



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WASHINGTON, ILLINOIS

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2016

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	14
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Fund Position – Trust and Agency Funds	26
Statement of Changes in Fiduciary Net Position – Trust Fund	27
Statement of Changes in Assets and Liabilities – All Agency Funds	28
Notes to the Basic Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund & Major Special Revenue Fund	65
Schedule of Changes in Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund	67
Schedule of Changes in Net Pension Liability and Related Ratios – Police Pension Trust Fund	68
Schedule of Employer Contributions and Notes to Schedule – Illinois Municipal Retirement Fund	69
Schedule of Employer Contributions and Notes to Schedule – Police Pension Trust Fund	71

Schedule of Money-Weighted Rate of Return on Pension Plan Investments – Police Pension Trust Fund	73
Schedule of Funding Progress– Post-Employment Health Insurance Plan (Unaudited)	74

OTHER SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	75
Combining Balance Sheet - Nonmajor Governmental Funds	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	81
Combining Statement of Net Position – Internal Service Funds	85
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	86
Combining Statement of Cash Flows – Internal Service Funds	87
Combining Schedule of Operating Expenses, Other than Depreciation – Enterprise Funds	88
Schedule of Property Tax Levies, Rates, Collections, and Assessed Valuation	89
Information Regarding Waste Water User-Charge System (Unaudited)	90



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, 2016, 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, 2016.

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, 2016, 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.

Emphasis of Matter

As discussed in notes to the financial statements, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB

68, during the year ended April 30, 2016. Statement No. 68 and No. 71 changed how defined benefit pension liabilities and expenses are recorded and the notes related to the retirement systems in which the City participates. Our opinions are not modified with respect to this matter.

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 and major special revenue funds, schedule of changes in net pension liability and related ratios, schedule of employer contributions, schedule of money-weighted rate of return of pension plan investments and schedule of funding progress on pages 3-11 and 65-74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington, Illinois' financial statements as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information, on pages 75-89, 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 90 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 14, 2016

CITY OFFICIALS

Gary W. Manier, *Mayor*

Patricia S. Brown, *City Clerk*

Ellen L. Dingledine, *City Treasurer*

Jim Culotta, *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 Dingledine, *Ward III*

James L. Gee, *Ward IV*

Jonathan P. Moehle, *Ward IV*

MANAGEMENT DISCUSSION AND ANALYSIS FISCAL YEAR ENDING APRIL 30, 2016

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, 2015 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, 2016 are in accordance with the GASB 34 reporting model. Among other things, GASB 34 requires the city to account for the depreciation of fixed assets (city-owned streets, buildings, land, etc.) within governmental activities.

FINANCIAL HIGHLIGHTS

- The total net position of the City of Washington assets exceeded liabilities at April 30, 2016 by \$73,568,617, a \$2,052,997 or 2.87% increase over the prior year. Of the \$73.6 million, \$18,883,265 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, 2015 totaled \$18,440,268.
- At April 30, 2016, the governmental funds reported combined fund balances of \$20,809,566, of which \$11,694,281 were unassigned. In the prior year, the governmental funds combined fund balance was \$19,762,710 of which \$10,322,992 was unassigned.
- Unrestricted cash, cash equivalents and investments increased by \$1,751,977 in the General Fund, increased by \$666,977 in the Sewer Funds and increased by \$165,677 in the Water Funds.
- The city continues to maintain cash reserves equal to at least three months annual operating revenues for cash flow purposes. These additional funds are maintained for unanticipated needs that may occur at any time and in anticipation of major capital projects planned for future years.
- The City's long-term debt totaled \$18,776,907 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, 2015 was \$19,680,545. The additional long-term debt in 2016 relates to the refinancing of existing debt to take advantage of favorable interest rates for the Alternate Revenue Bonds, Series 2002 and 2002B.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The City of Washington maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Motor Fuel Tax 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 reports balances in all categories of net position, both for the government as a whole (\$73,568,617 for FYE April 2016 compared to \$71,515,620 for FYE April 2015, a 2.87% increase), as well as for governmental activities (\$37,779,312 compared to \$36,349,596, a 3.9% increase) and business-type activities (\$35,789,305 compared to \$35,166,024, a 1.8% 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 \$20,809,566, an increase of \$1,046,856. The sum of \$11,694,281 is unassigned.

The General Fund is the primary operating fund of the City. Unassigned fund balances at fiscal year-end totaled \$11,701,165. During the year, revenues exceeded expenditures in the general fund by \$2,032,172. After planned transfers to various other funds, a net increase in the fund balance totaled \$1,462,688.

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 \$12,177,299 with \$2,537,021 being unrestricted. Net position decreased by \$137,836 during the year ending April 30, 2016. Sewerage Fund net position totals \$23,121,406; \$7,775,970 are unrestricted. Net position in this fund grew by \$653,382.

Internal Service Funds include the Employee Benefits Fund (Health Insurance) with net position of \$849,226 and the Motor Equipment Replacement Fund with net position of \$2,722,889.

Financial Analysis: Trust and Agency Funds

Total fund balances in Trust and Agency Funds are \$6,631,611 which largely represents the fund balance of the Police Pension Fund (Pension Trust). The net position of the Pension Trust Fund decreased by \$45,730 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, 2016 was \$61,258,553 (net of accumulated depreciation) compared to \$55,748,898 in the prior year. See Note 4 for further details.

Long-Term Debt

The City's long-term debt totaled \$18,776,907 at April 30, 2016 compared to \$19,680,545 at April 30, 2015. Governmental activity debt totaled \$13,756,907. Business-type activity debt (associated with the City's enterprise funds) totaled \$5,020,000.

Debt reductions during the year totaled \$1,690,573. Additions to long-term debt during the year totaled \$786,935. The sum of \$725,008 is attributable to the refinancing of the Alternate Revenue Bonds, Series 2002 and 2002B. Also, \$45,886 is attributable to the increase in vested compensated absences and \$16,041 is for new capital leases.

As a home-rule unit, no legal limit exists on the amount of outstanding debt. Additional information on the City's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

The national economy continues to show signs of improvement and the City economic trends mirrored those this past year. However, the impact of recent layoffs by both Caterpillar and Mitsubishi appear to have impacted local economic growth.

On November 17, 2013, several tornadoes devastated the State of Illinois with the City of Washington suffering the most devastation of all impacted communities. Forty percent (40%) of the City's residential area was impacted to varying degrees with the majority of those suffering complete loss. Personal loss estimates exceeded \$200,000,000. The assessed valuation (AV) of the city was impacted by a 6.9% decrease for 2014, however the AV has since rebounded by more than 13% to exceed pre-tornado values by over 6%.

Adverse legislative action in an attempt to ease the state's budgetary problems remains a possibility. The approval of the state's stop gap budget in June has provided some stability as local pass thru funds for FY '17 were fully funded. Staff understands the need to diversify revenue sources so as not to be too dependent on intergovernmental revenues.

Capital spending is anticipated to increase in the coming years in conjunction with the development of a long-range capital investment strategy. Supplemental funding is needed in the near term for the following specific capital purposes: general street repair and maintenance, storm water management and control, development of Washington 223, water meter upgrade program, elimination of Sewer Treatment Plant #1 and expansion of Sewer Treatment Plant #2. The Sewer Treatment Plant #2 expansion is well underway and completion is expected in 2017. (Note – The city received a \$5,000,000 grant from the State of Illinois “Jobs Now” program to offset the anticipated \$7,000,000+ cost to eliminate STP #1 and expand STP #2). Development of Washington 223 presents possible long-term benefits to the community as well as opportunities to explore alternatives for revenue sources for debt service financing.

Personnel costs account for about one-third of total budgeted expenditures. These expenses present steady upward pressure on the City’s budget from year to year. 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. Approximately 83% of employees covered by health insurance participate in the wellness program. Claims on average have remained fairly stable over the past 5 years, despite health care inflation in excess of 12%.

The City’s near-term financial well-being remains directly dependent on the sustained growth of the City’s key sources of revenue: sales tax, income tax, and water and sewer user fees. Development of Washington 223 and continued commercial growth is essential to the City’s long-term financial well-being. Income tax revenue is largely dependent on the overall health of the state and national economy and the preservation of the current state distribution formula to municipalities. Although property taxes account for a comparatively small portion of total city revenue, growth in the City’s assessed valuation is still important to meet future fire protection/ambulance, pension and liability insurance expenses as these costs are largely funded through property taxes. Sustained building activity is essential to the growth of the local property tax base.

Request for Information

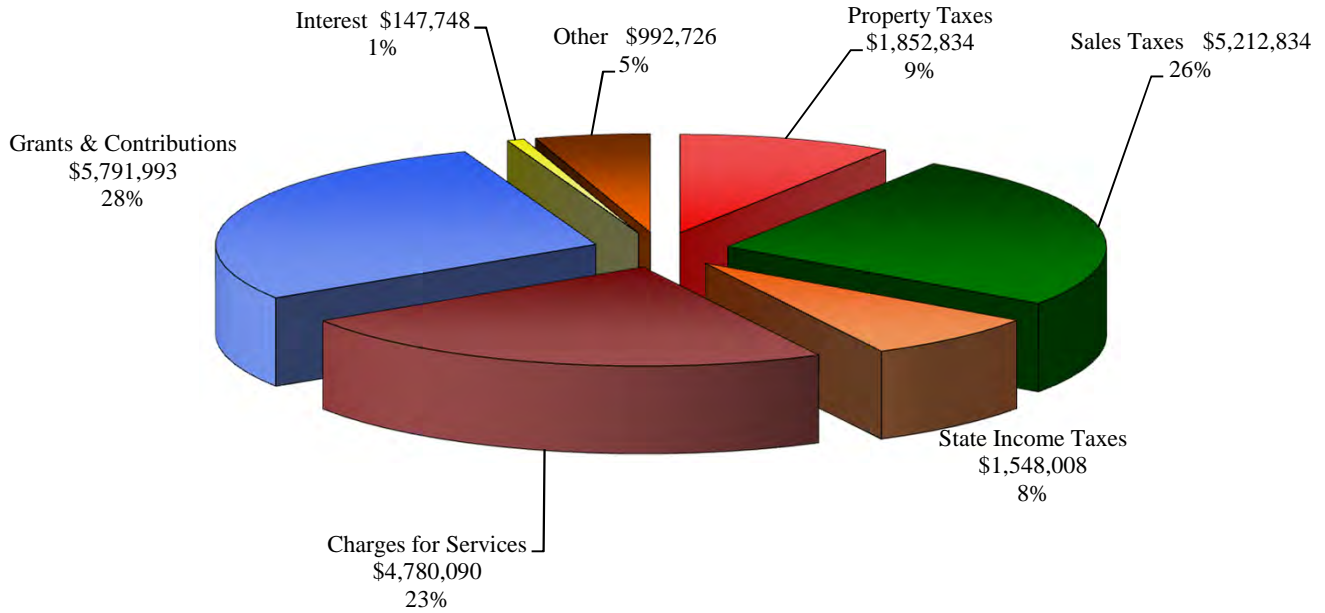
This financial report is designed to provide a general overview of the City of Washington’s finances. Questions concerning the information provided in this report or requests for additional financial information should be directed to City Hall at 301 Walnut Street, Washington, IL 61571, (309) 444-3196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

Government Wide
Five Year Analysis – Other Data

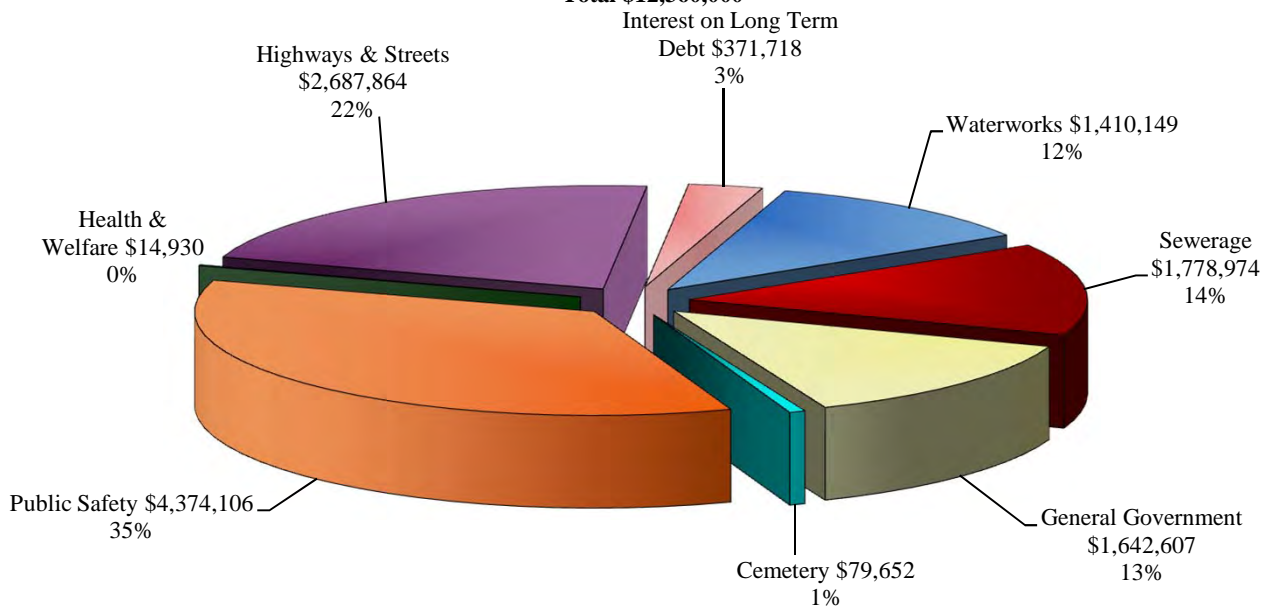
	2016	2015	2014	2013	2012
Unrestricted cash and investments	\$ 28,518,424	\$ 26,152,053	\$ 21,533,557	\$ 19,550,489	\$ 16,488,644
Capital assets	61,258,553	55,748,898	57,148,352	55,306,058	55,247,032
Long-term debt	18,776,907	19,680,545	16,686,727	12,597,753	13,424,774
Total Payroll	4,025,720	3,832,658	3,945,337	3,592,416	3,591,646
Annual Pension Costs					
IMRF	343,296	347,411	345,393	293,757	293,891
Police Pension	320,283	304,017	304,010	247,629	264,413
Assessed Valuation	331,654,600	292,078,141	312,276,092	305,649,264	302,711,642
Property tax rates	0.4253	0.4195	0.4193	0.4212	0.4174

