

# Village of Rockton

Rockton, Illinois

## Annual Financial Report

May 31, 2018



# Village of Rockton, Illinois

Year Ended May 31, 2018

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## **Independent Auditor's Report**

To the Honorable Mayor and Village Trustees  
Village of Rockton, Illinois

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of Rockton, Illinois ("Village") as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the 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 the modified cash basis of accounting described in Note 1; this includes determining that the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 summary of opinions.

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Unmodified
Wagon Wheel TIF Fund	Unmodified
Chemtool TIF Fund	Unmodified
Downtown TIF Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Police Pension Trust Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

**Basis for Qualified Opinion on the Pension Trust Fund**

As discussed in Note 1 to the financial statements, the Pension Trust Fund has elected to report investments at market value, which differs from the modified cash basis of accounting. The effect on the financial statements is to report a higher value of assets in the amount of \$691,958.

**Qualified Opinion**

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on the Pension Trust Fund” paragraph, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the Police Pension Trust Fund of the Village as of May 31, 2018, and the respective changes in financial position - modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Unmodified 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 activities, each major fund, and the aggregate remaining fund information, other than the Police Pension Trust Fund, of the Village as of May 31, 2018, and the respective changes in financial position - modified cash basis, and where applicable, cash flows thereof for the year then ended in accordance with the modified basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Except for the Pension Trust Funds as noted above, the financial statements are prepared on the modified cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. 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's basic financial statements. The additional schedules listed in the table of contents as other information, pages 49 through 57, all of which are the responsibility of management, are presented for purposes of additional analysis and are 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.

*Wipfli LLP*

Rockford, Illinois  
February 7, 2019

**Financial Statements**

# Village of Rockton, Illinois

## Statement of Net Position - Modified Cash Basis

May 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 141,145	\$ 1,028,572	\$ 1,169,717
Restricted cash	276,537	37,414	313,951
Investments	325,144	142,837	467,981
Note receivable	3,733	-	3,733
<b>Total current assets</b>	<b>746,559</b>	<b>1,208,823</b>	<b>1,955,382</b>
Capital assets:			
Not depreciated	911,224	-	911,224
Depreciated (net of accumulated depreciation)	7,351,458	6,580,056	13,931,514
<b>Total noncurrent assets</b>	<b>8,262,682</b>	<b>6,580,056</b>	<b>14,842,738</b>
<b>Total assets</b>	<b>9,009,241</b>	<b>7,788,879</b>	<b>16,798,120</b>
<b>Liabilities</b>			
Current liabilities:			
Payroll withholdings and refundable deposits	3,472	-	3,472
Current portion-debt	474,863	318,594	793,457
<b>Total current liabilities</b>	<b>478,335</b>	<b>318,594</b>	<b>796,929</b>
Noncurrent liabilities:			
Notes payable	1,993,107	2,489,694	4,482,801
Capital lease payable	95,439	-	95,439
Bonds payable	1,913,890	1,110,000	3,023,890
<b>Total noncurrent liabilities</b>	<b>4,002,436</b>	<b>3,599,694</b>	<b>7,602,130</b>
<b>Total liabilities</b>	<b>4,480,771</b>	<b>3,918,288</b>	<b>8,399,059</b>
<b>Net Position</b>			
Net investment in capital assets	3,785,383	2,661,768	6,447,151
Restricted	743,627	37,414	781,041
Unrestricted	(540)	1,171,409	1,170,869
<b>Total net position</b>	<b>\$ 4,528,470</b>	<b>\$ 3,870,591</b>	<b>\$ 8,399,061</b>

See accompanying notes to financial statements.

Village of Rockton, Illinois  
Statement of Activities - Modified Cash Basis  
Year ended May 31, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,842,071	\$ 654,061	\$ 44,452	\$ -
Public safety	1,829,684	71,833	65,746	-
Judiciary and legal	89,320	-	-	-
Public works	704,673	8,705	207,664	-
Social services	11,405	-	-	-
Culture and recreation	463,130	78,514	-	-
Environment	480,422	486,231	-	-
Interest	206,109	-	-	-
<b>Total governmental activities</b>	<b>\$ 5,626,814</b>	<b>\$ 1,299,344</b>	<b>\$ 317,862</b>	<b>\$ -</b>
Business-type activities:				
Water	\$ 700,642	\$ 644,785	\$ -	\$ -
Sewer	524,799	679,673	-	-
<b>Total business activities</b>	<b>\$ 1,225,441</b>	<b>\$ 1,324,458</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:				
Taxes:				
Property taxes				
State taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
<b>Total general revenues and transfers</b>				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,143,558)	\$ -	\$ (1,143,558)
(1,692,105)	-	(1,692,105)
(89,320)	-	(89,320)
(488,304)	-	(488,304)
(11,405)	-	(11,405)
(384,616)	-	(384,616)
5,809	-	5,809
(206,109)	-	(206,109)
(4,009,608)	-	(4,009,608)
-	(55,857)	(55,857)
-	154,874	154,874
-	99,017	99,017
1,397,354	-	1,397,354
2,583,546	38,100	2,621,646
13,337	9,975	23,312
49,604	-	49,604
-	-	-
4,043,841	48,075	4,091,916
34,233	147,092	181,325
4,494,237	3,723,499	8,217,736
\$ 4,528,470	\$ 3,870,591	\$ 8,399,061

# Village of Rockton, Illinois

## Balance Sheet - Modified Cash Basis

### Governmental Funds

May 31, 2018

	General Fund	Wagon Wheel TIF Fund	Chemtool TIF Fund	Downtown TIF Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ (269,426)	\$ 4,322	\$ 341,963	\$ 24,175	\$ 40,111	\$ 141,145
Restricted cash	276,537	-	-	-	-	276,537
Investments	266,473	-	-	-	58,671	325,144
Loan Receivable	2,000	-	-	-	1,733	3,733
Due from other funds	9,563	-	-	-	437	10,000
<b>Total assets</b>	<b>\$ 285,147</b>	<b>\$ 4,322</b>	<b>\$ 341,963</b>	<b>\$ 24,175</b>	<b>\$ 100,952</b>	<b>\$ 756,559</b>
<b>Liabilities</b>						
Payroll withholdings and refundable deposits	\$ 3,472	\$ -	\$ -	\$ -	\$ -	\$ 3,472
Due to other funds	-	10,000	-	-	-	10,000
<b>Total liabilities</b>	<b>3,472</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,472</b>
<b>Fund Balance</b>						
Fund balance:						
Restricted	276,537	-	341,963	24,175	100,952	743,627
Unassigned	5,138	(5,678)	-	-	-	(540)
<b>Total fund balance</b>	<b>281,675</b>	<b>(5,678)</b>	<b>341,963</b>	<b>24,175</b>	<b>100,952</b>	<b>743,087</b>
<b>Total liabilities and fund balance</b>	<b>\$ 285,147</b>	<b>\$ 4,322</b>	<b>\$ 341,963</b>	<b>\$ 24,175</b>	<b>\$ 100,952</b>	<b>\$ 756,559</b>

See accompanying notes to financial statements.

# Village of Rockton, Illinois

## Reconciliation of the Governmental Funds Balance Sheet - Modified Cash Basis to the Statement of Net Position - Modified Cash Basis

May 31, 2018

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Total fund balances - modified cash basis - governmental funds	\$ 743,087
Amounts reported for governmental activities in the statement of net position - modified cash basis are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This amount is the net book value of capital assets reported.	8,262,682
Long-term liabilities, including bonds payable, notes payable, and capital leases are not reported in the funds.	(4,477,299)
<hr/>	
Total net position - modified cash basis - governmental activities	\$ 4,528,470
<hr/>	

Village of Rockton, Illinois  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year ended May 31, 2018

	General Fund
<b>Revenues</b>	
Taxes	\$ 3,562,445
Licenses, fees and permits	1,177,072
Intergovernmental	-
Other revenue	131,328
<b>Total revenues</b>	<b>4,870,845</b>
<b>Expenditures</b>	
Current:	
General government	1,775,353
Public safety	1,603,773
Judiciary and legal	89,320
Public works	513,052
Social services	11,405
Culture and recreation	351,367
Environment	480,422
Debt service	243,083
Capital outlay	773,758
<b>Total expenditures</b>	<b>5,841,533</b>
Excess (deficiency) of revenues over expenditures	(970,688)
<b>Other financing sources (uses)</b>	
Issuance of long-term debt	754,742
Operating transfers in	-
<b>Total other financing sources (uses)</b>	<b>754,742</b>
Net change in fund balance	(215,946)
Fund balance (deficit), beginning of year	497,621
Fund balance (deficit), end of year	\$ 281,675

Wagon Wheel TIF Fund	Chemtool TIF Fund	Downtown TIF Fund	Other Governmental Funds	Total Governmental Funds
\$ 105,189	\$ 332,982	\$ 13,546	\$ 124,696	\$ 4,138,858
-	-	-	-	1,177,072
-	-	-	207,664	207,664
452	4,012	209	1,452	137,453
105,641	336,994	13,755	333,812	5,661,047
10,192	37,758	75	-	1,823,378
-	-	-	133,381	1,737,154
-	-	-	-	89,320
-	-	-	202,592	715,644
-	-	-	-	11,405
-	-	-	-	351,367
-	-	-	-	480,422
1,170,876	297,897	-	-	1,711,856
-	-	-	-	773,758
1,181,068	335,655	75	335,973	7,694,304
(1,075,427)	1,339	13,680	(2,161)	(2,033,257)
1,125,473	-	-	-	1,880,215
-	-	-	-	-
1,125,473	-	-	-	1,880,215
50,046	1,339	13,680	(2,161)	(153,042)
(55,724)	340,624	10,495	103,113	896,129
\$ (5,678)	\$ 341,963	\$ 24,175	\$ 100,952	\$ 743,087

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# Village of Rockton, Illinois

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis of Governmental Funds to the Statement of Activities - Modified Cash Basis

For the year ended May 31, 2018

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Net change in fund balance - modified cash basis - governmental funds	\$ (153,042)
Amounts reported for governmental activities in the statement of activities - modified cash basis - are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capitalized fixed assets exceeds depreciation expense in the period.	770,674
Debt proceeds are reported in governmental funds as other financing sources. However, the amount is recorded as a liability in the statement of net position. This is the amount of debt proceeds in the period.	(2,076,443)
Debt payments are reported in governmental funds as expenditures. However, only the interest on bonds, notes payable and capital leases is recorded in the statement of activities. This is the amount of debt payments in the period.	1,493,044
<u>Change in net position - modified cash basis - governmental activities</u>	<u>\$ 34,233</u>

# Village of Rockton, Illinois

## Statement of Net Position - Modified Cash Basis

### Proprietary Funds

May 31, 2018

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 361,907	\$ 666,665	\$ 1,028,572
Restricted cash	37,414	-	37,414
Investments	-	142,837	142,837
<b>Total current assets</b>	<b>399,321</b>	<b>809,502</b>	<b>1,208,823</b>
Capital assets:			
Depreciated (net of accumulated depreciation)	4,621,099	1,958,957	6,580,056
<b>Total noncurrent assets</b>	<b>4,621,099</b>	<b>1,958,957</b>	<b>6,580,056</b>
<b>Total assets</b>	<b>5,020,420</b>	<b>2,768,459</b>	<b>7,788,879</b>
<b>Liabilities</b>			
Current liabilities			
Current portion-debt	172,715	145,879	318,594
<b>Total current liabilities</b>	<b>172,715</b>	<b>145,879</b>	<b>318,594</b>
Noncurrent liabilities			
Notes payable	1,541,083	948,611	2,489,694
Bonds payable	1,110,000	-	1,110,000
<b>Total noncurrent liabilities</b>	<b>2,651,083</b>	<b>948,611</b>	<b>3,599,694</b>
<b>Total liabilities</b>	<b>2,823,798</b>	<b>1,094,490</b>	<b>3,918,288</b>
<b>Net Position</b>			
Net investment in capital assets	1,797,301	864,467	2,661,768
Restricted for:			
Restricted - debt service	37,414	-	37,414
Unrestricted	361,907	809,502	1,171,409
<b>Total net position</b>	<b>\$ 2,196,622</b>	<b>\$ 1,673,969</b>	<b>\$ 3,870,591</b>

**Village of Rockton, Illinois**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**Year ended May 31, 2018**

	Water	Sewer	Total Proprietary Funds
<b>Operating revenues</b>			
Charges for services	\$ 644,785	\$ 679,673	\$ 1,324,458
<b>Operating expenses</b>			
Operating	498,378	405,880	904,258
Depreciation	143,949	107,500	251,449
Total operating expenses	642,327	513,380	1,155,707
Operating income	2,458	166,293	168,751
<b>Nonoperating revenues (expenses)</b>			
Interest income	1,639	8,336	9,975
Replacement taxes	-	38,100	38,100
Interest expense	(52,747)	(16,987)	(69,734)
Total nonoperating revenues (expenses)	(51,108)	29,449	(21,659)
Income/(loss) before operating transfers	(48,650)	195,742	147,092
<b>Other financing sources</b>			
Operating transfers out	-	-	-
Total other financing sources	-	-	-
Change in net position	(48,650)	195,742	147,092
Net position, beginning of year	2,245,272	1,478,227	3,723,499
Net position, end of year	\$ 2,196,622	\$ 1,673,969	\$ 3,870,591

Village of Rockton, Illinois  
Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
Year ended May 31, 2018

	Water	Sewer	Total Proprietary Funds
<b>Cash Flows from Operating Activities</b>			
Cash received for services	\$ 644,785	\$ 679,673	\$ 1,324,458
Cash payments to suppliers	(324,421)	(251,935)	(576,356)
Cash payments to employees	(173,957)	(153,945)	(327,902)
Net cash provided by operations	146,407	273,793	420,200
<b>Cash Flows from Non-Capital Financing Activities</b>			
Replacement taxes	-	38,100	38,100
Operating transfers in (out)	-	-	-
Net cash provided by (used in) non-capital financing activities	-	38,100	38,100
<b>Cash Flows from Capital Financing Activities</b>			
Payment of long-term debt	(70,000)	(233,979)	(303,979)
Proceeds from long-term debt	1,638,798	1,122,052	2,760,850
Interest paid on long-term debt	(52,747)	(16,987)	(69,734)
Purchase of capital assets	(1,653,389)	(1,208,698)	(2,862,087)
Net cash provided by (used in) capital financing activities	(137,338)	(337,612)	(474,950)
<b>Cash Flows from Investing Activities</b>			
Interest received	1,639	8,336	9,975
Purchase of investments	-	(3,248)	(3,248)
Sale of investments	-	1,500	1,500
Net cash provided by (used in) investing activities	1,639	6,588	8,227
Net increase (decrease) in cash and cash equivalents	10,708	(19,131)	(8,423)
Beginning cash and cash equivalents	388,613	685,796	1,074,409
Ending cash and cash equivalents	\$ 399,321	\$ 666,665	\$ 1,065,986

See accompanying notes to financial statements.

# Village of Rockton, Illinois

## Statement of Cash Flows - Modified Cash Basis (Continued)

### Proprietary Funds

Year ended May 31, 2018

	Water	Sewer	Total Proprietary Funds
<b><i>Reconciliation of operating income to net cash provided by (used in) operating activities</i></b>			
Operating income	\$ 2,458	\$ 166,293	\$ 168,751
Adjustments to reconcile operating income to net cash provided by operations			
Depreciation expense	143,949	107,500	251,449
Changes in assets and liabilities:			
Due from other funds	-	-	-
Due to other funds	-	-	-
Net cash provided by operations	\$ 146,407	\$ 273,793	\$ 420,200
<b><i>Noncash investing and financing activities:</i></b>			
Capital assets purchased with capital leases	\$ -	\$ -	\$ -

# Village of Rockton, Illinois

## Statement of Net Position Police Pension Trust Fund

May 31, 2018

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### **Assets**

Cash and deposits	\$	73,009
Investments		5,449,792
Interest Receivable		-

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Total assets		5,522,801
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### **Liabilities**

Due to others		-
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### **Net Position**

Held in trust for pension benefits	\$	5,522,801
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# Village of Rockton, Illinois

## Statement of Changes in Net Position

### Police Pension Trust Fund

Year ended May 31, 2018

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#### **Additions**

Employer contributions	\$	312,277
Contributions-employees		114,635
Interest income		204,139
Realized gain		5,886
Unrealized gain		72,227
		<hr/>
Total additions		709,164

#### **Deductions**

Benefits and refunds		55,505
Other charges and services		32,634
		<hr/>
Total deductions		88,139

Net increase		621,025
Net position, beginning of year		4,901,776
		<hr/>
Net position, end of year	\$	5,522,801

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# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies**

#### **Introduction**

The financial statements of the governmental and business-type activities of the Village of Rockton (the "Village") have been prepared in conformity with the modified cash basis method of accounting, which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP) as applied to government units, except for the financial statements of the fiduciary fund, which reports investments at market value. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below.

#### **Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

#### **Financial Reporting Entity**

The Village is a municipal corporation governed by an elected mayor and six-member board of trustees (board). The accompanying financial statements present the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials are financially accountable or whose exclusion would render the financial statements misleading because of nature and significance of their relationship. The Village has no entities that meet the definition of a component unit.

#### **Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **Basis of presentation – fund financial statements**

The fund financial statements provide information about the Village's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Under the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Village may report any governmental or enterprise fund (but not internal service funds or fiduciary fund) as a major fund if the Village's officials believe the fund is "particularly important to financial statement users". The Village has chosen to include the Downtown TIF Fund as a major fund even though the fund calculations do not classify them as major funds. The Village views these funds as particularly important to the financial users.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. It includes the receipt and use of the working cash fund which lends amounts to other funds.

The *Wagon Wheel TIF Fund* is used to account for the receipt of the Wagon Wheel TIF property taxes and the corresponding expenditures related to the TIF District.

The *Chemtool TIF Fund* is used to account for the receipt of the Chemtool TIF property taxes and the corresponding expenditures related to the TIF District.

The *Downtown TIF Fund* is used to account for the receipt of the Downtown TIF property taxes and the corresponding expenditures related to the TIF District.

The Village reports the following major enterprise funds:

The *Water Fund* accounts for the costs related to operation of the Village water services. Funding is provided by user fees.

The *Sewer Fund* accounts for the costs related to operation of the Village sewer services. Funding is provided by user fees.

The Village reports the following fiduciary fund:

The *Police Pension Trust Fund* accounts for the assets accumulated to pay the pension liabilities of the Village's police officers.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **Basis of presentation – fund financial statements (Continued)**

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, fund and fiduciary financial statements are reported using the *modified cash basis of accounting*, except for the fiduciary financial statements reporting investments at market value. Revenues are recorded when received and expenses are recorded when paid.

#### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### **Budgetary information**

##### ***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting.

The appropriated budget is prepared by fund, function, and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

##### ***Cash and investments***

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The Village is authorized to invest in funds according to Illinois Compiled Statutes 30 ILCS 235 under the Public Funds Investment Act.

Investments for the fiduciary fund are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC. Investments for the governmental and business-type activities consist entirely of the Pool and therefore are valued using the amortized cost method.

Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net position unless the income or loss is restricted by the donor or law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could be material in amount.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### ***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 for equipment, \$10,000 for buildings and improvements, \$50,000 for infrastructure and an estimated useful life in excess of two years.

The Village has elected to report only prospective infrastructure assets. Infrastructure includes only those assets put in place after May 1, 2004. As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Village are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	40
Equipment & Vehicles	5-7
Infrastructure	10-40

#### ***Net position flow assumption***

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund balance flow assumptions***

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### ***Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### ***Revenues and expenditures/expenses***

##### ***Program revenues***

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Property taxes***

Property tax receipts represent the receipts primarily generated by the 2016 property tax levy.

The 2016 levies were passed by the Board on December 20, 2016, respectively. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September of the following year. The Village receives significant distributions of tax receipts within one month of these due dates.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 1 Summary of Significant Accounting Policies (Continued)**

#### ***Revenues and expenditures/expenses (Continued)***

##### *Compensated absences*

Vacation - The Village's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service.

Sick Leave - The Village follows the policy of allowing unused sick days to accumulate. Upon leaving the employment of the Village, the employee shall, upon nonarbitrary termination, receive compensation of one half of his/her accumulated sick days pay.

The Village estimates a liability for accrued compensated absences as of May 31, 2018 to be \$126,136. Since the Village follows a modified cash basis presentation, this amount is not recorded on the financial statements.

##### *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***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 Police Pension Plan and Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from Police Pension Plan and IMRF's fiduciary net position have been determined on the same basis as they are reported by the Police Pension Plan and IMRF. 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. These amounts are not recorded on the financial statements since the Village reports on the modified cash basis.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 2 Stewardship, Compliance and Accountability**

#### ***Excess of expenditures over appropriations***

For the year ended May 31, 2018, the Police Protection Fund's expenditures exceeded appropriations by \$18,266.

#### **Deficit fund equity**

At May 31, 2018, the Wagon Wheel TIF Fund had a deficit fund balance of (\$5,678).

### **Note 3 Cash Deposits with Financial Institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of May 31, 2018, the Village's bank balance was \$1,645,747 and none of that amount was exposed to custodial credit risk because the entire amount was insured and collateralized with securities held by the pledging or financial institution's trust department or agent in the Village's name.

### **Note 4 Investments**

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs other than quoted prices that are observable for the asset or liability. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# Village of Rockton, Illinois

## Notes to Financial Statements

### Note 4 Investments (Continued)

As of May 31, 2018, the Village's investments were as follows:

	<u>Cost</u>	<u>Fair Value Level</u>
<i>Governmental Activities</i>		
External investment pool	\$325,144	N/A
<i>Business Activities</i>		
External investment pool	142,837	N/A
Total	<u>\$467,981</u>	
	<u>Fair Value</u>	<u>Fair Value Level</u>
<i>Pension Trust Fund</i>		
External investment pool	\$ 1,020	N/A
Municipal Bonds	535,204	Level 2
U.S. Government Obligations	2,377,974	Level 2
Equity Mutual Funds	<u>2,535,594</u>	<u>Level 1</u>
Total	<u>\$5,449,792</u>	

### Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village has no specific policy on the interest rate risk at year-end.

Information about the sensitivity of the fair values of the Village investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

	Remaining Maturity (in Months)			<u>Total</u>
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	
External investment pool	\$469,001	\$ -	\$ -	\$ 469,001
Municipal Bonds	30,171	309,823	195,210	535,204
U.S. Government Obligations	<u>274,181</u>	<u>836,313</u>	<u>1,267,480</u>	<u>2,377,974</u>
Total	<u>\$773,353</u>	<u>\$1,146,136</u>	<u>\$1,462,690</u>	<u>\$3,382,179</u>

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 4 Investments (Continued)

#### Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the actual rating as of year-end for each investment type:

	Total as of <u>May 31, 2018</u>	<u>Aaa</u>	See Table <u>Below</u>
External investment pool	\$469,001	\$469,001	\$ -
Municipal Bonds	<u>535,204</u>	<u>-</u>	<u>535,204</u>
Totals	<u>\$1,004,205</u>	<u>\$469,001</u>	<u>\$535,204</u>
<i>Rating</i>			
A1		\$64,276	
A2		29,826	
Aa1		20,676	
Aa2		143,014	
Aa3		272,414	
Baa2		<u>4,998</u>	
Total		<u>\$535,204</u>	

#### Concentration of Credit Risk:

The Village has no investments, other than mutual funds that are exempted from this requirement, in any one issuer that represent 5% or more of total Village's investments.

#### Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of May 31, 2018 there are no investments with custodial credit risk in that all of its investments are insured.

#### Foreign Currency Risk:

The Village has no foreign currency risk for investments at year end.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 5 Capital Assets

The governmental activities capital asset activity for the year ended May 31, 2018 is as follows:

	<u>Balance June 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance May 31, 2018</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$ 886,454</u>	<u>\$ 24,770</u>	<u>\$ -</u>	<u>\$ 911,224</u>
Capital assets being depreciated:				
Infrastructure	8,016,542	273,613	-	8,290,155
Buildings and improvements	1,780,679	758,943	-	2,539,622
Equipment and vehicles	<u>1,900,575</u>	<u>268,166</u>	<u>-</u>	<u>2,168,741</u>
Total capital assets being depreciated	<u>11,697,796</u>	<u>1,300,722</u>	<u>-</u>	<u>12,998,518</u>
Less accumulated depreciation for:				
Infrastructure	2,743,545	373,633	-	3,117,178
Buildings and improvements	849,625	38,061	-	887,686
Equipment and vehicles	<u>1,499,072</u>	<u>143,124</u>	<u>-</u>	<u>1,642,196</u>
Total accumulated depreciation	<u>5,092,242</u>	<u>554,818</u>	<u>-</u>	<u>5,647,060</u>
Total capital assets being depreciated, net:	<u>6,605,554</u>	<u>745,904</u>	<u>-</u>	<u>7,351,458</u>
Governmental activities capital assets, net	<u>\$ 7,492,008</u>	<u>\$770,674</u>	<u>\$ -</u>	<u>\$ 8,262,682</u>

Depreciation expense was charged to function/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 34,364
Public safety	81,770
Public works	290,612
Culture and recreation	<u>148,072</u>
Total depreciation expense, governmental activities	<u>\$554,818</u>

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 5 Capital Assets (Continued)

The business-type activities capital asset activity for the year ended May 31, 2018 is as follows:

	<u>Balance</u> <u>June 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>May 31, 2018</u>
Capital assets being depreciated:				
Infrastructure	\$5,633,725	\$ 902,696	\$ -	\$6,536,421
Buildings and improvements	2,721,511	1,517,886	-	4,239,397
Equipment and vehicles	<u>1,227,992</u>	<u>441,505</u>	<u>-</u>	<u>1,669,497</u>
 Total capital assets being depreciated	 <u>9,583,228</u>	 <u>2,862,087</u>	 <u>-</u>	 <u>12,445,315</u>
 Less accumulated depreciation for:				
Infrastructure	2,367,797	130,242	-	2,498,039
Buildings and improvements	2,304,238	19,759	-	2,323,997
Equipment and Vehicles	<u>941,775</u>	<u>101,448</u>	<u>-</u>	<u>1,043,223</u>
 Total accumulated depreciation	 <u>5,613,810</u>	 <u>251,449</u>	 <u>-</u>	 <u>5,865,259</u>
 Business-type activities capital assets, net	 <u>\$3,969,418</u>	 <u>\$2,610,638</u>	 <u>\$ -</u>	 <u>\$6,580,056</u>

Depreciation expense was charged to function/programs of the primary government as follows:

**Business-type activities:**

Water	\$143,949
Sewer	<u>107,500</u>
 Total depreciation expense, business-type activities	 <u>\$251,449</u>

### Note 6 Long-Term Debt

#### Business-type Activities:

On August 25, 2009, the Village signed a Note Payable for \$560,000. The purpose of this Note is to pay off the existing Alternative Revenue Bonds which were originally held by the Rockton Sanitary District and to provide additional funds for up-grades to the sanitary treatment plant and lift stations. Repayment began on February 25, 2010 and is due semi-annually at a rate of 4.06%. Payment amount is \$34,447 where part of it reduces the outstanding principal and the remaining amount is for interest. Final payment is due on August 25, 2019.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 6 Long-Term Debt (Continued)

On March 21, 2016, the Village signed a Note Payable for \$34,493. The purpose of this Note is to acquire a truck. The Village agreed to pay 2 annual payments of \$17,945 with interest at 2.65%. This note was paid off during this fiscal year.

On January 13, 2017, the Village signed a Note Payable for \$28,000. The purpose of this Note is to acquire a truck. The Village agreed to pay 2 annual payments of \$14,535 with interest at 2.5% with final payment due January 13, 2019.

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$1,585,000 for the purpose of refunding the 2003 General Obligation bonds and funding improvements to the water distribution system. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2032. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$65,000 to \$10,000 per year with interest at 3.35%.

On July 24, 2017, the Village signed a Note Payable for \$2,500,000 of which \$2,264,227 was obtained. The purpose of this Note was to build a new Public Works Building. Two-thirds of this note is reflected in the Business-type activities. Repayment began on August 24, 2018 and is due monthly at a rate of 2.35%. Payment amount is \$13,994 where part of it reduces the outstanding principal and the remaining amount is for interest. Final payment is due on July 24, 2025 for remaining balance.

On December 15, 2017, the Village entered into a loan agreement with the Illinois Environmental Protection Agency Bureau of Water Infrastructure Financial Assistance Section in the anticipated amount of \$3,766,598 for a new water tower, electronic meters and reading system, and the rework or water mains and hydrants. The note bears a fixed interest rate of 1.76%. The term of the loan is for 20 years with semi-annual repayments anticipated to begin April 2019. As of May 31, 2018, \$884,056 of loan proceeds have been obtained.

On April 2, 2018, the Village entered a 6 year lease agreement for the purchase of sewer jetter truck. The Village agreed to pay \$140,000 down and \$227,309 over the life of the lease. The lease is payable in semi-annual installments of \$20,786 at an interest rate of 5.5% due December 30, 2023. The net book value of the truck is \$362,936.

### Changes in Business-Type Long-Term Debt:

	Balance at <u>June 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	Balance at <u>May 31, 2018</u>	Due within <u>One Year</u>
Note Payable	\$ 206,417	\$2,393,541	\$ 93,979	\$2,505,979	\$209,654
Capitalized leases	-	367,309	140,000	227,309	33,940
General Obligation Bonds	<u>1,255,000</u>	<u>-</u>	<u>70,000</u>	<u>1,185,000</u>	<u>75,000</u>
Total	<u>\$1,461,417</u>	<u>\$2,760,850</u>	<u>\$303,979</u>	<u>\$3,918,288</u>	<u>\$318,594</u>

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 6 Long-Term Debt (Continued)

The debt service requirements to maturity are as follows:

Fiscal Year Ended 5/31	Capitalized Leases		General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 33,940	7,632	\$ 75,000	\$ 39,698	\$ 209,654	\$56,398
2020	37,516	4,818	80,000	37,185	174,962	60,856
2021	37,954	4,117	75,000	34,505	144,741	56,541
2022	38,638	2,933	80,000	31,992	147,223	54,059
2023	39,855	2,156	85,000	29,312	149,753	51,529
2024 – 2028	39,406	463	415,000	104,521	1,452,956	164,453
2029 – 2033	-	-	375,000	31,992	226,690	65,149
Total	<u>\$227,309</u>	<u>\$22,119</u>	<u>\$1,185,000</u>	<u>\$309,205</u>	<u>\$2,505,979</u>	<u>\$508,985</u>

#### Governmental Activities Long-Term Debt:

On June 28, 2012, the Village signed a Note Payable for \$138,000. The purpose of this Note is to acquire land. The Village agreed to pay 6 annual payments of \$23,000 without interest with final payment due June 28, 2018.

On August 23, 2012, the Village signed a Note Payable for \$60,000. The purpose of this Note is to finance the reconstruction/repaving of the Village Hall Parking Lot. The Village agreed to pay 6 annual payments of \$10,000 without interest with final payment due August 1, 2018.

On June 1, 2012, the Village signed a Note Payable for \$796,634. The purpose of this Note was to refinance the 2008 General Obligation Debt Certificates Series A. One annual payment of \$51,460 was due on October 1, 2012, with 4 annual payments of \$58,439 due beginning on October 1, 2013 with a final payment of \$616,787 due on October 1, 2017 at a rate of 2.85%. This note was paid off during this fiscal year.

On June 1, 2012, the Village signed a Note Payable for \$178,374. The purpose of this Note was to refinance the 2008 General Obligation Debt Certificates Series B. One annual payment of \$12,365 was due on October 1, 2012, with 4 annual payments of \$14,177 due beginning on October 1, 2013 with a final payment of \$140,097 due on October 1, 2017 at a rate of 3.70%. This note was paid off during this fiscal year.

On June 1, 2012, the Village signed a Note Payable for \$521,700. The purpose of this Note was to refinance the August 25, 2009 note payable for the Wagon Wheel TIF District area. One annual payment of \$36,175 was due on October 1, 2012, with 4 annual payments of \$41,465 due beginning on October 1, 2013 with a final payment of \$409,740 due on October 1, 2017 at a rate of 3.70%. This note was paid off during this fiscal year.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 6 Long-Term Debt (Continued)**

#### **Governmental Activities Long-Term Debt (Continued):**

On April 30, 2014, the Village signed a Note Payable for \$650,000. The purpose of this Note was to finance athletic field improvements. The Village agreed to pay 6 annual payments of \$120,120 which are due beginning June 30, 2015 at a rate of 2.85% with final payment due June 30, 2020.

On December 14, 2017, the Village signed a Note Payable for \$1,125,473. The purpose of this Note was to finance TIF projects. The Village agreed to pay 4 annual payments of \$111,655 which are due beginning December 14, 2018 at a rate of 2.75% and final payment due December 14, 2022 for the remaining balance.

On July 24, 2017, the Village signed a Note Payable for \$2,500,000 of which \$2,264,227 was obtained. The purpose of this Note was to build a new Public Works Building. One-third of this note is reflected in the governmental activities. Repayment began on August 24, 2018 and is due monthly at a rate of 2.35%. Payment amount is \$13,994 where part of it reduces the outstanding principal and the remaining amount is for interest. Final payment is due on July 24, 2025 for remaining balance.

On August 16, 2012, the Village entered a 5 year lease agreement for the purchase of two police vehicles. The Village agreed to pay \$49,333 over the life of the lease. The lease is payable in semi-annual installments of \$5,557 at an interest rate of 5.5% due August 16, 2017. The net book value of the vehicles is \$4,934.

On October 21, 2013, the Village entered a 5 year lease agreement for the purchase of a new police vehicle. The Village agreed to pay \$30,456 over the life of the lease. The lease is payable in semi-annual installments of \$3,046 at an interest rate of 5.575% due December 31, 2018. The net book value of the vehicles is \$8,111.

On December 31, 2013, the Village entered a 5 year lease agreement for the purchase of a new police vehicle. The Village agreed to pay \$29,710 over the life of the lease. The lease is payable in semi-annual installments of \$2,971 at an interest rate of 5.575% due December 31, 2018. The net book value of the vehicles is \$7,914.

On October 22, 2014, the Village entered a 3 year lease agreement for the purchase of two new trucks. The Village agreed to finance \$56,319 over the life of the leases. The leases were payable in annual installments of \$19,683 at an interest rate of 5.94% due October 22, 2016. The lease was paid off during the year.

On December 5, 2014, the Village entered a 5 year lease agreement for the purchase of three new police vehicles. The Village agreed to finance \$78,598 over the life of the leases. The leases are payable in annual installments of \$18,174 at an interest rate of 5% due July 1, 2020. The net book value of the vehicles is \$39,298.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 6 Long-Term Debt (Continued)**

#### **Governmental Activities Long-Term Debt (Continued):**

On December 12, 2017, the Village entered a 5 year lease agreement for the purchase of a new police vehicle. The Village agreed to finance \$22,595 over the life of the lease. The lease is payable in semi-annual installments of \$2,637 at an interest rate of 5.81% due December 12, 2022. The net book value of the vehicle is \$20,336.

On October 6, 2017, the Village entered a 3 year lease agreement for the purchase of an off road vehicle. The Village agreed to finance \$15,341 over the life of the lease. The lease is payable in annual installments of \$5,572 at an interest rate of 9.25% due October 6, 2019. The net book value of the vehicle is \$13,551.

On July 31, 2017, the Village entered a 5 year lease agreement for the purchase of a 4WD police vehicle. The Village agreed to finance \$37,818 over the life of the lease. The lease are payable in semi-annual installments of \$4,288 at an interest rate of 5.81% due February 2, 2022. The net book value of the vehicle is \$31,515.

On September 6, 2017 the Village entered a 3 year lease agreement for the purchase of a new utility tractor and loader. The Village agreed to finance \$44,870 over the life of the lease. The lease is payable in annual installments of \$15,633 at an interest rate of 4.5% due September 6, 2019. The net book value of the tractor and loader is \$40,063.

On June 26, 2017, the Village entered a 2 year lease agreement for the purchase of new vehicle. The Village agreed to finance \$17,000 over the life of the lease. The lease is payable in annual installments of \$8,952 at an interest rate of 5.81% due June 26, 2018. The net book value of the vehicle is \$13,883.

On November 7, 2017, the Village entered a 2 year lease agreement for the purchase of radios. The Village agreed to finance \$58,603 over the life of the lease. The lease is payable in annual installments of \$29,302 at an interest rate of 0% due January 1, 2019. The net book value of the radios is \$51,289.

On February 17, 2009, the Village issued General Obligation Debt Certificates with a principal amount of \$1,000,000 and a Second Lien Tax Increment Allocation Revenue Note with a principal amount of \$1,000,000. Both amounts were issued for the purpose of financing the acquisition, construction and equipping of certain infrastructure improvements and related costs and expenses in connection with the Redevelopment Project and Plan for the Former Beloit Corporation Redevelopment Project Area. The Bonds will be retired through property tax revenue in the Chemtool TIF fund. Principal and interest payments are to be made every December 1 until 2028. Principal and interest payments are \$101,852 for the TIF Note and \$87,185 for the Debt Certificates. Interest rates are 8.0% for the TIF Note and 6.0% for the Debt Certificates.

# Village of Rockton, Illinois

## Notes to Financial Statements

### Note 6 Long-Term Debt (Continued)

#### Governmental Activities Long-Term Debt (Continued):

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$300,000 for the purpose of funding improvements to the athletic parks. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2024. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$25,000 to \$30,000 per year with interest at 2.91%.

On February 1, 2013, the Village issued General Obligation Bonds with a principal amount of \$470,000 for the purpose of refinancing the 2003 GO Bonds. In accordance with the bond agreement, a separate account will be maintained for the purpose of paying off the debt. At any time this account may not contain less than one-sixth of the interest coming due and one-twelfth of the principal coming due. At the beginning of each month, the Village is required to deposit that monthly fractional amount of the upcoming payment until there is a sufficient amount to pay the applicable amount on the due date. Principal and interest payments are to be made every February 1 until 2024. Interest only payments are to be made every August 1 until the principal is paid off. Principal payments range from \$35,000 to \$45,000 per year with interest at 2.91%.

#### Changes in Governmental Activities Long-Term Debt:

	Balance at June 1, 2017	Additions	Payments	Balance at May 31, 2018	Due within One Year
Note Payable	\$1,635,145	\$1,880,215	\$1,265,965	\$2,249,395	\$256,288
Capitalized leases	63,982	196,227	78,450	181,759	86,320
General Obligation Bonds	<u>2,194,774</u>	<u>-</u>	<u>148,629</u>	<u>2,046,145</u>	<u>132,255</u>
Total	<u>\$3,893,901</u>	<u>\$2,076,442</u>	<u>\$1,493,044</u>	<u>\$4,477,299</u>	<u>\$474,863</u>

The debt service requirements to maturity are as follows:

Fiscal Year Ended 5/31	Capitalized Leases		General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$86,320	\$7,720	\$132,255	\$129,149	\$ 256,288	\$ 24,183
2020	48,351	4,230	147,091	122,567	235,925	23,095
2021	29,048	1,590	152,258	115,364	237,719	18,922
2022	12,988	862	162,777	107,807	128,860	14,663
2023	5,052	221	168,674	99,727	831,388	13,682
2024 – 2028	-	-	647,017	375,350	559,215	26,166
2029 – 2033	-	-	354,625	194,765	-	-
2034 – 2037	-	-	281,448	49,509	-	-
Total	<u>\$181,759</u>	<u>\$14,623</u>	<u>\$2,046,145</u>	<u>\$1,194,238</u>	<u>\$2,249,395</u>	<u>\$120,711</u>

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 6 Long-Term Debt (Continued)**

#### **Governmental Activities Long-Term Debt (Continued):**

The Village is subject to a debt limitation of 8.625% of its assessed valuation of \$148,126,241. As of May 31, 2018 the Village had \$5,565,300 of remaining legal debt margin. The series 2012A alternative revenue bonds are intended to be repaid by water revenue. Therefore these bonds have not been included in the legal debt margin calculation. The pledged revenue is required to cover 125% of the debt service payments due in the year. The water revenue of \$644,785 covers the required amount of \$114,698.

### **Note 7 Debt Defeasance**

In a prior year, the Village defeased the 2003 and 2008 General Obligation bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Village's government-wide financial statements. As of May 31, 2018, the amount of defeased debt from various issues outstanding but removed from the Village's financial statements amounted to \$1,348,400.

### **Note 8 Fund Balance Reporting**

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the how these balances are reported.

#### *Nonspendable Fund Balance*

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The Village has no balances that are nonspendable at year end.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 8 Fund Balance Reporting (continued)

#### *Restricted Fund Balance*

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Examples of these restrictions could be those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has the following balances that are restricted at year end.

a. Greenspace	\$152,354
b. Dare, drug enforcement & DUI	34,474
c. Our town park	6
d. Police agency vehicle	1,223
e. Maintenance of bridge lookout	11,599
f. Bond reserve	76,881
g. Chemtool TIF	341,963
h. Downtown TIF	24,175
i. Police Protection	4,477
j. Motor Fuel Tax	77,911
k. Revolving Loan	<u>18,564</u>
Total	<u>\$743,627</u>

#### *Committed Fund Balance*

The Village Board commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The Village Board has no balances that are committed at year end.

#### *Assigned Fund Balance*

The assigned fund balance classification refers to amounts that are constrained by the Village's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Village Board to assign amounts to be used for specific purposes. The Village Board has no balances that are assigned at year end.

#### *Unassigned Fund Balance*

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund totaling \$276,537. It also includes negative fund balances in other funds, which includes the Wagon Wheel TIF balance of (\$5,678).

#### Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 9 Restricted Net Position

Reservations of net position represent amounts that are not appropriable or are legally segregated for a specific purpose. Restricted net position is limited to outside third-party restrictions. The following restricted net position for governmental activities existed as of May 31, 2018:

a. Greenspace	\$152,354
b. Dare, drug enforcement & DUI	34,474
c. Our town park	6
d. Police agency vehicle	1,223
e. Maintenance of bridge lookout	11,599
f. Bond reserve	76,881
g. Chemtool TIF	341,963
h. Downtown TIF	24,175
i. Police Protection	4,477
j. Motor Fuel Tax	77,911
k. Revolving Loan	<u>18,564</u>
Total	<u>\$743,627</u>

The following funds accounted for in the business-type activities/Water Fund have been restricted by bond requirements as follows:

Bond & Interest	<u>\$37,414</u>
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### Note 10 Interfund Balances

Below are the interfund balances as of May 31, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental funds:</b>		
General Fund	\$9,563	\$ -
Wagon Wheel Fund	-	(10,000)
Nonmajor Governmental Funds	<u>437</u>	<u>-</u>
Total	<u>\$10,000</u>	<u>\$(10,000)</u>

The purpose of the interfund balances is to fund short term cash shortfalls in the Wagon Wheel Fund. The balance will be paid as the fund balance increases.

### Note 11 Tort Insurance Expenditures

The Village charged the following amounts towards the tort insurance levy for the year ended May 31, 2018, which resulted in no restricted fund balance.

Insurance	<u>\$41,758</u>
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# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan

#### Illinois Municipal Retirement Fund

**IMRF Plan description** – The employer’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 employer’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent 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](http://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 the Benefit Terms** - At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	9
Active employees	17
<u>Total</u>	<u>34</u>

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (continued)

#### Illinois Municipal Retirement Fund (continued)

**Contributions** – As set by statute, the employer'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 employer's annual contribution rate for calendar year 2017 was 9.40%. For the fiscal year ended May 31, 2018, the employer contributed \$64,936 to the plan. The employer 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 employer's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions** – The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- 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 2.5%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- **Mortality** For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates 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-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Illinois Municipal Retirement Fund (Continued)

- 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 as of December 31, 2017:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	6.85%
International Equity	16%	6.75%
Fixed Income	29%	3.00%
Real Estate	8%	5.75%
Alternative Investments	8%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	100%	

**Single Discount rate** - A Single Discount Rate of 7.50% 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 3.31%, and the resulting single discount rate is 7.50%.

Due to the Village preparing its financial statements on the modified cash basis of the financial reporting, pension liabilities and deferred inflows and outflows referred to throughout the note disclosure are not recognized in the actual financial statements.

# Village of Rockton, Illinois

## Notes to Financial Statements

### Note 12 Pension Plan (Continued)

#### Illinois Municipal Retirement Fund (Continued)

#### Changes in Net Pension Liability/(Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances, December 31, 2016	\$2,501,323	\$2,346,495	\$154,828
Service costs	68,195	-	68,195
Interest on total pension liability	186,764	-	186,764
Difference between expected and actual experience	(4,374)	-	(4,374)
Changes in assumptions	(82,876)	-	(82,876)
Employer contributions	-	63,066	(63,066)
Employee contributions	-	30,191	(30,191)
Net investment income	-	401,868	(401,868)
Benefit payments – net of refunds	(90,477)	(90,477)	-
Administrative expense	-	-	-
Other changes	-	(34,748)	(34,748)
Net changes	77,232	369,900	(292,668)
Balances, December 31, 2017	\$2,578,855	\$2,716,395	\$(137,840)

**Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate** - The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1 % Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Village's proportionate share of the net Pension liability	\$186,624	\$(137,840)	\$(394,490)

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Illinois Municipal Retirement Fund (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended May 31, 2018, the Village recognized pension expense of \$64,936. At May 31, 2018, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, which are not reported due to a modified cash basis of accounting:

	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	\$ -	\$47,048
Changes in assumptions	1,060	67,645
Net difference between projected and actual earnings on pension plan investments	67,474	181,664
Total deferred amounts to be recognized in pension expense in future periods	68,534	296,357
Pension contributions subsequent to the measurement date	27,056	-
Total deferred amounts related to pension	\$95,590	\$296,357

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended May 31:</u>	
2019	\$ (48,062)
2020	(47,222)
2021	(71,221)
2022	(61,318)
2023	-
Thereafter	-
Total	<u>\$(227,823)</u>

#### Police Pension

**Plan description** - Sworn police personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

**Benefits provided** - The following is a summary of the Police Pension Plan as provided for in the Illinois Compiled Statutes.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Illinois Municipal Retirement Fund (Continued)

##### Police Pension (continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits under two different “Tiers”. “Tier 1” (hired before 01/01/11) 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 one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater.

The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years 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. The monthly pension of a police officer 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 original pension and 3 percent of the amount of pension payable at the time of the increase annually thereafter.

“Tier 2” (hired on or after 01/01/11) employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank based on the highest consecutive 96 months of the final 120 months of service. Pensionable salary is capped at \$106,800. The pension shall be increased 2.5% of such salary for each additional year of service over 20 up to a maximum of 75 percent of such salary.

COLA increases begin at age 60 or on the first anniversary of the pension start date whichever is later. COLA increases will be based on the lesser of one half of the CPI-U (certified by the Illinois Department of Insurance) or 3 percent of the originally granted pension.

**Employees Covered by the Benefit Terms** - At the June 1, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	17
<hr/>	
Total	18

**Contributions** - Covered employees are required to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Municipalities are required to fund the pension fund to 90 percent of the total actuarial liabilities by 2040.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Police Pension (Continued)

The Statutes also contain a Portability Ruling that may impact the police pension fund. If a police officer transfers to another fund, that officer's former fund may be required to transfer monies to the officer's current fund if one of two requirements are met. The police officer must have either actively served in the police department for two years or the officer was involuntarily terminated for reasons other than fault of the officer. In these cases, the former fund will be required to transfer to the current fund amounts equal to twice the amounts of employee contributions to the plan plus interest at the rate of 6 percent per year, compounded annually.

**Actuarial assumptions** - The Total Pension Liability (TPL) in the June 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

#### **Actuarial Assumptions (Economic)**

Discount Rate used for the Total Pension Liability	6.00%
Long-Term Expected Rate of Return of Plan Assets	6.00%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.78%
Projected Individual Salary Increases	3.50% - 12.53%
Projected Increase in Total Payroll	3.00%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

All rates shown above are assumed to be annual rates compounded on an annual basis.

#### **Actuarial Assumptions (Demographic)**

Mortality Table	L&A 2016 Illinois Police
Retirement Rates	L&A 2016 Illinois Police 100% Capped at age 65
Disability Rates	L&A 2016 Illinois Police 100%
Termination Rates	L&A 2016 Illinois Police 100%
Percent Married	80.0%

**Assumption Changes** – The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.69% to 3.78% for the current year. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 67 and Statement 68.

The discount rate used in the determination of the Total Pension Liability was changed from 5.87% to 6.00%. The discount rate is impacted by a couple of metrics. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate.

In addition, there are changes that can be made that impact the projection of the Net Position of the fund. For example, changes in the formal or informal funding policy can impact the discount rate. Actual changes in the net position from one year to the next can impact the projections as well.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Police Pension (Continued)

In the current valuation, the mortality assumption were updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully generational basis. In the current valuation, the individual pay scales and total payroll growth assumptions were updated based on review of the most recent collective bargaining agreement. The assumed investment rate of return was also reduced from 6.25% to 6.00%. These changes were made to better reflect the future anticipated experience in the fund.

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. 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, veteran's loans, 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.

The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return shown below have been provided by the investment professionals that work with the pension fund. Future real rates of return are weighted based on the target asset allocation within the Investment Policy Statement. Expected inflation is added back in. A summary of the best estimate of future real rates of returns (annual arithmetic average) are included in the table below. The Investment Policy Statement will provide more detail regarding the Fund's policies on asset allocation targets and acceptable ranges.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equity	31.50%	6.60%
Small Cap Domestic Equity	9.00%	8.50%
International Equity	4.50%	6.40%
Fixed Income	55.00%	1.50%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 12 Pension Plan (Continued)**

#### **Police Pension (Continued)**

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on the quoted market prices as of May 31, 2018 for debt securities, equity securities and mutual funds and contract values for insurance contracts.

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures.

The expected inflation rate is 2.90% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report.

Long-term rates of return may exhibit geometric properties. Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

**Municipal Bond Rate** - The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the May 31, 2018 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

**Discount Rate** - The discount rate used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

# Village of Rockton, Illinois

## Notes to Financial Statements

### Note 12 Pension Plan (Continued)

#### Police Pension (Continued)

The plan's projected net position is expected to cover future benefit payments in full for the current employees through 2078.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan.

#### Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances, June 1, 2017	\$6,795,777	\$4,901,777	\$1,894,000
Service costs	357,711	-	357,711
Interest on total pension liability	397,283	-	397,283
Difference between expected and actual experience	30,843	-	30,843
Changes in assumptions	(180,719)	-	(180,719)
Employer contributions	-	312,277	(312,277)
Employee contributions	-	114,635	(114,635)
Net investment income	-	266,374	(266,374)
Benefit payments – net of refunds	(55,505)	(55,505)	-
Administrative expense	-	(16,755)	16,755
Other changes	-	-	-
<b>Net changes</b>	<b>549,613</b>	<b>621,026</b>	<b>(71,413)</b>
Balances, May 31, 2018	\$7,345,390	\$5,522,803	\$1,822,587

**Sensitivity of the Village's net pension liability to changes in the discount rate** - The following presents the Village's net pension liability calculated using the discount rate listed in the assumption section, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability	\$3,378,605	\$1,822,587	\$608,981

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 12 Pension Plan (Continued)

#### Police Pension (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended May 31, 2018, the Village recognized pension expense of \$312,277. At May 31, 2018, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, which are not reported due to a modified cash basis of accounting:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ 92,049	\$113,295
Changes in assumptions	51,876	308,021
Net difference between projected and actual earnings	97,815	26,397
<b>Total</b>	<b>\$241,740</b>	<b>\$447,713</b>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, which are not reported due to modified cash basis reporting:

<b>Year ended May 31:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	\$8,575
2020	8,573
2021	(24,985)
2022	(16,189)
2023	(23,861)
Thereafter	(158,086)

### Note 13 Contingencies

From time to time, the Village is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### **Note 14 Risk Management**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to handle such risks of loss, the Village purchases insurance coverage through Illinois Municipal League Risk Management Association. The deductibles in effect through these policies as of May 31, 2018 vary with the type of coverage and risk involved. The Village may incur additional expense in the future to cover the liabilities of the Association based on claim experience. There have been no significant reductions in coverage since the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three years.

### **Note 15 Commitments/Subsequent Events**

The Village received an IEPA loan approved for \$5,000,000 to be used for a new water tower, electronic meters and reading system, and the rework of water mains and hydrants. As of May 31, 2018, \$818,490 had been drawn on the loan. Subsequent to year end, an additional \$3,026,743 has been drawn for the project.

On July 24, 2017, the Village signed a Note Payable to build a new Public Works Building. Subsequent to year end, and additional \$235,772 was drawn on the loan to complete the construction. Repayment began on August 24, 2018 and is due monthly at a rate of 2.35%. Payment amount is \$13,994 where part of it reduces the outstanding principal and the remaining amount is for interest. Final payment is due on July 24, 2025 for remaining balance.

### **Note 16 Development Agreements**

The Village established a Former Wagon Wheel Site Redevelopment Project Area, as defined by the Tax Increment Allocation Redevelopment Act. The Village has signed two agreements for commercial developments within this area. The Village signed a note for \$80,000 with one developer to be paid back from property tax increments assessed on his parcel. The Village signed a note with another developer for \$524,246 plus interest, to be paid back from property tax increments assessed on his parcel. The Village agreed to pay off the note in full if the developer completed his project by December 31, 2007. The developer did meet this deadline. In September, 2008, the Village issued general obligation debt certificates for \$1,000,000 to pay the note plus interest, plus reimburse the Village for costs incurred to establish the Tax Increment Redevelopment area and provide for capital improvements within the redevelopment area.

In agreements dated October 21, 2008, the Village established a Former Beloit Corporation Redevelopment Project Area, as defined by the Tax Increment Allocation Redevelopment Act. The Village has signed two agreements for commercial developments within this area. The Village signed a note for \$1,000,000 with one developer to be paid back from property tax increments assessed on this parcel. The Village signed a note with another developer for \$1,000,000 plus interest, to be paid back from property tax increments assessed on this parcel.

# Village of Rockton, Illinois

## Notes to Financial Statements

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### Note 17 Pending Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The Village is required to implement this standard for the fiscal year ending May 31, 2019.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will be effective for the Village beginning with its year ending June 30, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

## **Other Information**

# Village of Rockton, Illinois

General Fund

Schedule of Revenues and Expenditures

Compared with Budget - Modified Cash Basis

Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Revenues</b>			
Taxes:			
Property taxes:			
Corporate	\$ 262,956	\$ 270,458	\$ (7,502)
Streets & bridges	7,891	8,972	(1,081)
Sanitation & garbage	9,873	10,129	(256)
IMRF	39,223	40,229	(1,006)
Social security	121,064	125,461	(4,397)
Tort liability	41,758	42,833	(1,075)
Audit	11,295	11,576	(281)
Police pension fund	320,855	315,028	5,827
Crossing guards	4,477	3,328	1,149
Unemployment tax	1,549	1,591	(42)
Township taxes	20,237	22,300	(2,063)
Municipal retailers occupational tax	1,413,631	1,446,500	(32,869)
Replacement tax	43,418	51,750	(8,332)
State income tax	879,435	764,650	114,785
Charitable games tax	47,878	49,100	(1,222)
State use and photo processing	205,863	194,430	11,433
Telecommunications tax	131,042	159,000	(27,958)
<b>Total taxes</b>	<b>3,562,445</b>	<b>3,517,335</b>	<b>45,110</b>
Licenses, fees, and permits:			
Public utility franchises	78,186	79,000	(814)
Licenses and permits:			
Retail liquor licenses	35,358	35,500	(142)
Tobacco licenses	450	450	-
Other licenses and permits	102,779	85,200	17,579
Charges for services -			
Garbage collection fee	477,622	473,565	4,057
Electric infrastructure fee	272,916	302,700	(29,784)
Swimming pool	72,904	57,300	15,604
Garbage penalty	8,609	8,400	209

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Revenues (Continued)</b>			
Licenses, fees, and permits (continued):			
Fines and forfeitures	82,192	96,200	(14,008)
DUI revenue	194	-	194
Sporting event security	5,610	5,500	110
Employee dental and health insurance	40,252	42,000	(1,748)
<b>Total licenses, fees, and permits</b>	<b>1,177,072</b>	<b>1,185,815</b>	<b>(8,743)</b>
Intergovernmental:			
State and Federal Grants	-	550,000	(550,000)
<b>Total intergovernmental</b>	<b>-</b>	<b>550,000</b>	<b>(550,000)</b>
Other revenue:			
Rental income	20,270	18,360	1,910
Donations and reimbursements	57,335	76,000	(18,665)
Drug forfeitures/seizures	12,417	6,200	6,217
Interest	7,212	2,100	5,112
Miscellaneous	34,094	45,150	(11,056)
<b>Total other revenue</b>	<b>131,328</b>	<b>147,810</b>	<b>(16,482)</b>
<b>Total revenues</b>	<b>4,870,845</b>	<b>5,400,960</b>	<b>(530,115)</b>

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Expenditures</b>			
General government:			
Administrative:			
Salaries	176,219	179,000	(2,781)
Insurance	401,835	430,000	(28,165)
Engineering	13,833	15,000	(1,167)
Zoning expense	4,043	3,900	143
Telephone	5,298	5,000	298
Professional organization	5,793	6,500	(707)
Training and Travel	9,645	14,600	(4,955)
Illinois municipal league conference	12,777	12,000	777
Supplies	6,147	9,000	(2,853)
Office equipment	18,828	25,000	(6,172)
Stateline bus service	25,000	25,000	-
Codification of ordinance	2,184	3,000	(816)
Sales tax rebates	37,827	33,000	4,827
Software upgrade	22,642	22,642	-
Capital Expenditures	9,080	10,000	(920)
Ifiber	7,200	7,500	(300)
Miscellaneous	7,233	5,200	2,033
<b>Total administrative</b>	<b>765,584</b>	<b>806,342</b>	<b>(40,758)</b>
Payroll tax and tort liability:			
Unemployment insurance tax	5,641	11,350	(5,709)
Social security contribution	163,654	184,900	(21,246)
IMRF contributions	64,936	75,600	(10,664)
Police pension expense	320,859	315,028	5,831
Liability insurance	132,639	120,650	11,989
<b>Total payroll tax and tort liability</b>	<b>687,729</b>	<b>707,528</b>	<b>(19,799)</b>
Economic Development:			
Council of 100/Downtown development	132,834	142,500	(9,666)
Special events	17,943	20,000	(2,057)
Advertising	5,292	5,000	292
<b>Total economic development</b>	<b>156,069</b>	<b>167,500</b>	<b>(11,431)</b>
Audit	12,250	12,250	-

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Expenditures (Continued)</b>			
General government (continued):			
Treasurer:			
Village treasurer retainer	34,800	35,750	(950)
Buildings and grounds:			
Salaries	47,201	47,795	(594)
Telephone	13,676	15,000	(1,324)
Utilities	23,774	23,000	774
Maintenance equipment and supplies	33,336	38,900	(5,564)
Capital expenditures	765,913	2,705,000	(1,939,087)
Miscellaneous	934	900	34
Total buildings and grounds	884,834	2,830,595	(1,945,761)
Total general government	2,541,266	4,559,965	(2,018,699)
Public safety:			
Police Department:			
Salaries	1,266,690	1,295,082	(28,392)
Uniforms, badges and patches	19,267	19,200	67
Uniform cleaning	2,795	4,800	(2,005)
Equipment & vehicle maintenance	63,782	46,000	17,782
Postage and supplies	8,827	8,000	827
Telephone	2,140	2,300	(160)
Wireless communications	18,845	21,000	(2,155)
Forms and printing	6,678	9,000	(2,322)
Professional memberships	29,860	34,900	(5,040)
Travel, training and supplies	21,834	25,900	(4,066)
Gas, oil and car washes	40,895	36,000	4,895
Drug expenditures	12,158	10,000	2,158
Capital expenditures	7,845	4,500	3,345
DARE	-	600	(600)
DUI Expenditures	2,662	3,800	(1,138)
Lease/purchase	79,954	84,412	(4,458)
Miscellaneous	8,764	8,500	264
Total police department	1,592,996	1,613,994	(20,998)

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Expenditures (Continued)</b>			
Public safety (continued):			
Police commission:			
Salaries	1,800	1,800	-
Testing expenses	2,440	5,100	(2,660)
Legal fees	6,127	5,000	1,127
Training and travel	1,793	1,500	293
Publication	1,616	500	1,116
<b>Total police commission</b>	<b>13,776</b>	<b>13,900</b>	<b>(124)</b>
School crossing guards:			
Salaries and equipment	4,846	5,972	(1,126)
<b>Total public safety</b>	<b>1,611,618</b>	<b>1,633,866</b>	<b>(22,248)</b>
Judiciary and legal:			
Legal:			
Village attorney	80,930	95,000	(14,070)
Litigation expenses	8,390	20,000	(11,610)
<b>Total legal</b>	<b>89,320</b>	<b>115,000</b>	<b>(25,680)</b>
Public works:			
Streets and Sidewalks:			
Salaries	124,176	165,534	(41,358)
Uniform allowances	1,791	2,000	(209)
Equipment maintenance	26,239	30,000	(3,761)
Traffic light maintenance	2,799	-	2,799
Contract snow removal	5,898	3,000	2,898
Landscaping and restoration	-	-	-
Engineering	74,084	30,000	44,084
Avery storage rental	817	700	117
Supplies	3,486	3,000	486
Tools and equipment	6,375	5,000	1,375
Gas and oil	24,987	20,000	4,987
Traffic signs	1,891	-	1,891

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Expenditures (Continued)</b>			
Public works (continued)			
Streets and Sidewalks:			
Street maintenance	159,571	187,000	(27,429)
Capital expenditures	14,016	36,100	(22,084)
Electricity/pole rental	50,976	42,500	8,476
Wireless communication	946	1,700	(754)
Phase II Overlay	15,000	15,000	-
Miscellaneous	-	1,200	(1,200)
Total public works	513,052	542,734	(29,682)
Social services:			
Health department:			
Animal control	11,405	14,000	(2,595)
Total social services	11,405	14,000	(2,595)
Culture and recreation:			
Public Parks:			
Salaries	70,315	68,000	2,315
Hut program	2,820	4,000	(1,180)
Christmas walk	820	1,000	(180)
Uniforms	883	750	133
Equipment maintenance	5,997	3,000	2,997
Landscaping	1,899	4,000	(2,101)
Professional memberships	284	500	(216)
Utilities	19,234	19,000	234
Supplies	8,069	6,000	2,069
Tools and equipment	63,929	70,000	(6,071)
Training & travel	954	2,500	(1,546)
Gas and oil	227	300	(73)
Banner advertising	-	500	(500)
Rockton athletic field	79,284	88,200	(8,916)
System repair and maintenance	4,903	6,000	(1,097)
Dog Park	798	1,000	(202)
Miscellaneous	2,189	1,500	689
Total public parks	262,605	276,250	(13,645)

Village of Rockton, Illinois  
 General Fund (Continued)  
 Schedule of Revenues and Expenditures  
 Compared with Budget - Modified Cash Basis  
 Year ended May 31, 2018

	Actual	Original and Final Budget	Over (Under) Budget
<b>Expenditures (Continued)</b>			
Culture and recreation (Continued):			
Swimming Pool:			
Salaries	51,302	60,000	(8,698)
Amenities	-	5,000	(5,000)
Maintenance	1,467	6,500	(5,033)
Telephone	480	350	130
Utilities	7,611	10,000	(2,389)
Water treatment testing and supplies	18,547	15,000	3,547
Miscellaneous supplies	9,355	10,400	(1,045)
<b>Total swimming pool</b>	<b>88,762</b>	<b>107,250</b>	<b>(18,488)</b>
<b>Total culture and recreation</b>	<b>351,367</b>	<b>383,500</b>	<b>(32,133)</b>
Environment:			
Garage collection:			
Residential pickup fees	480,422	474,650	5,772
<b>Total environment</b>	<b>480,422</b>	<b>474,650</b>	<b>5,772</b>
Debt service:			
Principal	205,305	-	205,305
Interest	37,778	290,379	(252,601)
<b>Total debt service</b>	<b>243,083</b>	<b>290,379</b>	<b>(47,296)</b>
<b>Total expenditures</b>	<b>5,841,533</b>	<b>8,014,094</b>	<b>(2,172,561)</b>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	754,742	-	754,742
Operating transfers in	-	50,000	(50,000)
Sale of fixed assets	-	-	-
<b>Total other financing sources (uses)</b>	<b>754,742</b>	<b>50,000</b>	<b>704,742</b>
<b>Net change in fund balance</b>	<b>\$ (215,946)</b>	<b>\$ (2,563,134)</b>	<b>\$ 2,347,188</b>

Village of Rockton, Illinois  
Combining Balance Sheet - Modified Cash Basis  
Nonmajor Governmental Funds  
May 31, 2018

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	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and deposits	\$ 4,477	\$ 19,240	\$ 16,394	\$ 40,111
Investments	-	58,671	-	58,671
Loan Receivable	-	-	1,733	1,733
Due from other funds	-	-	437	437
<b>Total assets</b>	<b>\$ 4,477</b>	<b>\$ 77,911</b>	<b>\$ 18,564</b>	<b>\$ 100,952</b>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance</b>				
Restricted	4,477	77,911	18,564	100,952
<b>Total liabilities and fund balance</b>	<b>\$ 4,477</b>	<b>\$ 77,911</b>	<b>\$ 18,564</b>	<b>\$ 100,952</b>

# Village of Rockton, Illinois

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis Nonmajor Governmental Funds

Year ended May 31, 2018

	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 124,696	\$ -	\$ -	\$ 124,696
Intergovernmental	-	207,664	-	207,664
Other income	389	972	91	1,452
<b>Total revenues</b>	<b>125,085</b>	<b>208,636</b>	<b>91</b>	<b>333,812</b>
<b>Expenditures</b>				
Public safety	133,381	-	-	133,381
Public works	-	202,592	-	202,592
<b>Total expenditures</b>	<b>133,381</b>	<b>202,592</b>	<b>-</b>	<b>335,973</b>
Net change in fund balance	(8,296)	6,044	91	(2,161)
Fund balances, beginning of year	12,773	71,867	18,473	103,113
<b>Fund balances, end of year</b>	<b>\$ 4,477</b>	<b>\$ 77,911</b>	<b>\$ 18,564</b>	<b>\$ 100,952</b>



## Independent Accountant's Report

To the Honorable Mayor and Village Trustees  
Village of Rockton, Illinois

We have examined the Village of Rockton, Illinois' (the "Village") compliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended May 31, 2018. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village of Rockton, Illinois, complied, in all material respects, with the aforementioned requirements for the year ended May 31, 2018.

This report is intended solely for the information and use of management, the Village Board, others within the Village, the Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

*Wipfli LLP*

Rockford, Illinois  
February 7, 2019