

VILLAGE OF CRESTON, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended  
April 30, 2021

VILLAGE OF CRESTON, ILLINOIS  
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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Village President and Board of Trustees  
Village of Creston  
Creston, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Creston, Illinois, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes 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 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, the business-type activities, and each major fund of the Village of Creston, Illinois, as of April 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. 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 that matter.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Creston, Illinois' basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements – budget vs. actual are the responsibility of management and were derived from and relate 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 of America. In our opinion, the individual fund financial statements – budget vs. actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Newbitt & Associates, Inc.*

Piano, Illinois

November 2, 2021

## BASIC FINANCIAL STATEMENTS

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

April 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,310,609	\$ 532,501	\$ 1,843,110
Capital assets being depreciated (net of accumulated depreciation)	191,515	1,033,421	1,224,936
Total assets	<u>\$ 1,502,124</u>	<u>\$ 1,565,922</u>	<u>\$ 3,068,046</u>
<b>LIABILITIES</b>			
Payroll liabilities	1,789	593	2,382
Other payables	58,750	7,925	66,675
Total liabilities	<u>60,539</u>	<u>8,518</u>	<u>69,057</u>
<b>NET POSITION</b>			
Net investment in capital assets	191,515	1,033,421	1,224,936
Restricted for			
Highways and streets	41,310	-	41,310
Unrestricted	1,208,760	523,983	1,732,743
Total net position	<u>1,441,585</u>	<u>1,557,404</u>	<u>2,998,989</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,502,124</u>	<u>\$ 1,565,922</u>	<u>\$ 3,068,046</u>

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
For the Year Ended April 30, 2021

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 112,190	\$ 47,673	\$ -	\$ -
Highways and streets	157,474	-	-	-
Culture and recreation	-	-	-	-
Total governmental activities	269,664	47,673	-	-
Business-Type Activities				
Utilities	278,473	265,020	-	-
Total business-type activities	278,473	265,020	-	-
TOTAL PRIMARY GOVERNMENT	\$ 548,137	\$ 312,693	\$ -	\$ -

See accompanying notes to financial statements



	Net (Expense) Revenue and Change in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (64,517)	\$ -	\$ (64,517)
	(157,474)	-	(157,474)
	-	-	-
	(221,991)	-	(221,991)
	-	(13,453)	(13,453)
	-	(13,453)	(13,453)
	(221,991)	(13,453)	(235,444)
General Revenues			
Taxes			
Property taxes	23,200	-	23,200
Replacement tax	825	-	825
Sales tax	47,727	-	47,727
Local use tax	29,598	-	29,598
Cannabis tax	541	-	541
Video gaming tax	690	-	690
Telecommunications tax	12,163	-	12,163
Motor fuel tax	45,299	-	45,299
Income taxes	75,890	-	75,890
Intergovernmental	-	-	-
Investment income	3,124	895	4,019
Miscellaneous	226	-	226
Total	239,283	895	240,178
Transfers	-	-	-
CHANGE IN NET POSITION	17,292	(12,558)	4,734
NET POSITION, MAY 1	1,424,293	1,569,962	2,994,255
NET POSITION, APRIL 30	\$ 1,441,585	\$ 1,557,404	\$ 2,998,989

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
GOVERNMENTAL FUNDS

April 30, 2021

	General	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,230,202	\$ 80,407	\$ 1,310,609
Due from other funds	39,097	-	39,097
<b>TOTAL ASSETS</b>	<b>\$ 1,269,299</b>	<b>\$ 80,407</b>	<b>\$ 1,349,706</b>
<b>LIABILITIES</b>			
Due to other governments	\$ 58,750	\$ -	\$ 58,750
Due to other funds	-	39,097	39,097
Payroll liabilities	1,789	-	1,789
<b>TOTAL LIABILITIES</b>	<b>\$ 60,539</b>	<b>\$ 39,097</b>	<b>\$ 99,636</b>
<b>FUND BALANCE</b>			
<b>FUND BALANCE</b>			
Restricted			
Highways and streets	-	41,310	41,310
Unrestricted			
Unassigned	1,208,760	-	1,208,760
<b>TOTAL FUND BALANCE</b>	<b>1,208,760</b>	<b>41,310</b>	<b>1,250,070</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,269,299</b>	<b>\$ 80,407</b>	<b>\$ 1,349,706</b>