CITY OF WASHINGTON, ILLINOIS

**Revenues
(Government Wide Basis)
Year Ended April 30, 2016
Total \$20,326,233**

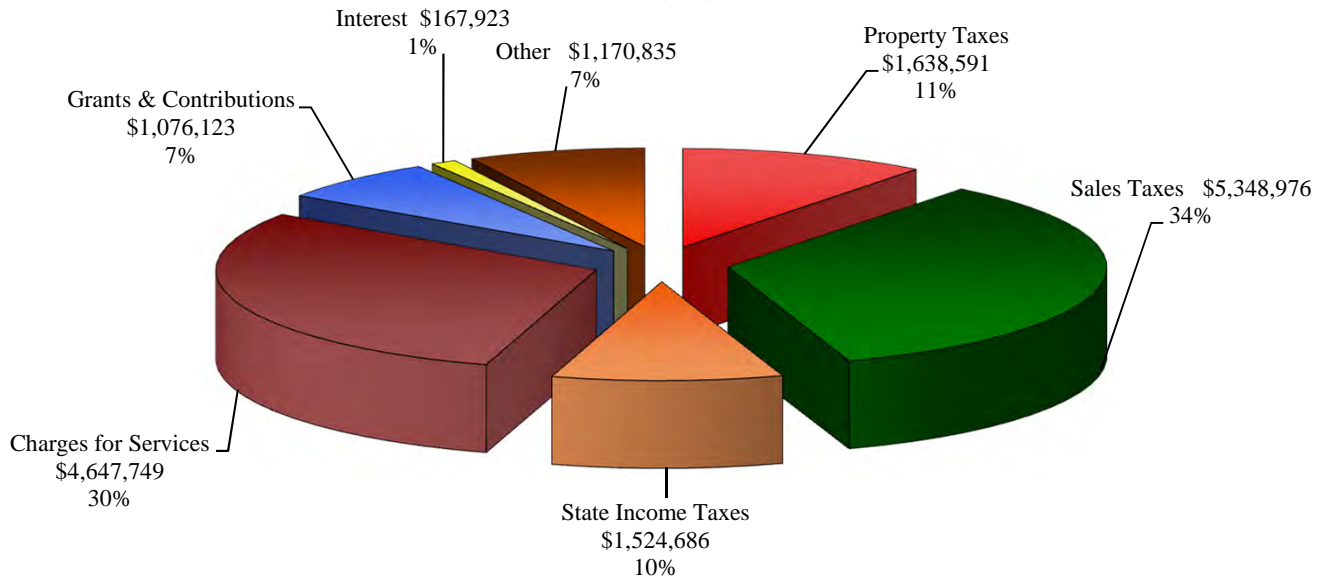


**Expenses
(Government Wide Basis)
Year Ended April 30, 2016
Total \$12,360,000**

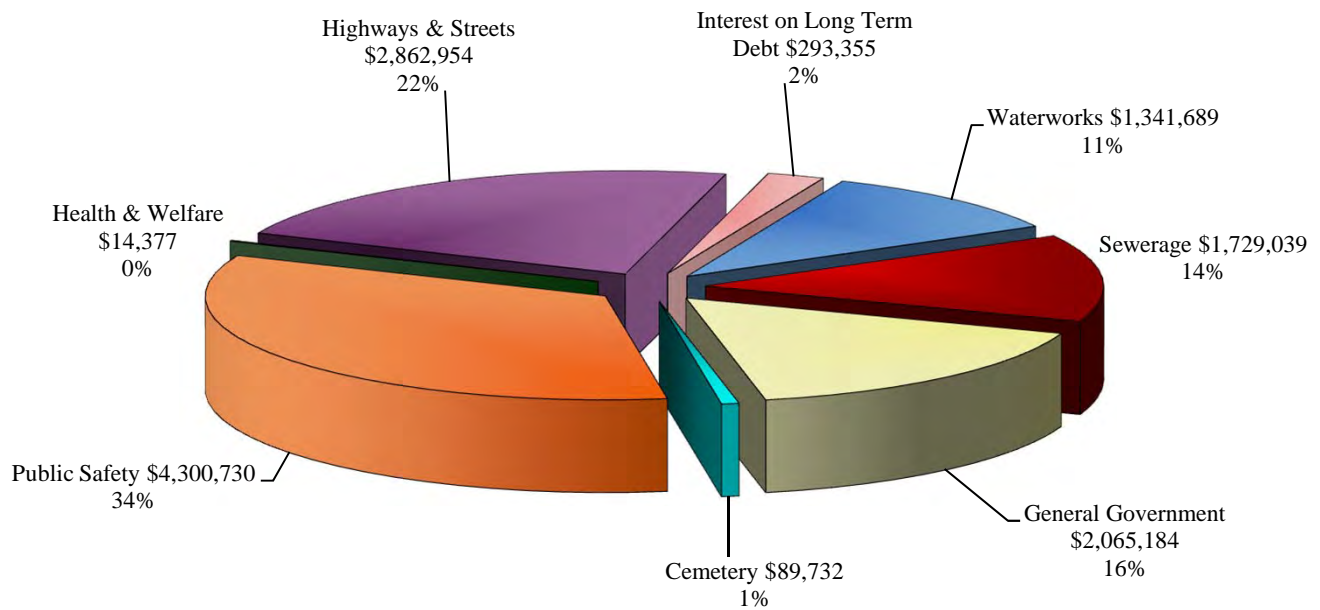


CITY OF WASHINGTON, ILLINOIS

**Revenues
(Government Wide Basis)
Year Ended April 30, 2015
Total \$15,574,883**



**Expenses
(Government Wide Basis)
Year Ended April 30, 2015
Total \$12,697,060**



**CITY OF WASHINGTON, ILLINOIS
COMPARISON OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
YEARS ENDED APRIL 30, 2012 THROUGH 2016**

	2016	2015	2014	2013	2012
REVENUES					
Property taxes	\$ 1,659,582	\$ 1,734,335	\$ 1,705,521	\$ 1,667,174	\$ 1,618,695
Licenses and permits	464,359	509,996	499,061	347,478	282,710
Intergovernmental					
Sales tax	3,177,895	3,204,719	3,052,787	2,968,418	2,885,865
Home rule sales tax	2,034,939	2,144,257	2,084,891	2,102,106	2,050,558
Income tax	1,548,008	1,524,686	1,445,273	1,431,941	1,282,244
Other	934,121	1,055,405	1,017,527	985,504	976,789
Grant proceeds	5,771,780	778,749	1,228,937	166,288	645,940
Charges for services	176,255	156,002	205,932	159,873	180,978
Fines and forfeitures	154,714	161,622	190,254	197,201	133,459
Interest	112,791	129,969	76,926	90,517	118,851
Other	208,695	253,159	190,951	209,669	144,891
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16,243,139	11,652,899	11,698,060	10,326,169	10,320,980
EXPENDITURES					
Current					
General government	1,839,534	1,857,878	3,406,938	1,673,180	1,661,341
Public safety	4,204,179	3,951,009	4,060,119	3,916,140	3,671,141
Highways and streets	1,375,028	1,372,813	1,604,436	1,646,075	1,629,832
Health and welfare	14,933	14,377	16,394	17,278	16,384
Cemetery	75,218	80,782	68,089	63,181	68,804
Debt service					
Principal	745,766	334,280	321,720	308,160	296,120
Interest	433,822	385,519	266,406	284,882	302,559
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	8,688,480	7,996,658	9,744,102	7,908,896	7,646,181
Excess of revenues over expenditures before capital outlay	7,554,659	3,656,241	1,953,958	2,417,273	2,674,799
Capital outlay	7,021,019	455,789	5,567,335	1,216,548	3,097,350
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 533,640	\$ 3,200,452	\$ (3,613,377)	\$ 1,200,725	\$ (422,551)

CITY OF WASHINGTON, ILLINOIS
COMPARISON OF OPERATING REVENUES AND EXPENSES
WATERWORKS AND SEWERAGE FUNDS
YEARS ENDED APRIL 30, 2012 THROUGH 2016

WATERWORKS

	2016	2015	2014	2013	2012
OPERATING REVENUES	\$ 1,317,572	\$ 1,326,780	\$ 1,317,462	\$ 1,391,999	\$ 1,202,567
OPERATING EXPENSES					
Personal services	533,036	516,291	559,012	489,200	480,025
Heat, light, and power	106,172	100,106	116,982	118,069	109,115
Materials and supplies	167,375	138,712	165,628	144,529	149,011
Other services and charges	272,205	130,682	133,905	155,692	164,725
	<u>1,078,788</u>	<u>885,791</u>	<u>975,527</u>	<u>907,490</u>	<u>902,876</u>
Cash Generated from Operations	238,784	440,989	341,935	484,509	299,691
Depreciation	<u>(382,510)</u>	<u>(398,924)</u>	<u>(391,941)</u>	<u>(386,224)</u>	<u>(367,159)</u>
Operating income (loss)	<u>\$ (143,726)</u>	<u>\$ 42,065</u>	<u>\$ (50,006)</u>	<u>\$ 98,285</u>	<u>\$ (67,468)</u>

SEWERAGE

	2016	2015	2014	2013	2012
OPERATING REVENUES	\$ 2,551,512	\$ 2,637,576	\$ 2,600,112	\$ 2,751,782	\$ 2,145,468
OPERATING EXPENSES					
Personal services	649,301	623,740	742,261	652,533	609,994
Heat, light, and power	150,421	137,792	146,953	145,948	147,588
Materials and supplies	30,499	31,522	20,566	24,074	20,923
Other services and charges	312,041	159,624	202,098	216,371	224,739
	<u>1,142,262</u>	<u>952,678</u>	<u>1,111,878</u>	<u>1,038,926</u>	<u>1,003,244</u>
Cash Generated from Operations	1,409,250	1,684,898	1,488,234	1,712,856	1,142,224
Depreciation	<u>(681,366)</u>	<u>(676,849)</u>	<u>(667,938)</u>	<u>(658,254)</u>	<u>(568,194)</u>
Operating income	<u>\$ 727,884</u>	<u>\$ 1,008,049</u>	<u>\$ 820,296</u>	<u>\$ 1,054,602</u>	<u>\$ 574,030</u>

BASIC FINANCIAL STATEMENTS

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2016**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	2015 (Memorandum Only)		
ASSETS								
Cash and cash equivalents	\$	17,763,541	\$	10,453,139	\$	28,216,680	\$	25,850,452
Investments		-		301,744		301,744		301,601
Receivables (net of allowance for uncollectibles)								
Property taxes		1,829,592		-		1,829,592		1,620,573
Other taxes		1,812,903		-		1,812,903		1,869,134
Special assessments		172,000		-		172,000		210,000
Accounts - customers		2,030		17,099		19,129		19,083
Estimated unbilled usage		-		791,391		791,391		700,273
Other		794,516		1,382		795,898		1,273,133
Internal balances		(483,090)		483,090		-		-
Inventory		27,952		-		27,952		5,385
Due from fiduciary funds		36,516		-		36,516		2,470
Prepaid items		38,797		8,285		47,082		50,508
Restricted assets								
Cash and cash equivalents		1,527,832		822,881		2,350,713		8,400,840
Investments		3,794,940		-		3,794,940		3,967,249
Capital assets not being depreciated		12,653,654		1,293,823		13,947,477		7,317,739
Capital assets, net of accumulated depreciation		19,478,139		27,832,937		47,311,076		48,431,159
Total assets		59,449,322		42,005,771		101,455,093		100,019,599
DEFERRED OUTFLOWS OF RESOURCES								
Pension items - IMRF		1,072,588		-		1,072,588		-
Pension items - Police Pension Trust Fund		373,617		-		373,617		-
Total deferred outflows of resources		1,446,205		-		1,446,205		-
Total assets and deferred outflows of resources	\$	60,895,527	\$	42,005,771	\$	102,901,298	\$	100,019,599

See accompanying notes.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	2015 (Memorandum Only)		
LIABILITIES AND NET POSITION								
LIABILITIES								
Accounts payable and accrued liabilities	\$	777,264	\$	861,411	\$	1,638,675	\$	1,853,867
Construction retainage payable		318,308		-		318,308		14,000
Escrow and customer deposits		-		335,055		335,055		320,675
Deferred revenue		903,398		-		903,398		6,634,892
Long-term liabilities:								
Due within one year		468,336		635,801		1,104,137		1,194,486
Due in more than one year		13,288,571		4,384,199		17,672,770		18,486,059
Net pension liability - IMRF		3,230,891		-		3,230,891		-
Net pension liability - Police Pension Trust Fund		4,129,447		-		4,129,447		-
Total liabilities		23,116,215		6,216,466		29,332,681		28,503,979
NET POSITION								
Invested in capital assets, net of related debt		26,713,115		24,162,833		50,875,948		44,781,700
Restricted for:								
Debt service		394,369		822,881		1,217,250		5,250,715
Other purposes		2,592,154		-		2,592,154		3,042,937
Unrestricted		8,079,674		10,803,591		18,883,265		18,440,268
Total net position		37,779,312		35,789,305		73,568,617		71,515,620
	\$	60,895,527	\$	42,005,771	\$	102,901,298	\$	100,019,599

