	2013 (Memorandum Only)
\$ 157,128	\$ 198,451	\$2,765,666	\$ -	\$ 2,765,666	\$ 2,493,257
305,000	232,021	854,606	-	854,606	863,299
-	-	-	46,766	46,766	47,438
-	-	7,477	-	7,477	6,876
5,008	-	5,008	-	5,008	34,392
-	-	25,000	-	25,000	108
-	-	27,900	-	27,900	26,026
-	-	13,192	-	13,192	31,589
-	-	-	6,041	6,041	270
\$ 467,136	\$ 430,472	\$3,698,849	\$ 52,807	\$ 3,751,656	\$ 3,503,255
\$ 14,008	\$ 9,027	\$ 26,236	\$ -	\$ 26,236	\$ 149,469
-	-	-	11,062	11,062	4,388
-	-	28,009	-	28,009	938,735
14,008	9,027	54,245	11,062	65,307	1,092,592
305,000	232,021	854,606	-	854,606	-
-	-	-	46,766	46,766	-
305,000	232,021	854,606	46,766	901,372	-
-	-	13,192	-	13,192	31,589
-	-	2,079,405	-	2,079,405	1,781,507
148,128	189,424	697,401	-	697,401	676,690
-	-	-	(5,021)	(5,021)	(79,123)
148,128	189,424	2,789,998	(5,021)	2,784,977	2,410,663
\$ 467,136	\$ 430,472	\$3,698,849	\$ 52,807	\$ 3,751,656	\$ 3,503,255

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2014**

	Special Revenue						
	Cemetery	Civil Defense	Audit	Motor Fuel Tax	Incremental Tax	Liability Insurance	Storm Water Management
REVENUES							
Property taxes	\$ -	\$ 3,270	\$ 29,729	\$ -	\$ 199,651	\$ 99,059	\$ -
Intergovernmental	-	-	-	452,472	-	-	-
Charges for services	125,100	-	-	-	-	-	-
Interest	1,262	6	15	2,080	4,657	133	35
Other	1,118	-	-	-	-	-	51,530
	<u>127,480</u>	<u>3,276</u>	<u>29,744</u>	<u>454,552</u>	<u>204,308</u>	<u>99,192</u>	<u>51,565</u>
EXPENDITURES							
Current							
General government	-	-	27,946	-	57,817	72,902	30,950
Public safety	-	7,576	-	-	-	-	-
Cemetery	68,089	-	-	-	-	-	-
Capital outlay	-	-	-	350,254	-	-	191,051
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
	<u>68,089</u>	<u>7,576</u>	<u>27,946</u>	<u>350,254</u>	<u>57,817</u>	<u>72,902</u>	<u>222,001</u>
Excess (deficiency) of revenues over expenditures	<u>59,391</u>	<u>(4,300)</u>	<u>1,798</u>	<u>104,298</u>	<u>146,491</u>	<u>26,290</u>	<u>(170,436)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	5,000	-	-	-	-	142,380
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,380</u>
Net change in fund balances	59,391	700	1,798	104,298	146,491	26,290	(28,056)
FUND BALANCES, BEGINNING OF YEAR	<u>277,265</u>	<u>25,136</u>	<u>16,709</u>	<u>514,949</u>	<u>1,076,071</u>	<u>179,610</u>	<u>51,794</u>
FUND BALANCES, END OF YEAR	<u>\$ 336,656</u>	<u>\$ 25,836</u>	<u>\$ 18,507</u>	<u>\$619,247</u>	<u>\$1,222,562</u>	<u>\$ 205,900</u>	<u>\$ 23,738</u>