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION -  
MODIFIED CASH BASIS

April 30, 2021

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$	1,250,070
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Amounts reported for governmental activities in the  
statement of net position are different because:

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

191,515
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NET POSITION OF GOVERNMENTAL ACTIVITIES

<u>\$</u>	<u>1,441,585</u>
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See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

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

For the Year Ended April 30, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>REVENUES COLLECTED</b>			
Property taxes	\$ 23,200	\$ -	\$ 23,200
Replacement tax	825	-	825
Sales tax	47,727	-	47,727
Local use tax	29,598	-	29,598
Telecommunications tax	12,163	-	12,163
Income tax	75,890	-	75,890
Cannabis tax	541	-	541
Video gaming tax	690	-	690
Motor fuel tax	-	45,299	45,299
Investment income	2,979	145	3,124
License and permits	1,290	-	1,290
Liquor license	2,000	-	2,000
Rental income	43,415	-	43,415
Fines and fees	968	-	968
Miscellaneous	226	-	226
Total revenues collected	241,512	45,444	286,956
<b>EXPENDITURES DISBURSED</b>			
Current			
General government	110,806	-	110,806
Highways and streets	49,611	93,947	143,558
Culture and recreation	-	-	-
Total expenditures disbursed	160,417	93,947	254,364
Excess of revenue over expenditures	81,095	(48,503)	32,592
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	81,095	(48,503)	32,592
FUND BALANCES, MAY 1	1,127,665	89,813	1,217,478
FUND BALANCES, APRIL 30	\$ 1,208,760	\$ 41,310	\$ 1,250,070

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

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

For the Year Ended April 30, 2021

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	32,592
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets acquired in this fiscal year are reported as capital assets on the statement of net position and expenditures on the statement of revenues received, expenditures disbursed, and changes in fund balances		5,100
Depreciation on capital assets is reported as an expense in the statement of activities		<u>(20,400)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>17,292</u>

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION  
MODIFIED CASH BASIS  
ENTERPRISE FUND

April 30, 2021

	<u>Utility Fund</u>
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 532,501
Total current assets	<u>532,501</u>
<b>LONG-TERM ASSETS</b>	
Depreciable, net of accumulated depreciation	<u>1,033,421</u>
Total long-term assets	<u>1,033,421</u>
Total assets	<u><u>\$ 1,565,922</u></u>
<b>CURRENT LIABILITIES</b>	
Payroll liabilities	593
Due to developer(s)	<u>7,925</u>
Total current liabilities	<u>8,518</u>
<b>LONG-TERM LIABILITIES</b>	
Total long-term liabilities	<u>-</u>
Total liabilities	<u>8,518</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,033,421
Unrestricted	<u>523,983</u>
Total net position	<u>1,557,404</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,565,922</u></u>

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

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

For the Year Ended April 30, 2021

	<u>Utility Fund</u>
OPERATING REVENUES COLLECTED	
User fees	\$ 102,924
Garbage/Recycling charges	40,811
Sewer charges	40,772
Administration fee	6,164
Capital Improvement fee	26,691
Landfill Host fees	47,658
Miscellaneous income	-
	<u>265,020</u>
Total operating revenues collected	
OPERATING EXPENSES	
Maintenance	32,227
Chemicals and testing supplies	16,607
Payroll expenses	15,652
Equipment	26
Office supplies	2,439
Utilities	117,616
Engineering	13,306
Tipping fee	18,000
Depreciation	62,327
Miscellaneous	273
	<u>278,473</u>
Total operating expenses	
OPERATING INCOME (LOSS)	<u>(13,453)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	895
	<u>895</u>
Total nonoperating revenues (expenses)	
Income (loss) before operating transfers	<u>(12,558)</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	-
Operating transfers out	-
	<u>-</u>
Total other financing sources (uses)	
CHANGE IN NET POSITION	(12,558)
NET POSITION, MAY 1	<u>1,569,962</u>
NET POSITION, APRIL 30	<u><u>\$ 1,557,404</u></u>

