

VILLAGE OF CRESTON, ILLINOIS

ANNUAL FINANCIAL REPORT

YEAR ENDED APRIL 30, 2018



VILLAGE OF CRESTON, ILLINOIS

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WINEBAUGH & ASSOCIATES, P.C.

ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Williams, President
And Trustees
Village of Creston, Illinois

Members of the Board:

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activity and each major fund of the Village of Creston, Illinois, as of and for the year ended April 30, 2018 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting principles described in Note A; this includes determining that modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's 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 includes 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, and 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 the overall presentation of the financial statements. We believe that 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 - modified cash basis - of the governmental activities, business-type activity, and each major fund, of the Village of Creston, Illinois as of April 30, 2018, and the respective changes in financial position - modified cash basis and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Motor Fuel Tax Fund on Page 8 for the year then ended in conformity with the basis of accounting described in Note A.

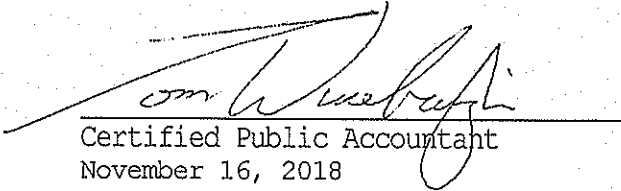
Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Creston's basic financial statements. The schedule listed in the table of contents as Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Certified Public Accountant
November 16, 2018

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VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF NET POSITION-MODIFIED CASH BASIS
APRIL 30, 2018

| | <u>Governmental Activities</u> | <u>Business-Type Activity</u> | <u>Total</u> |
|----------------------------------|------------------------------------|-----------------------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 323,516 | 531,663 | 855,179 |
| Investments | 811,028 | - | 811,028 |
| Total Current Assets | <u>1,134,544</u> | <u>531,663</u> | <u>1,666,207</u> |
| Noncurrent Assets | | | |
| Land | 52,620 | - | 52,620 |
| Capital Assets - Net | 195,329 | 1,172,102 | 1,367,431 |
| Total Noncurrent Assets | <u>247,949</u> | <u>1,172,102</u> | <u>1,420,051</u> |
| Total Assets | <u>1,382,493</u> | <u>1,703,765</u> | <u>3,086,258</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Payroll Taxes | - | - | - |
| Due to Others | 58,750 | 7,925 | 66,675 |
| Total Current Liabilities | <u>58,750</u> | <u>7,925</u> | <u>66,675</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 247,949 | 1,172,102 | 1,420,051 |
| Restricted | 114,789 | 24,550 | 139,339 |
| Unrestricted | 961,005 | 499,188 | 1,460,193 |
| Total Net Position | <u>1,323,743</u> | <u>1,695,840</u> | <u>3,019,583</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF ACTIVITIES—MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2018

| | <u>Program Revenues</u> | | |
|-----------------------------|-----------------------------------|-------------------------------------|---|
| | <u>Expenditures/ Expenses</u> | <u>Charges for Services</u> | <u>Capital Grants & Contributions</u> |
| FUNCTIONS/PROGRAMS | | | |
| Government Activities: | | | |
| General Government | (115,669) | 74,796 | - |
| Streets & Alleys | (48,251) | - | - |
| Culture & Recreation | (2,100) | - | - |
| Total Government Activities | <u>(166,020)</u> | <u>74,796</u> | <u>-</u> |
| Business-type Activities: | | | |
| Utility Fund | <u>(239,378)</u> | <u>268,826</u> | <u>-</u> |
| Total Government | <u>(405,398)</u> | <u>343,622</u> | <u>-</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Net Revenue (Expense) and Changes in Net Position