Illinois		
Municipal Retirement	Social Security	Total
\$ 287,246	\$ 237,746	\$ 856,701
22,434	-	474,906
-	-	125,100
1,225	971	10,384
-	-	52,648
310,905	238,717	1,519,739
368,583	296,939	855,137
-	-	7,576
-	-	68,089
-	-	541,305
-	-	-
-	-	-
368,583	296,939	1,472,107
(57,678)	(58,222)	47,632
35,900	69,300	252,580
-	-	-
35,900	69,300	252,580
(21,778)	11,078	300,212
169,906	178,346	2,489,786
\$ 148,128	\$ 189,424	\$2,789,998

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2014**

	Debt Service			
	Cruger Road	South Cummings Lane	Mallard Crossing	Total
REVENUES				
Property taxes	\$ -	\$ -	\$ 47,438	\$ 47,438
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	6	6
Other	-	-	-	-
	-	-	47,444	47,444
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Cemetery	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	61,880	59,840	35,000	156,720
Interest	15,413	12,952	13,347	41,712
	77,293	72,792	48,347	198,432
Excess (deficiency) of revenues over expenditures	(77,293)	(72,792)	(903)	(150,988)
OTHER FINANCING SOURCES (USES)				
Transfers in	77,293	72,792	-	150,085
Transfers out	-	-	-	-
Total other financing sources (uses)	77,293	72,792	-	150,085
Net change in fund balances	-	-	(903)	(903)
FUND BALANCES, BEGINNING OF YEAR	-	-	(4,118)	(4,118)
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ (5,021)	\$ (5,021)

Capital Project			Total	2013
Dallas		Total	Nonmajor	(Memorandum
Road			Governmental	Only)
\$	-	\$	-	\$ 904,139
	-		-	\$ 893,972
	-		-	474,906
	-		-	125,100
	4		4	72,700
	-		-	10,394
				14,281
				52,648
				82,207
	4		4	1,567,187
				1,523,568
	-		-	855,137
	-		-	772,444
	-		-	7,576
	-		-	6,627
	-		-	68,089
	-		-	63,181
	-		-	541,305
	-		-	722,454
	-		-	156,720
	-		-	153,160
	-		-	41,712
	-		-	48,988
	-		-	1,670,539
	-		-	1,766,854
	4		4	(103,352)
				(243,286)
	125,024		125,024	527,689
	(50,023)		(50,023)	811,689
				(50,023)
				-
	75,001		75,001	477,666
				811,689
	75,005		75,005	374,314
				568,403
	(75,005)		(75,005)	2,410,663
				1,842,260
\$	-	\$	-	\$ 2,784,977
				\$ 2,410,663

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
APRIL 30, 2014**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2013 (Memorandum Only)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,176,681	\$ 1,406,311	\$ 2,582,992	\$ 2,348,093
Receivables (net of allowance for uncollectibles)				
Other	9,057	218,458	227,515	1,874,346
Prepaid items	-	1,698	1,698	2,986
Total current assets	1,185,738	1,626,467	2,812,205	4,225,425
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	1,036,651	1,036,651	1,100,342
	<u>\$ 1,185,738</u>	<u>\$ 2,663,118</u>	<u>\$ 3,848,856</u>	<u>\$ 5,325,767</u>
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable and accrued liabilities	\$ 44,201	\$ 35,008	\$ 79,209	\$ 1,920,161
Current portion of lease payable	-	15,368	15,368	14,885
Accrued compensated absences	-	213	213	-
Due to other funds	-	17,016	17,016	-
Total current liabilities	44,201	67,605	111,806	1,935,046
Noncurrent liabilities				
Lease payable	-	37,830	37,830	53,198
Accrued compensated absences	-	7,481	7,481	6,285
Total liabilities	44,201	112,916	157,117	1,994,529
Net position				
Invested in capital assets	-	1,036,651	1,036,651	1,100,342
Unrestricted	1,141,537	1,513,551	2,655,088	2,230,896
Total net position	1,141,537	2,550,202	3,691,739	3,331,238
	<u>\$ 1,185,738</u>	<u>\$ 2,663,118</u>	<u>\$ 3,848,856</u>	<u>\$ 5,325,767</u>