See accompanying notes to financial statements

VILLAGE OF CRESTON, ILLINOIS

STATEMENT OF CASH FLOWS  
WATER FUND

For the Year Ended April 30, 2021

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 265,020
Payments to suppliers	(200,193)
Payments to employees	<u>(15,652)</u>
Net cash from operating activities	<u>49,175</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out to other funds	-
Transfers in from other funds	<u>-</u>
Net cash from noncapital financing activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(21,425)</u>
Net cash from capital and related financing activities	<u>(21,425)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>895</u>
Net cash from investing activities	<u>895</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,645
CASH AND CASH EQUIVALENTS, MAY 1	<u>503,856</u>
CASH AND CASH EQUIVALENTS, APRIL 30	<u><u>\$ 532,501</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (13,453)
Adjustments to reconcile operating income (loss) to net cash from operating activities	
Depreciation	62,327
Change in assets and liabilities related to operating activities	
Increase in payroll liabilities	<u>301</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 49,175</u></u>

See accompanying notes to financial statements



VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

April 30, 2021

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Creston, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as GAAP), except as described in Note 1(d). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the other significant accounting policies:

a. Reporting Entity

The Village is a municipal corporation governed by an elected president and a six-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units.

Based on the criteria of GASB Statement No 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, there are no component units for which the Village is considered to be financially accountable for.

b. Fund Accounting

The Village uses funds to report on its financial position – modified cash basis and changes in its financial position – modified cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust where the interest earnings can be used for governmental services (permanent fund). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities – modified cash basis demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the general operating fund of the Village and is used to account for all financial resources of the Village unless required to be accounted for in another fund.

The Motor Fuel Tax Fund is used to account for revenues derived from a motor fuel taxes and expenditures for highway and street construction and maintenance.

The Village reports the following major proprietary funds:

The Utility Fund accounts for the provision of water, sewer, and garbage services to the residents and businesses of the Village financed by user fees.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the enterprise fund are reported using the current financial resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. Revenues are recorded at the time of receipt by the Village. Expenses are recorded when the funds are disbursed. Accordingly, the financial statements are not intended to present financial position and changes in financial position in conformity with GAAP. Operating revenues collected/expenditures paid include all revenues/ expenditures directly related to providing enterprise fund services. Incidental revenues/expenditures are reported as nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenues are recorded at the time of receipt by the Village. Expenditures are recorded when the funds are disbursed. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with GAAP.

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm water), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment	7
Vehicles	5-7
Other improvements	10-15
Buildings	40
Road improvements	10
Infrastructure	40

f. Long-term Liabilities

Long-term liabilities are reported in the government-wide financial statements as liabilities. The governmental fund financial statements do not report long-term liabilities because they do not require the use of current financial resources. There were no long-term liabilities recognized for governmental activities at April 30, 2021.

g. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision-making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance remains with the Board. Any residual fund balance is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village has not established fund balance reserve policies for their governmental funds.

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Fund Balance/Net Position (continued)

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. None of the Village's net position is restricted as a result of enabling legislation adopted by the Village.

h. Property Taxes

The Village's property tax is levied each year, on all taxable real property located in the Village, on or before the second Tuesday in December. Property taxes attach as an enforceable lien on property as of the January 1 prior to levy passage. Property taxes are payable in two installments in early June and September of the year following passage of the levy. The Village receives significant distributions of tax receipts approximately one month after these due dates. The Village also receives one-half the road and bridge taxes, which townships levy.

The Property Tax Extension Limitation Law imposes mandatory property tax limitations on the ability of taxing districts in Illinois to raise revenues through unlimited property tax increases. The increase in property tax extensions is limited to the lesser of 5% or the percentage increase in the Consumer Price Index for all Urban Consumers. The amount of the limitation may be adjusted for new property added or annexed to the tax base or due to voter approved increases.

j. Cash and Investments

For the purpose of reporting cash and cash equivalents, the Village considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Village considers certificates of deposit with a maturity of more than three months when purchased to be investments.

2. INTERFUND BALANCES AND TRANSFERS

There is an amount due from the Motor Fuel Tax Fund to the General Fund for unreimbursed expenditures in the amount of \$39,097 that was paid out of the wrong account. This will be repaid within one year.

3. LEGAL DEBT MARGIN

The Village's aggregate indebtedness is subject to a statutory limitation of 8.625% of its equalized assessed value at December 31, 2020. At April 30, 2021, the maximum allowed indebtedness of the Village is \$729,875 based on an assessed valuation of \$8,462,323. At April 30, 2021, the remaining legal debt margin of the Village was \$729,875.