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------|------------------------------------|-------------------------------------|------------------|
| | (40,873) | - | (40,873) |
| | (48,251) | - | (48,251) |
| | <u>(2,100)</u> | <u>-</u> | <u>(2,100)</u> |
| | (91,224) | - | (91,224) |
| | <u>-</u> | <u>29,448</u> | <u>29,448</u> |
| | <u>(91,224)</u> | <u>29,448</u> | <u>(61,776)</u> |
| General Revenues: | | | |
| Sales & Use Tax | 64,772 | - | 64,772 |
| State Income Tax | 70,123 | - | 70,123 |
| Real Estate Tax | 22,841 | - | 22,841 |
| Telecommunication Tax | 5,742 | - | 5,742 |
| Personal Property Tax | 524 | - | 524 |
| Motor Fuel Tax | 16,837 | - | 16,837 |
| Interest | 8,333 | 1,151 | 9,484 |
| Total General Revenues | 189,172 | 1,151 | 190,323 |
| Transfers | <u>94,755</u> | <u>(94,755)</u> | <u>-</u> |
| Change in Net Position | 192,703 | (64,156) | 128,547 |
| Net Position-Beginning | <u>1,131,040</u> | <u>1,759,996</u> | <u>2,891,036</u> |
| Net Position-Ending | <u>1,323,743</u> | <u>1,695,840</u> | <u>3,019,583</u> |

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES--MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2018

Governmental Fund Types

| | <u>General</u> | <u>MFT</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--------------------|---|
| <u>ASSETS</u> | | | |
| Cash & Cash Equivalents | 283,876 | 39,640 | 323,516 |
| Investments | <u>735,879</u> | <u>75,149</u> | <u>811,028</u> |
| Total Current Assets | <u>1,019,755</u> | <u>114,789</u> | <u>1,134,544</u> |
| <u>LIABILITIES & FUND BALANCES</u> | | | |
| Liabilities | | | |
| Payroll Taxes | - | - | - |
| Due to Others | <u>58,750</u> | <u>-</u> | <u>58,750</u> |
| Total Liabilities | <u>58,750</u> | <u>-</u> | <u>58,750</u> |
| Fund Balance | | | |
| Restricted | 9,887 | 114,789 | 124,676 |
| Committed | 66,873 | - | 66,873 |
| Unassigned | <u>884,245</u> | <u>-</u> | <u>884,245</u> |
| Total Fund Balance | <u>961,005</u> | <u>114,789</u> | <u>1,075,794</u> |
| Total Liabilities and Fund Balance | <u>1,019,755</u> | <u>114,789</u> | <u>1,134,544</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES-MODIFIED CASH BASIS TO
NET POSITION OF GOVERNMENTAL ACTIVITIES-MODIFIED CASH BASIS
APRIL 30, 2018

Total Governmental Funds Balance 1,075,794

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are
not financial resources and therefore are not reported
in the funds.

247,949

Net Position of Governmental Activities

1,323,743

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED APRIL 30, 2018

| | <u>Government Fund Types</u> | | Total |
|--|------------------------------|----------------|-------------------------------|
| | <u>General</u> | <u>MFT</u> | <u>Governmental Funds</u> |
| <u>REVENUES RECEIVED</u> | | | |
| Taxes, | | | |
| Property taxes | 22,841 | - | 22,841 |
| Sales and Use Taxes | 64,772 | - | 64,772 |
| State Income Taxes | 70,123 | - | 70,123 |
| State PPRT Taxes | 524 | - | 524 |
| Telecommunications Tax | 5,742 | - | 5,742 |
| Motor Fuel Taxes | - | 16,837 | 16,837 |
| Licenses, Fees & Permits | 17,227 | - | 17,227 |
| Miscellaneous | 6,800 | - | 6,800 |
| Rents | 50,769 | - | 50,769 |
| Interest | 7,490 | 843 | 8,333 |
| Total Revenues | <u>246,288</u> | <u>17,680</u> | <u>263,968</u> |
| <u>EXPENDITURES DISBURSED</u> | | | |
| Current: | | | |
| General Government | 108,486 | - | 108,486 |
| Culture & Recreation | 2,100 | - | 2,100 |
| Streets & Alleys | 34,763 | - | 34,763 |
| Capital Outlay | <u>102,529</u> | - | <u>102,529</u> |
| Total Expenditures | <u>247,878</u> | <u>-</u> | <u>247,878</u> |
| Excess (Deficit) of Revenues Received Over Expenditures Disbursed | (1,590) | 17,680 | 16,090 |
| Other Financing Sources (Uses): | | | |
| Transfers | <u>94,755</u> | <u>-</u> | <u>94,755</u> |
| Net Changes in Fund Balance | 93,165 | 17,680 | 110,845 |
| Fund Balance | | | |
| April 30, 2017 | <u>867,840</u> | <u>97,109</u> | <u>964,949</u> |
| April 30, 2018 | <u>961,005</u> | <u>114,789</u> | <u>1,075,794</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS-CASH BASIS
TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
APRIL 30, 2018

Net Changes in Fund Balances - Total Governmental Funds 110,845

Amounts reported for Governmental Activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures
however, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. The following is the
amount of capital outlay and depreciation in the current year.

| | |
|----------------|-----------|
| Capital Outlay | 96,038 |
| Depreciation | (14,180) |

Change in Net Position of Governmental Activities 192,703

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF EXPENDITURES DISBURSED
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2018

| <u>GENERAL FUND</u> | Original <u>Budget</u> | Final <u>Budget</u> | <u>Expenditures</u> | (Over) Under <u>Budget</u> |
|--------------------------------|---------------------------|------------------------|---------------------|----------------------------------|
| <u>General Government</u> | | | | |
| Salaries - Elected Officials | 23,620 | 17,000 | 16,240 | 760 |
| Wages - Employees | 24,000 | 25,500 | 25,151 | 349 |
| Payroll Taxes | 4,000 | 3,200 | 3,166 | 34 |
| State Unemployment | 1,000 | 100 | 84 | 16 |
| Legal | 15,000 | 7,200 | 7,152 | 48 |
| Office Supplies | 2,000 | 1,500 | 1,306 | 194 |
| Printing and Publishing | 1,200 | 350 | 342 | 8 |
| Insurance | 12,000 | 14,000 | 13,526 | 474 |
| Audit | 6,100 | 5,850 | 5,850 | - |
| Animal Control | 250 | - | - | - |
| Community Activities | 5,000 | 2,100 | 2,100 | - |
| Dues and Travel | 1,000 | 1,300 | 1,274 | 26 |
| Mosquito Control | 5,200 | 6,000 | 5,854 | 146 |
| Farm Taxes | 6,700 | 6,700 | 6,634 | 66 |
| Farm Maintenance | 2,000 | 250 | 221 | 29 |
| Storm Water Drainage | 10,000 | 2,000 | 1,611 | 389 |
| Computer Software | - | 3,000 | 2,546 | 454 |
| Miscellaneous | 500 | 525 | 502 | 23 |
| Bank Charges | 100 | 75 | 74 | 1 |
| <u>Streets and Alleys</u> | | | | |
| Maintenance | 83,080 | 4,475 | 4,404 | 71 |
| Street Lights | 7,000 | 7,600 | 7,583 | 17 |
| Street Engineering | 10,000 | 150 | 140 | 10 |
| Mowing-Landscaping | 7,000 | 9,000 | 8,960 | 40 |
| Snow Removal | 3,000 | 50 | 50 | - |
| Sidewalks | 6,000 | 14,000 | 13,626 | 374 |
| <u>Land Planning</u> | | | | |
| Zoning | 1,000 | 1,000 | 665 | 335 |
| Engineering | 6,000 | 6,800 | 6,708 | 92 |
| Building Department | 2,900 | 1,500 | 1,335 | 165 |
| Community Development | 2,000 | - | - | - |
| <u>Village Hall</u> | | | | |
| Internet | 1,400 | 2,000 | 1,969 | 31 |
| Heat | 500 | 150 | 141 | 9 |
| Telephone/Fax | 2,000 | 2,150 | 2,126 | 24 |
| Village Hall Maintenance | 1,500 | 4,500 | 4,009 | 491 |
| <u>Capital Outlay</u> | | | | |
| New Equipment | 114,000 | 94,755 | 102,529 | (7,774) |
| Total Disbursements | <u>367,050</u> | <u>244,780</u> | <u>247,878</u> | (3,098) |
| <u>MOTOR FUEL TAX FUND</u> | | | | |
| Street Repairs | <u>-</u> | <u>-</u> | <u>-</u> | <u>=</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF NET POSITION-MODIFIED CASH BASIS
UTILITY FUND
FOR THE YEAR ENDED APRIL 30, 2018