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2014

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2013 (Memorandum Only)
OPERATING REVENUES				
Charges for services	\$ 1,422,322	\$ 541,900	\$ 1,964,222	\$ 1,854,404
Employee contributions	126,665	-	126,665	106,578
Other	18,825	30,602	49,427	48,124
	<u>1,567,812</u>	<u>572,502</u>	<u>2,140,314</u>	<u>2,009,106</u>
OPERATING EXPENSES				
General and administrative	31,159	-	31,159	21,336
Personal services	1,281,537	109,248	1,390,785	1,012,286
Materials and supplies	-	202,754	202,754	186,491
Other services and charges	2,139	99,802	101,941	84,949
Depreciation	-	219,432	219,432	236,016
	<u>1,314,835</u>	<u>631,236</u>	<u>1,946,071</u>	<u>1,541,078</u>
Operating income (loss)	<u>252,977</u>	<u>(58,734)</u>	<u>194,243</u>	<u>468,028</u>
NONOPERATING REVENUES				
Interest income	(4,794)	(6,049)	(10,843)	(15,070)
Interest expense	-	1,962	1,962	1,570
Grant income	-	(214,841)	(214,841)	-
Tornado recovery expenses	-	55,325	55,325	-
(Gain) loss on sale of equipment	-	(1,325)	(1,325)	24,046
	<u>(4,794)</u>	<u>(164,928)</u>	<u>(169,722)</u>	<u>10,546</u>
Net income before transfers	<u>257,771</u>	<u>106,194</u>	<u>363,965</u>	<u>457,482</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(3,464)	(3,464)	-
Change in net position	<u>257,771</u>	<u>102,730</u>	<u>360,501</u>	<u>457,482</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>883,766</u>	<u>2,447,472</u>	<u>3,331,238</u>	<u>2,873,756</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 1,141,537</u>	<u>\$ 2,550,202</u>	<u>\$ 3,691,739</u>	<u>\$ 3,331,238</u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2014**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2013 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,433,033	\$ 27,053	\$ 3,460,086	\$ 1,213,420
Receipts from interfund services provided	-	541,900	541,900	819,111
Payments to suppliers	(3,171,753)	(340,854)	(3,512,607)	(1,241,221)
Payments to employees	-	(107,612)	(107,612)	(93,226)
Net cash provided by operating activities	261,280	120,487	381,767	698,084
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from (to) other funds	-	17,016	17,016	-
Transfers from (to) other funds	-	(3,464)	(3,464)	-
Net cash provided by noncapital financing activities	-	13,552	13,552	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(155,741)	(155,741)	(334,276)
Principal payments on lease	-	(14,885)	(14,885)	(9,662)
Proceeds from sale of equipment	-	1,325	1,325	24,200
Net cash used in capital and related financing activities	-	(169,301)	(169,301)	(319,738)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,794	6,049	10,843	15,070
Interest paid	-	(1,962)	(1,962)	(1,570)
Net cash provided by investing activities	4,794	4,087	8,881	13,500
NET CHANGE IN CASH AND CASH EQUIVALENTS	266,074	(31,175)	234,899	391,846
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	910,607	1,437,486	2,348,093	1,956,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,176,681	\$ 1,406,311	\$ 2,582,992	\$ 2,348,093
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 252,977	\$ (58,734)	\$ 194,243	\$ 468,028
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	219,432	219,432	236,016
Tornado recovery costs	-	(55,325)	(55,325)	-
(Increase) decrease in receivables	1,865,221	(3,549)	1,861,672	(1,850,853)
(Increase) decrease in prepaid items	-	1,288	1,288	(567)
Increase (decrease) in accounts payable and accrued liabilities	(1,856,918)	15,966	(1,840,952)	1,845,273
Increase (decrease) in accrued compensated absences	-	1,409	1,409	187
Net cash provided by operating activities	\$ 261,280	\$ 120,487	\$ 381,767	\$ 698,084

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2014

	Waterworks	Sewerage	Total	2013 (Memorandum Only)
Personal services				
Wages and salaries	\$ 372,520	\$ 494,289	\$ 866,809	\$ 779,670
Payroll taxes	25,408	36,757	62,165	65,631
Group insurance	156,937	206,694	363,631	287,043
Uniforms	4,147	4,521	8,668	9,389
Total personal services	559,012	742,261	1,301,273	1,141,733
Heat, lights, and power				
Electricity	113,609	141,481	255,090	257,192
Heating	3,373	5,472	8,845	6,825
Total heat, lights, and power	116,982	146,953	263,935	264,017
Materials and supplies				
Chemicals and supplies	156,884	11,841	168,725	151,884
Office supplies	4,960	4,733	9,693	9,067
Perishable tools	3,784	3,992	7,776	7,652
Total materials and supplies	165,628	20,566	186,194	168,603
Other services and charges				
Training and recruitment	370	220	590	728
Insurance	7,477	10,308	17,785	12,371
Printing fees	2,500	625	3,125	3,105
Legal fees	1,022	8,459	9,481	9,139
Engineering fees	-	1,500	1,500	732
Consulting fees	14,394	19,985	34,379	28,707
Rent	1,684	3,006	4,690	8,835
Repairs and maintenance:				
Building	4,632	3,503	8,135	11,390
Equipment	2,423	5,669	8,092	8,616
System	51,031	72,543	123,574	78,285
Motor equipment replacement	34,500	30,500	65,000	149,000
Telephone	5,282	8,469	13,751	10,319
Miscellaneous	8,590	37,311	45,901	50,836
Total other services and charges	133,905	202,098	336,003	372,063
	\$ 975,527	\$ 1,111,878	\$ 2,087,405	\$ 1,946,416

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2011 THROUGH 2013**

	2013 Levy			2012 Levy			2011 Levy		
	Levy	Rate	Amounts Extended	Levy	Rate	Collections	Levy	Rate	Collections
GENERAL FUND									
General Corporate	\$ 360,000	0.1153	\$ 360,023	\$ 360,000	0.1178	\$ 359,396	\$ 360,000	0.1189	\$ 358,449
Police Pension	293,700	0.0941	293,727	264,000	0.0864	263,559	240,000	0.0793	238,975
SPECIAL REVENUE FUNDS									
Civil Defense	3,300	0.0011	3,310	3,300	0.0011	3,259	3,300	0.0011	3,315
Audit	30,000	0.0096	30,010	30,000	0.0099	29,962	30,000	0.0099	29,898
Illinois Municipal Retirement	305,000	0.0977	305,000	290,000	0.0948	289,493	290,000	0.0959	288,765
Social Security	232,000	0.0743	232,021	240,000	0.0785	239,606	240,000	0.0793	238,975
INTERNAL SERVICE FUND									
Liability Insurance	85,000	0.0272	85,002	100,000	0.0327	99,883	100,000	0.0330	99,580
TOTAL	\$ 1,309,000	0.4192	\$ 1,309,093	\$ 1,287,300	0.4212	\$ 1,285,158	\$ 1,263,300	0.4174	\$ 1,257,957
CITY SHARE OF TOWNSHIP									
ROAD AND BRIDGE			<u>\$ 193,767</u>			<u>\$ 183,263</u>			<u>\$ 175,778</u>
INCREMENTAL TAX DISTRICT			<u>\$ 199,263</u>			<u>\$ 199,949</u>			<u>\$ 186,496</u>
ASSESSED VALUATIONS	<u>\$ 312,276,092</u>			<u>\$ 305,649,264</u>			<u>\$ 302,711,642</u>		

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2014**

(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	744,200,000
Total gallons of wastewater billed based on the user-charge system for the year	273,725,829
Number of metered users connected to the system at April 30, 2014	4,652
Number of nonmetered users at April 30, 2014	1