

VILLAGE OF CERRO GORDO, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2020

VILLAGE OF CERRO GORDO, ILLINOIS

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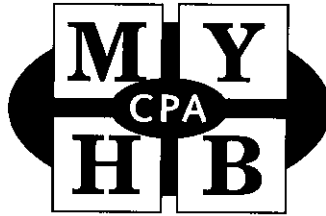
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Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

President and Board of Trustees
Village of Cerro Gordo
Cerro Gordo, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cerro Gordo, Illinois, as of and for the year ended April 30, 2020, 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

President and Board of Trustees
Village of Cerro Gordo
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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.

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, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Cerro Gordo, Illinois, as of April 30, 2020, 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 basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Village of Cerro Gordo, 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.

President and Board of Trustees
Village of Cerro Gordo
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Other Matters (Continued)

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,

A handwritten signature in cursive script, likely representing the firm's name or a representative member.

McGUIRE, YUHAS, HUFFMAN & BUCKLEY, P.C.
Certified Public Accountants

Decatur, Illinois
August 17, 2020

VILLAGE OF CERRO GORDO, ILLINOIS

STATEMENT OF NET POSITION
MODIFIED CASH BASIS

April 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash in Bank	\$ 736,096	\$ 957,942	\$ 1,694,038
Certificates of Deposit	54,284	48,869	103,153
Internal Balances	14,373	(14,373)	-
Total Current Assets	804,753	992,438	1,797,191
Non-Current Assets			
Land	415,120	30,135	445,255
Property, Plant and Equipment	1,671,903	5,650,556	7,322,459
Less: Accumulated Depreciation	(434,267)	(3,282,095)	(3,716,362)
Net Land, Property, Plant and Equipment	1,652,756	2,398,596	4,051,352
Total Assets	2,457,509	3,391,034	5,848,543
LIABILITIES			
Current Liabilities			
Meter Deposits	-	30,595	30,595
Payroll Liabilities	4,405	-	4,405
Revenue Bonds Payable - Current	45,000	15,000	60,000
Total Current Liabilities	49,405	45,595	95,000
Long Term Liabilities			
Revenue Bonds Payable - Non-Current	570,000	775,000	1,345,000
Total Long Term Liabilities	570,000	775,000	1,345,000
Total Liabilities	619,405	820,595	1,440,000
NET POSITION			
Net Investment in Capital Assets	1,037,756	1,608,596	2,646,352
Restricted for:			
Bond and Interest Project and Repayment	80,494	98,657	179,151
Motor Fuel Tax Purposes	83,669	-	83,669
Unemployment Taxes	13,934	-	13,934
IMRF	19,849	-	19,849
Business District	250,497	-	250,497
Stormwater Management	117,233	-	117,233
T.I.F. Purposes	158,381	-	158,381
D.U.I. Fund	711	-	711
Vehicle	1,473	-	1,473
Born Park	4,414	-	4,414
Unrestricted	69,693	863,186	932,879
Total Net Position	\$ 1,838,104	\$ 2,570,439	\$ 4,408,543

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

VILLAGE OF CERRO GORDO, ILLINOIS

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS

For the Year Ended April 30, 2020

Functions/Programs	Expenses	Program	Net
		Revenues	
		Charges for	
		Services	
Governmental Activities:			
Current:			
Administration	\$ 273,976	\$ 9,605	\$ (264,371)
Police Department	75,049	1,921	(73,128)
Public Works	186,102	33,539	(152,563)
T.I.F.	40,951	-	(40,951)
Parks and Recreation	25,776	2,995	(22,781)
Debt Service	34,420	-	(34,420)
Total Governmental Activities	636,274	48,060	(588,214)
Business-type Activities			
Water and Sewer	384,323	339,456	(44,867)
Total Business-type Activities	384,323	339,456	(44,867)
Total Governmental and and Business-type Activities	\$ 1,020,597	\$ 387,516	\$ (633,081)
		Business-	
		Type	
		Activities	Total
Changes in Net Position:			
Net (Expense) Revenue	\$ (588,214)	\$ (44,867)	\$ (633,081)
General Revenues			
Property Taxes	210,397	-	210,397
Replacement Tax	4,504	-	4,504
Sales and Use Tax	106,247	-	106,247
Video Gaming Tax	6,853	-	6,853
Income Tax	152,064	-	152,064
Franchise Fees	21,415	-	21,415
Utility Tax	71,355	-	71,355
Telecommunications Tax	17,274	-	17,274
Motor Fuel Tax	50,718	-	50,718
Interest Income	615	1,039	1,654
Business District Sales Tax	41,485	-	41,485
Reimbursements	7,915	-	7,915
Other	20,686	-	20,686
Total General Revenues	711,528	1,039	712,567
Changes in Net Position	123,314	(43,828)	79,486
Net Position, May 1	1,714,790	2,614,267	4,329,057
Net Position, April 30	\$ 1,838,104	\$ 2,570,439	\$ 4,408,543

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

VILLAGE OF CERRO GORDO, ILLINOIS

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

April 30, 2020

	General	Motor Fuel Tax Fund	B & I Project and Repayment Fund	Business District Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash in Bank	\$ 43,638	\$ 83,669	\$ 80,494	\$ 250,497	\$ 277,798	\$ 736,096
Certificates of Deposit	54,284	-	-	-	-	54,284
Due from Water Fund	14,373	-	-	-	-	14,373
Total Assets	\$ 112,295	\$ 83,669	\$ 80,494	\$ 250,497	\$ 277,798	\$ 804,753
LIABILITIES AND FUND BALANCES						
Liabilities						
Payroll Liabilities	\$ 4,405	\$ -	\$ -	\$ -	\$ -	\$ 4,405
Total Liabilities	4,405	-	-	-	-	4,405
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	38,197	83,669	80,494	250,497	277,798	730,655
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	69,693	-	-	-	-	69,693
Total Fund Balances	107,890	83,669	80,494	250,497	277,798	800,348
Total Liabilities and Fund Balances	\$ 112,295	\$ 83,669	\$ 80,494	\$ 250,497	\$ 277,798	\$ 804,753

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

VILLAGE OF CERRO GORDO, ILLINOIS

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

April 30, 2020

Total Fund Balances - Total Governmental Funds	\$	800,348
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets of \$2,087,023 net of accumulated depreciation of (\$434,267), are not financial resources and, therefore, are not reported in the governmental funds.</p>		1,652,756
<p>Bonds payable are not reported in the governmental funds</p>		<u>(615,000)</u>
Net Position of Governmental Activities	\$	<u><u>1,838,104</u></u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

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

For the Year Ended April 30, 2020

	General	Motor Fuel Tax Fund	B & I Project and Repayment Fund	Business District Fund	Nonmajor Governmental Funds	Totals
Revenues Received						
Property Taxes	\$ 136,096	\$ -	\$ -	\$ -	\$ 74,301	\$ 210,397
Replacement Tax	4,504	-	-	-	-	4,504
Sales and Use Tax	106,247	-	-	-	-	106,247
Video Gaming Tax	6,853	-	-	-	-	6,853
Income Tax	152,064	-	-	-	-	152,064
Rents	12,600	-	-	-	-	12,600
Licenses and Permits	4,326	-	-	-	-	4,326
Franchise Fees	21,415	-	-	-	-	21,415
Fines	1,796	-	-	-	-	1,796
Garbage Stickers	906	-	-	-	-	906
Other Police Revenue	125	-	-	-	-	125
Utility Tax	-	-	71,355	-	-	71,355
Telecommunications Tax	-	-	17,274	-	-	17,274
Motor Fuel Tax	-	50,718	-	-	-	50,718
Interest Income	74	53	69	195	224	615
Business District Sales Tax	-	-	-	41,485	-	41,485
Reimbursements	7,915	-	-	-	-	7,915
Stormwater Utility Fees	-	-	-	-	28,307	28,307
Other	20,659	-	-	-	27	20,686
Total Revenues Received	475,580	50,771	88,698	41,680	102,859	759,588
Expenditures Disbursed						
Current						
Administration	272,679	-	-	-	-	272,679
Police Department	72,018	-	-	-	-	72,018
Public Works	117,130	11,080	-	25,000	-	153,210
T.I.F.	-	-	-	-	40,951	40,951
Parks & Recreation	12,508	-	-	-	-	12,508
Debt Service						
Principal	-	-	40,000	-	-	40,000
Interest and Fees	-	-	34,420	-	-	34,420
Capital Outlay	31,025	-	-	-	-	31,025
Total Expenditures Disbursed	505,360	11,080	74,420	25,000	40,951	656,811
Excess(Deficiency) of Revenues Received Over(Under) Expenditures Disbursed	(29,780)	39,691	14,278	16,680	61,908	102,777
Other Financing Sources(Uses)						
Transfers	(3,600)	-	3,600	-	-	-
Net Change in Fund Balances	(33,380)	39,691	17,878	16,680	61,908	102,777
Fund Balances, May 1	141,270	43,978	62,616	233,817	215,890	697,571
Fund Balances, April 30	\$ 107,890	\$ 83,669	\$ 80,494	\$ 250,497	\$ 277,798	\$ 800,348

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

VILLAGE OF CERRO GORDO, 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

April 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 102,777
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	31,025
Depreciation expense	(50,488)
Bond principal payments are treated as debt service expenditures in the funds and as decreases in bonds payable in the Statement of Net Position and are not recorded in the Statement of Activities.	
	<u>40,000</u>
Change in Net Position of Governmental Activities	\$ <u><u>123,314</u></u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
MODIFIED CASH BASIS

April 30, 2020

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash	\$ 957,942
Certificates of Deposit	<u>48,869</u>
Total Current Assets	<u>1,006,811</u>
Non-current Assets	
Land	30,135
Water System and Equipment	3,280,360
Sewer System and Equipment	<u>2,370,196</u>
Total Property and Equipment	5,680,691
Less: Accumulated Depreciation	<u>(3,282,095)</u>
Net Land, Property, Plant and Equipment	<u>2,398,596</u>
Total Assets	<u>3,405,407</u>
LIABILITIES	
Current Liabilities:	
Meter Deposits	30,595
Due to General Fund	14,373
Revenue Bonds Payable - Current	<u>15,000</u>
Long Term Liabilities:	
Revenue Bonds Payable - Non-Current	<u>775,000</u>
Total Liabilities	<u>834,968</u>
NET POSITION	
Net Investment in Capital Assets	1,623,596
Restricted	98,657
Unrestricted	<u>848,186</u>
Total Net Position	<u>\$ 2,570,439</u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

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

For the Year Ended April 30, 2020

	<u>Water and Sewer Fund</u>
Operating Revenues	
Charges for Services - Water	\$ 223,987
Charges for Services - Sewer	115,469
	<hr/>
Total Operating Revenues	339,456
	<hr/>
Operating Expenses	
Personal Services	
Salaries and Wages	97,951
Payroll Taxes	7,493
Group Health Insurance	16,033
Professional Fees	9,182
	<hr/>
Total Personal Services	130,659
	<hr/>
Maintenance, Operations and Contractual Services	
Chemicals	11,914
Postage	3,053
Telephone Service	1,425
Maintenance, Repairs and Supplies -	
Water and Sewer System, Salt	
and Softener Supplies	34,033
Equipment Maintenance and Repair	16,645
Small Equipment	1,685
Travel and Seminar	96
Liability Insurance	11,668