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2016**

FUNCTION/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 1,642,607	\$ 665,049	\$ -	\$ 115,766
Public safety	4,374,108	182,007	258	-
Highways and streets	2,687,864	8,227	32,334	5,623,372
Health and welfare	14,930	-	-	-
Cemetery	79,652	81,950	50	-
Interest on long term debt	371,718	-	-	-
Total governmental activities	9,170,879	937,233	32,642	5,739,138
Business-type activities:				
Waterworks	1,410,149	1,311,785	-	-
Sewerage	1,778,974	2,531,072	-	20,213
Total business-type activities	3,189,123	3,842,857	-	20,213
TOTAL	\$ 12,360,002	\$ 4,780,090	\$ 32,642	\$ 5,759,351

See accompanying notes.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

	GOVERNMENTAL ACTIVITIES	BUSINESS -TYPE ACTIVITIES	TOTAL	2015 (Memorandum Only)
\$	(861,792)	\$ -	\$ (861,792)	\$ (943,255)
	(4,191,843)	-	(4,191,843)	(4,120,985)
	2,976,069	-	2,976,069	(2,471,188)
	(14,930)	-	(14,930)	(14,377)
	2,348	-	2,348	(18,032)
	(371,718)	-	(371,718)	(293,355)
	(2,461,866)	-	(2,461,866)	(7,861,192)
	-	(98,364)	(98,364)	(19,782)
	-	772,311	772,311	907,786
	-	673,947	673,947	888,004
	(2,461,866)	673,947	(1,787,919)	(6,973,188)
General Revenues				
Taxes:				
Property	1,852,834	-	1,852,834	1,638,591
Replacement	46,357	-	46,357	56,609
Sales	5,212,834	-	5,212,834	5,348,976
State income	1,548,008	-	1,548,008	1,524,686
Other local	478,942	-	478,942	491,854
Motor fuel	408,822	-	408,822	506,942
Interest on investments	112,791	34,957	147,748	167,923
Other	22,336	36,269	58,605	115,430
Transfers	121,892	(121,892)	-	-
Total general revenues and transfers	9,804,816	(50,666)	9,754,150	9,851,011
Change in net position	7,342,950	623,281	7,966,231	2,877,823
NET POSITION - BEGINNING	36,349,596	35,166,024	71,515,620	68,637,797
Prior period adjustment (see notes to financial statements)	(5,913,234)	-	(5,913,234)	-
NET POSITION - ENDING	\$ 37,779,312	\$ 35,789,305	\$ 73,568,617	\$ 71,515,620

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2016**

ASSETS	General	Motor Fuel Tax	WACC Debt Service	Nonmajor	Total	2015 (Memorandum Only)
Cash and cash equivalents	\$ 11,380,081	\$ 882,435	\$ 276,713	\$ 2,642,232	\$ 15,181,461	\$ 13,343,295
Receivables (net of allowance for uncollectibles)						
Property taxes	922,696	-	-	906,896	1,829,592	1,620,573
Other taxes	1,808,302	-	-	4,601	1,812,903	1,869,134
Special assessments	-	-	-	47,148	47,148	47,004
Accounts-customers	-	-	-	2,030	2,030	1,955
Other	62,207	-	656,233	18,864	737,304	925,248
Due from other funds	61,029	61,843	-	7,295	130,167	72,581
Due from other governments	-	34,442	-	-	34,442	35,199
Prepaid items	17,474	-	-	15,476	32,950	34,063
Inventory	27,952	-	-	-	27,952	5,385
Restricted assets						
Cash and cash equivalents	185,643	782,715	394,369	165,105	1,527,832	7,570,825
Investments	-	-	3,794,940	-	3,794,940	3,967,249
	<u>\$ 14,465,384</u>	<u>\$ 1,761,435</u>	<u>\$ 5,122,255</u>	<u>\$ 3,809,647</u>	<u>\$ 25,158,721</u>	<u>\$ 29,492,511</u>

See accompanying notes.

	General	Motor Fuel Tax	WACC Debt Service	Nonmajor	Total	2015 (Memorandum Only)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 421,835	\$ 11,874	\$ -	\$ 77,957	\$ 511,666	\$ 673,312
Construction retainage payable	10,500	307,808	-	-	318,308	14,000
Due to other funds	73,729	-	-	11,062	84,791	68,021
Unearned revenue	44,270	722,541	-	134,607	901,418	6,634,892
Total liabilities	550,334	1,042,223	-	223,626	1,816,183	7,390,225
Deferred inflows of resources						
Unavailable revenue						
Property taxes	922,695	-	-	906,896	1,829,591	1,620,573
Special assessments	-	-	-	47,148	47,148	47,004
Other receivables	-	-	656,233	-	656,233	671,999
Total deferred inflows of resources	922,695	-	656,233	954,044	2,532,972	2,339,576
Fund balances						
Nonspendable						
Prepays	17,474	-	-	15,476	32,950	34,063
Inventory	27,952	-	-	-	27,952	5,385
Restricted for:						
Special Police Funds	185,643	-	-	-	185,643	244,646
Debt Service	-	-	394,369	-	394,369	4,449,525
Civil Defense	-	-	-	30,490	30,490	28,620
Audit	-	-	-	26,675	26,675	22,535
Motor Fuel Tax	-	719,212	-	-	719,212	1,154,601
Incremental Tax	-	-	-	1,427,807	1,427,807	1,374,859
Liability Insurance	-	-	-	202,327	202,327	217,676
Assigned for:						
Capital Projects	1,060,121	-	-	211	1,060,332	838,325
Cemetery	-	-	-	309,069	309,069	329,047
Storm Water Management	-	-	-	192,035	192,035	61,032
Illinois Municipal Retirement	-	-	-	190,045	190,045	176,611
Social Security	-	-	-	224,811	224,811	204,364
Debt Service	-	-	4,071,653	19,915	4,091,568	298,429
Unassigned	11,701,165	-	-	(6,884)	11,694,281	10,322,992
Total fund balances	12,992,355	719,212	4,466,022	2,631,977	20,809,566	19,762,710
	\$ 14,465,384	\$ 1,761,435	\$ 5,122,255	\$ 3,809,647	\$ 25,158,721	\$ 29,492,511

**CITY OF WASHINGTON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2016**

RECONCILIATION TO STATEMENT OF NET POSITION

Total fund balances - governmental funds	\$ 20,809,566
Capital assets used in governmental activities of \$46,158,163, net of accumulated depreciation of \$15,105,386 are not financial resources and, therefore, are not reported in the governmental funds.	31,052,777
Property taxes and long term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,532,972
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.	3,081,515
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.	(21,268,575)
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.	124,852
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings for IMRF and the Police Pension Trust Fund are recognized as deferred outflows of resources on the statement of net position	<u>1,446,205</u>
Net position of governmental activities.	<u><u>\$ 37,779,312</u></u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2016

	General	Motor Fuel Tax	WACC Debt Service	Nonmajor	Total	2015 (Memorandum Only)
REVENUES						
Property taxes	\$ 740,472	\$ -	\$ -	\$ 919,110	\$ 1,659,582	\$ 1,734,335
Licenses and permits	464,359	-	-	-	464,359	509,996
Intergovernmental	7,269,240	408,822	-	16,901	7,694,963	7,929,067
Grant proceeds	32,334	5,623,372	-	115,766	5,771,472	778,749
Charges for services	94,305	-	-	81,950	176,255	156,002
Fines and forfeitures	154,714	-	-	-	154,714	161,622
Interest	38,502	20,673	43,328	10,288	112,791	129,969
Rental	-	-	-	113,659	113,659	117,062
Other	53,820	-	15,766	25,758	95,344	136,097
	<u>8,847,746</u>	<u>6,052,867</u>	<u>59,094</u>	<u>1,283,432</u>	<u>16,243,139</u>	<u>11,652,899</u>
EXPENDITURES						
Current						
General government	985,828	-	-	853,706	1,839,534	1,857,878
Public safety	4,197,622	-	-	6,557	4,204,179	3,951,009
Highways and streets	1,375,028	-	-	-	1,375,028	1,372,813
Health and welfare	14,933	-	-	-	14,933	14,377
Cemetery	-	-	-	75,218	75,218	80,782
Capital outlay	242,163	6,488,256	-	290,600	7,021,019	455,789
Debt service						
Principal	-	-	190,000	555,766	745,766	334,280
Interest	-	-	274,371	159,451	433,822	385,519
	<u>6,815,574</u>	<u>6,488,256</u>	<u>464,371</u>	<u>1,941,298</u>	<u>15,709,499</u>	<u>8,452,447</u>
Excess (deficiency) of revenues over expenditures	2,032,172	(435,389)	(405,277)	(657,866)	533,640	3,200,452
OTHER FINANCING SOURCES (USES)						
Transfers in	14,592	-	233,202	458,174	705,968	805,385
Transfers out	(584,076)	-	-	-	(584,076)	(675,443)
Debt issuance	-	-	-	391,324	391,324	4,010,000
Debt issuance costs	-	-	-	-	-	(39,500)
Total other financing sources (uses)	<u>(569,484)</u>	<u>-</u>	<u>233,202</u>	<u>849,498</u>	<u>513,216</u>	<u>4,100,442</u>
Net change in fund balances	1,462,688	(435,389)	(172,075)	191,632	1,046,856	7,300,894
FUND BALANCES, BEGINNING OF YEAR	<u>11,529,667</u>	<u>1,154,601</u>	<u>4,638,097</u>	<u>2,440,345</u>	<u>19,762,710</u>	<u>12,461,816</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,992,355</u>	<u>\$ 719,212</u>	<u>\$ 4,466,022</u>	<u>\$ 2,631,977</u>	<u>\$ 20,809,566</u>	<u>\$ 19,762,710</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2016

RECONCILIATION TO STATEMENT OF ACTIVITIES

Net change in fund balances - governmental funds	\$ 1,046,856
Governmental funds report capital outlays as expenditures; however, they are capitalized and depreciated in the Statement of Activities	
Capital asset purchases	7,037,060
Depreciation expense	(1,560,346)
	5,476,714
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, donations, and disposals)	(28,832)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Principal payments on debt	746,905
Issuance of debt is revenue in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.	(407,365)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	155,252
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.	(41,297)
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.	309,812
The change in net pension liability for the Police Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities.	(1,447,104)
The change in deferred outflows of resources related to the Police Pension Trust Fund and Illinois Municipal Retirement Fund is only reported in the Statement of Activities.	1,446,205
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.	85,804
	6,296,094
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 7,342,950

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2015 (Memorandum Only)
	Waterworks	Sewerage	Total		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,149,644	\$ 7,303,495	\$ 10,453,139	\$ 2,582,080	\$ 12,507,157
Investments	201,162	100,582	301,744	-	301,601
Receivables (net of allowance for uncollectibles)					
Accounts - customers	1,301	15,798	17,099	-	17,128
Estimated unbilled usage	283,965	507,426	791,391	-	700,273
Other	-	1,382	1,382	22,770	312,686
Due from other funds	28,956	1,350	30,306	-	35,726
Prepaid items	3,767	4,518	8,285	5,847	16,445
Restricted assets					
Cash and cash equivalents	-	822,881	822,881	-	801,190
Total current assets	3,668,795	8,757,432	12,426,227	2,610,697	14,692,206
Capital assets, net of accumulated depreciation	9,713,034	19,413,726	29,126,760	1,079,016	30,144,003
Total assets	<u>\$ 13,381,829</u>	<u>\$ 28,171,158</u>	<u>\$ 41,552,987</u>	<u>\$ 3,689,713</u>	<u>\$ 44,836,209</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2016**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2015 (Memorandum Only)
	Waterworks	Sewerage	Total		
LIABILITIES AND NET POSITION					
Current liabilities					
Current maturities of long term debt	\$ 64,964	\$ 563,387	\$ 628,351	\$ -	\$ 802,103
Accounts payable and accrued liabilities	771,727	89,684	861,411	82,096	1,001,055
Accrued compensated absences	3,275	4,175	7,450	635	8,899
Current portion of lease payable	-	-	-	16,382	15,867
Due to other funds	-	37,816	37,816	1,350	37,816
Unearned revenue	-	-	-	1,980	-
Customer deposits	335,055	-	335,055	-	320,675
Total current liabilities	1,175,021	695,062	1,870,083	102,443	2,186,415
Noncurrent liabilities					
Lease payable	-	-	-	5,581	21,963
Accrued compensated absences	21,717	26,906	48,623	9,574	48,791
Loans payable, net of current maturities	7,792	4,327,784	4,335,576	-	4,341,687
Bonds payable, net of current maturities	-	-	-	-	328,451
Total noncurrent liabilities	29,509	4,354,690	4,384,199	15,155	4,740,892
Total liabilities	1,204,530	5,049,752	6,254,282	117,598	6,927,307
Net position					
Invested in capital assets, net of related debt	9,640,278	14,522,555	24,162,833	1,079,016	24,671,762
Restricted for:					
IEPA loan debt service	-	822,881	822,881	-	745,314
Bond debt service	-	-	-	-	55,876
Unrestricted	2,537,021	7,775,970	10,312,991	2,493,099	12,464,775
Total net position	12,177,299	23,121,406	35,298,705	3,572,115	37,937,727
	\$ 13,381,829	\$ 28,171,158		\$ 3,689,713	\$ 44,865,034
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			490,600		
Net position of business-type activities			<u>\$ 35,789,305</u>		

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	2015 (Memorandum Only)
	Waterworks	Sewerage	Total		
OPERATING REVENUES					
Metered sales	\$ 1,223,878	\$ 2,005,681	\$ 3,229,559	\$ -	\$ 3,137,236
Charges for services	87,907	525,391	613,298	2,064,526	2,336,319
Employee contributions	-	-	-	148,289	141,404
Other	5,787	20,440	26,227	99,235	437,895
	<u>1,317,572</u>	<u>2,551,512</u>	<u>3,869,084</u>	<u>2,312,050</u>	<u>6,052,854</u>
OPERATING EXPENSES					
General and administrative	-	-	-	43,292	38,742
Personnel services	533,036	649,301	1,182,337	1,352,556	3,255,562
Heat, light, and power	106,172	150,421	256,593	-	237,898
Materials and supplies	167,375	30,499	197,874	107,396	318,427
Other services and charges	272,205	312,041	584,246	142,008	418,498
Depreciation	382,510	681,366	1,063,876	219,867	1,271,239
	<u>1,461,298</u>	<u>1,823,628</u>	<u>3,284,926</u>	<u>1,865,119</u>	<u>5,540,366</u>
Operating income (loss)	(143,726)	727,884	584,158	446,931	512,488
NONOPERATING (REVENUES) EXPENSES					
Interest income	(11,345)	(23,612)	(34,957)	(9,275)	(48,126)
Rental income	(30,255)	-	(30,255)	-	(29,374)
Interest and fiscal agent fee expense	543	11,389	11,932	979	33,610
Grant proceeds	-	-	-	-	(5,187)
Tornado recovery	-	-	-	-	15,034
(Gain) loss on sale of equipment	-	-	-	37,680	(3,700)
	<u>(41,057)</u>	<u>(12,223)</u>	<u>(53,280)</u>	<u>29,384</u>	<u>(37,743)</u>
Net income (loss) before capital contributions and transfers	(102,669)	740,107	637,438	417,547	550,231
TRANSFERS IN (OUT), NET	<u>(35,167)</u>	<u>(86,725)</u>	<u>(121,892)</u>	<u>-</u>	<u>(129,942)</u>
Change in net position	(137,836)	653,382	515,546	417,547	420,289
TOTAL NET POSITION, BEGINNING OF YEAR	<u>12,315,135</u>	<u>22,468,024</u>		<u>3,154,568</u>	<u>37,517,438</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 12,177,299</u>	<u>\$ 23,121,406</u>		<u>\$ 3,572,115</u>	<u>\$ 37,937,727</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>107,735</u>		
Change in net position of business-type activities			<u>\$ 623,281</u>		

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2016**

	Business-Type Activities - Enterprise Funds			Governmental Activities -	2015
	Waterworks	Sewerage	Total	Internal Service Funds	(Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,316,847	\$ 2,704,536	\$ 4,021,383	\$ 1,560,363	\$ 5,353,706
Receipts from interfund services provided	-	-	-	778,600	534,900
Payments to suppliers	(632,151)	(685,445)	(1,317,596)	(2,134,395)	(2,691,087)
Payments to employees	(526,507)	(641,238)	(1,167,745)	(99,183)	(1,263,870)
Receipt of utility customer deposits	14,380	-	14,380	-	18,950
Net cash provided by operating activities	172,569	1,377,853	1,550,422	105,385	1,952,599
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Advances from (repayments to) other funds	-	1,120	1,120	5,650	(46,316)
Transfers to other funds	(35,167)	(86,725)	(121,892)	-	(129,942)
Net cash provided by (used in) noncapital and related financing activities	(35,167)	(85,605)	(120,772)	5,650	(176,258)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(69,791)	(100,805)	(170,596)	(507,313)	(718,674)
Insurance proceeds	-	20,213	20,213	-	65,862
Proceeds from sale of equipment	-	-	-	99,400	3,700
Grant proceeds	-	-	-	-	69,771
Loan proceeds	80,636	253,048	333,684	-	575,301
Principal paid on capital leases	-	-	-	(15,867)	(15,368)
Principal paid on bond and loan maturities	(30,745)	(811,253)	(841,998)	-	(1,134,606)
Interest paid on bonds and loans	(660)	(9,985)	(10,645)	(979)	(36,642)
Net cash used in capital and related financing activities	(20,560)	(648,782)	(669,342)	(424,759)	(1,190,656)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	11,345	23,612	34,957	9,275	48,126
Rental income received	30,255	-	30,255	-	29,374
Proceeds from sale/maturity of investments	200,318	101,491	301,809	-	206,746
Purchase of investments	(201,162)	(100,790)	(301,952)	-	(201,202)
Net cash provided by investing activities	40,756	24,313	65,069	9,275	83,044
NET CHANGE IN CASH AND CASH EQUIVALENTS	157,598	667,779	825,377	(304,449)	668,729
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,992,046	7,458,597	10,450,643	2,886,529	12,668,443
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,149,644</u>	<u>\$ 8,126,376</u>	<u>\$ 11,276,020</u>	<u>\$ 2,582,080</u>	<u>\$ 13,337,172</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities -</u>	<u>2015 (Memorandum Only)</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>	<u>Internal Service Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (143,726)	\$ 727,884	\$ 584,158	\$ 446,931	\$ 512,488
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	382,510	681,366	1,063,876	219,867	1,271,239
Tornado recovery	-	-	-	-	(15,034)
(Increase) decrease in usage receivable	(37,725)	(53,364)	(91,089)	-	(68,244)
(Increase) decrease in other receivables	37,000	206,388	243,388	24,933	(84,378)
(Increase) decrease in prepaid items	1,901	2,396	4,297	(1,984)	(2,947)
Increase (decrease) in accounts payable and accrued liabilities	(84,923)	(191,553)	(276,476)	(587,046)	367,413
Increase (decrease) in accrued compensated absences	3,152	4,736	7,888	704	(24,410)
Increase (decrease) in unearned revenue	-	-	-	1,980	(11,625)
Increase (decrease) in retainage payable	-	-	-	-	(10,853)
Increase (decrease) in customer deposits	14,380	-	14,380	-	18,950
Net cash provided by operating activities	<u>\$ 172,569</u>	<u>\$ 1,377,853</u>	<u>\$ 1,550,422</u>	<u>\$ 105,385</u>	<u>\$ 1,952,599</u>

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

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities -</u>
	<u>Waterworks</u>	<u>Sewerage</u>	<u>Total</u>	<u>Internal Service Funds</u>
Cash and cash equivalents	\$ 3,149,644	\$ 7,303,495	\$ 10,453,139	\$ 2,582,080
Restricted cash and cash equivalents	-	822,881	822,881	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,149,644</u>	<u>\$ 8,126,376</u>	<u>\$ 11,276,020</u>	<u>\$ 2,582,080</u>

See accompanying notes.

**CITY OF WASHINGTON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
APRIL 30, 2016**

	Pension Trust		Agency		Total	2015 (Memorandum Only)
	Police Pension	Special Assessment Collection	Revolving Loan			
ASSETS						
Cash and cash equivalents	\$ 1,348,368	\$ -	\$ 40,008	\$ 1,388,376	\$ 174,673	
Investments	4,947,233	-	-	4,947,233	6,186,236	
Receivables (net of allowance for uncollectibles)						
Employer contribution	367,915	-	-	367,915	313,553	
Interest	5,409	-	-	5,409	2,879	
Other	722	2,470	-	3,192	2,470	
Due from other funds	4,591	-	-	4,591	-	
	\$ 6,674,238	\$ 2,470	\$ 40,008	\$ 6,716,716	\$ 6,679,811	
LIABILITIES AND NET POSITION						
Liabilities						
Accounts payable and accrued liabilities	\$ 1,520	\$ -	\$ -	\$ 1,520	\$ -	
Due to other funds	41,107	2,470	40,008	83,585	2,470	
Total liabilities	42,627	2,470	40,008	85,105	2,470	
Net Position						
Reserved for police pension benefits	6,631,611	-	-	6,631,611	6,677,341	
Total net position	6,631,611	-	-	6,631,611	6,677,341	
	\$ 6,674,238	\$ 2,470	\$ 40,008	\$ 6,716,716	\$ 6,679,811	

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
YEAR ENDED APRIL 30, 2016

	<u>Pension Trust</u>	
	<u>Police Pension</u>	<u>2015 (Memorandum Only)</u>
Additions		
Contributions		
Plan members' contributions	\$ 124,594	\$ 115,109
Employer contributions	373,617	320,283
Investment earnings		
Investment income	208,390	174,883
Net gain in fair value of investments	-	108,869
	<u>706,601</u>	<u>719,144</u>
Deductions		
Benefits paid	486,957	489,682
Administrative expenses	9,145	43,372
Net decline in fair value of investments	256,229	-
	<u>752,331</u>	<u>533,054</u>
Change in net position	(45,730)	186,090
Net position		
Beginning of year	<u>6,677,341</u>	<u>6,491,251</u>
End of year	<u>\$ 6,631,611</u>	<u>\$ 6,677,341</u>

See accompanying notes.

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED APRIL 30, 2016

	Balance April 30, 2015	Additions	Deductions	Balance April 30, 2016
SPECIAL ASSESSMENT COLLECTION FUND				
ASSETS				
Due from property owners	\$ 2,470	\$ -	\$ -	\$ 2,470
LIABILITIES				
Due to other funds	\$ 2,470	\$ -	\$ -	\$ 2,470
POLICE BOND REMITTANCE FUND				
ASSETS				
Cash	\$ -	\$ 8,933	\$ 8,933	\$ -
LIABILITIES				
Due to other governmental entities	\$ -	\$ 8,933	\$ 8,933	\$ -
EMERGENCY ASSISTANCE FUND				
ASSETS				
Cash	\$ -	\$ 181	\$ 181	\$ -
LIABILITIES				
Due to other governmental entities	\$ -	\$ 181	\$ 181	\$ -
REVOLVING LOAN FUND				
ASSETS				
Cash	\$ -	\$ 40,008	\$ -	\$ 40,008
LIABILITIES				
Due to local businesses	\$ -	\$ 40,008	\$ -	\$ 40,008
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ -	\$ 49,122	\$ 9,114	\$ 40,008
Due from property owners	2,470	-	-	2,470
	\$ 2,470	\$ 49,122	\$ 9,114	\$ 42,478
LIABILITIES				
Due to other funds	\$ 2,470	\$ -	\$ -	\$ 2,470
Due to local businesses	-	40,008	-	40,008
Due to other governmental entities	-	9,114	9,114	-
	\$ 2,470	\$ 49,122	\$ 9,114	\$ 42,478

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. The Motor Fuel Tax Fund is reported as a major fund.

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 Fund – Capital projects funds are used to account for general construction or renovation projects being carried out by the City which are not financed by proprietary or trust funds. The City maintains the following capital projects fund:

Washington 223 Fund – Accounts for the improvement of the 223 acres purchased by the City at the Bypass and Nofsinger Road.

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

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

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

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

Washington 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.

Washington 223 Fund – Accounts for the financial transactions related to the repayment of debt associated with the Washington 223 property.

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.

Revolving Loan Fund – To account for loan funds provided by the United States Department of Agriculture and local businesses to benefit the small businesses in the City of Washington.

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 27, 2015 and amended on April 18, 2016.

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

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

- (1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to May 1, the budget is legally adopted through passage of an ordinance.
- (4) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. No revision of the budget can be made increasing the budget in the event funds are not available.

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

F. Cash and Cash Equivalents

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

G. Investments

Investments classified in the financial statements consist of certificates of deposit and federal agency notes whose original maturity exceeds three months and Police Pension Trust Fund investments, including federal agency notes, mutual funds, certificates of deposit and corporate bonds. Investments are stated at fair value.

The City's investment policy is to invest in allowable investments under the Illinois Compiled Statutes. These include (a) interest-bearing savings accounts and certificates of deposit and (b) bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America. In addition to the investments listed above, the City's police pension trust fund may also invest in various money market mutual funds, short-term corporate obligations, and diversified portfolios managed by life insurance companies or registered investment companies within the guidelines established under Section 1-113 of Article 5 of the Illinois Pension Code.

H. Real Estate Taxes

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for amounts received in the fiscal year ended April 30, 2016 was passed December 15, 2014. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

I. Prepaid Items

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

J. Restricted Assets

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

K. Capital Assets

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

Government-Wide Statements

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

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

Capitalization

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

Fund Financial Statements

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

L. Compensated Absences

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

The City's vacation policy allows each regular full-time employee assigned as a commander or to a position classification of a range lower than 98 within the City's position classification system, and not otherwise covered by the terms of a collective bargaining agreement, to earn two weeks of vacation after one year of service and one additional day for each year of service in excess of six years, up to a maximum vacation time of five weeks. Each regular full-time employee or to a position classification of a range 98 or above earns two weeks of vacation after one year of service and up to five years of service, three weeks of vacation from five to ten years of service, four weeks of vacation from eleven to fifteen years of service, and five weeks of vacation for sixteen and more years of service. For employees with up to 15 years of service, up to one week of vacation may be carried over to the following year. Employees with 15 or more years of service may carry two weeks of vacation over to the following year. Upon termination, an employee is entitled to be paid for any vested vacation from the prior year and a prorated share of the current year's vacation.

The City Council passed an ordinance to amend the personnel manual to provide for non-union part-time employee leave. The employee must have worked 1,000 hours in the prior year to qualify. The employee will receive up to 80 hours of paid leave based on the ratio of total hours worked by the employee to 2,080 hours.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

N. Long Term Debt

In the government-wide statements, and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position.

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

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund and Police Pension Fund and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

P. Equity Classification

Government-Wide Statements

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

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

The governmental activities column of the government wide statement of net position reports \$2,592,154 of restricted net position for other purposes. Of this amount, the following are restricted by enabling legislation related to the audit fund of \$26,675, the motor fuel fund of \$719,212, incremental tax of \$1,427,807 and liability insurance of \$202,327. In addition, \$30,490 is restricted for civil defense, and \$185,643 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 5.

Q. Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government – Licenses, permits, fees, fines and a grant from the Illinois Department of Transportation.

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

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

Cemetery – Grave sites, interment fees, footings and donations.

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

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 has defined benefit pension plan items that qualify for this treatment. These outflows are described at Note 6.

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.

T. Subsequent Events

The City has evaluated subsequent events through October 14, 2016, 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 2015, the City received \$6,537,796 from the Illinois Department of Transportation to repair infrastructure damage from the tornado and \$398,283 from the Illinois Department of Commerce and Economic Opportunity for reimbursement of expenditures for recovery efforts. As of April 30, 2016, a significant majority of these repairs have been completed. The City expects to expend the remaining funds in the next fiscal year.

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, 2016 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, 2016, 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, 2016:

	<u>Carrying</u> <u>Amount</u>
Illinois Funds	\$ 1,580
Money market funds	31,633,765
Checking and savings	319,824
Cash on hand	600
Total cash and cash equivalents	<u><u>\$ 31,955,769</u></u>

The deposits are reflected on the financial statements at April 30, 2016 as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 28,216,680
Restricted assets – cash and cash equivalents	2,350,713
Statement of fiduciary net position:	
Cash and cash equivalents	1,388,376
	<u>\$ 31,955,769</u>

Investments

As of April 30, 2016, 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	\$ 301,744	N/A	0.39
US Treasury notes (restricted)	3,794,940	N/A	.04
Fiduciary Fund			
Certificates of deposit	2,677,273	N/A	1.63
Mutual funds-equities	1,945,523	N/A	N/A
Money market	126,225	N/A	.11
Corporate bonds	198,212	A2	3.52
Total Fiduciary Fund Investments	<u>4,947,233</u>		
Total Investments	<u>\$ 9,043,917</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(2) Interest rate risk is estimated using the weighted average years to maturity method.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing for the Fiduciary Fund is performed in accordance with investment policies adopted by the Board of Trustees complying with Illinois Compiled Statutes. Funds shall be invested as per Illinois Pension Code Section 3-135 and by the Public Funds Investment Act (20 ILCS 235/01).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Fund's policy provides that investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities while the Fund maintains sufficient liquidity. Investment guidelines have been established for monies invested to meet approximate market rates of return on its investments, consistent with constraints established by its safety objectives, cash flow considerations, and Illinois State laws that restrict the placement of public funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy provides that investments be diversified or collateralized to avoid incurring unreasonable risks regarding specific security types and/or financial institutions.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Investments representing 5% or more of total investments at April 30, 2016 are as follows:

US Treasury Dept State & Local Note	\$ 3,794,940
Vanguard Total Stock Fund	553,406

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2016 was as follows:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2016</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 5,710,515	\$ -	\$ -	\$ 5,710,515
Construction in process	240,568	6,702,571	-	6,943,139
	<hr/>			
Total capital assets not being depreciated	5,951,083	6,702,571	-	12,653,654
	<hr/>			
Other capital assets:				
Land improvements	370,150	110,098	23,053	457,195
Buildings	4,606,003	5,140	-	4,611,143
Infrastructure	27,186,372	-	-	27,186,372
Equipment and vehicles	3,468,420	726,566	328,607	3,866,379
	<hr/>			
Total other capital assets	35,630,945	841,804	351,660	36,121,089
	<hr/>			
Less accumulated depreciation for:				
Land improvements	176,153	21,814	-	197,967
Buildings	1,074,459	99,374	-	1,173,833
Infrastructure	11,730,889	1,373,028	-	13,103,917
Equipment and vehicles	2,066,982	285,997	185,746	2,167,233
	<hr/>			
Total accumulated depreciation	15,048,483	1,780,213	185,746	16,642,950
	<hr/>			
Other capital assets, net	20,582,462	(938,409)	165,914	19,478,139
	<hr/>			
Governmental activities, net	\$ 26,533,545	\$ 5,764,162	\$ 165,914	\$ 32,131,793
	<hr/>			

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 242,176	\$ -	\$ -	\$ 242,176
Construction in process	1,124,480	828,541	901,374	1,051,647
	<hr/>			
Total capital assets not being depreciated	1,366,656	828,541	901,374	1,293,823
	<hr/>			
Other capital assets:				
Water system	13,835,616	58,250	-	13,893,866
Sewer system	30,129,883	952,280	-	31,082,163
Equipment	1,143,592	37,586	-	1,181,178
	<hr/>			
Total other capital assets	45,109,091	1,048,116	-	46,157,207
	<hr/>			
Less accumulated depreciation for:				
Water system	4,984,704	356,602	-	5,341,306
Sewer system	11,401,904	671,802	-	12,073,706
Equipment	873,786	35,472	-	909,258
	<hr/>			
Total accumulated depreciation	17,260,394	1,063,876	-	18,324,270
	<hr/>			
Other capital assets, net	27,848,697	(15,760)	-	27,832,937
	<hr/>			
Business- type activities, net	\$ 29,215,353	\$ 812,781	\$ 901,374	\$ 29,126,760
	<hr/>			

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

Governmental Activities:

General government	\$ 50,902
Public safety	94,020
Highways and streets	1,409,334
Cemetery	6,090
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>219,867</u>

Total depreciation expense for governmental activities \$ 1,780,213

Business-Type Activities:

Water	\$ 382,510
Sewer	<u>681,366</u>

Total depreciation expense for business-type activities \$ 1,063,876

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, 2016 are as follows:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2016</u>	<u>Amount</u> <u>Due In</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds:					
Special Assessment Bonds, Series 2005	\$ 210,000	\$ -	\$ 38,000	\$ 172,000	\$ 40,000
Alternate Revenue Source, Series 2002**	182,920	-	182,920	-	-
Alternate Revenue Source, Series 2002B**	203,160	-	203,160	-	-
General Obligation Bonds, Series 2006	4,189,381	-	275,804	3,913,577	200,000
Capitalized equipment leases	37,830	16,041	17,006	36,865	19,251
Promissory Note Washington 223	4,965,801	-	-	4,965,801	-
Refunding Promissory Note South Side Bank	4,010,000	-	-	4,010,000	45,000
Promissory Note Morton Community Bank	-	391,324	131,686	259,638	129,414
Other postemployment retirement benefits	756	-	-	756	-
Vested compensated absences	360,271	37,999	-	398,270	34,671
Total Governmental Activities	<u>\$ 14,160,119</u>	<u>\$ 445,364</u>	<u>\$ 848,576</u>	<u>\$ 13,756,907</u>	<u>\$ 468,336</u>
Business-Type Activities:					
General obligation bonds:					
Alternate Revenue Source, Series 2002**	\$ 86,080	\$ -	\$ 86,080	\$ -	\$ -
Alternate Revenue Source, Series 2002B**	179,840	-	179,840	-	-
2009 Illinois Environmental Protection Agency Loan	4,631,133	-	289,446	4,341,687	289,445
Promissory Note Morton Community Bank	575,188	276,463	286,631	565,020	281,685
Promissory Note Morton Community Bank	-	57,221	-	57,221	57,221
Vested compensated absences	48,185	7,887	-	56,072	7,450
Total Business-Type Activities	<u>\$ 5,520,426</u>	<u>\$ 341,571</u>	<u>\$ 841,997</u>	<u>\$ 5,020,000</u>	<u>\$ 635,801</u>

** These bonds were issued as Alternate Revenue Source bonds by the City, payable from various tax revenues; however, portions of the projects include improvements to the water and sewer systems. The portion 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>
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
Total	<u>\$ 172,000</u>		<u>\$ 20,900</u>	<u>\$ 192,900</u>

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

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

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Principal and interest	Amount that results from deposit of property tax levy receipts less payment of principal and interest on the bonds as they become due. As of April 30, 2016, \$4,178 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, 2016, 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>\$ 4,178</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. 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:

Both the Series 2002 and Series 2002B bonds were refinanced with a bank promissory note during the fiscal year ended April 30, 2016 as noted next.

Promissory Note

The City entered into a promissory note agreement with Morton Community Bank for the purpose of refinancing prior obligations. The loan carries a fixed interest rate of 1.59 percent for a term of 31 months. Payments are due in three annual amounts of \$424,497, including interest, thereafter, with final payment due August 1, 2017. At April 30, 2015, \$575,188 had been advanced to the City. During the fiscal year ended April 30, 2016, the City advanced the remaining \$ 667,787 to refinance the Alternative Revenue Source Series 2002 and Series 2002B Bonds.

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 411,099	1.59	\$ 13,399	\$ 424,498
2018	<u>413,559</u>	1.59	<u>6,735</u>	<u>420,294</u>
Total	<u>\$ 824,658</u>		<u>\$ 20,134</u>	<u>\$ 844,792</u>

Payable from:

Governmental Funds	\$ 259,638
Enterprise Funds	<u>565,020</u>
	<u>\$ 824,658</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 has elected to refund this debt at the call date of May 15, 2016. The City has a bank Refunding Promissory Note (discussed below) in place to payoff this debt when it becomes callable. The debt service requirements on these bonds are as follows:

Years Ending April 30,	Principal	Interest Rate	Interest	Total
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	230,000	4.125	156,744	386,744
2021	240,000	5.00	146,000	386,000
2022-2026	1,405,000	5.00	531,375	1,936,375
2027-2030	<u>1,395,000</u>	5.00	<u>143,625</u>	<u>1,538,625</u>
Total	3,910,000		<u>\$ 1,505,310</u>	<u>\$ 5,415,310</u>
Bond premium	428,165			
Accumulated amortization	<u>(424,588)</u>			
	<u><u>\$ 3,913,577</u></u>			

These General Obligation Bonds were issued at a premium of \$428,165. This premium is amortized through the date of refunding using the interest method. Amortization on the premium was \$85,804 for the year ended April 30, 2016.

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Project	Proceeds of bonds net of issuance costs. As of April 30, 2016, 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, 2016, \$394,369 has been required to be accumulated.	Paying current principal and interest.

The following amounts are reported as restricted cash as follows:

Debt Service Fund	\$ 394,369
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Refunding Promissory Note

In fiscal year 2015, the City entered into a promissory note agreement with South Side Bank and Trust for the purpose of refinancing the 2006 WACC bonds. The loan carries a fixed interest rate of 2.50 percent for a term of 15 years. Payments are due annually, including interest, thereafter, with final payment due May 15, 2029.

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,000	2.50	\$ 99,688	\$ 144,688
2018	260,000	2.50	95,875	355,875
2019	270,000	2.50	89,250	359,250
2020	275,000	2.50	82,438	357,438
2021	280,000	2.50	75,500	355,500
2022-2026	1,525,000	2.50	266,688	1,791,688
2027-2030	<u>1,355,000</u>	2.50	<u>68,563</u>	<u>1,423,563</u>
Total	<u>\$ 4,010,000</u>		<u>\$ 778,002</u>	<u>\$ 4,788,002</u>

As of April 30, 2016, \$3,794,940 is shown as restricted investments in the debt service fund. These debt proceeds will be used to pay off the 2006 WACC bonds as they become callable.

Promissory Note

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

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
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>\$ 682,800</u>	<u>\$ 5,648,601</u>

Capital Leases

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%.

In fiscal year ended April 30, 2016, the City entered into capital lease agreement for the purchase of a copier. The lease has a term of five years, monthly payments of \$316 with an imputed interest rate of 6.785%.

The future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 19,251	\$ 1,387	\$ 20,638
2018	8,651	759	9,410
2019	3,285	507	3,792
2020	3,515	277	3,792
2021	2,163	49	2,212
	<u>\$ 36,865</u>	<u>\$ 2,979</u>	<u>\$ 39,844</u>

Business-Type Activities

2009 IEPA Loan Payable

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

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 289,445	\$ -	\$289,445
2018	289,446	-	289,446
2019	289,446	-	289,446
2020	289,446	-	289,446
2021	289,446	-	289,446
2022-2026	1,447,231	-	1,447,231
2027-2031	1,447,227	-	1,447,227
Total	<u>\$ 4,341,687</u>	<u>\$ -</u>	<u>\$ 4,341,687</u>

The sewer loan ordinance for the IEPA loan requires monies held in the Sewerage Enterprise Fund to be segregated and restricted in separate special restricted accounts in the priority indicated by the order of the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
(a) Operation and maintenance	Amount sufficient, when added to amount then on deposit, to establish a balance equal to an amount not less than the amount necessary to pay operation and maintenance expenses for two months. The City ensures each month that the operating accounts of the Sewerage Enterprise Fund have adequate funds to meet this covenant. A separate account has not been established.	Expenses of operating, maintaining, and repairing the system.

(b) Bond, interest, and principal	Amount that results from the monthly accumulation of not less than a pro-rata of the interest becoming due on the next succeeding interest payment date and not less than a pro-rata of the principal becoming due on the next succeeding principal payment date. As of April 30, 2016, \$133,498 has been required to be accumulated.	Paying current principal and interest on bonds.
(c) Bond reserve	1/24 of maximum annual debt service per month, until the account accumulates the total sum of \$289,446 (maximum annual debt service). As of April 30, 2016, \$289,446 has been accumulated.	Paying principal and interest on bonds in the event that the bond and interest account has insufficient funds.
(d) Depreciation	1/120 of 10% of the total outstanding debt, until the account accumulates the total sum of \$521,553. As of April 30, 2016, \$399,937 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	\$ 822,881
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Promissory Note

In fiscal year 2016, the City entered into a promissory note agreement with Morton Community Bank for the purpose of financing the purchase and installation of a system of remote read water meters. The loan carries a fixed interest rate of 2.46 percent. Payments are due in semi-annual amounts of \$130,657.40, including interest, thereafter, with final payment due June 2, 2026. As of April 30, 2016, \$57,221 had been advanced to the City.

Years Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 57,221</u>	2.46	<u>\$ 293</u>	<u>\$ 57,514</u>

Debt Covenants

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

NOTE 6. RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

Illinois Municipal Retirement Fund

Plan Description. The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	33
Inactive Plan Members entitled to but not yet receiving benefits	23
Active Plan Members	<u>47</u>
Total	<u>103</u>

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 14.25%. For the fiscal year ended April 30, 2016, the City contributed \$344,790 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.50%, including inflation.
- The Investment Rate of Return was assumed to be 7.47%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.47% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$13,407,549	\$ 10,889,097	\$ 2,518,452
Changes for the year:			
Service Cost	263,773	-	263,773
Interest on the Total Pension Liability	981,553	-	981,553
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	419,869	-	419,869
Changes of Assumptions	-	-	-
Contributions - Employer	-	343,295	(343,295)
Contributions - Employees	-	142,475	(142,475)
Net Investment Income	-	53,662	(53,662)
Benefit Payments, including Refunds of Employee Contributions	(798,996)	(798,996)	-
Other (Net Transfer)	-	413,324	(413,324)
Net Changes	866,199	153,760	712,439
Balances at December 31, 2015	<u>\$ 14,273,748</u>	<u>\$ 11,042,857</u>	<u>\$ 3,230,891</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.47%)	Current Discount (7.47%)	1% Higher (8.47%)
Net Pension Liability	\$ 5,269,614	\$ 3,230,891	\$ 1,566,459

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

For the year ended April 30, 2016, the City recognized pension income of \$245,789. At April 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 343,315	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	613,419	-
Total Deferred Amounts to be recognized in pension expense in future periods	956,734	-
<i>Employer Pension Contributions made subsequent to the Measurement Date</i>	115,854	-
Total Deferred Amounts Related to Pensions	<u>\$ 1,072,588</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2016	\$ 345,763	\$ -
2017	229,909	-
2018	229,909	-
2019	229,908	-
2020	37,099	-
Thereafter	-	-
Total	<u>\$ 1,072,588</u>	<u>\$ -</u>

Police Pension

Plan Description. The City of Washington Police Pension Trust Fund was created and is administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). Provisions of the plan can only be modified by State legislation. The Police Pension Trust Fund is a single-employer defined benefit pension plan, which covers the police-sworn personnel of the City. The Police Pension Trust Fund, which is administered by the City, provides retirement, death, and disability benefits to plan members and their beneficiaries.

Benefits Provided . Qualifying employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary. Employees with at least 8 years, but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty or, otherwise, the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

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

Employees Covered by Benefit Terms

As of April 30, 2015, the following employees were covered by the benefit terms:

Retirees and Beneficiaries currently receiving benefits	11
Inactive Plan Members entitled to but not yet receiving benefits	-
Active Plan Members	<u>19</u>
Total	<u>30</u>

Contributions

Qualifying employees are required to contribute 9.91 percent of their base salary to the Police Pension Trust Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan at an actuarially determined rate; the current rate is 27.14 percent of annual covered payroll. For the fiscal year ended April 30, 2016, the City contributed \$373,617 to the plan.

Investment Policy

Illinois Compiled Statutes (ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market, mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 45%. Securities in any one company should not exceed 5% of the total fund.

Net Pension Liability

The City's net pension liability was measured as of April 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the Police Pension Plan as of April 30, 2015 were as follows:

Total pension liability	\$	10,806,789
Plan fiduciary net position		6,667,342
City's net pension liability		4,129,477
Plan fiduciary net position as a percentage of the total pension liability		61.79%

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at April 30, 2015:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 5.0%.
- The Investment Rate of Return was assumed to be 7.00%, net of expenses.
- Projected Retirement Age was based on studies of the fund and the Department of Insurance.
- The rates for Mortality (for non-disabled retirees) were developed from the RP-2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date.
- For Disabled Retirees was based on studies of the fund and the Department of Insurance.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

Discount Rate

The discount rate of 7.0% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Changes in the Net Pension Liability

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) - (B)</u>
Balances at April 30, 2014	\$10,000,394	\$ 6,491,252	\$ 3,509,142
Changes for the year:			
Service Cost	284,738	-	284,738
Interest on the Total Pension Liability	681,523	-	681,523
Differences Between Expected and Actual Experience of the Total Pension Liability	(293,629)	-	(293,629)
Changes of Assumptions	662,460	-	662,460
Contributions - Employer	-	320,283	(320,283)
Contributions - Employees	-	115,109	(115,109)
Net Investment Income	-	283,752	(283,752)
Benefit Payments, including Refunds of Employee Contributions	(528,697)	(528,697)	-
Administrative expense	-	(4,357)	4,357
Net Changes	<u>806,395</u>	<u>186,090</u>	<u>620,305</u>
Balances at April 30, 2015	<u>\$ 10,806,789</u>	<u>\$ 6,677,342</u>	<u>\$ 4,129,447</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher:

	1% Lower <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Higher <u>(8.00%)</u>
Net Pension Liability	\$ 5,552,614	\$ 4,129,447	\$ 2,956,616

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

For the year ended April 30, 2016, the City recognized pension income of \$246,688. At April 30, 2016, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Total Deferred Amounts to be recognized in pension expense in future periods	-	-
<i>Pension Contributions made subsequent to the Measurement Date</i>	373,617	-
Total Deferred Amounts Related to Pensions	<u>\$ 373,617</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
2016	\$ 373,617	\$ -
2017	-	-
2018	-	-
2019	-	-
2020	-	-
Total	<u>\$ 373,617</u>	<u>\$ -</u>

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, 2016, the retiree's portion of coverage is \$160/month for family and \$79/month for single with a wellness premium reduction. 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 2016, the City contributed \$168,368

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, 2015 (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, 2016 was approximately \$44,000.

NOTE 7. INTERFUND BALANCES

Interfund receivable and payable balances as of April 30, 2016 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 61,029	\$ 73,729
Special Revenue Fund		
Motor Fuel Tax Fund	61,843	-
Illinois Municipal Retirement Fund	7,295	-
Internal Service Fund		
Motor Equipment Replacement Fund	-	1,350
Debt Service Fund		
Mallard Crossing Special Assessment Fund	-	11,062
Enterprise Funds		
Waterworks Fund	28,956	-
Sewerage Fund	3,820	37,816
Trust and Agency Fund		
Police Pension Fund	4,591	41,107
Special Assessment Collection Fund	-	2,470
Total interfund receivables and payables	<u>\$ 167,534</u>	<u>\$ 167,534</u>

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

NOTE 8. INTERFUND TRANSFERS

Transfers between funds for the year ended April 30, 2016, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 14,592	\$ 584,076
Special Revenue Funds		
Illinois Municipal Retirement Fund	35,300	-
Social Security Fund	72,000	-
Storm Water Management Fund	125,000	-
Civil Defense Fund	5,000	-
Capital Project Fund		
Washington 223 Fund	7,637	-
Debt Service Funds		
South Cummings Lane Fund	63,967	-
Cruger Road Fund	73,665	-
Washington 223 Fund	75,605	-
Washington Area Community Center Fund	233,202	-
Enterprise Funds		
Waterworks Fund	21,429	56,596
Sewerage Fund	-	86,725
Total interfund transfers	<u>\$ 727,397</u>	<u>\$ 727,397</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 9. 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.

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 \$61,696 at April 30, 2016 have been included in the financial statements as a payable. The City has also recorded a receivable at April 30, 2016 for \$14,703, the amount expected to be reimbursed through reinsurance.

Changes in the claims liability in fiscal years 2016 and 2015 were:

Balance at April 30, 2014	\$ 44,201
Prior year claims and changes in estimates	1,625,839
Prior year claims paid	<u>(1,039,789)</u>
Balance at April 30, 2015	630,251
Current year claims and changes in estimates	884,266
Claims paid	<u>(1,452,821)</u>
Balance at April 30, 2016	<u>\$ 61,696</u>

NOTE 10. 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. The total estimated cost of this project is \$3,783,300. The City has incurred \$200,947 in costs through April 30, 2016 related to this project.

The City has a contract for the expansion of the Sewer Treatment Plant #2 phase 2B – Farm Creek Trunk Sewer. As of April 30, 2016, the total estimated City obligation was \$541,700. A total of \$51,067 has been paid or is included in payables as of the year end.

The City has a contract for tornado repairs of infrastructure. The estimated total project cost is \$7,528,471. A total of \$6,680,139 has been paid or is included in payables as of the year end.

The City has a contract to upgrade the water meter information system. The estimated total project cost is \$2,255,775. A total of \$761,643 has been paid or is included in payables as of the year end.

The City has a contract for engineering services related to the intersection of Nofsinger Road and Route 24. The total commitment is \$257,218. A total of \$115,766 has been paid or is included in payables as of the year end.

NOTE 11. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2016:

Mallard Crossing – Debt Service Fund	\$6,884
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NOTE 12. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. These statements require the net pension liability and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

	<u>IMRF</u>	<u>Police Pension</u>	<u>Governmental Activities Total</u>
Net Position – April 30, 2015 (as reported)			\$ 36,349,596
Less: Net pension liability	\$ 2,404,092	\$ 3,509,142	<u>(5,913,234)</u>
Net Position – April 30, 2015 (as restated)			<u>\$ 30,436,362</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
YEAR ENDED APRIL 30, 2016

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 747,000	\$ 740,472	\$ (6,528)
Licenses and permits	428,500	464,359	35,859
Intergovernmental	7,624,000	7,269,240	(354,760)
Grant proceeds	117,280	32,334	(84,946)
Charges for services	82,800	94,305	11,505
Fines and forfeitures	142,000	154,714	12,714
Interest	25,400	38,502	13,102
Other	377,000	53,820	(323,180)
	<u>9,543,980</u>	<u>8,847,746</u>	<u>(696,234)</u>
EXPENDITURES			
Current			
General government	1,404,705	985,828	418,877
Public safety	4,526,800	4,197,622	329,178
Highways and streets	1,599,150	1,375,028	224,122
Health and welfare	15,000	14,933	67
Capital outlay	1,066,600	242,163	824,437
	<u>8,612,255</u>	<u>6,815,574</u>	<u>1,796,681</u>
Excess of revenue over expenditures	<u>931,725</u>	<u>2,032,172</u>	<u>1,100,447</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	21,740	14,592	(7,148)
Transfers out	(806,334)	(584,076)	222,258
Total other financing sources (uses)	<u>(784,594)</u>	<u>(569,484)</u>	<u>215,110</u>
Net change in fund balances	<u>\$ 147,131</u>	<u>\$ 1,462,688</u>	<u>\$ 1,315,557</u>

CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
YEAR ENDED APRIL 30, 2016

	Motor Fuel Tax		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	345,000	408,822	63,822
Grant proceeds	6,537,796	5,623,372	(914,424)
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest	30,000	20,673	(9,327)
Other	-	-	-
	<u>6,912,796</u>	<u>6,052,867</u>	<u>(859,929)</u>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Capital outlay	7,497,600	6,488,256	1,009,344
	<u>7,497,600</u>	<u>6,488,256</u>	<u>1,009,344</u>
Excess (deficiency) of revenue over expenditures	<u>(584,804)</u>	<u>(435,389)</u>	<u>149,415</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (584,804)</u>	<u>\$ (435,389)</u>	<u>\$ 149,415</u>

CITY OF WASHINGTON, ILLINOIS
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST 10 CALENDAR YEARS
(schedule to be built prospectively from 2015)

	2015
Calendar year ending December 31,	
Total pension liability:	
Service cost	\$ 263,773
Interest on the total pension liability	981,553
Difference between expected and actual experience	419,869
Assumption changes	-
Benefit payments and refunds	(798,996)
Net change in total pension liability	866,199
Total pension liability - beginning	13,407,549
Total pension liability - ending (a)	\$ 14,273,748
Plan fiduciary net position:	
Contributions - employer	\$ 343,295
Contributions - employee	142,475
Net investment income	53,662
Benefit payments and refunds	(798,996)
Other (net transfer)	413,324
Net change in plan fiduciary net position	153,760
Plan fiduciary net position - beginning	10,889,097
Plan fiduciary net position - ending (b)	\$ 11,042,857
City's net pension liability - ending (a) - (b)	\$ 3,230,891
Plan fiduciary net position as a percentage of the total pension liability	77.36%
Covered - employee payroll	\$ 2,409,094
City's net position liability as a percentage of covered-employee payroll	134.11%

CITY OF WASHINGTON, ILLINOIS
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION TRUST FUND
LAST 10 YEARS
(schedule to be built prospectively from 2015)

Fiscal year ending April 30,	<u>2015</u>
Total pension liability:	
Service cost	\$ 284,738
Interest on the total pension liability	681,523
Difference between expected and actual experience	(293,629)
Assumption changes	662,460
Benefit payments and refunds	<u>(528,697)</u>
Net change in total pension liability	806,395
Total pension liability - beginning	<u>10,000,394</u>
 Total pension liability - ending (a)	 <u>\$ 10,806,789</u>
 Plan fiduciary net position:	
Contributions - employer	\$ 320,283
Contributions - employee	115,109
Net investment income	283,752
Benefit payments and refunds	(528,697)
Administrative expense	<u>(4,357)</u>
Net change in plan fiduciary net position	186,090
Plan fiduciary net position - beginning	<u>6,491,252</u>
 Plan fiduciary net position - ending (b)	 <u>\$ 6,677,342</u>
 City's net pension liability - ending (a) - (b)	 <u><u>\$ 4,129,447</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 61.79%
 Covered - employee payroll	 \$ 1,179,945
 City's net position liability as a percentage of covered-employee payroll	 349.97%

**CITY OF WASHINGTON, ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 ILLINOIS MUNICIPAL RETIREMENT FUND
 LAST 10 YEARS**

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
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IMRF

12/31/2015	\$ 343,296	*	\$ 343,295	\$ 1	\$ 2,409,094	14.25%
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*Estimated based on contribution rate of 14.25% and covered valuation payroll of \$2,409,094.

Schedule to be built prospectively as the City implemented GASB Statement No. 68 in the fiscal year ending 04/30/2016.

**CITY OF WASHINGTON, ILLINOIS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Notes to Schedule:

***Summary of Actuarial Methods and Assumptions Used in the Calculation
of the 2015 Contribution Rate****

Valuation Date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	28-year closed period
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	4%
<i>Price Inflation:</i>	3%, approximate; No explicit price inflation assumption is used in this valuation.
<i>Salary Increases:</i>	4.40% to 16%, including inflation
<i>Investment Rate of Return:</i>	7.50%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
<i>Mortality:</i>	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**CITY OF WASHINGTON, ILLINOIS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 POLICE PENSION TRUST FUND
 LAST 10 YEARS**

Actuarial Valuation Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
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Police Pension Trust Fund

4/30/2015	\$	304,709	\$	320,283	\$	(15,574)	\$	1,179,945	27.14%
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Schedule to be built prospectively as the City implemented GASB Statement No. 68 in the fiscal year ending 04/30/2016.

**CITY OF WASHINGTON, ILLINOIS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION TRUST FUND**

Notes to Schedule:

***Summary of Actuarial Methods and Assumptions Used in the Calculation
of the 2015 Contribution Rate****

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of April 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

<i>Actuarial Cost Method:</i>	Aggregate entry age = normal
<i>Amortization Method:</i>	Level percentage of pay
<i>Remaining Amortization Period:</i>	26 years
<i>Asset Valuation Method:</i>	Market Value
<i>Price Inflation:</i>	2.5%
<i>Salary Increases:</i>	5%
<i>Investment Rate of Return:</i>	7.00%
<i>Retirement Age:</i>	50-70
<i>Mortality:</i>	RP-2000 CHBC

Other Information:

Notes: There were no benefit changes during the year.

* The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**CITY OF WASHINGTON, ILLINOIS
 SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
 ON PENSION PLAN INVESTMENTS
 POLICE PENSION TRUST FUND
 LAST 10 YEARS**

	<u>2016</u>	<u>2015</u>
Annual money-weighted return rate of return, net of investment expense	-0.32%	3.58%

Schedule to be built prospectively as the City implemented GASB Statement No. 67 in the fiscal year ending 04/30/2015.

**CITY OF WASHINGTON, ILLINOIS
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)
2015	\$ -	\$ 3,210,847	\$ 3,210,847	- %
2014	-	3,210,847	3,210,847	-
2013	-	3,210,847	3,210,847	-

OTHER SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED APRIL 30, 2016

	General Corporate	City Hall	Street
REVENUES			
Property taxes	\$ 250,525	\$ -	\$ 181,758
Licenses and permits	464,359	-	-
Intergovernmental	7,233,462	-	6,880
Grant proceeds	-	-	32,334
Charges for services	600	-	1,647
Fines and forfeitures	86,431	-	-
Interest	38,246	-	-
Other	17,924	-	6,214
	<u>8,091,547</u>	<u>-</u>	<u>228,833</u>
EXPENDITURES			
General government			
Personal services	418,141	43,586	-
Supplies	11,311	2,222	-
Tornado recovery	-	-	-
Other services and charges	129,945	22,501	-
Total general government	<u>559,397</u>	<u>68,309</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	-	-	738,277
Supplies	-	-	12,588
Other services and charges	-	-	624,163
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,375,028</u>
Health and welfare			
Other services and charges	13,363	1,570	-
Capital outlay	3,448	28,185	98,681
	<u>576,208</u>	<u>98,064</u>	<u>1,473,709</u>
Excess (deficiency) of revenue over expenditures	<u>7,515,339</u>	<u>(98,064)</u>	<u>(1,244,876)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	690	13,902	-
Transfers out	(367,044)	-	(217,032)
Total other financing sources (uses)	<u>(366,354)</u>	<u>13,902</u>	<u>(217,032)</u>
Net change in fund balance	<u>\$ 7,148,985</u>	<u>\$ (84,162)</u>	<u>\$ (1,461,908)</u>
FUND BALANCE, BEGINNING OF YEAR			
FUND BALANCE, END OF YEAR			

	Police	Tourism and Economic Development	Zoning	Fire and Rescue	Total	2015 (Memorandum Only)
\$	308,189	\$ -	\$ -	\$ -	\$ 740,472	\$ 839,474
	-	-	-	-	464,359	509,996
	10,421	-	-	18,477	7,269,240	7,398,427
	-	-	-	-	32,334	586,866
	92,058	-	-	-	94,305	84,302
	68,283	-	-	-	154,714	161,622
	256	-	-	-	38,502	54,744
	23,086	6,359	237	-	53,820	121,173
	<u>502,293</u>	<u>6,359</u>	<u>237</u>	<u>18,477</u>	<u>8,847,746</u>	<u>9,756,604</u>
	-	32,216	179,161	-	673,104	768,083
	-	-	2,371	-	15,904	13,372
	-	-	-	-	-	34,074
	-	54,044	90,330	-	296,820	268,035
	-	<u>86,260</u>	<u>271,862</u>	-	<u>985,828</u>	<u>1,083,564</u>
	3,087,507	-	-	-	3,087,507	2,891,152
	14,203	-	-	-	14,203	13,916
	32,768	-	-	-	32,768	20,250
	451,208	-	-	611,936	1,063,144	1,020,292
	<u>3,585,686</u>	-	-	<u>611,936</u>	<u>4,197,622</u>	<u>3,945,610</u>
	-	-	-	-	738,277	708,238
	-	-	-	-	12,588	14,020
	-	-	-	-	624,163	650,555
	-	-	-	-	<u>1,375,028</u>	<u>1,372,813</u>
	-	-	-	-	14,933	14,377
	104,855	-	6,994	-	242,163	263,906
	<u>3,690,541</u>	<u>86,260</u>	<u>278,856</u>	<u>611,936</u>	<u>6,815,574</u>	<u>6,680,270</u>
	<u>(3,188,248)</u>	<u>(79,901)</u>	<u>(278,619)</u>	<u>(593,459)</u>	<u>2,032,172</u>	<u>3,076,334</u>
	-	-	-	-	14,592	119,819
	-	-	-	-	(584,076)	(675,443)
	-	-	-	-	(569,484)	(555,624)
	<u><u>\$ (3,188,248)</u></u>	<u><u>\$ (79,901)</u></u>	<u><u>\$ (278,619)</u></u>	<u><u>\$ (593,459)</u></u>	<u>1,462,688</u>	<u>2,520,710</u>
					<u>11,529,667</u>	<u>9,008,957</u>
					<u><u>\$ 12,992,355</u></u>	<u><u>\$ 11,529,667</u></u>

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2016**

	Special Revenue					
	Cemetery	Civil Defense	Audit	Incremental Tax	Liability Insurance	Storm Water Management
ASSETS						
Cash and cash equivalents	\$ 307,350	\$ 32,907	\$ 26,675	\$ 1,436,584	\$ 202,327	\$ 193,425
Receivables (net of allowance for uncollectibles)						
Property taxes	-	3,317	32,005	216,523	75,020	-
Special assessments	-	-	-	-	-	-
Accounts - customers	2,030	-	-	-	-	-
Other	2,000	-	-	-	-	11,885
Due from other funds	-	-	-	-	-	-
Prepaid items	468	-	-	-	15,008	-
Restricted assets						
Cash and cash equivalents	-	-	-	-	-	-
	<u>\$ 311,848</u>	<u>\$ 36,224</u>	<u>\$ 58,680</u>	<u>\$ 1,653,107</u>	<u>\$ 292,355</u>	<u>\$ 205,310</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 2,311	\$ 2,417	\$ -	\$ 8,777	\$ -	\$ 12,902
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	373
Total liabilities	<u>2,311</u>	<u>2,417</u>	<u>-</u>	<u>8,777</u>	<u>-</u>	<u>13,275</u>
Deferred inflows of resources						
Unavailable revenue						
Property taxes	-	3,317	32,005	216,523	75,020	-
Special assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>3,317</u>	<u>32,005</u>	<u>216,523</u>	<u>75,020</u>	<u>-</u>
Fund balances						
Nonspendable	468	-	-	-	15,008	-
Restricted	-	30,490	26,675	1,427,807	202,327	-
Assigned	309,069	-	-	-	-	192,035
Unassigned	-	-	-	-	-	-
Total fund balances	<u>309,537</u>	<u>30,490</u>	<u>26,675</u>	<u>1,427,807</u>	<u>217,335</u>	<u>192,035</u>
	<u>\$ 311,848</u>	<u>\$ 36,224</u>	<u>\$ 58,680</u>	<u>\$ 1,653,107</u>	<u>\$ 292,355</u>	<u>\$ 205,310</u>

Illinois		
Municipal Retirement	Social Security	Total
\$ 194,131	\$ 233,897	\$ 2,627,296
330,030	250,001	906,896
-	-	-
-	-	2,030
4,601	-	18,486
7,295	-	7,295
-	-	15,476
-	-	-
-	-	-
\$ 536,057	\$ 483,898	\$ 3,577,479

\$ 15,982	\$ 9,086	\$ 51,475
-	-	-
-	-	373
15,982	9,086	51,848

330,030	250,001	906,896
-	-	-
330,030	250,001	906,896
-	-	15,476
-	-	1,687,299
190,045	224,811	915,960
-	-	-
190,045	224,811	2,618,735
\$ 536,057	\$ 483,898	\$ 3,577,479

**CITY OF WASHINGTON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2016**

	Debt Service		
	Mallard Crossing	Washington 223	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 14,936	\$ 14,936
Receivables (net of allowance for uncollectibles)			
Property taxes	-	-	-
Special assessments	47,148	-	47,148
Accounts - customers	-	-	-
Other	-	4,979	4,979
Due from other funds	-	-	-
Prepaid items	-	-	-
Restricted assets			
Cash and cash equivalents	4,178	-	4,178
	\$ 51,326	\$ 19,915	\$ 71,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	11,062	-	11,062
Unearned revenue	-	-	-
Total liabilities	11,062	-	11,062
Deferred inflows of resources			
Unavailable revenue			
Property taxes	-	-	-
Special assessments	47,148	-	47,148
Total deferred inflows	47,148	-	47,148
Fund balances			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	-	19,915	19,915
Unassigned	(6,884)	-	(6,884)
	(6,884)	19,915	13,031
	\$ 51,326	\$ 19,915	\$ 71,241

Capital Project		
Washington 223	Total Nonmajor Governmental	2015 (Memorandum Only)
\$ -	\$ 2,642,232	\$ 2,412,219
-	906,896	876,007
-	47,148	47,004
-	2,030	1,955
-	23,465	42,006
-	7,295	540
-	15,476	10,495
160,927	165,105	302,903
<u>\$ 160,927</u>	<u>\$ 3,809,647</u>	<u>\$ 3,693,129</u>
\$ 26,482	\$ 77,957	\$ 20,666
-	11,062	58,747
134,234	134,607	250,360
160,716	223,626	329,773
-	906,896	876,007
-	47,148	47,004
-	954,044	923,011
-	15,476	10,495
-	1,687,299	1,643,690
211	936,086	792,084
-	(6,884)	(5,924)
211	2,631,977	2,440,345
<u>\$ 160,927</u>	<u>\$ 3,809,647</u>	<u>\$ 3,693,129</u>

**CITY OF WASHINGTON, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED APRIL 30, 2016**

	Special Revenue					
	Cemetery	Civil Defense	Audit	Incremental Tax	Liability Insurance	Storm Water Management
REVENUES						
Property taxes	\$ -	\$ 3,281	\$ 29,849	\$ 212,638	\$ 74,565	\$ -
Intergovernmental	-	-	-	-	-	-
Grant proceeds	-	-	-	-	-	-
Charges for services	81,950	-	-	-	-	-
Interest	1,253	46	50	6,251	133	340
Rental	-	-	-	-	-	51,843
Other	680	-	-	25,078	-	-
	<u>83,883</u>	<u>3,327</u>	<u>29,899</u>	<u>243,967</u>	<u>74,698</u>	<u>52,183</u>
EXPENDITURES						
Current						
General government	-	-	25,759	75,242	84,951	15,781
Public safety	-	6,557	-	-	-	-
Cemetery	75,218	-	-	-	-	-
Capital outlay	28,658	-	-	115,777	-	30,399
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
	<u>103,876</u>	<u>6,557</u>	<u>25,759</u>	<u>191,019</u>	<u>84,951</u>	<u>46,180</u>
Excess (deficiency) of revenues over expenditures	(19,993)	(3,230)	4,140	52,948	(10,253)	6,003
OTHER FINANCING SOURCES (USES)						
Transfers in	-	5,000	-	-	-	125,000
Debt issuance	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Net change in fund balances	(19,993)	1,770	4,140	52,948	(10,253)	131,003
FUND BALANCES, BEGINNING OF YEAR	<u>329,530</u>	<u>28,720</u>	<u>22,535</u>	<u>1,374,859</u>	<u>227,588</u>	<u>61,032</u>
FUND BALANCES, END OF YEAR	<u>\$ 309,537</u>	<u>\$ 30,490</u>	<u>\$ 26,675</u>	<u>\$ 1,427,807</u>	<u>\$ 217,335</u>	<u>\$ 192,035</u>

Illinois		
Municipal Retirement	Social Security	Total
\$ 308,189	\$ 243,584	\$ 872,106
16,901	-	16,901
-	-	-
-	-	81,950
1,034	1,039	10,146
-	-	51,843
-	-	25,758
326,124	244,623	1,058,704
347,990	296,176	845,899
-	-	6,557
-	-	75,218
-	-	174,834
-	-	-
-	-	-
347,990	296,176	1,102,508
(21,866)	(51,553)	(43,804)
35,300	72,000	237,300
-	-	-
35,300	72,000	237,300
13,434	20,447	193,496
176,611	204,364	2,425,239
\$ 190,045	\$ 224,811	\$ 2,618,735

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2016**

	Debt Service				
	Cruger Road	South Cummings Lane	Mallard Crossing	Washington 223	Total
REVENUES					
Property taxes	\$ -	\$ -	\$ 47,004	\$ -	\$ 47,004
Intergovernmental	-	-	-	-	-
Grant proceeds	-	-	-	-	-
Charges for services	-	-	-	-	-
Interest	-	-	11	-	11
Rental	-	-	-	61,816	61,816
Other	-	-	-	-	-
	-	-	47,015	61,816	108,831
EXPENDITURES					
Current					
General government	116	54	-	-	170
Public safety	-	-	-	-	-
Cemetery	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	271,811	245,955	38,000	-	555,766
Interest	5,744	5,276	9,975	138,456	159,451
	277,671	251,285	47,975	138,456	715,387
Excess (deficiency) of revenues over expenditures	(277,671)	(251,285)	(960)	(76,640)	(606,556)
OTHER FINANCING SOURCES (USES)					
Transfers in	73,665	63,967	-	75,605	213,237
Debt issuance	204,006	187,318	-	-	391,324
Total other financing sources (uses)	277,671	251,285	-	75,605	604,561
Net change in fund balances	-	-	(960)	(1,035)	(1,995)
FUND BALANCES, BEGINNING OF YEAR	-	-	(5,924)	20,950	15,026
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ (6,884)	\$ 19,915	\$ 13,031

<u>Capital Project</u>			
<u>Washington</u>	<u>Total</u>	<u>2015</u>	
<u>223</u>	<u>Nonmajor</u>	<u>(Memorandum</u>	
	<u>Governmental</u>	<u>Only)</u>	
\$ -	\$ 919,110	\$ 894,861	
-	16,901	23,698	
115,766	115,766	-	
-	81,950	71,700	
131	10,288	9,292	
-	113,659	117,062	
-	25,758	730	
<hr/>	<hr/>	<hr/>	
115,897	1,283,432	1,117,343	
<hr/>	<hr/>	<hr/>	
7,637	853,706	774,314	
-	6,557	5,399	
-	75,218	80,782	
115,766	290,600	-	
-	555,766	159,280	
-	159,451	172,725	
<hr/>	<hr/>	<hr/>	
123,403	1,941,298	1,192,500	
<hr/>	<hr/>	<hr/>	
(7,506)	(657,866)	(75,157)	
<hr/>	<hr/>	<hr/>	
7,637	458,174	349,772	
-	391,324	-	
<hr/>	<hr/>	<hr/>	
7,637	849,498	349,772	
<hr/>	<hr/>	<hr/>	
131	191,632	274,615	
<hr/>	<hr/>	<hr/>	
80	2,440,345	2,165,730	
<hr/>	<hr/>	<hr/>	
\$ 211	\$ 2,631,977	\$ 2,440,345	
<hr/>	<hr/>	<hr/>	

**CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
APRIL 30, 2016**

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2015 (Memorandum Only)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 893,918	\$ 1,688,162	\$ 2,582,080	\$ 2,886,529
Receivables (net of allowance for uncollectibles)				
Other	19,106	3,664	22,770	47,703
Due from other funds	-	-	-	4,300
Prepaid items	-	5,847	5,847	3,863
Total current assets	913,024	1,697,673	2,610,697	2,942,395
Noncurrent assets				
Capital assets, net of accumulated depreciation	-	1,079,016	1,079,016	928,650
	<u>\$ 913,024</u>	<u>\$ 2,776,689</u>	<u>\$ 3,689,713</u>	<u>\$ 3,871,045</u>
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable and accrued liabilities	\$ 61,818	\$ 20,278	\$ 82,096	\$ 669,142
Current portion of lease payable	-	16,382	16,382	15,867
Accrued compensated absences	-	635	635	142
Unearned revenue	1,980	-	1,980	-
Due to other funds	-	1,350	1,350	-
Total current liabilities	63,798	38,645	102,443	685,151
Noncurrent liabilities				
Lease payable	-	5,581	5,581	21,963
Accrued compensated absences	-	9,574	9,574	9,363
Total liabilities	63,798	53,800	117,598	716,477
Net position				
Invested in capital assets	-	1,079,016	1,079,016	928,650
Unrestricted	849,226	1,643,873	2,493,099	2,225,918
Total net position	849,226	2,722,889	3,572,115	3,154,568
	<u>\$ 913,024</u>	<u>\$ 2,776,689</u>	<u>\$ 3,689,713</u>	<u>\$ 3,871,045</u>

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2016

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2015 (Memorandum Only)
OPERATING REVENUES				
Charges for services	\$ 1,285,926	\$ 778,600	\$ 2,064,526	\$ 1,803,467
Employee contributions	148,289	-	148,289	141,404
Other	85,224	14,011	99,235	143,627
	1,519,439	792,611	2,312,050	2,088,498
OPERATING EXPENSES				
General and administrative	43,292	-	43,292	38,742
Personal services	1,252,428	100,128	1,352,556	2,115,531
Materials and supplies	-	107,396	107,396	148,193
Other services and charges	100	141,908	142,008	128,192
Depreciation	-	219,867	219,867	195,466
	1,295,820	569,299	1,865,119	2,626,124
Operating income (loss)	223,619	223,312	446,931	(537,626)
NONOPERATING REVENUES				
Interest income	(3,458)	(5,817)	(9,275)	(10,172)
Interest expense	-	979	979	1,478
Grant income	-	-	-	(5,187)
Tornado recovery expenses	-	-	-	9,659
(Gain) loss on sale of equipment	-	37,680	37,680	(3,700)
	(3,458)	32,842	29,384	(7,922)
Net income (loss) before transfers	227,077	190,470	417,547	(529,704)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(7,467)
Change in net position	227,077	190,470	417,547	(537,171)
TOTAL NET POSITION, BEGINNING OF YEAR	622,149	2,532,419	3,154,568	3,691,739
TOTAL NET POSITION, END OF YEAR	\$ 849,226	\$ 2,722,889	\$ 3,572,115	\$ 3,154,568

CITY OF WASHINGTON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED APRIL 30, 2016

	Employees' Benefit Fund	Motor Equipment Replacement Fund	Total	2015 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,547,842	\$ 12,521	\$ 1,560,363	\$ 1,733,409
Receipts from interfund services provided	-	778,600	778,600	534,900
Payments to suppliers	(1,864,253)	(270,142)	(2,134,395)	(1,751,812)
Payments to employees	-	(99,183)	(99,183)	(98,925)
Net cash provided by (used in) operating activities	(316,411)	421,796	105,385	417,572
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from (to) other funds	-	5,650	5,650	(21,316)
Transfers from (to) other funds	-	-	-	(7,467)
Net cash provided by (used in) noncapital financing activities	-	5,650	5,650	(28,783)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(507,313)	(507,313)	(82,278)
Principal payments on lease	-	(15,867)	(15,867)	(15,368)
Proceeds from sale of equipment	-	99,400	99,400	3,700
Net cash used in capital and related financing activities	-	(423,780)	(423,780)	(93,946)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,458	5,817	9,275	10,172
Interest paid	-	(979)	(979)	(1,478)
Net cash provided by investing activities	3,458	4,838	8,296	8,694
NET CHANGE IN CASH AND CASH EQUIVALENTS	(312,953)	8,504	(304,449)	303,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,206,871	1,679,658	2,886,529	2,582,992
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 893,918	\$ 1,688,162	\$ 2,582,080	\$ 2,886,529
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 223,619	\$ 223,312	\$ 446,931	\$ (537,626)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	-	219,867	219,867	195,466
Tornado recovery costs	-	-	-	(9,659)
(Increase) decrease in receivables	26,423	(1,490)	24,933	179,812
(Increase) decrease in prepaid items	-	(1,984)	(1,984)	(2,165)
Increase (decrease) in accounts payable and accrued liabilities	(568,433)	(18,613)	(587,046)	589,933
Increase (decrease) in unearned revenue	1,980	-	1,980	-
Increase in accrued compensated absences	-	704	704	1,811
Net cash provided by operating activities	\$ (316,411)	\$ 421,796	\$ 105,385	\$ 417,572

CITY OF WASHINGTON, ILLINOIS
COMBINING SCHEDULE OF OPERATING EXPENSES, OTHER THAN DEPRECIATION
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2016

	Waterworks	Sewerage	Total	2015 (Memorandum Only)
Personal services				
Wages and salaries	\$ 368,298	\$ 458,329	\$ 826,627	\$ 782,192
Payroll taxes	19,553	26,734	46,287	55,306
Group insurance	143,009	162,878	305,887	299,484
Uniforms	2,176	1,360	3,536	3,049
Total personal services	533,036	649,301	1,182,337	1,140,031
Heat, lights, and power				
Electricity	101,617	146,334	247,951	227,406
Heating	4,555	4,087	8,642	10,492
Total heat, lights, and power	106,172	150,421	256,593	237,898
Materials and supplies				
Chemicals and supplies	154,744	15,142	169,886	145,963
Office supplies	6,809	6,445	13,254	12,656
Perishable tools	5,822	8,912	14,734	11,615
Total materials and supplies	167,375	30,499	197,874	170,234
Other services and charges				
Training and recruitment	1,243	1,300	2,543	1,380
Insurance	7,541	9,720	17,261	29,740
Printing fees	2,231	2,242	4,473	2,511
Legal fees	2,433	1,960	4,393	7,904
Engineering fees	39,710	-	39,710	-
Consulting fees	37,591	13,080	50,671	32,156
Rent	2,032	4,207	6,239	20,992
Repairs and maintenance:				
Building	18,744	23,169	41,913	5,043
Equipment	7,083	15,221	22,304	9,850
System	30,056	84,565	114,621	59,293
Motor equipment replacement	110,500	115,000	225,500	65,000
Telephone	9,181	11,350	20,531	18,521
Miscellaneous	3,860	30,227	34,087	37,916
Total other services and charges	272,205	312,041	584,246	290,306
	\$ 1,078,788	\$ 1,142,262	\$ 2,221,050	\$ 1,838,469

**CITY OF WASHINGTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS,
AND ASSESSED VALUATION
2013 THROUGH 2015**

	2015 Levy			2014 Levy			2013 Levy		
	Levy	Rate	Amounts Extended	Levy	Rate	Collections	Levy	Rate	Collections
GENERAL FUND									
General Corporate	\$ 354,950	0.1070	\$ 354,970	\$ 252,000	0.0863	\$ 250,525	\$ 360,000	0.1153	\$ 356,445
Police Pension	365,000	0.1101	365,019	310,000	0.1061	308,189	293,700	0.0941	290,808
SPECIAL REVENUE FUNDS									
Civil Defense	3,300	0.0010	3,317	3,300	0.0011	3,281	3,300	0.0011	3,278
Audit	32,000	0.0097	32,005	30,000	0.0103	29,849	30,000	0.0096	29,711
∞ Illinois Municipal Retirement	330,000	0.0995	330,029	310,000	0.1061	308,189	305,000	0.0977	301,970
Social Security	250,000	0.0754	250,001	245,000	0.0839	243,584	232,000	0.0743	229,716
INTERNAL SERVICE FUND									
Liability Insurance	75,000	0.0226	75,020	75,000	0.0257	74,565	85,000	0.0272	84,157
TOTAL	\$ 1,410,250	0.4253	\$ 1,410,361	\$ 1,225,300	0.4195	\$ 1,218,182	\$ 1,309,000	0.4193	\$ 1,296,085
CITY SHARE OF TOWNSHIP									
ROAD AND BRIDGE			<u>\$ 202,707</u>			<u>\$ 181,758</u>			<u>\$ 192,221</u>
INCREMENTAL TAX DISTRICT									
			<u>\$ 216,523</u>			<u>\$ 212,638</u>			<u>\$ 199,263</u>
ASSESSED VALUATIONS	<u>\$ 331,654,600</u>			<u>\$ 292,078,141</u>			<u>\$ 312,276,092</u>		

**CITY OF WASHINGTON, ILLINOIS
INFORMATION REGARDING WASTEWATER
USER-CHARGE SYSTEM
YEAR ENDED APRIL 30, 2016**

(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	1,102,680,000
Total gallons of wastewater billed based on the user-charge system for the year	256,779,018
Number of metered users connected to the system at April 30, 2016	5,270
Number of nonmetered users at April 30, 2016	1