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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4. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Village:

- Property tax lien date is January 1
- Property taxes are due to the County Collector in two installments, June 1 and September 1
- The annual tax levy ordinance for 2019 was passed on December 3, 2019
- Significant amounts of property taxes for 2019 were distributed to the Village during June, July, September, October, and November 2020
- The annual tax levy ordinance for 2020 was passed on December 1, 2020
- Significant amounts of property taxes for 2020 will be distributed to the Village during June, July, September, October, and November 2021

5. CASH AND INVESTMENTS

The Village may invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments insured by the Federal Deposit Insurance Corporation (FDIC), obligations or securities guaranteed by the United States of America, direct obligations of any bank as defined by the Illinois Banking Act, certain money market mutual funds, and the Illinois Funds (a money market fund created by the State legislature under the control of the State Treasurer that maintains a \$1 share value).

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. At April 30, 2021 the Village has \$230,293 that is uninsured and uncollateralized, and therefore deposits are exposed to custodial credit risk. The Village has no foreign currency risk for deposits at April 30, 2021.

Investments

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk by pre-qualifying all financial institutions and other intermediaries with which the Village conducts business. At April 30, 2021 the Village has investments of \$490,728 in Illinois Funds, a Local Government Investment Pool (LGIP) with an S&P rating of AAAm.

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village places no limit on the amount the Village may invest in any one issuer. More than 5% of the Village's investments are in certificates of deposit (36%) and Illinois Funds (64%).

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CASH AND INVESTMENTS (Continued)

Investments (continued)

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's investment policy establishes their guidelines on interest rate risk at year end. At April 30, 2021 the Village held one certificate of deposit valued at \$273,974 with an eighteen-month original maturity at 0.75% interest rate.

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated					
Land	5,000	-	-	-	5,000
Farm Land	47,620	-	-	-	47,620
Capital assets being depreciated					
Equipment	107,333	5,100	-	-	112,433
Infrastructure	127,529	-	-	-	127,529
Building and improvements	71,700	-	-	-	71,700
Total capital assets being depreciated	306,562	5,100	-	-	311,662
Less accumulated depreciation for					
Equipment	45,596	14,023	-	-	59,619
Infrastructure	35,070	6,377	-	-	41,447
Building and improvements	71,700	-	-	-	71,700
Total accumulated depreciation	152,366	20,400	-	-	172,766
Total capital assets being depreciated, net	154,196	(15,300)	-	-	138,896
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 206,816</b>	<b>\$ (15,300)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 191,516</b>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>BUSINESS-TYPE ACTIVITY</b>					
Capital assets being depreciated					
Equipment and vehicles	275,688	21,425	-	-	297,113
Sanitary Sewer	2,054,540	-	-	-	2,054,540
Total capital assets being depreciated	2,330,228	21,425	-	-	2,351,653
Less accumulated depreciation for					
Equipment and vehicles	124,781	10,965	-	-	135,746
Sanitary Sewer	1,131,124	51,363	-	-	1,182,487
Total accumulated depreciation	1,255,905	62,328	-	-	1,318,233
Total capital assets being depreciated, net	1,074,323	(40,903)	-	-	1,033,420
<b>BUSINESS-TYPE ACTIVITY CAPITAL ASSETS, NET</b>	<b>\$ 1,074,323</b>	<b>\$ (40,903)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,033,420</b>

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the functions as follows:

Governmental Activities	
Streets and highways	19,016
General government	<u>1,384</u>
TOTAL	<u>\$ 20,400</u>
Business-Type Activities	
Utilities	<u>62,328</u>
TOTAL	<u>\$ 62,328</u>

7. FUTURE MINIMUM LEASE PAYMENT RECEIVABLE

The Village leases farm land to an unrelated tenant under a lease with a term from March 1, 2020 to February 28, 2022. The agreement calls for an annual lease payment of \$300 per acre for 144.6 acres, payable on March 1<sup>st</sup> of each year of the term.

