

VILLAGE OF MT. ZION, ILLINOIS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

VILLAGE OF MT. ZION, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

Mayor and Village Board
Village of Mt. Zion
Mt. Zion, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Village of Mt. Zion, Illinois, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the government'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.

Mayor and Village Board
Village of Mt. Zion
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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 modified cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Mt. Zion, Illinois, as of December 31, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1A.

Basis of Accounting

We draw attention to Note 1A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a special purpose framework other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mt. Zion, Illinois' financial statements. The schedules listed as "supplementary information" and "other information (unaudited)" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules listed as "supplementary information" are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as "supplementary information" are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedules listed as "other information (unaudited)" in the table of contents have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours very truly,



McGUIRE, YUHAS, HUFFMAN & BUCKLEY, P.C.
Certified Public Accountants
Decatur, Illinois
June 17, 2019

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF NET POSITION
MODIFIED CASH BASIS

December 31, 2018

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,367,048	\$ 890,924	\$ 2,257,972
Certificates of Deposit	617,876	203,825	821,701
Municipal Bonds	86,041	62,254	148,295
IMET Liquidated Trust Receivable	17,825	10,116	27,941
Prepaid Payroll Taxes	12	-	12
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	-	176,061	176,061
Restricted Cash in Escrow	3	-	3
Total Current Assets	2,088,805	1,343,180	3,431,985
Non-Current Assets			
Land and Easements	972,023	217,438	1,189,461
Property, Plant and Equipment	21,272,685	10,663,902	31,936,587
Less: Accumulated Depreciation	(8,419,638)	(4,323,356)	(12,742,994)
Net Land, Property, Plant and Equipment	13,825,070	6,557,984	20,383,054
Intangible Asset			
Sewer System Annexation Cost (Net of Accumulated Amortization of \$943,517)	-	197,480	197,480
Total Non-Current Assets	13,825,070	6,755,464	20,580,534
Total Assets	15,913,875	8,098,644	24,012,519
LIABILITIES			
Current Liabilities			
Notes Payable - current	14,156	102,912	117,068
Bonds Payable - current	537,556	-	537,556
Total Current Liabilities	551,712	102,912	654,624
Non-Current Liabilities			
Notes Payable - non-current	14,760	2,311,484	2,326,244
Bonds Payable - non-current	3,371,354	-	3,371,354
Total Non-Current Liabilities	3,386,114	2,311,484	5,697,598
Total Liabilities	3,937,826	2,414,396	6,352,222
NET POSITION			
Net Investment in Capital Assets	9,887,244	4,341,068	14,228,312
Restricted for:			
Police	29,966	-	29,966
Street and Alley Maintenance	272,095	-	272,095
Audit	33,436	-	33,436
Social Security Tax	82,290	-	82,290
Liability Insurance	32,158	-	32,158
IMRF	102,527	-	102,527
School Crossing Guard	19,659	-	19,659
Unemployment Compensation	40,080	-	40,080
Capital Projects	1,155	-	1,155
Special Tax Capital Projects	82,135	-	82,135
Debt Service	17,246	-	17,246
Unrestricted	1,376,058	1,343,180	2,719,238
Total Net Position	\$ 11,976,049	\$ 5,684,248	\$ 17,660,297

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

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

December 31, 2018

	Capital Projects Funds					Nonmajor Governmental Funds	Totals
	General	Capital Projects	Special Tax Allocation	Motor Fuel Tax			
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 600,299	\$ 1,155	\$ 82,135	\$ 272,095	\$ 411,364	\$ 1,367,048	
Certificates of Deposit	617,876	-	-	-	-	617,876	
Municipal Bonds	86,041	-	-	-	-	86,041	
IMET Liquidated Trust Receivable	10,965	-	-	-	6,860	17,825	
Prepaid Payroll Taxes	12	-	-	-	-	12	
Restricted Cash in Escrow	-	-	-	-	3	3	
Total Assets	\$ 1,315,193	\$ 1,155	\$ 82,135	\$ 272,095	\$ 418,227	\$ 2,088,805	

LIABILITIES AND FUND BALANCES

Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund Balances						
Restricted	29,966	1,155	82,135	272,095	327,396	712,747
Assigned	-	-	-	-	90,831	90,831
Unassigned	1,285,227	-	-	-	-	1,285,227
Total Fund Balances	1,315,193	1,155	82,135	272,095	418,227	2,088,805
Total Liabilities and Fund Balances	\$ 1,315,193	\$ 1,155	\$ 82,135	\$ 272,095	\$ 418,227	\$ 2,088,805

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 MODIFIED CASH BASIS

December 31, 2018

Total Fund Balances - Total Governmental Funds	\$ 2,088,805
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Amounts reported for governmental activities in the
 Statement of Net Position are different because:

Capital Assets of \$22,244,708 net of accumulated
 depreciation of (\$8,419,638), are not financial
 resources and therefore, are not reported in the
 funds.

13,825,070

Bonds and notes payable are not reported in the
 governmental funds

(3,937,826)

Net Position of Governmental Activities	\$ <u>11,976,049</u>
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Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS

For the Year Ended December 31, 2018

	Capital Projects Funds					Totals
	General	General Capital Projects	Special Tax Allocation	Motor Fuel Tax	Nonmajor Governmental Funds	
Revenues Received						
Property Tax	\$ 517,411	\$ -	\$ 445,055	\$ -	\$ 359,118	\$ 1,321,584
Utility Tax	173,306	-	-	-	-	173,306
Telecommunications Tax	58,556	-	-	-	-	58,556
Licenses & Permits	70,687	-	-	-	-	70,687
Franchise Fees	111,750	-	-	-	-	111,750
Police Services	54,983	-	-	-	-	54,983
Income Tax	558,604	-	-	-	-	558,604
Replacement Tax	27,774	-	-	-	-	27,774
Sales and Use Tax	538,903	-	-	-	-	538,903
Games Tax	43,782	-	-	-	-	43,782
Fines, Fees & Miscellaneous	86,435	-	-	-	-	86,435
Donations	3,954	-	-	-	-	3,954
Rentals	151,199	-	-	-	-	151,199
Reimbursements	82,617	-	-	11,411	38,057	132,085
Interest	8,510	-	65	128	3,690	12,393
Bond Subsidies	-	-	-	-	31,641	31,641
Motor Fuel Tax	-	-	-	158,888	-	158,888
Total Revenues Received	2,488,471	-	445,120	170,427	432,506	3,536,524
Expenditures Disbursed						
Current						
General Government						
Administration	180,057	-	-	-	244,109	424,166
Planning & Zoning	68,105	-	-	-	-	68,105
Public Safety	988,897	-	-	-	2,758	991,655
Streets & Alleys	340,149	-	550	2,136	-	342,835
Culture & Recreation						
Parks	233,383	-	-	-	-	233,383
Convention Center	149,558	-	-	-	-	149,558
Debt Service						
Principal	-	-	-	-	532,279	532,279
Interest and Fees	-	-	-	-	157,513	157,513
Capital Outlay	203,288	487,693	293,755	85,605	-	1,070,341
Total Expenditures Disbursed	2,163,437	487,693	294,305	87,741	936,659	3,969,835
Excess(Deficiency) of Revenues Received Over(Under) Expenditures Disbursed	325,034	(487,693)	150,815	82,686	(504,153)	(433,311)
Other Financing Sources(Uses)						
Proceeds from Sale of Equipment	9,550	-	-	-	-	9,550
Operating Transfers In	60,000	-	-	-	454,707	514,707
Operating Transfers Out	(341,707)	-	(133,000)	-	-	(474,707)
Net Change in Fund Balances	52,877	(487,693)	37,815	82,686	(49,446)	(363,761)
Fund Balances, January 1	1,262,316	488,848	44,320	189,409	467,673	2,452,566
Fund Balances, December 31	\$ 1,315,193	\$ 1,155	\$ 82,135	\$ 272,095	\$ 418,227	\$ 2,088,805

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS

For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (363,761)

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

Governmental funds report capital outlays as
 expenditures while governmental activities report
 depreciation expense to allocate those expenditures
 over the life of the assets:

Capital asset purchases capitalized	432,501
Depreciation expense	(900,422)
Proceeds from Sale of Equipment	(9,550)
Gain/(Loss) on Disposal of Capital Assets	9,550

The issuance of long-term debt provides current
 financial resources to the governmental funds, while
 the repayment of the principal of long-term debt
 consumes the current financial resources of the
 governmental funds. Neither transaction, however,
 has any effect on net position.

Bond and note principal repayments	532,279
Bond issue premium amortization	<u>6,874</u>

Change in Net Position of Governmental Activities \$ (292,529)

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS

December 31, 2018

	Business-type Activities		
	Water	Sanitary Sewer	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 817,312	\$ 73,612	\$ 890,924
Certificates of Deposit	203,825	-	203,825
Municipal Bonds	62,254	-	62,254
IMET Liquidated Trust Receivable	10,042	74	10,116
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	135,880	40,181	176,061
Total Current Assets	1,229,313	113,867	1,343,180
Non-Current Assets			
Land and Easements	152,816	64,622	217,438
Property, Plant and Equipment	7,038,043	3,625,859	10,663,902
Less: Accumulated Depreciation	(2,006,990)	(2,316,366)	(4,323,356)
Net Land, Property Plant and Equipment	5,183,869	1,374,115	6,557,984
Intangible Asset			
Sewer System Annexation Cost (Net of Accumulated Amortization of \$972,773)	-	197,480	197,480
Total Non-current Assets	5,183,869	1,571,595	6,755,464
Total Assets	6,413,182	1,685,462	8,098,644
LIABILITIES			
Current Liabilities			
Water Plant Loan, current	102,912	-	102,912
Non-Current Liabilities			
Water Plant Loan, non-current	2,311,484	-	2,311,484
Total Liabilities	2,414,396	-	2,414,396
NET POSITION			
Net Investment in Capital Assets	2,769,473	1,571,595	4,341,068
Restricted	-	-	-
Unrestricted	1,229,313	113,867	1,343,180
Total Net Position	\$ 3,998,786	\$ 1,685,462	\$ 5,684,248

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS

For the Year Ended December 31, 2018

	Business-type Activities		
	Water	Sanitary Sewer	Total
Operating Revenues			
Charges for Services	\$ 1,589,892	\$ 490,155	\$ 2,080,047
Other Fees & Miscellaneous	10,943	1,850	12,793
Total Operating Revenues	1,600,835	492,005	2,092,840
Operating Expenses			
Personal Services			
Salaries	256,086	107,932	364,018
Benefits	69,340	34,140	103,480
Total Personal Services	325,426	142,072	467,498
Operations and Contractual Services			
Repairs & Maintenance	43,676	26,878	70,554
Engineering	9,070	-	9,070
Janitorial Services	5,980	5,980	11,960
Postage	5,179	4,583	9,762
Telephone	1,981	2,717	4,698
Printing & Publications	2,825	1,933	4,758
Fees	19,924	8,251	28,175
Travel & Training	4,378	880	5,258
Dues & Subscriptions	515	-	515
Utilities	9,798	6,038	15,836
Water Purchases	710,591	-	710,591
Sewer Treatment Charges	-	206,008	206,008
Supplies & Equipment	6,126	5,629	11,755
Meters	4,969	4,969	9,938
Gasoline & Oil	7,841	7,841	15,682
Depreciation and Amortization	96,645	106,851	203,496
Total Operations and Contractual Services	929,498	388,558	1,318,056
Total Operating Expenses	1,254,924	530,630	1,785,554
Operating Income(Loss)	345,911	(38,625)	307,286
Non-Operating Revenues(Expenses)			
Interest Income	6,684	1,193	7,877
Interest Expense	(24,737)	-	(24,737)
Operating Transfers Out	(40,000)	(20,000)	(60,000)
Total Non-Operating Revenues(Expenses)	(58,053)	(18,807)	(76,860)
Change in Net Position	287,858	(57,432)	230,426
Total Net Position, January 1	3,710,928	1,742,894	5,453,822
Total Net Position, December 31	\$ 3,998,786	\$ 1,685,462	\$ 5,684,248

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
MODIFIED CASH BASIS

For the Year Ended December 31, 2018

	Business-type Activities		
	Water	Sanitary Sewer	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,594,048	\$ 489,335	\$ 2,083,383
Payments to Suppliers	(902,193)	(315,847)	(1,218,040)
Payments to Employees	(256,086)	(107,932)	(364,018)
Net Cash Provided(Used) by Operating Activities	435,769	65,556	501,325
Cash Flows from Non-capital Financing Activities			
Receipts (Payments) on Interfund Loans	3,175	-	3,175
Transfers from (to) the General Fund	(40,000)	(20,000)	(60,000)
Net Cash Provided(Used) by Non-Capital Financing Activities	(36,825)	(20,000)	(56,825)
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(2,533,872)	(13,038)	(2,546,910)
Receipts (Payments) on Water Plant IEPA Loan	1,738,501	-	1,738,501
Interest Paid on Water Plant IEPA Loan	(24,737)	-	(24,737)
Net Cash Provided(Used) by Capital and Related Financing Activities	(820,108)	(13,038)	(833,146)
Cash Flows from Investing Activities			
Redemption of Municipal Bonds	60,611	-	60,611
Increase of Certificates of Deposits	(3,024)	-	(3,024)
Decrease in IMET Liquidated Trust Receivable	1,040	8	1,048
Interest Received	6,684	1,193	7,877
Net Cash Provided(Used) by Investing Activities	65,311	1,201	66,512
Net Increase(Decrease) in Cash in Bank	(355,853)	33,719	(322,134)
Cash and Cash Equivalents - January 1	1,173,165	39,893	1,213,058
Cash and Cash Equivalents - December 31	\$ 817,312	\$ 73,612	\$ 890,924
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income	\$ 345,911	\$ (38,625)	\$ 307,286
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities			
Depreciation and Amortization	96,645	106,851	203,496
Changes in Assets and Liabilities (Increase)Decrease in Accounts Receivable	(6,787)	(2,670)	(9,457)
Total Adjustments	89,858	104,181	194,039
Net Cash Provided(Used) by Operating Activities	\$ 435,769	\$ 65,556	\$ 501,325

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS

December 31, 2018

	<u>Police Pension Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 44,317
Mutual Funds	<u>129,087</u>
Total Current Assets	<u>173,404</u>
Non-Current Assets	
Certificates of Deposit	917,841
Municipal Bonds	<u>607,298</u>
Total Non-Current Assets	<u>1,525,139</u>
Total Assets	<u>1,698,543</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for Pension Benefits	<u>1,698,543</u>
Total Net Position	<u>\$ 1,698,543</u>

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED,
AND CHANGES IN FIDUCIARY NET POSITION
MODIFIED CASH BASIS

For the Year Ended December 31, 2018

	<u>Police Pension Fund</u>
Additions	
Property Tax	\$ 388,836
Member Contributions	51,987
Employer Contributions	-
Investment Earnings	
Interest	28,907
Dividends	3,876
Realized and Unrealized Gains(Losses)	<u>(39,102)</u>
Total Additions	<u>434,504</u>
Deductions	
Benefit Payments	79,907
Administrative Expenditures	<u>17,996</u>
Total Deductions	<u>97,903</u>
Change in Net Position	<u>336,601</u>
Total Net Position, January 1	<u>1,361,942</u>
Total Net Position, December 31	<u>\$ 1,698,543</u>

Notes to Financial Statements are an integral part of this statement.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
December 31, 2018**Note 1 Significant accounting policies followed by the Village are as follows -****A) Measurement Focus and Basis of Accounting -**

The government-wide, business-type activities, proprietary fund, fiduciary fund and internal service fund financial statements are prepared using the economic resources measurement focus, which measures both financial and capital resources. The governmental fund financial statements are prepared using the current financial resource measurement focus, which is based on the concept of fiscal accountability. Therefore, due to the differences in measurement focuses, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The Village maintains its accounting records for all funds on the modified cash basis of accounting. The government-wide financial statements are also prepared using the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received, except for the water & sewer fund in which revenue is recorded when services rendered are billed. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction, except for the water & sewer funds in which receivables for services rendered are recorded when billed. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash-basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions with the exception that the Village capitalizes assets and depreciates them over their useful lives, records revenue and receivables and related allowances for uncollectible accounts for the business-type activities when billings are prepared, and recognizes unrealized gains and losses on its investments. Accordingly, the statements do not present financial position or results of operations in accordance with generally accepted accounting principles.

Investments are comprised of savings accounts, certificates of deposit, money markets, mutual funds and municipal bonds, some of which are federally insured. All investments are carried at cost, which approximates market, except for mutual funds and municipal bonds, which are carried at market value. The Village board has legal authority to invest in certificates of deposit and other investments.

B) Capital Assets -

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

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

**Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)**

B) Capital Assets (Continued) -

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position - Modified Cash Basis. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The Village has not maintained records of its governmental activities' infrastructure assets placed in service prior to May 1, 2004. Accordingly, the amount presented in the Statement of Net Position - Modified Cash Basis for governmental activities' capital assets includes only infrastructure assets purchased after May 1, 2004. Management believes the depreciated amount of these assets is not material to the financial statements.

The capital assets of the Water and Sewer funds have been recorded at cost since April 1, 1960. The costs of assets acquired prior to this date have not been included. Management believes the depreciated amount of these assets is not material to the financial statements.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities - Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Position - Modified Cash Basis. Depreciation has been provided as outlined below:

The cost for maintenance will be expensed.

The following depreciation methods are established:

Waterworks and Sewer System	34-40 years, straight line
Infrastructure	20-40 years, straight line
Equipment and Machinery	5-10 years, straight line
Furniture and Office Equipment	5-10 years, straight line

Fund Financial Statements

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

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

**Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)**

C) Reporting Entity -

In evaluating how to define the Village, for financial reporting purposes, management (Trustees) has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Village's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management (Trustees), the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service.

Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Village and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships; regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of the criteria, the Mt. Zion Police Pension Fund has been identified as a component unit of the Village. The Pension Fund is fiscally dependent on the Village to levy taxes to fund its pension liabilities. The Pension Fund is reported as a fiduciary fund of the Village.

D) Basis of Presentation -

Although the Village presents its annual financial statements on the modified cash basis of accounting, a special purpose framework other than GAAP, the aspects of financial statement content and format, as prescribed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments have been implemented in the financial statements, effective for the year ended April 30, 2005 and after. This change had a material effect on the comparability of previous year financial statements to statements dated April 30, 2005 and after.

The following represents the Village's basis of financial statement presentation based on the GASB 34 format.

Government-Wide Financial Statements

The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis display information about the Village as a whole. They include all funds of the Village except for fiduciary funds.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

**Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)**

D) Basis of Presentation - (Continued)

The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernment revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to the external customers for goods or services.

Fund Financial Statements

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

Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total for all funds of that category or type, and

Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The acquisition, use and balances of the Village's expendable financial resources and the related liabilities (arising from cash transactions) are accounted for through governmental funds.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for cash received from specific sources. The expenditures in excess of the amounts received and accumulated fund balance for these special revenue funds become an obligation of the general fund.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)

D) Basis of Presentation - (Continued)

<u>Fund</u>	<u>Brief Description</u>
General Capital Projects Fund	Accounts for revenues collected, primarily bond proceeds, and expenditures paid for capital projects for the Village.
Special Tax Allocation Fund	Accounts for property taxes collected and expenditures paid for the tax increment financing district (T.I.F).
Motor Fuel Tax Fund	Accounts for revenues collected from the motor fuel tax and expenditures associated with maintenance of the Village's streets and alleys.
Audit Fund	Accounts for property taxes collected and expenditures paid for the Village's annual audit.
Social Security Fund	Accounts for property taxes collected and expenditures paid for the Village's payroll taxes.
Liability Insurance Fund	Accounts for property taxes collected and expenditures paid for the Village's liability insurance.
IMRF Fund	Accounts for property taxes collected and expenditures paid for retirement for the Village's employees.
School Crossing Guard Fund	Accounts for property taxes collected and expenditures paid for the salary of the school crossing guards.
Unemployment Compensation Fund	Accounts for property taxes collected and expenditures paid for unemployment insurance.
Lease Purchase Fund	Accounts for property taxes collected and expenditures paid for the lease payments associated with asset acquisitions.
Bond Repayment Funds	Account for property taxes collected and expenditures paid for bond interest and principal payments.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)

D) Basis of Presentation - (Continued)

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

<u>Fund</u>	<u>Brief Description</u>
Water & Sanitary Sewer Funds	Account for the activities of providing water and sanitation sewer services to the public.

Fiduciary Funds - (Not included in government wide statements)

Pension Trust Funds

Pension Trust Funds are used to account for resources legally held in trust for use for payment of pension benefits and cannot be used at the Village's discretion or to support general operations.

<u>Fund</u>	<u>Brief Description</u>
Police Pension Fund	Accounts for property taxes collected and expenditures paid for pension benefits of qualified police officers.

Major and Non-major Funds

The funds are classified as major or non-major as follows:

<u>Major Funds</u>	<u>Non-major Funds</u>
General Fund	Audit Fund
General Capital Projects Fund	Social Security Fund
Special Tax Allocation Fund	Liability Insurance Fund
Motor Fuel Tax Fund	IMRF Fund
Water Fund	School Crossing Guard Fund
Sanitary Sewer Fund	Unemployment Compensation Fund
	Lease Purchase Fund
	2009, 2010 and 2016 Bond Repayment Funds

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

**Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)**

E) Use of Estimates -

The preparation of financial statements in conformity with the modified cash basis of accounting 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 expenses during the reporting period. Actual results could differ from those estimates.

F) Priority for Use of Restricted and Unrestricted Assets -

When both restricted and unrestricted resources are available for use, it is the Village's practice to use restricted resources first, then unrestricted resources as needed.

G) Budgets and Appropriations -

The budget and appropriation ordinance for all fund types is prepared on the cash basis of accounting which is similar to the modified cash basis that is used in financial reporting. This allows for comparability between budgeted and actual amounts. The Village's budget and appropriation ordinance was passed on December 4, 2017 and amended January 21, 2019.

For each fund, total fund expenditures disbursed may not legally exceed budgeted amounts. The appropriations lapse at the end of each fiscal year. Expenditures did not exceed budgeted amounts in any fund for the fiscal year ended December 31, 2018.

H) Non-current Liabilities -

The Village considers any liability not expected to be paid within one year to be a non-current liability. The liabilities shown on the Statement of Net Position - Modified Cash Basis and the Statement of Fund Net Position - Proprietary Funds - Modified Cash Basis are broken down between current and non-current liabilities.

I) Program Revenues -

In the Statement of Activities - Modified Cash Basis, revenues that are derived directly from each activity or from parties outside the Village's taxpayers are reported as program revenues. The Governmental Activities' program revenues include fines, police services, permits, donations, rental fees and event admissions. The Water and Sewer Funds' program revenues are the collection of water and sewer charges from customers who receive water and sewer services from the Village.

J) Operating and Nonoperating Revenues and Expenditures -

Proprietary fund statements classify revenues and expenditures as either operating or as nonoperating. The Village considers operating revenues and expenditures for proprietary funds to be those that result from providing services and producing and delivering goods and/or services.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows - (Continued)

J) Operating and Nonoperating Revenues and Expenditures - (Continued)

Revenues and expenditures related to capital and related financing, noncapital financing, or investing activities are considered to be nonoperating. All revenues of the proprietary funds are to be used to cover operations.

K) Internal and Interfund Balances and Activities -

If any interfund activity occurs or balances exist in the fund financial statements, they are eliminated or reclassified in the process of aggregating the financial information for the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis.

L) Cash and Cash Equivalents -

Cash and Cash Equivalents include all monies in banks and highly liquid investments. The carrying values of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

M) Legal Debt Margin -

The following outlines the legal debt margin of the Village of Mt. Zion as of December 31, 2018:

2018 Assessed Valuation		\$113,951,245
		=====
Statutory Debt Limitation		
8.625% of Assessed Valuation		9,828,295
Outstanding Bonds		
Series 2010A	125,000	
Series 2010B	1,715,000	
Series 2016	145,900	
Series 2016A	223,000	
Series 2016B	1,655,000	
Outstanding Notes Payable	2,443,312	
Less:		
Alternate Revenue Bonds	(1,878,000)	4,429,212

Legal Debt Margin		\$ 5,399,083
		=====

N) Fund Balance Reporting -

According to Government Accounting Standards, fund balances are to be classified into five major classifications; nonspendable, restricted,

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

**Note 1 Significant accounting policies followed by the Village are as follows -
(Continued)**

N) Fund Balance Reporting - (Continued)

committed, assigned, and unassigned. Below are definitions of each classification.

a. 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. Due to the modified cash basis nature of the Village, all such items are expended at the time of purchase, so there is nothing to report for this classification.

b. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are (1) subject to outside restrictions, not controlled by the entity, such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the government itself. All special revenue funds have been restricted for their respective specified purposes.

Additionally, \$29,966 of the General Fund's fund balance is restricted for Police, KICK, Drug, and DUI programs.

c. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Village Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

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 contractual requirements. The Village does not have any balances committed as of December 31, 2018.

d. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. The Village Board has the authority to assign amounts to be used for specific purposes. The Village has assigned \$90,831 of the Village's fund balances as follows as of December 31, 2018:

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows - (Continued)

N) Fund Balance Reporting - (Continued)

d. Assigned Fund Balance (Continued)

Purpose	Amount
-----	-----
Audit	\$ 1,000
Series 2009 Bond Payments	73,717
Series 2010 Bond Payments	16,114

	\$ 90,831
	=====

e. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for General Fund amounts that have not been restricted, committed, or assigned to specific purposes.

f. 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. As of December 31, 2018, no formal fund balance policy had been adopted by the Village.

O) Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position -

The Village follows GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position which was effective for audits of periods beginning after November 15, 2011. A deferred outflow of resources represents the consumption of a government's net assets that is applicable to a future period. A deferred inflow of resources represents the acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources are reported in a separate section of the Statement of Net Position - Modified Cash Basis following assets. Deferred inflows of resources are reported in a separate section of the Statement of Net Position - Modified Cash Basis following liabilities. As of December 31, 2018, due to the Village reporting on the modified cash basis of accounting, the Village had not engaged in any transactions which qualified for reporting as a deferred outflow of resource or deferred inflow of resource.

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows - (Continued)**P) Accounts Receivable -**

Customer receivables related to water and sewer billings are recorded as receivables and revenues at their original invoice amount, after services have been rendered and corresponding bills have been prepared. Management periodically reviews the customer receivable accounts and accounts are written off as they become uncollectible or deemed uncollectible. Therefore, accounts receivable is recorded net of allowance for uncollectible accounts.

Note 2 Property Tax Calendar -

Property taxes attach as an enforceable lien on property as of January 1 of each year. The 2017 levy (collected in the period ending December 31, 2018) was adopted by the Village on December 4, 2017. The collection dates, by the county, for the 2017 levy were June 2018 and September 2018. The Village receives significant distributions of tax receipts approximately one month after these due dates.

Note 3 Accrued Vacation/Leave -

Due to the Village reporting on the modified cash basis of accounting no accrual has been made for employees vacation/leave earned but not taken.

Each employee is allowed to carry over a maximum of 40 hours of vacation time to a new fiscal year. Any unused vacation time in excess of 40 hours from the previous fiscal year is lost. As of December 31, 2018, the accumulated vacation time amounted to \$36,540.

Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not paid out at termination. Unvested accumulated sick leave of Village employees at December 31, 2018 amounted to \$248,007.

Note 4 Defined Benefit Pension Plan - IMRF**IMRF Plan Description**

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

VILLAGE OF MT. ZION, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(Continued)

Note 4 Defined Benefit Pension Plan - IMRF - (Continued)**Benefits Provided**

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

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

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

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

Employees Covered by Benefit Terms

As of December 31, 2018, the following employees were covered by the benefit terms:

	<u>Regular</u>	<u>SLEP</u>
Retirees and Beneficiaries currently receiving benefits	28	0
Inactive Plan Members entitled to but not yet receiving benefits	19	0
Active Plan Members	16	0
	--	--
Total	63	0
	==	==