| | Business Type Activity <u>Utility Fund</u> |
|--|---|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash & Cash Equivalents | 507,113 |
| Restricted Cash & Cash Equivalents | <u>24,550</u> |
| Total Current Assets | <u>531,663</u> |
| Long-Term Assets: | |
| Capital Assets - Net | <u>1,172,102</u> |
| Total Long Term Assets | <u>1,172,102</u> |
| Total Assets | <u>1,703,765</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Due to Others | <u>7,925</u> |
| Total Current Liabilities | <u>7,925</u> |
| Long Term Liabilities | <u>-</u> |
| Total Liabilities | <u>7,925</u> |
| <u>NET POSITION</u> | |
| Invested in Capital Assets, Net of Related Debt | 1,172,102 |
| Restricted per Debt Covenants | 24,550 |
| Unrestricted | <u>499,188</u> |
| Total Net Position | <u>1,695,840</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
UTILITY FUND
FOR THE YEAR ENDED APRIL 30, 2018

| | <u>Utility Fund</u> |
|------------------------------------|---------------------|
| <u>OPERATING REVENUES</u> | |
| Water Charges | 103,600 |
| Garbage/Recycling Charges | 32,690 |
| Sewer Charges | 41,488 |
| Administration Fee | 6,128 |
| Capital Improvement Fee | 26,669 |
| Landfill Host Fees | 48,577 |
| Miscellaneous Charges | <u>9,674</u> |
| Total Operating Revenues | <u>268,826</u> |
| <u>OPERATING EXPENSES</u> | |
| Water Department | 82,672 |
| Sewer Department | 96,876 |
| Depreciation | <u>59,830</u> |
| Total Operating Expenses | <u>239,378</u> |
| Operating Income (Loss) | <u>29,448</u> |
| Non-Operating Revenues (Expenses): | |
| Interest Income | 1,151 |
| Transfers to General Fund | (94,755) |
| Total Non-Operating Income (Loss) | (93,604) |
| CHANGE IN NET POSITION | (64,156) |
| Net Position | |
| At April 30, 2017 | <u>1,759,996</u> |
| At April 30, 2018 | <u>1,695,840</u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

CASH FLOW STATEMENT - UTILITY FUND
FOR THE YEAR ENDED APRIL 30, 2018

| | Business-Type Activity <u>Utility Fund</u> |
|---|--|
| <u>Cash Flows from Operating Activities</u> | |
| Cash Received from Service Users | 268,826 |
| Cash Payments for Goods and Services | (168,652) |
| Cash Payments to Employees | (<u>10,896</u>) |
| Net Cash from Operating Activities | <u>89,278</u> |
| <u>Cash Flow from Capital and Related Financial Activities</u> | |
| Transfers to General Fund | (<u>94,755</u>) |
| <u>Cash Flow from Investing Activities:</u> | |
| Interest | <u>1,151</u> |
| Net Increase in Cash and Cash Equivalents | (4,326) |
| Cash and Cash Equivalents April 30, 2017 | <u>535,989</u> |
| Cash and Cash Equivalents April 30, 2018 | <u><u>531,663</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | 29,448 |
| Depreciation | 59,830 |
| Net Cash from Operating Activities | <u><u>89,278</u></u> |

THE NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies

The Village of Creston was organized under the provisions of an act of the General Assembly of the State of Illinois and was created in 1865, and includes an estimated population of 662.

As further discussed in Note A, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. **REPORTING ENTITY**

In evaluating how to define the Village of Creston, for financial reporting purposes, management has considered all potential component units. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability defined in GASB Statement 14 and amended by GASB Statement 39. These statements require a potential component unit to be discretely presented and reported within the Village's financial statements if they have significant resources for the direct benefit of the Village. Based upon the application of these criteria, there are no component units included in this report.

b. **BASIS OF PRESENTATION**

Government-wide Financial Statements

The Statement of Net Position-Modified Cash Basis and the Statement of Activities-Modified Cash Basis display information about the Village as a whole. These statements distinguish between activities that are governmental which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities which rely to a significant extent on fees and charges. Program revenues include charges paid by the recipients of the goods or services offered by the programs and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which program or function is self-financing or draws from the general revenues of the Village.

Internal activity between funds are eliminated in the government wide statement of activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

or regulations of other governments or imposed by law or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. Government wide financial statements omit fiduciary funds and fiduciary-type component units in their presentation.

Fund Financial Statements

The accounts of the Village of Creston are maintained on the basis of funds, each of which are considered a separate accounting entity. The operation of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. 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.