Continued on next page

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

VILLAGE OF CERRO GORDO, ILLINOIS

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

For the Year Ended April 30, 2020

	<u>Water and Sewer Fund</u>
Maintenance, Operations and Contractual Services (Continued)	
Utilities	26,059
Depreciation	<u>123,655</u>
Total Maintenance, Operations and Contractual Services	<u>230,233</u>
Materials and Supplies	
Office Supplies	1,275
Gasoline and Oil	6,778
Clothing Allowance	<u>500</u>
Total Materials and Supplies	<u>8,553</u>
Total Operating Expenses	<u>369,445</u>
Operating Income(Loss)	<u>(29,989)</u>
Non-Operating Revenues(Expenses)	
Interest Income	1,039
Interest Expense	<u>(14,878)</u>
Total Non-Operating Revenues(Expenses)	<u>(13,839)</u>
Change in Net Position	(43,828)
Total Net Position, May 1	<u>2,614,267</u>
Total Net Position, April 30	<u>\$ 2,570,439</u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
MODIFIED CASH BASIS

For the Year Ended April 30, 2020

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities	
Charges for Services - Water	\$ 223,987
Charges for Services - Sewer	115,469
Payments to Suppliers	(147,839)
Payments to Employees	(97,951)
Increase(Decrease) in Customer Meter Deposits	<u>(496)</u>
Net Cash Provided(Used) by Operating Activities	<u>93,170</u>
Cash Flows from Capital and Related Financing Activities	
Infrastructure and Equipment Purchases	(24,598)
Interest Paid on Loans	<u>(14,878)</u>
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>(39,476)</u>
Cash Flows from Investing Activities	
Interest Received	<u>1,039</u>
Net Cash Provided(Used) by Investing Activities	<u>1,039</u>
Net Increase(Decrease) in Cash	54,733
Cash - May 1	<u>903,209</u>
Cash - April 30	\$ <u><u>957,942</u></u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
MODIFIED CASH BASIS

For the Year Ended April 30, 2020

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Operating Income	\$ (29,989)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities	
Depreciation	123,655
Changes in Assets and Liabilities	
Increase(Decrease) in Customer Deposits	<u>(496)</u>
Total Adjustments	<u>123,159</u>
Net Cash Provided(Used) by Operating Activities	<u>\$ 93,170</u>

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

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

Note 1 Significant accounting policies followed by the Village are as follows**A. Measurement Focus and Basis of Accounting**

The governmental activities, business-type activities and proprietary 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. 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. 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. Modified cash basis differs from cash basis due to the capitalization of fixed assets and the recording of annual depreciation on these fixed assets. Accordingly, the statements do not present financial position or results of operations in accordance with generally accepted accounting principles.

All investments are carried at cost, which approximates market, unless otherwise noted. All investments are comprised of federally insured savings accounts or certificates.

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 CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(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 general capital assets acquired prior to May 1, 2004. Accordingly, the amount presented in the Statement of Net Position - Modified Cash Basis for Governmental Activities' capital assets only includes capital assets purchased after May 1, 2004.

Prior to May 1, 2004, Governmental Activities' infrastructure assets were not required to be capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

The Village has adopted a minimum threshold for capitalizing infrastructure and capital assets of \$10,000.

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. For the business activities water plant and sewer plant main systems, depreciation has been provided over 40 to 50 years, the estimated useful life of the assets, by using the straight-line method. All other capital assets of the water and sewer system are being depreciated using the straight-line method over an estimated useful life of 5 to 10 years. The governmental activities capital assets are being depreciated using the straight-line method over an estimated useful life of 5 to 20 years for equipment, 25 to 40 years for infrastructure, and 25 years for buildings.

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as expenses 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 CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(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, the Village's management 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, 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 above criteria, no component units exist.

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.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows

- (Continued)

D. Basis of Presentation (Continued)

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

Governmental-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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external 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 separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. Funds are organized into two major categories: governmental and proprietary. The Village presently has no fiduciary funds. 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.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

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

D. Basis of Presentation (Continued)

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 expenses in excess of the amounts received for these special revenue funds become an obligation of the general fund.

<u>Fund</u>	<u>Brief Description</u>
Motor Fuel Tax Fund	Accounts for revenues collected from the motor fuel tax and expenses associated with the Village's streets, lighting, and alleys.
B & I (Bonds and Interest) Project and Repayment Fund	Accounts for bond principal issued, revenues collected from the Utility and Telecommunications Taxes, bond principal and interest repayments, and qualifying expenditures for special projects approved by the Board for payment from the bond proceeds.
Business District Fund	Accounts for revenues collected from sales taxes to be used to improve and promote the Village's business district.
Stormwater Management Fund	Accounts for revenues collected from stormwater utility fees to be used to construct, maintain, rebuild and reconstruct the Village's stormwater management system and related infrastructure.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

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

D. Basis of Presentation (Continued)

SPECIAL REVENUE FUNDS (Continued)

<u>Fund</u>	<u>Brief Description</u>
T.I.F. Fund	Accounts for revenues collected from property taxes generated within the T.I.F. district restricted to paying allowable expenditures of the T.I.F. district.
D.U.I. Fund	Accounts for the Village's portion of D.U.I. fines collected and restricted for the purchase of D.U.I. enforcement equipment.
Vehicle Fund	Accounts for the Village's portion of traffic court supervision fees collected restricted for the requisition of police vehicles.

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 & Sewer Fund	Accounts for the activities of providing water and sanitation services to the public.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows

- (Continued)

D. Basis of Presentation (Continued)

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

<u>Major Funds</u>	<u>Nonmajor Funds</u>
General Fund	Stormwater Management Fund
Motor Fuel Tax Fund	T.I.F. Fund
B & I Project and Repayment Fund	D.U.I Fund
Water & Sewer Fund	Vehicle Fund
Business District Fund	

E. Budgets and Budgetary Accounting

The budget for all governmental and enterprise 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 budget and actual amounts. The Village budget was passed on July 15, 2019.

For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year. Expenditures exceeded budgeted amounts by \$74,420 in the B & I Project and Repayment Fund and \$25,000 in the Business District Fund for the fiscal year ended April 30, 2020. These expenditures exceed budgeted amounts due to the Village not separately budgeting for these funds.

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. 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 Village's program revenue includes the collection of water and sewer charges, rents, police fines, donations, and fees for licenses, permits, stormwater utilities, and garbage stickers.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

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

H. Operating and Nonoperating Revenues and Expenses

Proprietary fund statements classify revenues and expenses as either operating or as nonoperating. The Village considers operating revenues and expenses for proprietary funds to be those that result from providing services and producing and delivering goods and/or services. Revenues and expenses related to capital and related financing, noncapital financing, or investing activities are considered to be nonoperating.

I. Internal 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.

J. Debt Limitation

The statutory debt limitation is 8.625% of the 2019 assessed valuation of \$12,393,270.

Statutory Debt Limitation	\$1,068,920
Less: Total Debt	(1,405,000)
Plus: Debt Not Applicable to Debt Margin	1,405,000

Legal Debt Margin	\$1,068,920
	=====

K. 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.

L. 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 Fund - Modified Cash Basis are broken down between current and non-current liabilities.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

Note 1 Significant accounting policies followed by the Village are as follows

- (Continued)

M. 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.

N. Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; nonspendable, restricted, 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 expensed 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, \$38,197 of the General Fund's fund balance has been restricted as follows as of April 30, 2020:

Purpose	Amount
-----	-----
Unemployment Taxes	\$ 13,934
IMRF	19,849
Born Park	4,414

	\$ 38,197
	=====

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

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

N. Fund Balance Reporting (Continued)

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 Board had not committed any fund balances as of April 30, 2020.

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 Board had not assigned any fund balances as of April 30, 2020.

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.

VILLAGE OF CERRO GORDO, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

(Continued)

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

N. Fund Balance Reporting (Continued)

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 April 30, 2020, 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 April 30, 2020, 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 resources or a deferred inflow of resources.

Note 2 Property Taxes

The Village's property tax is levied each year on all taxable real property located in the Village on or before the last Tuesday in December. The 2018 levy was passed by the Board on November 19, 2018. The 2019 levy was passed by the Board on November 18, 2019. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments in July and September. The Village receives significant distributions of tax receipts approximately within two months after these due dates. Taxes recorded in these financial statements are from the 2018 tax levy.