Minimum annual rental payments receivable through expiration on the above lease for years ending April 30 are as follows:

<u>Fiscal Year</u> <u>Ending April 30,</u>	<u>Amount</u>
2022	<u>43,380</u>
TOTAL	<u>\$ 43,380</u>

8. RISK MANAGEMENT

The Village is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, and workers' compensation. The Village purchases commercial insurance. There are annual deductibles for the plans ranging from \$500 to \$1,000. The Village's policy is to record any related expenditures in the year in which they pay the deductible. The Village is not aware of any additional deductibles that may be owed as of April 30, 2021. The Village has not made any significant changes in coverage nor did claims exceed coverage in the current fiscal year or the two prior years.

9. RELATED PARTY TRANSACTIONS

The Village paid AM Kerns Construction \$3,390 during the year ending April 30, 2021. Michael Kerns, Trustee, is the husband of the owner of AM Kerns Construction. The payment was for water main repairs and was executed as arm's length transactions. No additional amounts were due to AM Kerns Construction as of April 30, 2021.

The Village paid Dement Township \$4,574 during the year ending April 30, 2021. Penelope Payton, Village Treasurer, is the Supervisor of Dement Township. The payment was for tipping fee disbursements and was executed as arm's length transactions. No additional amounts were due to Dement Township as of April 30, 2021.

SUPPLEMENTARY INFORMATION



VILLAGE OF CRESTON, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended April 30, 2021

	Original and Final Budget	Actual	Variance Over (Under)
<b>REVENUES COLLECTED</b>			
Taxes			
Property taxes	\$ 23,800	\$ 23,200	\$ (600)
Replacement tax	-	825	825
Cannabis tax	500	541	41
Video gaming tax	-	690	690
Sales tax	43,800	47,727	3,927
Local use tax	19,290	29,598	10,308
Telecommunications tax	11,657	12,163	506
Income tax	55,194	75,890	20,696
License and permits	1,500	1,290	(210)
Investment income	8,500	2,979	(5,521)
Liquor license	3,000	2,000	(1,000)
Rental income	70	43,415	43,345
Fines and fees	2,000	968	(1,032)
Miscellaneous	525	226	(299)
Total revenues collected	169,836	241,512	71,676
<b>EXPENDITURES DISBURSED</b>			
Current			
General Government			
Salaries	55,200	45,604	(9,596)
Payroll expenses	5,000	3,649	(1,351)
Audit	6,500	6,250	(250)
Legal fees	12,000	5,298	(6,702)
Maintenance	7,000	399	(6,601)
Mosquito control	10,000	6,977	(3,023)
Dues	1,500	517	(983)
Office supplies	2,000	2,896	896
Computer internet/software	2,700	2,238	(462)
Land Planning	16,500	12,848	(3,652)
Property tax expense	7,500	7,355	(145)
Insurance	17,000	11,912	(5,088)
Utilities	5,200	3,536	(1,664)
Animal control	-	-	-
Miscellaneous	1,600	1,327	(273)
Total general government	149,700	110,806	(38,894)
Current			
Highways and streets			
Street & sidewalk maintenance	79,000	35,292	(43,708)
Buildings & grounds maintenance	12,000	9,745	(2,255)
Storm water drainage	5,000	-	(5,000)
Snow removal	2,500	4,574	2,074
Total highways and streets	98,500	49,611	(48,889)

(See independent auditor's report)

VILLAGE OF CRESTON, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND

For the Year Ended April 30, 2021

	Original and Final Budget	Actual	Variance Over (Under)
EXPENDITURES DISBURSED (continued)			
Current			
Culture and recreation			
Community Activities	3,000	-	(3,000)
Total culture and recreation	3,000	-	(3,000)
Total expenditures disbursed	251,200	160,417	(90,783)
Excess of revenue over expenditures	(81,364)	81,095	162,459
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ (81,364)</u>	<u>\$ 81,095</u>	<u>\$ 162,459</u>
FUND BALANCE, MAY 1		<u>1,127,665</u>	
FUND BALANCE, APRIL 30		<u>\$ 1,208,760</u>	

(See independent auditor's report)

VILLAGE OF CRESTON, ILLINOIS

SCHEDULE OF REVENUES RECEIVED, EXPENDITURES DISBURSED,  
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND

For the Year Ended April 30, 2021

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES COLLECTED			
Motor fuel tax	\$ 29,271	\$ 45,299	\$ 16,028
Investment income	1,400	145	(1,255)
Total revenues collected	30,671	45,444	14,773
EXPENDITURES DISBURSED			
Current			
Highways and streets	100,000	93,947	(6,053)
Total highways and streets	100,000	93,947	(6,053)
Total expenditures disbursed	100,000	93,947	(6,053)
Excess of revenue over expenditures	(69,329)	(48,503)	20,826
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCE	\$ (69,329)	(48,503)	\$ 20,826
FUND BALANCE, MAY 1		89,813	
FUND BALANCE, APRIL 30		\$ 41,310	

(See independent auditor's report)

VILLAGE OF CRESTON, ILLINOIS  
NOTES TO SUPPLEMENTARY INFORMATION

April 30, 2021

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1. LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a cash basis of accounting which is not consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted (at the fund level) for all of the funds on the cash basis with a line item budget by fund. The annual appropriated budget is legally enacted and provides for a legal level of control at the fund level.

The Village adopted its annual budget and appropriation ordinance for the year ended April 30, 2021 at its July 7, 2020 meeting.

The line item budget is used by management for control purposes in the day-to-day operations. The Board of Trustee may make transfers between line items while retaining the total appropriation for the fund. The Board of Trustees also may increase the appropriation amount by following the same procedures as required for the original appropriation. The amounts shown on the financial statements reflect the original and final budget as adopted by the Board of Trustees.

Budget revenues are based on estimates approved by the Board of Trustees.

ENTERPRISE FUND

VILLAGE OF CRESTON, ILLINOIS  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL  
UTILITY FUND

For the Year Ended April 30, 2021

	Original and Final Budget	Actual	Variance Over (Under)
<b>OPERATING REVENUES COLLECTED</b>			
Charges for services			
User fees	\$ 141,154	\$ 102,924	\$ (38,230)
Garbage/Recycling charges	40,719	40,811	92
Sewer charges	40,748	40,772	24
Administration fee	6,216	6,164	(52)
Capital Improvement fee	26,775	26,691	(84)
Landfill Host fees	33,080	47,658	14,578
Miscellaneous income	-	-	-
Total operating revenues collected	288,692	265,020	(23,672)
<b>OPERATING EXPENSES</b>			
Maintenance	\$ 98,000	\$ 32,227	\$ (65,773)
Chemicals and testing supplies	17,000	16,607	(393)
Payroll expenses	27,460	15,652	(11,808)
Uncapitalized equipment	22,000	26	(21,974)
Office supplies	2,000	2,439	439
Utilities	151,500	117,616	(33,884)
Engineering	30,000	13,306	(16,694)
Tipping fee disbursements	18,000	18,000	-
Depreciation	-	62,327	62,327
Miscellaneous	-	273	273
Total operating expenses	365,960	278,473	(87,487)
OPERATING INCOME (LOSS)	(77,268)	(13,453)	63,815
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	\$ 600	\$ 895	295
Total nonoperating revenues (expenses)	600	895	295
NET INCOME (LOSS) BEFORE TRANSFERS	(76,668)	(12,558)	64,110
<b>TRANSFERS</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	-	-	-
NET INCOME (LOSS)	<u>\$ (76,668)</u>	<u>\$ (12,558)</u>	<u>\$ 64,110</u>
NET POSITION, MAY 1		1,569,962	
NET POSITION, APRIL 30		<u>\$ 1,557,404</u>	

(See independent auditor's report)

VILLAGE OF CRESTON, ILLINOIS  
AUDITOR'S COMMUNICATION TO THE  
BOARD OF TRUSTEES

For the Year Ended  
April 30, 2021

VILLAGE OF CRESTON, ILLINOIS

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**Newkirk & Associates, Inc.**  
Certified Public Accountants

November 2, 2021

The Honorable President  
Members of the Board of Trustees  
Village of Creston  
110 N. Main Street  
PO Box 36  
Creston, IL 60113

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by Auditing Standards. Our communication at the beginning of our audit process was provided to you on April 29, 2021.

Auditing standards also require the communication of internal control related matters to those charged with governance. Our management letter is enclosed within this document.

This information is intended solely for the use of the Board of Trustees and management of the Village of Creston and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Newkirk & Associates, Inc.*

Newkirk & Associates, Inc.

By: William J. Newkirk, CPA  
Shareholder



# Newkirk & Associates, Inc.

Certified Public Accountants

November 2, 2021

To the Honorable Village President and Board of Trustees  
Village of Creston, Illinois  
110 N. Main Street  
PO Box 36  
Creston, IL 60113

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Creston for the year ended April 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, except for the entries on the attached schedule of adjustments.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 2, 2021.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We were engaged to report on the Individual Fund Financial Statements with Appropriations, which accompany the financial statements but are not Required Supplementary Information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of the Board of Trustees and management of the Village of Creston and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Newkirk & Associates, Inc.

By: William J. Newkirk, CPA

Shareholder

**Village of Creston**  
**Year End: April 30, 2021**  
**Adjusting Journal Entries**

Number	Date	Name	Account No	Debit	Credit
1	4/30/2021	Accounts Payable	01-00-2600 GF		-1,343.41
1	4/30/2021	Excess Revenue over Expenditures	01-00-3998 GF	974.00	
1	4/30/2021	Miscellaneous Income	01-00-4065 GF	369.41	
1	4/30/2021	Accounts Payable	02-03-2600 WS		-554.78
1	4/30/2021	Excess Revenue over Expenditures	02-03-3998 WS	278.00	
1	4/30/2021	Water Samples	02-03-6333 WS	276.78	

Adjust opening fund balance to agree to the FY20 audit report

2	4/30/2021	Replacement Tax	01-00-4010 GF		-522.55
2	4/30/2021	Video Gaming Revenue	01-00-4015 GF	125.00	
2	4/30/2021	IL Fund Shares Purchased	01-00-4035 GF	522.55	
2	4/30/2021	Building Permits	01-00-4060 GF		-125.00

To adjust tax revenue

3	4/30/2021	Accounts Receivable	02-03-1100 WS		-2,873.30
3	4/30/2021	Deferred Income	02-03-2500 WS	30.33	
3	4/30/2021	Water	02-03-4301 WS	2,508.98	
3	4/30/2021	Accounts Receivable	02-04-1100 WS	333.99	

Adjust water A/R and deferred revenue to cash basis

4	4/30/2021	Water Department Operator	02-03-6320 WS		-6,340.40
4	4/30/2021	Water Samples	02-03-6333 WS	6,340.40	

Vendor payments to MGD Water System, Inc. were reclassified from the Water Department Operator account to the Water Samples account.

5	4/30/2021	Sewer Flow	02-04-6418 WS	4,691.80	
5	4/30/2021	Sewer Labor	02-04-6419 WS		-4,691.80

Reclassified a Sewer Flow payment to Rochelle Municipal Utilities to the Sewer Flow account from the Sewer Labor account.

6	4/30/2021	Cash	01-00-1011 GF	-82,402.15
6	4/30/2021	Cash	01-00-1011 GF	-4,927.48
6	4/30/2021	Illinois Fund	01-00-1015 GF	
6	4/30/2021	Due From MFT Fund	01-00-1400 GF	4,927.48
6	4/30/2021	Transfer	01-00-4340 GF	82,402.15
6	4/30/2021	Motor Fuel Fund	03-05-1018 MFT	87,329.63
6	4/30/2021	Due to Other Funds	03-05-1551 MFT	-4,927.48
6	4/30/2021	Transfers	03-05-6440 MFT	-82,402.15

To correct MFT transfers and expenditure paid out of the general account

7	4/30/2021	Water Department New Equipment	02-03-6310 WS	-21,425.00
7	4/30/2021	Equipment	02-04-1540 WS	21,425.00
7	4/30/2021	Accumulated Depreciation	02-04-1550 WS	-62,327.29
7	4/30/2021	Sewer Depreciation	02-04-6499 WS	62,327.29

To record depreciation expense and reclass fixed asset

8	4/30/2021	Certificates of Deposit	01-00-1016 GF	2,043.31
8	4/30/2021	Interest	01-00-4080 GF	-2,043.31

To account for unrecorded interest on CD

9	4/30/2021	Cash	01-00-1011 GF	-69.00
9	4/30/2021	Streets and Alleys	01-00-6040 GF	69.00

To account for a Casey's General Store disbursement that is not posted to the books



# Newkirk & Associates, Inc.

Certified Public Accountants

The Honorable President, