

Village of Rockton

Rockton, Illinois

Annual Financial Report

May 31, 2019

Village of Rockton, Illinois

Year Ended May 31, 2019

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Village of Rockton, Illinois

Year Ended May 31, 2019

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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 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, 2019, 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 accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Rockton, Illinois, as of May 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Village changed its basis of accounting from the modified cash basis to accounting principles generally accepted in the United States. As a result, the Village adopted new accounting guidance GASB Statement No 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, during the year ended May 31, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the schedules of changes in net pension liability and related ratios, schedules of contributions, schedule of investment returns, and budgetary comparison information on pages 50 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the financial statement in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

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 combining non-major fund financial statements on pages 67 and 68 are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining non-major fund financial statements are fairly presented in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Rockford, Illinois
April 10, 2020

Basic Financial Statements

Village of Rockton, Illinois

Statement of Net Position

May 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 389,117	\$ 463,344	\$ 852,461
Restricted cash	289,981	39,800	329,781
Investments	303,993	444,903	748,896
Receivables:			
Property taxes	1,104,748	-	1,104,748
Intergovernmental	662,614	-	662,614
Loan receivable (net)	46,673	-	46,673
Accounts receivable (net)	-	149,004	149,004
Internal balances	(386,479)	386,479	-
Total current assets	2,410,647	1,483,530	3,894,177
Capital assets:			
Not depreciated	911,224	-	911,224
Depreciated (net of accumulated depreciation)	7,212,658	9,702,009	16,914,667
Total noncurrent assets	8,123,882	9,702,009	17,825,891
Total assets	10,534,529	11,185,539	21,720,068
Deferred outflows of resources- pension contributions	1,048,427	-	1,048,427
Total assets and deferred outflows of resources	11,582,956	11,185,539	22,768,495
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	93,440	111,292	204,732
Payroll withholdings and refundable deposits	129,076	-	129,076
Compensated absences	139,960	-	139,960
Current portion-debt	431,651	412,712	844,363
Total current liabilities	794,127	524,004	1,318,131
Noncurrent liabilities:			
Net pension liability	2,542,171	-	2,542,171
Notes payable	1,857,776	5,263,252	7,121,028
Capital lease payable	70,867	199,448	270,315
Bonds payable	1,677,454	1,030,000	2,707,454
Total noncurrent liabilities	6,148,268	6,492,700	12,640,968
Total liabilities	6,942,395	7,016,704	13,959,099
Deferred inflows of resources:			
Deferred property taxes	1,104,748	-	1,104,748
Pension contributions	612,235	-	612,235
Total deferred inflows of resources	1,716,983	-	1,716,983
Net Position			
Net investment in capital assets	4,086,134	2,796,597	6,882,731
Restricted	750,804	39,800	790,604
Unrestricted	(1,913,360)	1,332,438	(580,922)
Total net position	\$ 2,923,578	\$ 4,168,835	\$ 7,092,413

See accompanying notes to financial statements.

Village of Rockton, Illinois

Statement of Activities

Year ended May 31, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,826,520	\$ 702,098	\$ 94,574	\$ -	\$ (1,029,848)	\$ -	\$ (1,029,848)
Public safety	1,840,751	63,564	66,514	-	(1,710,673)	-	(1,710,673)
Judiciary and legal	101,385	-	-	-	(101,385)	-	(101,385)
Public works	988,276	7,805	205,130	-	(775,341)	-	(775,341)
Social services	13,074	-	-	-	(13,074)	-	(13,074)
Culture and recreation	450,229	55,936	19,593	-	(374,700)	-	(374,700)
Environment	493,755	501,447	-	-	7,692	-	7,692
Interest	98,826	-	-	-	(98,826)	-	(98,826)
Total governmental activities	\$ 5,812,816	\$ 1,330,850	\$ 385,811	\$ -	(4,096,155)	-	(4,096,155)
Business-type activities:							
Water	\$ 1,024,911	\$ 1,034,497	\$ -	\$ -	-	9,586	9,586
Sewer	664,182	655,482	-	-	-	(8,700)	(8,700)
Total business activities	\$ 1,689,093	\$ 1,689,979	\$ -	\$ -	-	886	886
General revenues:							
Taxes:							
Property taxes					1,279,601	-	1,279,601
State taxes					2,669,414	41,217	2,710,631
Unrestricted investment earnings					30,464	12,167	42,631
Miscellaneous					33,537	-	33,537
Transfers					-	-	-
Total general revenues and transfers					4,013,016	53,384	4,066,400
Change in net position					(83,139)	54,270	(28,869)
Net position - beginning as restated					3,006,717	4,114,565	7,121,282
Net position - ending					\$ 2,923,578	\$ 4,168,835	\$ 7,092,413

See accompanying notes to financial statements.

Village of Rockton, Illinois

Balance Sheet Governmental Funds

May 31, 2019

	General Fund	Wagon Wheel TIF Fund	Chemtool TIF Fund	Downtown TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 3,647	\$ 285,264	\$ 51,685	\$ 48,521	\$ 389,117
Restricted cash	289,981	-	-	-	-	289,981
Investments	258,545	-	-	-	45,448	303,993
Receivables:						
Property taxes	491,397	117,985	308,367	49,829	137,170	1,104,748
Intergovernmental receivables	632,814	-	-	-	29,800	662,614
Loan Receivable (Net)	46,672	-	-	-	1	46,673
Due from other funds	9,563	-	-	-	437	10,000
Total assets	\$ 1,728,972	\$ 121,632	\$ 593,631	\$ 101,514	\$ 261,377	\$ 2,807,126
Liabilities, Deferred Inflows of Resources and Fund Balances						
Accounts payable	\$ 93,107	\$ -	\$ 333	\$ -	\$ -	\$ 93,440
Payroll withholdings and refundable deposits	129,076	-	-	-	-	129,076
Due to other funds	381,372	10,000	-	-	5,107	396,479
Total liabilities	603,555	10,000	333	-	5,107	618,995
Deferred inflows of resources:						
Unavailable property taxes	491,397	117,985	308,367	49,829	137,170	1,104,748
Fund Balance:						
Restricted	289,981	-	284,931	51,685	124,207	750,804
Unassigned	344,039	(6,353)	-	-	(5,107)	332,579
Total fund balance	634,020	(6,353)	284,931	51,685	119,100	1,083,383
Total liabilities and fund balance	\$ 1,728,972	\$ 121,632	\$ 593,631	\$ 101,514	\$ 261,377	\$ 2,807,126

See accompanying notes to financial statements.

Village of Rockton, Illinois

Reconciliation of the Governmental Funds Balance Sheet - to the Statement of Net Position

May 31, 2019

Total fund balances - governmental funds	\$ 1,083,383
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.	8,123,882
Accrued long-term employee compensated absences are not due and payable in the current period and therefore are not reported as liabilities of the funds, but are included as liabilities in the statement of net position	(139,960)
Accrued long-term employee benefits are not due and payable in the current period and therefore are not reported as liabilities of the funds, but are included as liabilities and deferred items in the statement of net position	(2,105,979)
Long-term liabilities, including bonds payable, notes payable, and capital leases are not reported in the funds.	(4,037,748)
<hr/>	
Total net position - governmental activities	<u>\$ 2,923,578</u>

Village of Rockton, Illinois
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
Year ended May 31, 2019

	General Fund	Wagon Wheel TIF Fund	Chemtool TIF Fund	Downtown TIF Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 3,615,759	\$ 113,008	\$ 247,728	\$ 26,880	\$ 120,397	\$ 4,123,772
Licenses, fees and permits	1,207,919	-	-	-	-	1,207,919
Intergovernmental	-	-	-	-	205,130	205,130
Other revenue	184,549	757	7,729	880	2,958	196,873
Total revenues	5,008,227	113,765	255,457	27,760	328,485	5,733,694
Expenditures						
Current:						
General government	1,760,552	2,785	34,411	250	-	1,797,998
Public safety	1,593,221	-	-	-	130,726	1,723,947
Judiciary and legal	101,385	-	-	-	-	101,385
Public works	762,725	-	-	-	210,650	973,375
Social services	13,074	-	-	-	-	13,074
Culture and recreation	309,268	-	-	-	-	309,268
Environment	493,755	-	-	-	-	493,755
Debt service	276,225	111,655	278,078	-	-	665,958
Capital outlay	100,901	-	-	-	-	100,901
Total expenditures	5,411,106	114,440	312,489	250	341,376	6,179,661
Excess (deficiency) of revenues over expenditures	(402,879)	(675)	(57,032)	27,510	(12,891)	(445,967)
Other financing sources (uses)						
Issuance of long-term debt	78,591	-	-	-	-	78,591
Operating transfers in	-	-	-	-	-	-
Total other financing sources (uses)	78,591	-	-	-	-	78,591
Net change in fund balance	(324,288)	(675)	(57,032)	27,510	(12,891)	(367,376)
Fund balance (deficit), beginning of year as restated	958,308	(5,678)	341,963	24,175	131,991	1,450,759
Fund balance (deficit), end of year	\$ 634,020	\$ (6,353)	\$ 284,931	\$ 51,685	\$ 119,100	\$ 1,083,383

See accompanying notes to financial statements.

Village of Rockton, Illinois

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

Year ended May 31, 2019

Net change in fund balance - governmental funds	\$ (367,376)
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 depreciation expense exceeds capitalized fixed assets.	(134,782)
In the statement of activities, compensated absences are measured by the amounts earned/incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid)	13,824
In the statement of activities, net pension and deferred sources are measured by the amounts earned/incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid)	15,682
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.	(78,591)
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.	468,104
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Change in net position - governmental activities	<u>\$ (83,139)</u>

Village of Rockton, Illinois

Statement of Net Position

Proprietary Funds

May 31, 2019

	Water Fund	Sewer Fund	Total Proprietary Funds
Assets			
Cash and cash equivalents	\$ 107,527	\$ 355,817	\$ 463,344
Restricted cash	39,800	-	39,800
Investments	298,854	146,049	444,903
Due from other funds	-	386,479	386,479
Accounts receivable (Net)	85,799	63,205	149,004
Total current assets	531,980	951,550	1,483,530
Capital assets:			
Depreciated (net of accumulated depreciation)	7,720,794	1,981,215	9,702,009
Total noncurrent assets	7,720,794	1,981,215	9,702,009
Total assets	8,252,774	2,932,765	11,185,539
Liabilities			
Current liabilities			
Accounts payable	82,940	28,352	111,292
Current portion-debt	300,539	112,173	412,712
Total current liabilities	383,479	140,525	524,004
Noncurrent liabilities			
Notes payable	4,479,942	940,369	5,420,311
Capital leases payable	26,376	16,013	42,389
Bonds payable	1,030,000	-	1,030,000
Total noncurrent liabilities	5,536,318	956,382	6,492,700
Total liabilities	5,919,797	1,096,907	7,016,704
Net Position			
Net investment in capital assets	1,883,937	912,660	2,796,597
Restricted for:			
Restricted - debt service	39,800	-	39,800
Unrestricted	409,240	923,198	1,332,438
Total net position	\$ 2,332,977	\$ 1,835,858	\$ 4,168,835

See accompanying notes to financial statements.

Village of Rockton, Illinois

Statement of Revenues, Expenses, and

Changes in Net Position

Proprietary Funds

Year ended May 31, 2019

	Water	Sewer	Total Proprietary Funds
Operating revenues			
Charges for services	\$ 1,034,497	\$ 655,482	\$ 1,689,979
Operating expenses			
Operating	667,982	449,363	1,117,345
Depreciation	243,796	175,629	419,425
Total operating expenses	911,778	624,992	1,536,770
Operating income	122,719	30,490	153,209
Nonoperating revenues (expenses)			
Interest income	3,885	8,282	12,167
Replacement taxes	-	41,217	41,217
Interest expense	(92,694)	(59,629)	(152,323)
Total nonoperating revenues (expenses)	(88,809)	(10,130)	(98,939)
Income/(loss) before operating transfers	33,910	20,360	54,270
Other financing sources			
Operating transfers out	-	-	-
Total other financing sources	-	-	-
Change in net position	33,910	20,360	54,270
Net position, beginning of year as restated	2,299,067	1,815,498	4,114,565
Net position, end of year	\$ 2,332,977	\$ 1,835,858	\$ 4,168,835

Village of Rockton, Illinois

Statement of Cash Flows

Proprietary Funds

Year ended May 31, 2019

	Water	Sewer	Total Proprietary Funds
Cash Flows from Operating Activities			
Cash received for services	\$ 1,034,497	\$ 733,120	\$ 1,767,617
Cash payments to suppliers	(449,709)	(684,200)	(1,133,909)
Cash payments to employees	(189,489)	(178,254)	(367,743)
Net cash provided by operations	395,299	(129,334)	265,965
Cash Flows from Non-Capital Financing Activities			
Replacement taxes	-	41,217	41,217
Operating transfers in (out)	-	-	-
Net cash provided by (used in) non-capital financing activities	-	41,217	41,217
Cash Flows from Capital Financing Activities			
Payment of long-term debt	(194,274)	(153,371)	(347,645)
Proceeds from long-term debt	3,207,334	126,667	3,334,001
Interest paid on long-term debt	(92,694)	(59,629)	(152,323)
Purchase of capital assets	(3,272,690)	(141,468)	(3,414,158)
Net cash provided by (used in) capital financing activities	(352,324)	(227,801)	(580,125)
Cash Flows from Investing Activities			
Interest received	3,885	8,282	12,167
Purchase of investments	(298,854)	(4,712)	(303,566)
Sale of investments	-	1,500	1,500
Net cash provided by (used in) investing activities	(294,969)	5,070	(289,899)
Net increase (decrease) in cash and cash equivalents	(251,994)	(310,848)	(562,842)
Beginning cash and cash equivalents	399,321	666,665	1,065,986
Ending cash and cash equivalents	\$ 147,327	\$ 355,817	\$ 503,144

See accompanying notes to financial statements.

Village of Rockton, Illinois

Statement of Cash Flows (Continued)

Proprietary Funds

Year ended May 31, 2019

	Water	Sewer	Total Proprietary Funds
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	\$ 122,719	\$ 30,490	\$ 153,209
Adjustments to reconcile operating income to net cash provided by operations			
Depreciation expense	243,796	175,629	419,425
Changes in assets and liabilities:			
Accounts receivable	16,646	77,638	94,284
Accounts payable	12,138	(26,612)	(14,474)
Due from other funds	-	(386,479)	(386,479)
Due to other funds	-	-	-
Net cash provided by operations	\$ 395,299	\$ (129,334)	\$ 265,965
Noncash investing and financing activities:			
Capital assets purchased with capital leases	\$ 80,054	\$ 48,076	\$ 128,130

Village of Rockton, Illinois

Statement of Net Position

Police Pension Trust Fund

May 31, 2019

Assets

Cash and deposits	\$	29,376
Investments		5,920,855
Receivables:		
Property taxes		384,882
Interest Receivable		1,604
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Total assets		6,336,717
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Liabilities, Deferred Inflows of Resources and Net Position

Due to others		-
Deferred revenues		384,882
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Net Position

Held in trust for pension benefits	\$	5,951,835
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Village of Rockton, Illinois

Statement of Changes in Net Position

Police Pension Trust Fund

Year ended May 31, 2019

Additions

Employer contributions	\$	347,786
Contributions-employees		111,818
Interest income		227,194
Realized gain		33,449
Unrealized gain		(75,231)

Total additions 645,016

Deductions

Benefits and refunds		184,541
Other charges and services		31,441

Total deductions 215,982

Net increase 429,034

Net position, beginning of year 5,522,801

Net position, end of year \$ 5,951,835

Village of Rockton, Illinois

Notes to Financial Statements

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 accounting principles generally accepted in the United States (GAAP) as applied to government units. 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

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 Wagon Wheel TIF, ChemTool TIF and Downtown TIF Fund as major funds 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

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

For the year ended May 31, 2019, the Village changed its reporting method from the modified cash basis of accounting to generally accepted accounting principles. The government wide financial statements are now reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are now reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States 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

Note 1 Summary of Significant Accounting Policies (Continued)

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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

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. Donated assets are stated at their acquisition value as of the date of acquisition.

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

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

The County in which the Village resides is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The levies were passed by the Board in December 2017 and December 2018. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due approximately on or before June 1 and the second installment is due approximately on or before September 1. Payments made after the September 1 installment date are assessed interest at the rate of 1% for farmland and 1-1/2% for all others.

Village of Rockton, Illinois

Notes to Financial Statements

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.

Vacation and sick pay is expensed when incurred/paid in the governmental funds. All accumulated unpaid vacation pay and sick pay is reported in the government-wide 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The Village has one type of this item that qualifies for reporting in this category. Accordingly, the item, deferred outflows of pension resources is reported in the governmental wide statement of net position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

Village of Rockton, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Village has two types of items that qualify for reporting in this category. Accordingly, the items, deferred inflows of pension resources and property taxes are both reported in the governmental wide, and only the property taxes are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Village has deferred inflows in the amount of \$1,104,748 from the 2018 tax levy. This revenue will be recognized in the fiscal year ending May 31, 2020. During the fiscal year ending August 31, 2019, the District recognized \$1,296,910 of revenue deferred from the 2017 tax levy.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts.

Note 2 Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

For the year ended May 31, 2019, the following fund exceeded appropriations by the noted amount:

Police Protection \$10,970

Deficit fund equity

At May 31, 2018, the Wagon Wheel TIF Fund had a deficit fund balance of (\$6,353) and the Police Protection Fund had a deficit fund balance of (\$5,107).

Village of Rockton, Illinois

Notes to Financial Statements

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, 2019, the Village's bank balance was \$1,301,570 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 Common Bank Account/Interfund Balances

Separate bank accounts are not maintained for all Village funds; instead, certain funds maintain balances in common checking and money market accounts, with the accounting records being maintained to show the portion of the common account balance attributable to each participating fund. Occasionally certain funds participating in the common bank accounts will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Village Board. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of May 31, 2019, the General Fund had a net deficit balance of \$381,372 and the Police Protection Fund had a net deficit balance of \$5,107 those amounts were reclassified to due to the Sewer Fund in an amount of \$386,479. The amounts are expected to be repaid in the next fiscal year.

Note 5 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 5 Investments (Continued)

As of May 31, 2019, the Village's investments were as follows:

	<u>Fair Value</u>	<u>Fair Value Level</u>
<i>Governmental Activities</i>		
External investment pool	\$303,993	N/A
<i>Business Activities</i>		
External investment pool	444,903	N/A
Total	<u>\$748,896</u>	
	<u>Fair Value</u>	<u>Fair Value Level</u>
<i>Pension Trust Fund</i>		
External investment pool	\$ 1,043	N/A
Corporate Bonds	106,821	Level 2
Municipal Bonds	473,258	Level 2
U.S. Government Obligations	2,693,109	Level 2
Equity Mutual Funds	<u>2,597,277</u>	<u>Level 1</u>
Total	<u>\$5,871,508*</u>	

* note the investment figure reported in the statement of net position includes a certificate of deposit that is not considered an investment for this note disclosure purpose.

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	\$749,939	\$ -	\$ -	\$ 749,939
Corporate Bonds	34,891	71,930	-	106,821
Municipal Bonds	-	303,452	169,806	473,258
U.S. Government Obligations	<u>74,740</u>	<u>953,103</u>	<u>1,631,143</u>	<u>2,658,986</u>
Total	<u>\$859,570</u>	<u>\$1,328,485</u>	<u>\$1,800,949</u>	<u>\$3,989,004</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 5 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, 2019</u>	<u>Aaa</u>	See Table <u>Below</u>
External investment pool	\$749,939	\$749,939	\$ -
Corporate Bonds	<u>106,821</u>		<u>106,821</u>
Municipal Bonds	<u>473,258</u>	-	<u>473,258</u>
Totals	<u>\$1,330,018</u>	<u>\$749,939</u>	<u>\$580,079</u>

Rating

A1	\$65,608
A2	65,704
Aa1	45,977
Aa2	146,362
Aa3	256,428
Baa2	-
Total	<u>\$580,079</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, 2019 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

Note 6 Capital Assets

The governmental activities capital asset activity for the year ended May 31, 2019 is as follows:

	<u>Balance June 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance May 31, 2019</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$ 911,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 911,224</u>
Capital assets being depreciated:				
Infrastructure	8,290,155	262,350	-	8,552,505
Buildings and improvements	2,539,622	74,827	-	2,614,449
Equipment and vehicles	<u>2,168,741</u>	<u>132,663</u>	<u>573,936</u>	<u>1,727,468</u>
Total capital assets being depreciated	<u>12,998,518</u>	<u>469,840</u>	<u>573,936</u>	<u>12,894,422</u>
Less accumulated depreciation for:				
Infrastructure	3,117,178	407,768	-	3,524,946
Buildings and improvements	887,686	41,780	-	929,466
Equipment and vehicles	<u>1,642,196</u>	<u>155,071</u>	<u>569,915</u>	<u>1,227,352</u>
Total accumulated depreciation	<u>5,647,060</u>	<u>604,619</u>	<u>569,915</u>	<u>5,681,764</u>
Total capital assets being depreciated, net:	<u>7,351,458</u>	<u>(134,779)</u>	<u>(4,021)</u>	<u>7,212,658</u>
Governmental activities capital assets, net	<u>\$ 8,262,682</u>	<u>\$(134,779)</u>	<u>\$ (4,021)</u>	<u>\$ 8,123,882</u>

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

Governmental activities:	
General government	\$ 39,076
Public safety	85,852
Public works	335,987
Culture and recreation	<u>143,704</u>
Total depreciation expense, governmental activities	<u>\$604,619</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 6 Capital Assets (Continued)

The business-type activities capital asset activity for the year ended May 31, 2019 is as follows:

	<u>Balance</u> <u>June 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>May 31, 2019</u>
Capital assets being depreciated:				
Infrastructure	\$6,536,421	\$3,137,964	\$ -	\$9,674,385
Buildings and improvements	4,239,397	162,475	-	4,401,872
Equipment and vehicles	<u>1,669,497</u>	<u>241,851</u>	<u>60,524</u>	<u>1,850,824</u>
 Total capital assets being depreciated	<u>12,445,315</u>	<u>3,542,290</u>	<u>60,524</u>	<u>15,927,081</u>
 Less accumulated depreciation for:				
Infrastructure	2,498,039	219,606	-	2,717,645
Buildings and improvements	2,323,997	40,763	-	2,364,760
Equipment and Vehicles	<u>1,043,223</u>	<u>159,056</u>	<u>59,613</u>	<u>1,142,666</u>
 Total accumulated depreciation	<u>5,865,259</u>	<u>419,425</u>	<u>(911)</u>	<u>6,225,072</u>
 Business-type activities capital assets, net	<u>\$6,580,056</u>	<u>\$3,122,864</u>	<u>\$ (911)</u>	<u>\$9,702,009.</u>

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

Business-type activities:	
Water	\$243,796
Sewer	<u>175,629</u>
 Total depreciation expense, business-type activities	<u>\$419,425</u>

Note 7 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

Note 7 Long-Term Debt (Continued)

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. This note was paid off during this fiscal year.

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 \$100,000 per year with interest at 3.35%.

On July 24, 2017, the Village signed a Note Payable for \$2,500,000. 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 final amount of \$3,628,840 for a new water tower, electronic meters and reading system, and the rework of 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 which began in April 2019.

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 \$310,464.

On December 28, 2018, the Village entered into another loan agreement with the Illinois Environmental Protection Agency Bureau of Water Infrastructure Financial Assistance Section in the amount of \$303,905 for the removal and replacement of water mains, valves and fire hydrants. The note bears a fixed interest rate of 1.76%. The term of the loan is for 20 years with semi-annual repayments which began in December 2018.

On December 28, 2018, the Village entered a 3 year lease agreement for the purchase of a GMC dump truck. The Village agreed to pay \$27,989 down and \$52,013 over the life of the lease. The lease is payable in annual installments of \$27,989 at an interest rate of 5.04% due December 30, 2023. The net book value of the truck is \$72,048.

On October 31, 2018, the Village entered a 3 year lease agreement for the purchase of a GMC truck. The Village agreed to pay \$16,820 down and \$31,254 over the life of the lease. The lease is payable in semi-annual installments of \$16,820 at an interest rate of 5.04% due December 30, 2020. The net book value of the truck is \$42,467.

Village of Rockton, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt (Continued)

Changes in Business-Type Long-Term Debt:

	Balance at <u>June 1, 2018</u>	<u>Additions</u>	<u>Payments</u>	Balance at <u>May 31, 2019</u>	Due within <u>One Year</u>
Notes Payable	\$2,506,748	\$3,205,871	\$193,847	\$5,518,770	\$255,518
Capitalized leases	227,309	128,130	78,797	276,642	77,194
General Obligation Bonds	<u>1,185,000</u>	<u>-</u>	<u>75,000</u>	<u>1,110,000</u>	<u>80,000</u>
Total	<u>\$3,919,057</u>	<u>\$3,334,001</u>	<u>\$347,644</u>	<u>\$6,905,412</u>	<u>\$412,712</u>

The debt service requirements to maturity are as follows:

Fiscal Year Ended <u>5/31</u>	Capitalized <u>Leases</u>		General Obligation <u>Bonds</u>		Notes <u>Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 77,194	\$ 9,015	\$ 80,000	\$ 37,185	\$ 255,518	\$ 126,715
2021	81,549	6,270	75,000	34,505	227,799	119,133
2022	38,638	2,933	80,000	31,992	232,884	114,048
2023	39,855	2,156	85,000	29,312	238,096	108,836
2024	39,406	463	90,000	26,465	243,442	103,491
2025 – 2029	-	-	415,000	90,618	2,273,621	280,210
2030 - 2034	-	-	285,000	19,430	1,035,060	139,842
2035 – 2039	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,012,350</u>	<u>45,116</u>
Total	<u>\$276,642</u>	<u>\$20,837</u>	<u>\$1,110,000</u>	<u>\$269,507</u>	<u>\$5,518,770</u>	<u>\$1,037,391</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. This note was paid off during this fiscal year.

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. This note was paid off during this fiscal year.

Village of Rockton, Illinois

Notes to Financial Statements

Note 7 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 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 vehicle is \$3,046.

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 \$2,971.

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 \$23,578.

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 \$15,817.

Village of Rockton, Illinois

Notes to Financial Statements

Note 7 Long-Term Debt (Continued)

Governmental Activities Long-Term Debt (Continued):

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 \$10,483.

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 \$18,908.

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 \$33,653.

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 \$10,483.

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 \$39,676.

On July 12, 2018, the Village entered a 5 year lease agreement for the purchase of a police vehicle. The Village agreed to pay \$4,306 down and \$33,152 over the life of the lease. The lease is payable in semi-annual installments of \$4,306 at an interest rate of 6.825% due January 11, 2023. The net book value of the vehicle is \$32,230.

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 7 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, 2018	Additions	Payments	Balance at May 31, 2019	Due within One Year
Note Payable	\$2,249,394	\$ 78,591	\$246,504	\$2,081,481	\$223,705
Capitalized leases	193,832	37,188	99,298	131,722	60,855
General Obligation Bonds	<u>2,046,145</u>	<u>-</u>	<u>221,600</u>	<u>1,824,545</u>	<u>147,091</u>
Total	<u>\$4,489,371</u>	<u>\$115,779</u>	<u>\$567,402</u>	<u>\$4,037,748</u>	<u>\$431,651</u>

The debt service requirements to maturity are as follows:

Fiscal Year Ended	Capitalized Leases		General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
5/31						
2020	\$ 60,855	\$ 6,568	\$ 147,091	\$ 122,567	\$ 223,705	\$ 64,045
2021	36,707	3,043	152,258	115,364	225,962	57,160
2022	20,647	1,814	162,777	107,807	117,147	50,484
2023	13,513	641	168,674	99,727	820,194	46,575
2024	-	-	174,976	91,244	31,781	24,195
2025 – 2029	-	-	563,207	334,529	662,692	26,771
2030 – 2034	-	-	342,491	166,769	-	-
2035 – 2038	-	-	<u>113,071</u>	<u>27,082</u>	-	-
Total	<u>\$131,722</u>	<u>\$12,066</u>	<u>\$1,824,545</u>	<u>\$1,065,089</u>	<u>\$2,081,481</u>	<u>\$269,230</u>

Village of Rockton, Illinois

Notes to Financial Statements

Note 7 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 \$154,699,034. As of May 31, 2019 the Village had \$3,509,900 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 \$1,034,497 covers the required amount of \$117,185.

Note 8 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, 2019, the amount of defeased debt from various issues outstanding but removed from the Village's financial statements amounted to \$625,000.

Note 9 Prior period restatement

As noted in Note 1, in the current year the Village changed its basis of accounting from the modified cash basis of accounting to generally accepted accounting principles. As a result, the following adjustments were made to beginning net position and fund balances to account for prior year receivables and payables, deferred inflows and outflows, compensated absences and net pension liabilities:

Governmental activities net position	(\$1,521,753)
Business-type activities net position	243,974
General fund balance	676,633
Motor fuel tax fund balance	31,039
Water fund net position	102,445
Sewer fund net position	141,529

Note 10 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

Note 10 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	\$152,388
b. Dare, drug enforcement & DUI	38,246
c. Our town park	6
d. Police agency vehicle	1,246
e. Maintenance of bridge lookout	11,817
f. Bond reserve	86,278
g. Chemtool TIF	284,931
h. Downtown TIF	51,685
i. Police Protection	-
j. Motor Fuel Tax	105,609
k. Revolving Loan	<u>18,598</u>
Total	<u>\$750,804</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 \$344,039. It also includes negative fund balances in other funds, which includes the Wagon Wheel TIF balance of (\$6,353) and Police Protection of (\$5,107).

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

Note 11 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, 2019:

a. Greenspace	\$152,388
b. Dare, drug enforcement & DUI	38,246
c. Our town park	6
d. Police agency vehicle	1,246
e. Maintenance of bridge lookout	11,817
f. Bond reserve	86,278
g. Chemtool TIF	284,931
h. Downtown TIF	51,685
i. Police Protection	-
j. Motor Fuel Tax	105,609
k. Revolving Loan	<u>18,598</u>
Total	<u>\$750,804</u>

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

Bond & Interest	<u>\$39,800</u>
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Note 12 Interfund Balances

Below are the interfund balances as of May 31, 2019:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental activities:		
General Fund	\$ 9,563	\$(381,372)
Wagon Wheel Fund	-	(10,000)
Nonmajor Governmental Funds	<u>437</u>	<u>(5,107)</u>
Total	<u>\$ 10,000</u>	<u>\$(396,479)</u>
Business-type activities:		
Sewer Fund	<u>\$386,479</u>	<u>\$ -</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 13 Tort Insurance Expenditures

The Village charged the following amounts towards the tort insurance levy for the year ended May 31, 2019, which resulted in no restricted fund balance.

Insurance	<u>\$129,486</u>
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Village of Rockton, Illinois

Notes to Financial Statements

Note 14 Pension Plan

Illinois Municipal Retirement Fund

IMRF Plan description – The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system and the Police Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. 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. That report may be obtained on-line at www.imrf.org.

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

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

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

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

Employees Covered by the Benefit Terms - At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	10
Active employees	16
<hr/> Total	<hr/> 35

Village of Rockton, Illinois

Notes to Financial Statements

Note 14 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 2018 was 8.45%. For the fiscal year ended May 31, 2019, the employer contributed \$60,871 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, 2018, 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, 2018:

- 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 7.25%.
- **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

Note 14 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, 2018:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	37%	7.15%
International Equity	18%	7.25%
Fixed Income	28%	3.75%
Real Estate	9%	6.25%
Alternative Investments	7%	3.2-8.5%
Cash Equivalents	1%	2.50%
Total	100%	

Single Discount rate - A Single Discount Rate of 7.25% 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 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

Village of Rockton, Illinois

Notes to Financial Statements

Note 14 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, January 1, 2018	\$2,578,855	\$2,716,395	\$(137,840)
Service costs	70,066	-	70,066
Interest on total pension liability	192,656	-	192,656
Difference between expected and actual experience	106,197	-	106,197
Changes in assumptions	81,695	-	81,695
Employer contributions	-	67,638	(67,638)
Employee contributions	-	35,955	(35,995)
Net investment income	-	(125,991)	125,991
Benefit payments – net of refunds	(89,673)	(89,673)	-
Administrative expense	-	-	-
Other changes	-	35,144	(35,144)
Net changes	360,941	(76,927)	437,868
Balances, December 31, 2018	\$2,939,496	\$2,639,468	\$300,028

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate - The following presents the plan’s net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan’s net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1 % Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Village’s proportionate share of the net Pension liability	\$688,785	\$300,028	\$(3,824)

Village of Rockton, Illinois

Notes to Financial Statements

Note 14 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, 2019, the Village recognized pension expense of \$62,449. At May 31, 2019, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	\$ 85,801	\$28,765
Changes in assumptions	66,443	50,068
Net difference between projected and actual earnings on pension plan investments	300,131	136,248
Total deferred amounts to be recognized in pension expense in future periods	452,375	215,081
Pension contributions subsequent to the measurement date	17,423	-
Total deferred amounts related to pension	\$469,798	\$215,081

The Village reported \$17,423 as deferred outflows related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability from the measurement period ending December 31, 2019. 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>	
2020	\$ 55,176
2021	31,177
2022	41,080
2023	102,399
2024	7,462
Thereafter	-
Total	<u>\$237,294</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

Note 14 Pension Plan (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	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	15
<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

Note 14 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, 2018 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	5.92%
Long-Term Expected Rate of Return of Plan Assets	6.00%
High Quality 20 Year Tax-Exempt G.O. Bond Rate	3.51%
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	RP-2014 Adjusted for Plan Status, Collar and Illinois Public Pension Data, as Appropriate
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 3.78% to 3.51% 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 6.00% to 5.92%. 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 the current valuation, the individual pay scale assumptions were reviewed to reflect the settled bargaining agreement between the Village of Rockton and the Illinois Fraternal Order of Police

Village of Rockton, Illinois

Notes to Financial Statements

Note 14 Pension Plan (Continued)

Police Pension (Continued)

Labor Council, for the period June 1, 2018 to May 31, 2021. The individual pay scale assumption has been updated based on the wage schedule.

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.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

Note 14 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, 2019 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 2.50% 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, 2019 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 14 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, 2018	\$7,345,390	\$5,522,802	\$1,822,588
Service costs	315,354	-	315,354
Interest on total pension liability	435,187	-	435,187
Difference between expected and actual experience	166,872	-	166,872
Changes in assumptions	115,716	-	115,716
Employer contributions	-	347,786	(347,786)
Employee contributions	-	111,818	(111,218)
Net investment income	-	168,040	(168,040)
Benefit payments – net of refunds	(184,541)	(184,541)	-
Administrative expense	-	(14,070)	14,070
Other changes	-	-	-
Net changes	848,588	429,033	419,555
Balances, May 31, 2019	\$8,193,978	\$5,951,835	\$2,242,143

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 (4.92 percent) or 1-percentage-point higher (6.92 percent) than the current rate:

	1% Decrease (4.92%)	Current Rate (5.92%)	1% Increase (6.92%)
Net Pension Liability	\$3,933,741	\$2,242,143	\$921,714

Village of Rockton, Illinois

Notes to Financial Statements

Note 14 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, 2019, the Village recognized pension expense of \$347,786. At May 31, 2019, the Village had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$233,995	\$101,639
Changes in assumptions	151,128	277,917
Net difference between projected and actual earnings	193,506	17,598
Total	\$578,629	\$397,154

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

Year ended May 31:	Net Deferred Outflows (Inflows) of Resources
2020	\$66,296
2021	32,738
2022	41,534
2023	33,860
2024	(370)
Thereafter	7,417

Note 15 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

Note 16 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, 2019 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 17 Commitments/Subsequent Events

Subsequent to year end, the Village received an IEPA loan approved for \$2,473,127 to be used for a new water tower and to rehab and existing water tower. Subsequent disbursements on this loan since year end have amounted to \$1,441,155.

Note 18 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.

Note 19 Pending Accounting Pronouncements

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.

Village of Rockton, Illinois

Notes to Financial Statements

Note 19 Pending Accounting Pronouncements (Continued)

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, provides more relevant information about capital assets and the cost of borrowing for a reporting period. This Statement's objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests* an amendment of GASB Statements No. 14 and No. 61, improves accounting and financial reporting by presenting majority equity interest in legally separate organizations that were previously reported inconsistently. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Required Supplementary Information

Village of Rockton, Illinois

General Fund

Schedule of Revenues and Expenditures and Net Change in Fund Balance Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Revenues			
Taxes:			
Property taxes:			
Corporate	\$ 202,312	\$ 221,004	\$ (18,692)
Streets & bridges	-	-	-
Sanitation & garbage	9,519	10,517	(998)
IMRF	37,943	41,920	(3,977)
Social security	118,119	130,499	(12,380)
Tort liability	40,356	44,586	(4,230)
Audit	10,994	12,146	(1,152)
Police pension fund	347,786	384,240	(36,454)
Crossing guards	3,084	3,407	(323)
Unemployment tax	1,475	1,629	(154)
Township taxes	19,562	24,270	(4,708)
Municipal retailers occupational tax	1,550,648	1,452,800	97,848
Replacement tax	51,463	41,770	9,693
State income tax	800,798	683,965	116,833
Charitable games tax	55,704	59,000	(3,296)
State use and photo processing	240,507	205,570	34,937
Telecommunications tax	125,489	132,525	(7,036)
Total taxes	3,615,759	3,449,848	165,911
Licenses, fees, and permits:			
Public utility franchises	77,863	79,000	(1,137)
Licenses and permits:			
Retail liquor licenses	42,758	35,500	7,258
Tobacco licenses	450	450	-
Other licenses and permits	78,009	107,700	(29,691)
Charges for services -			
Garbage collection fee	491,559	486,000	5,559
Electric infrastructure fee	325,128	297,300	27,828
Swimming pool	55,826	98,650	(42,824)
Garbage penalty	9,888	8,600	1,288

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Revenues (Continued)			
Licenses, fees, and permits (continued):			
Fines and forfeitures	73,434	81,350	(7,916)
DUI revenue	120	-	120
Sporting event security	110	5,175	(5,065)
Employee dental and health insurance	52,774	58,175	(5,401)
Total licenses, fees, and permits	1,207,919	1,257,900	(49,981)
Intergovernmental:			
State and Federal Grants	-	550,000	(550,000)
Total intergovernmental	-	550,000	(550,000)
Other revenue:			
Rental income	20,610	19,440	1,170
Donations and reimbursements	124,174	106,620	17,554
Drug forfeitures/seizures	3,613	14,000	(10,387)
Interest	18,140	6,300	11,840
Miscellaneous	18,012	41,360	(23,348)
Total other revenue	184,549	187,720	(3,171)
Total revenues	5,008,227	5,445,468	(437,241)

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures			
General government:			
Administrative:			
Salaries	181,638	186,620	(4,982)
Insurance	392,969	415,000	(22,031)
Engineering	8,833	7,500	1,333
Zoning expense	3,149	4,000	(851)
Telephone	5,244	5,200	44
Professional organization	5,188	6,500	(1,312)
Training and Travel	8,428	13,600	(5,172)
Illinois municipal league conference	11,622	12,000	(378)
Supplies	9,643	9,000	643
Office equipment	32,677	20,000	12,677
Stateline bus service	20,000	20,000	-
Codification of ordinance	1,025	3,000	(1,975)
Sales tax rebates	50,351	43,000	7,351
Software upgrade	22,641	22,642	(1)
Capital Expenditures	8,952	9,000	(48)
Ifiber	7,200	7,500	(300)
Miscellaneous	8,679	5,800	2,879
Total administrative	778,239	790,362	(12,123)
Payroll tax and tort liability:			
Unemployment insurance tax	3,022	3,800	(778)
Social security contribution	168,680	180,100	(11,420)
IMRF contributions	62,449	62,450	(1)
Police pension expense	347,786	384,240	(36,454)
Liability insurance	129,486	125,000	4,486
Total payroll tax and tort liability	711,423	755,590	(44,167)
Economic Development:			
Council of 100/Downtown development	17,929	129,500	(111,571)
Special events	30,404	17,000	13,404
Senior Center contribution	1,500	1,500	-
Advertising	11,783	9,500	2,283
Total economic development	61,616	157,500	(95,884)
Audit	12,400	12,750	(350)

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
General government (continued):			
Treasurer:			
Village treasurer retainer	37,650	35,750	1,900
Buildings and grounds:			
Salaries	69,882	76,725	(6,843)
Telephone	12,812	16,000	(3,188)
Utilities	30,437	26,000	4,437
Maintenance equipment and supplies	46,093	35,000	11,093
Capital expenditures	94,547	433,019	(338,472)
Miscellaneous	-	-	-
Total buildings and grounds	253,771	586,744	(332,973)
Total general government	1,855,099	2,338,696	(483,597)
Public safety:			
Police Department:			
Salaries	1,276,019	1,249,999	26,020
Uniforms, badges and patches	11,973	18,800	(6,827)
Uniform cleaning	2,929	4,800	(1,871)
Equipment & vehicle maintenance	62,848	52,500	10,348
Postage and supplies	7,991	8,700	(709)
Telephone	2,084	1,900	184
Wireless communications	19,249	18,500	749
Forms and printing	5,055	7,100	(2,045)
Professional memberships	23,479	99,600	(76,121)
Travel, training and supplies	22,917	26,800	(3,883)
Gas, oil and car washes	46,647	40,000	6,647
Drug expenditures	1,366	11,000	(9,634)
Capital expenditures	6,354	3,800	2,554
DARE	-	-	-
DUI Expenditures	-	3,000	(3,000)
Lease/purchase	87,415	74,288	13,127
Miscellaneous	2,319	7,500	(5,181)
Total police department	1,578,645	1,628,287	(49,642)

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Public safety (continued):			
Police commission:			
Salaries	1,800	1,800	-
Testing expenses	4,263	5,100	(837)
Legal fees	7,315	5,500	1,815
Training and travel	1,319	2,000	(681)
Advertising/miscellaneous	1,068	1,500	(432)
Total police commission	15,765	15,900	(135)
School crossing guards:			
Salaries and equipment	5,165	3,400	1,765
Total public safety	1,599,575	1,647,587	(48,012)
Judiciary and legal:			
Legal:			
Village attorney	92,905	95,000	(2,095)
Litigation expenses	8,480	20,000	(11,520)
Total legal	101,385	115,000	(13,615)
Public works:			
Streets and Sidewalks:			
Salaries	127,845	149,160	(21,315)
Uniform allowances	2,039	2,100	(61)
Equipment maintenance	34,726	25,000	9,726
Traffic light maintenance	16,924	5,000	11,924
Contract snow removal	3,725	5,000	(1,275)
Landscaping and restoration	1,400	4,000	(2,600)
Engineering	96,543	30,000	66,543
Avery storage rental	-	-	-
Supplies	3,764	3,000	764
Tools and equipment	5,428	5,000	428
Gas and oil	29,195	23,000	6,195
Traffic signs	3,259	3,000	259

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Public works (continued)			
Streets and Sidewalks:			
Street maintenance	348,086	441,300	(93,214)
Capital expenditures	35,754	40,000	(4,246)
Electricity/pole rental	51,952	50,000	11,952
Wireless communication	1,185	2,500	(1,315)
Phase II Overlay	-	-	-
Miscellaneous	900	1,200	(300)
Total public works	762,725	789,260	(16,535)
Social services:			
Health department:			
Animal control and weed mowing	13,074	14,000	(926)
Total social services	13,074	14,000	(926)
Culture and recreation:			
Public Parks:			
Salaries	74,346	75,000	(654)
Hut program	3,319	3,500	(181)
Christmas walk	358	1,000	(642)
Uniforms	399	750	(351)
Equipment maintenance	3,202	5,000	(1,798)
Landscaping	8,145	3,000	5,145
Professional memberships	294	500	(206)
Utilities	17,447	20,000	(2,553)
Supplies	4,604	5,000	(396)
Tools and equipment	20,131	40,000	(19,869)
Training & travel	1,144	1,500	(356)
Gas and oil	14	300	(286)
Banner advertising	-	500	(500)
Rockton athletic field	91,208	80,000	11,208
System repair and maintenance	3,520	4,000	(480)
Dog Park	912	1,000	(88)
Miscellaneous	299	6,000	(5,701)
Total public parks	229,342	247,050	(17,708)

Village of Rockton, Illinois

General Fund (Continued)

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Expenditures (Continued)			
Culture and recreation (Continued):			
Swimming Pool:			
Salaries	42,727	55,000	(12,273)
Amenities	-	2,500	(2,500)
Maintenance	6,843	3,000	3,843
Telephone	471	450	21
Utilities	6,461	8,000	(1,539)
Water treatment testing and supplies	15,789	16,000	(211)
Miscellaneous supplies	7,635	9,150	(1,515)
Total swimming pool	79,926	94,100	(14,174)
Total culture and recreation	309,268	341,150	(31,882)
Environment:			
Garage collection:			
Residential pickup fees	493,755	485,595	8,160
Total environment	493,755	485,595	8,160
Debt service:			
Principal	226,229	150,213	76,016
Interest	49,996	-	49,996
Total debt service	276,225	150,213	126,012
Total expenditures	5,411,106	5,881,501	(460,395)
Other Financing Sources (Uses)			
Issuance of long-term debt	78,591	247,411	(168,820)
Operating transfers in	-	-	-
Sale of fixed assets	-	100,000	(100,000)
Total other financing sources (uses)	78,591	347,411	(268,820)
Net change in fund balance	\$ (324,288)	\$ (88,622)	\$ (245,666)

Village of Rockton, Illinois

Wagon Wheel TIF Fund

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Revenues			
Taxes:			
Property taxes:	\$ 113,008	\$ 113,008	\$ -
Other revenue:			
Interest	757	475	282
Total revenues	113,765	113,483	282
Expenditures			
General government:			
Economic Development:			
Payout to Gunderson	2,426	9,522	(7,096)
Accounting expenses	359	500	(141)
Total economic development	2,785	10,022	(7,237)
Debt service:			
Principal	80,275	80,275	-
Interest	31,380	31,380	-
Total debt service	111,655	111,655	-
Total expenditures	114,440	121,677	(7,237)
Net change in fund balance	\$ (675)	\$ (8,194)	\$ 7,519

Village of Rockton, Illinois

ChemTool TIF Fund

Schedule of Revenues and Expenditures and Changes in Fund Balance

Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Revenues			
Taxes:			
Property taxes:	\$ 247,728	\$ 309,733	\$ (62,005)
Other revenue:			
Interest	7,729	3,900	3,829
Total revenues	255,457	313,633	(58,176)
Expenditures			
General government:			
Economic Development:			
Accounting expenses	724	1,000	(276)
Legal expenses	-	3,000	(3,000)
Training & Travel	2,240	3,000	(760)
Miscellaneous	550	-	550
Payments to other taxing bodies	30,897	30,900	(3)
Total general government	34,411	37,900	(3,489)
Debt service:			
Principal	161,600	161,600	-
Interest	116,478	116,467	11
Total debt service	278,078	278,067	11
Total expenditures	312,489	315,967	(3,478)
Net change in fund balance	\$ (57,032)	\$ (2,334)	\$ (54,698)

Village of Rockton, Illinois

Downtown TIF Fund

Schedule of Revenues and Expenditures and Changes in Fund Balance
Compared with Budget

Year ended May 31, 2109

	Actual	Original and Final Budget	Over (Under) Budget
Revenues			
Taxes:			
Property taxes:	\$ 26,880	\$ 29,508	\$ (2,628)
Other revenue:			
Interest	880	200	680
Total revenues	27,760	29,708	(1,948)
Expenditures			
General government:			
Economic Development:			
Accounting expenses	250	100	150
Settler's park repairs	-	-	-
Grants to downtown merchants	-	15,000	(15,000)
Total general government	250	15,100	(14,850)
Net change in fund balance	\$ 27,510	\$ 14,608	\$ 12,902

Village of Rockton, Illinois

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund (IMRF)

Last Ten Calendar Years

(schedule to be built prospectively from 2014)

	2018	2017	2016	2015
Calendar year ending December 31,				
Total pension liability:				
Service cost	\$ 70,066	\$ 68,195	\$ 69,841	\$ 68,154
Interest on the total pension liability	192,656	186,764	179,522	169,076
Benefit changes	-	-	-	-
Difference between expected and actual experience	106,197	(4,374)	(65,678)	(16,091)
Assumption changes	81,695	(82,876)	(2,980)	2,926
Benefit payments and refunds	(89,673)	(90,477)	(82,579)	(82,288)
Net change in total pension liability	360,941	77,232	98,126	141,777
Total pension liability - beginning	2,578,555	2,501,323	2,403,197	2,261,420
Total pension liability - ending (a)	\$ 2,939,496	\$ 2,578,555	\$ 2,501,323	\$ 2,403,197
Plan fiduciary net position:				
Employer contributions	\$ 67,638	\$ 63,066	\$ 63,529	\$ 58,775
Employee contributions	35,955	30,191	29,083	39,158
Pension plan net investment income	(125,991)	401,868	152,367	10,876
Benefit payments and refunds	(89,673)	(90,477)	(82,579)	(82,288)
Other	35,144	(34,748)	9,995	(19,770)
Net change in plan fiduciary net position	(76,927)	369,900	172,395	6,751
Plan fiduciary net position - beginning	2,716,395	2,346,495	2,174,100	2,167,349
Plan fiduciary net position - ending (b)	2,639,468	2,716,395	2,346,495	2,174,100
Net pension liability(asset) - Ending (a) - (b)	\$ 300,028	\$ (137,840)	\$ 154,828	\$ 229,097
Plan fiduciary net position as a percentage of total pension liability	89.79%	105.35%	93.81%	90.47%
Covered valuation payroll	\$ 790,131	\$ 670,906	\$ 646,275	\$ 622,611
Net pension liability as a percentage of covered valuation payroll	37.97%	-20.55%	23.96%	36.80%

The Village implemented GASB 68 in May 2019.

Village of Rockton, Illinois

Multiyear Schedule of Contributions

Illinois Municipal Retirement Fund (IMRF)

Last Ten Calendar Years

(schedule to be built prospectively from 2019)

<u>Fiscal Year Ending 31-May</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2019	60,871	60,871	-	789,858	7.71%

The Village implemented GASB 68 in May 2019.

Village of Rockton, Illinois

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Police Pension Fund - Last Ten Fiscal Years

(Schedule to be built prospectively from 2014)

Required Supplementary Information

For the Fiscal Year Ending May 31,

	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	\$ 315,354	\$ 357,711	\$ 337,878	\$ 276,424	\$ 290,278
Interest on the total pension liability	435,187	397,283	375,724	332,898	297,537
Benefit changes	-	-	-	-	-
Difference between expected and actual experience	166,872	30,843	(136,607)	89,104	-
Assumption changes	115,716	(180,719)	(172,090)	72,411	-
Benefit payments and refunds	(184,541)	(55,505)	(19,765)	(5,082)	(23,412)
Net change in total pension liability	848,588	549,613	385,140	765,755	564,403
Total pension liability - beginning	7,345,390	6,795,777	6,410,637	5,644,882	5,080,479
Total pension liability - ending (a)	\$ 8,193,978	\$ 7,345,390	\$ 6,795,777	\$ 6,410,637	\$ 5,644,882
Plan fiduciary net position:					
Employer contributions	\$ 347,786	\$ 312,277	\$ 238,378	\$ 220,029	\$ 255,621
Employee contributions	111,818	114,635	109,470	105,326	101,979
Pension plan net investment income	168,040	266,374	310,042	84,622	186,693
Benefit payments and refunds	(184,541)	(55,505)	(19,765)	(5,082)	(23,412)
Administrative expense	(14,070)	(16,755)	(12,858)	(13,957)	(9,101)
Other	-	-	-	-	-
Net change in plan fiduciary net position	429,033	621,026	625,267	390,938	511,780
Plan fiduciary net position - beginning	5,522,802	4,901,776	4,276,509	3,885,571	3,373,791
Plan fiduciary net position - ending (b)	\$ 5,951,835	\$ 5,522,802	\$ 4,901,776	\$ 4,276,509	\$ 3,885,571
Net pension liability(asset) - Ending (a) - (b)	\$ 2,242,143	\$ 1,822,588	\$ 1,894,001	\$ 2,134,128	\$ 1,759,311
Plan fiduciary net position as a percentage of total pension liability					
	72.64%	75.19%	72.13%	66.71%	68.83%
Covered valuation payroll	\$ 1,111,946	\$ 1,206,692	\$ 1,171,546	\$ 1,049,824	\$ 994,789
Net pension liability as a percentage of covered valuation payroll	201.64%	151.04%	161.67%	203.28%	176.85%

Village of Rockton, Illinois

Schedule of Investment Returns

Police Pension Fund

Required Supplementary Information

For the Fiscal Year Ending May 31,

2019

Police Pension Fund

Annual money - weighted rate of return,
net of investment expense

3.42%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be obtained, information will be presented as is available.

Village of Rockton, Illinois

Required Supplementary Information

Schedule of Employer Contributions

Police Pension Fund - Last Ten Fiscal Years

(Schedule to be built prospectively from 2014)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	387,580	317,885	264,653	223,068	245,078	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contribution	347,786	312,277	238,378	220,029	255,621	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	39,794	5,608	26,275	3,039	(10,543)	N/A	N/A	N/A	N/A	N/A
Covered-Employee Payroll	1,111,946	1,206,692	1,171,546	1,049,824	994,789	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	31.28%	25.88%	20.35%	20.96%	25.70%	N/A	N/A	N/A	N/A	N/A

Notes to Schedule of Contributions

The actuarial determined contribution shown for the current year is from the June 1, 2017 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December, 2017 tax levy. The methods and assumptions shown below are based on the same Actuarial Valuation. For more detail on the age-based and service-based rates disclosed below, please see the Actuarial Valuation.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	13 years
Asset Valuation Method	5-year smoothed market value
Inflation	2.50%
Payroll Increases	3.50%
Individual Pay Increases	3.50%-12.53%
Investment Rate of Return	6.00%
Mortality Rates	RP-2014 adjusted for plan status, collar, and Illinois Public Pension Data, as appropriate
Retirement Rates	L&A 2016 Illinois Police Retirement Rates Capped at age 65
Termination Rates	L&A 2016 Illinois Police Termination Rates
Disability Rates	L&A 2016 Illinois Police Disability Rates

Village of Rockton, Illinois

Notes to Required Supplementary Information

Note 1 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate for IMRF *

Valuation date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 25-year closed period Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 20 years for most employers (three employers were financed over 29 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). 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-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Supplementary Information

Village of Rockton, Illinois

Combining Balance Sheet Nonmajor Governmental Funds

May 31, 2019

	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
Assets				
Cash and deposits	\$ -	\$ 30,361	\$ 18,160	\$ 48,521
Investments	-	45,448	-	45,448
Receivables:				
Property taxes	137,170	-		137,170
Intergovernmental receivables		29,800		29,800
Loan Receivable	-	-	1	1
Due from other funds	-	-	437	437
Total assets	\$ 137,170	\$ 105,609	\$ 18,598	\$ 261,377
Liabilities, Deferred Inflows of Resources and Fund Balances				
Due to other funds	\$ 5,107	\$ -	\$ -	\$ 5,107
Deferred inflows of resources:				
Unavailable property taxes	137,170	-		137,170
Fund Balance:				
Restricted	-	105,609	18,598	124,207
Unassigned	(5,107)	-	-	(5,107)
Total fund balance	(5,107)	105,609	18,598	119,100
Total liabilities and fund balance	\$ 137,170	\$ 105,609	\$ 18,598	\$ 261,377

Village of Rockton, Illinois

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

Year ended May 31, 2019

	Police Protection Fund	Motor Fuel Tax Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 120,397	\$ -	\$ -	\$ 120,397
Intergovernmental	-	205,130	-	205,130
Other income	745	2,179	34	2,958
Total revenues	121,142	207,309	34	328,485
Expenditures				
Public safety	130,726	-	-	130,726
Public works	-	210,650	-	210,650
Total expenditures	130,726	210,650	-	341,376
Net change in fund balance	(9,584)	(3,341)	34	(12,891)
Fund balances, beginning of year as restated	4,477	108,950	18,564	131,991
Fund balances, end of year	\$ (5,107)	\$ 105,609	\$ 18,598	\$ 119,100



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, 2019 for the Former Beloit Corp. TIF District and the Wagon Wheel TIF District. 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, 2019.

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
April 10, 2020