The following are the description for all fund categories presently in use by the Village of Creston.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village's major governmental funds:

General Fund - The General Fund is the primary operating fund of the Village. The General Fund is for all financial resources except those required to be accounted in another fund.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

Special Revenue Funds - are used to account for the proceeds of specific revenue sources and legally restricted to expenditures for specific purposes. The Village has one such fund and it not considered a major fund.

Motor Fuel Tax Fund - is used to account for the receipt of Motor Fuel Tax revenue from the State of Illinois and legally restricted to expenditures for maintenance and upkeep of Village roads.

Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Proprietary Funds
Enterprise Fund

Enterprise funds are used to account for a government's ongoing activities which are similar to those often found in the private sector (business-type activities provided to the general public). These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Village operates one such fund:

Utility Fund - To account for the Village's water, sewer, recycling, garbage collection, and landfill tipping fee operations.

c. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is 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-Modified Cash Basis and the Statement of Activities-Modified Cash Basis, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined in item 2 below.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

In the fund financial statements, the "current financial resources" measurement or the "economic resources" measurement focus, as applied to the modified cash of accounting is used as appropriate:

1. All 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. A proprietary fund utilizes 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 when it is a result of cash transaction. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position-Modified Cash Basis and Statement of Activities-Modified Cash Basis and the fund financial statements, governmental, and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues received, and expenditures disbursed when they result from cash transactions with a provision for depreciation in the government-wide and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Village utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

Note A: Significant Accounting Policies (continued)

d. Assets and Liabilities

Cash and Cash Equivalents

For the purpose of financial reporting, cash includes all checking and savings accounts, certificates of deposit with an original maturity date of 90 days or less, and money-market accounts.

Investments

Village investments are certificates of deposits with an original maturity date of greater than 90 days. Certificate of deposit investments are stated at carrying value which approximates fair market value.

Capital Assets

The Village's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide statements of fund financial statements. In the government-wide statements, capital assets arising from cash transactions are accounted for assets in the Summary of Net Position-Modified Cash Basis. Capital assets include land, land improvements, buildings and equipment, owned by the Village and are stated at historical cost or estimated historical cost. In applying the transition provisions for retroactive reporting of infrastructure assets, the Village is not required to retroactively report its major general infrastructure assets of roads and bridges, and has not done so. Expenditures must meet a minimum capitalization dollar threshold to be included in the Village's capital asset depreciation schedule. If the dollar threshold is not met then the item is written off during the current period. The dollar threshold amounts are for land, \$12,500 for land improvements, \$25,000 for building and building improvements, \$1,000 for office furniture/equipment and computers, \$2,500 for machinery, equipment, and vehicles, and \$100,000 for water and sewer systems, and streets.

Depreciation for governmental-type capital assets is provided using the straight-line method over the estimated life of the asset. A modified half year convention of depreciation is recorded in the first and last year of acquisition regardless of the month the

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

capital asset is acquired or sold. Depreciation lives in years for property items within each asset classification are as follows:

| | | | |
|-----------------------|----|------------------------------|---|
| Buildings | 40 | Office Furniture & Equipment | 5 |
| Buildings Improvement | 20 | Machinery & Equipment | 7 |
| Land Improvements | 20 | Vehicles | 7 |
| Roads | 40 | Computer Hardware | 5 |

Depreciation for business-type activity (Enterprise Fund) is provided using the straight-line over the estimated useful life of the asset. A full year of depreciation is recorded in the year of acquisition regardless of the month the capital asset is acquired. Depreciation lives in years for property items within each asset classification are:

| | | | |
|--------------|----|--------------|----|
| Water System | 25 | Sewer System | 25 |
|--------------|----|--------------|----|

In the fund financial statements, capital assets arising from cash transactions 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.

Governments are required to evaluate prominent events of changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment of a capital asset is defined as a significant, unexpected decline in the service utility of a capital asset. The significant and unexpected decline is based upon events or changes in circumstances that were not anticipated when the capital asset was placed into service. Service utility is the usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization, which is the portion of the usable capacity currently being used. The five indicators of an impairment of a governmental capital assets are: 1) Evidence of physical damage, such as, for a building, damage by fire or flood, to the degree that restoration efforts are needed to restore service utility, 2) Change in legal or environmental factors, such as a water treatment plant that cannot meet (and cannot be modified to meet) new water quality standards, 3) Technological developments or evidence of obsolescence, such as that related to diagnostic equipment that is rarely used because new equipment is better, 4) A change in the manner or expected duration of usage of a capital asset, such as closure of a school prior to the end of its useful life, 5) Construction stoppage, such as stoppage of construction of a building due to lack of funding. The Village does not have any capital assets that are deemed impaired.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

e. Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities-Modified Cash Basis, modified cash basis revenues that are derived directly from each activity or from parties outside the Village's taxpayers are reported as program revenues. The Village has the following program revenues: General Government-Licenses and fees, farm rental, building permits, fines and miscellaneous charges.

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

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. Business type activities program revenues consist of water charges, garbage and recycling charges, sewer charges, landfill host fees and other miscellaneous charges.

Property Taxes

The Village adopted and passed its ordinance levying taxes December 5, 2017. This levy for 2017 real estate taxes was due in two equal installments on June 8, 2018, and September 7, 2018. The County Collector, by state statute, has the power to put all unpaid tax bills up for auction the last Monday in October. January 1 is the effective lien date. It is the Village's intention that property taxes generated from the 2016 tax levy be used to finance the operating budget of the fiscal year ending April 30, 2018. Property taxes are recognized when received, as is consistent with the modified cash basis of accounting. Therefore, property tax receipts represent the receipts generated by the 2016 tax levy. The 2017 tax levy is intended to fund the Village's 2018-19 fiscal year.

Compensated Absences

All Village employees qualifying for vacation or sick pay are elected or appointed Village officials whose salaries are based on the annual appropriation. Vacation and sick leave are considered part of appropriated annual salaries and are expensed monthly. All other employees are considered part-time and not entitled to compensated absences.

Budget

The Village does not use an operating budget; it legally adopts an annual appropriation ordinance which gives the Village legal authority to expend funds in accordance with Illinois State Statutes.

VILLAGE OF CRESTON

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

This is prepared and maintained using a modified cash basis method of accounting. This is the same basis that is used for financial statement presentation. Annual appropriations are adopted for the General Fund and the Utility Fund but not the MFT Fund. All unexpended appropriations of previous years are re-appropriated. The ordinance was passed on July 5, 2017 and was amended June 5, 2018. The Village does not utilize an encumbrance system. Legal spending control is at the fund level, but management control is exercised at the budgetary line item level within each fund. The Board may make transfers between funds, but no appropriation may be reduced below an amount sufficient to cover obligations.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions may occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term loans, if any, are also classified as "due from other funds" or "due to other funds".

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Use of Estimates

The preparation of financial statements in a special purpose reporting basis of accounting used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly actual results could differ from those estimates.

f. Fund Balance Reporting

The Village adopted GASB Statement 54 August 6, 2013. This statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. This statement applies to "governmental" fund balances reported in the General Fund, Special Revenue Funds Debt Service Funds, Capital Projects Funds, and Permanent Funds. This statement does not apply to Enterprise Funds, Internal Service Funds and Fiduciary Funds.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

Currently fund balance is classified as "reserved" or "unreserved". GASB 54 will change how fund balance is reported. The hierarchy of five (5) possible GASB 54 classifications is as follows:

Non-spendable Fund balance includes amounts not in spendable form (such as inventory or pre-paid items), or amounts required to be maintained in tact legally or contractually.

Restricted Fund includes amounts constrained for a specific purpose by external parties (e.g., grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed Fund balance includes amounts constrained for a special purpose by a government using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund balance includes General Fund amounts intended for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts. For all other governmental funds besides the General Fund, this balance would include any remaining positive amount not classified as non-spendable, restricted, or committed.

Unassigned Fund balance includes amounts (if any) that are available for any purpose. This balance is only reported in the General Fund.

In addition to the disclosures already mentioned, Statement 54 requires governments to disclose:

- Additional detail regarding the purpose of restrictions, commitments, and assignments if the required level of detail is not met on the face of the balance sheet.
- The decision making authority and formal action, if any, that result in commitments of fund balance.
- The bodies of persons with authority to express intended uses of resources that result in assigned fund balance.
- The order in which a government assumes restricted, committed, assigned, and unassigned amounts are spent when amounts in more than one classification are available for a particular purpose.
- Information about minimum fund balance policies, if the government has one.
- The purpose for each major special revenue fund, identifying which revenues and other resources are reported in each of those funds.

Creston considers restricted funds then unrestricted amounts to have been spent when an expenditure is incurred for purposes that either funds is available.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE A: Significant Accounting Policies (continued)

As of April 30, 2018, the Village's fund balances are classified as follows:

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Totals</u> |
|---------------------|-------------------------|----------------------------|------------------|
| Restricted Purpose: | | | |
| Roads | - | 114,789 | 114,789 |
| Donated Funds | <u>9,887</u> | - | <u>9,887</u> |
| | <u>9,887</u> | <u>114,789</u> | <u>124,676</u> |
| Committed: | | | |
| Subdivisions | <u>66,873</u> | - | <u>66,873</u> |
| Unassigned | <u>884,245</u> | - | <u>884,245</u> |
| | <u>961,005</u> | <u>114,789</u> | <u>1,075,794</u> |

NOTE B: Cash and Investments

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy are safety (preservation of capital and protection of investment principal), liquidity and yield.

Permitted investments are 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 as to principal and interest; in bonds, notes and debentures of the United States of America or its agencies; interest bearing savings accounts, certificates of deposits or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act. It is their policy to require collateral agreements to cover uninsured amounts (amounts in excess of F.D.I.C.) held at banks.

Custodial Credit Risk-Deposits

At April 30, 2018, the reported amount of the Village's deposits was \$1,122,961 and the balance per the banks was \$1,125,762. Of that bank balance \$250,000 was covered by federal depository insurance and \$720,414 was covered by collateral (and considered not at risk). \$155,348 is considered at risk. \$543,142 was invested in the Illinois Funds Money Market Pool and has not been classified for custodial credit risk.

Investments

Investments consist of certificates of deposits with an original maturity date in excess of ninety days and monies maintained in accounts with the Illinois Funds Money Market (formerly known as

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE B: Cash and Investments (continued)

IPTIP). Illinois Funds Money Market is an external investment pool created by the Illinois General Assembly in 1975. Its primary purpose is to provide Public Treasurers and other custodians of public funds with an alternative investment vehicle will enable them to earn a competitive rate of return on fully collateralized investments on fully collateralized investments, while maintaining immediate access to invested funds.

The monies invested by the individual participants are pooled together and invested in U.S. Treasury bills backed by the full faith and credit of the U.S. Treasury, and U.S. Agency securities, backed by an implied full faith and credit guarantee of the U.S. Government. In addition, monies are invested in commercial paper of the highest rated U.S. firms, in collateralized repurchase agreements, and U.S. Government mutual funds that invest in U.S. Government obligations and collateralized repurchase agreements. The repurchase agreements are collateralized at 102% with U.S. Treasury and Agency obligations and collateral is checked daily to determine sufficiency. Individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each participant's account.

At April 30, 2018 the Village had the following investments:

| | |
|--|----------------|
| Illinois Funds | 543,142 |
| Certificate of deposit (18 month (.75%)) | <u>267,885</u> |
| | <u>811,027</u> |

NOTE C: Capital Assets

Capital Assets - Governmental Funds

| | Balance <u>April 30, 2017</u> | Additions | Deletions | Balance <u>April 30, 2018</u> |
|---------------------|----------------------------------|---------------|-----------|----------------------------------|
| Land | 5,000 | - | - | 5,000 |
| Farmland | 47,620 | - | - | 47,620 |
| Total Land | <u>52,620</u> | <u>-</u> | <u>-</u> | <u>52,620</u> |
| Depreciable Assets: | | | | |
| Village Hall | 70,000 | - | - | 70,000 |
| Stormwater Drain | 127,529 | - | - | 127,529 |
| Computer | 1,700 | - | - | 1,700 |
| Equipment | 11,295 | 96,038 | - | 107,333 |
| | <u>210,524</u> | <u>96,038</u> | <u>-</u> | <u>306,562</u> |
| Accum. Depreciation | (97,053) | (14,180) | - | (111,233) |
| Net Capital Assets | <u>166,091</u> | <u>81,858</u> | <u>-</u> | <u>247,949</u> |

\$13,488 of depreciation was charged to streets, \$692 to general government.

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2018

NOTE C: Capital Assets (continued)

| | <u>Utility Fund</u> | | |
|---------------------------------------|----------------------------------|-----------------|----------------------------------|
| | Balance <u>April 30, 2017</u> | Additions | |
| Capital Assets-Business-type Activity | | | Balance <u>April 30, 2018</u> |
| Sanitary Sewer | 2,038,701 | - | 2,038,701 |
| Equipment | 258,551 | - | 258,551 |
| Vehicles | <u>10,605</u> | - | <u>10,605</u> |
| Total | 2,307,857 | - | 2,307,857 |
| Accum. Depreciation | <u>(1,075,925)</u> | <u>(59,830)</u> | <u>(1,135,755)</u> |
| Net Capital Assets | <u>1,231,932</u> | <u>(59,830)</u> | <u>1,172,102</u> |

NOTE D: Due to Others

The Village has received transition fees from various developers due to various other taxing bodies.

NOTE E: Restricted Funds

Utility Fund - Debt Covenants and Funding Requirements

The Village of Creston is required by the Sewer Bond Ordinance and the United States Department of Agriculture Rural Development to fund a depreciation account in the following manner:

The Depreciation Account requires monthly deposits of \$200 until it contains \$24,000 at the ten year anniversary of the bond ordinance (2005). The current balance is \$24,550.

Governmental Fund

Motor Fuel Tax Funds are restricted for street and highway expenditures by the Illinois Department of Transportation.

NOTE F: Legal Debt Margin

| | |
|---|--------------------|
| Assessed Valuation - 2017 Levy | <u>\$8,229,655</u> |
| Statutory Debt Limitation at 8.6258% of Assessed Valuation | 709,874 |
| General Obligation Debt | - |
| Legal Debt Margin | <u>709,874</u> |

VILLAGE OF CRESTON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE G: Risk Management and Litigation

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village has obtained coverage from a commercial insurance company for this exposure. Risk management expenditures are accounted for in the General Fund. Management believes such coverage is sufficient to preclude significant uninsured losses to the Village. There have been no settlement amounts which have exceeded insurance coverage in the last three years.

| NOTE H: <u>Interfund Transfers</u> | <u>To</u> | <u>From</u> |
|------------------------------------|---------------|---------------|
| General Fund | 94,755 | - |
| Utility Fund | - | 94,755 |
| | <u>94,755</u> | <u>94,755</u> |

Transfer for purchase of capital assets

NOTE I: Budget to Actual Expenditures

The General Fund had expenditures (\$247,878) in excess of the budget amount (\$244,780).

OTHER INFORMATION

VILLAGE OF CRESTON, ILLINOIS
 ASSESSED VALUATION, RATES, EXTENSIONS AND COLLECTIONS
 APRIL 30, 2018

| | <u>Assessed Valuation</u> | <u>Combined</u> | <u>Corporate</u> | <u>½ Road and Bridge</u> |
|-----------------|-------------------------------|-----------------|------------------|------------------------------|
| 2017 Levy | 8,229,655 | | | |
| Tax Rate | | <u>.21207</u> | <u>.21207</u> | <u>-</u> |
| Tax Extension | | <u>23,844</u> | <u>17,453</u> | <u>6,391</u> |
| Tax Collections | | <u>-</u> | <u>-</u> | <u>-</u> |
| 2016 Levy | 7,998,949 | | | |
| Tax Rate | | <u>.20781</u> | <u>.20781</u> | <u>-</u> |
| Tax Extension | | <u>22,889</u> | <u>16,623</u> | <u>6,266</u> |
| Tax Collections | | <u>22,841</u> | <u>16,578</u> | <u>6,263</u> |
| 2015 Levy | 8,057,886 | | | |
| Tax Rate | | <u>.19648</u> | <u>.19648</u> | <u>-</u> |
| Tax Extension | | <u>21,916</u> | <u>15,832</u> | <u>6,084</u> |
| Tax Collections | | <u>21,787</u> | <u>15,705</u> | <u>6,082</u> |
| 2014 Levy | 8,315,312 | | | |
| Tax Rate | | <u>.18134</u> | <u>.18134</u> | <u>-</u> |
| Tax Extension | | <u>22,460</u> | <u>15,079</u> | <u>7,381</u> |
| Tax Collections | | <u>22,195</u> | <u>15,031</u> | <u>7,164</u> |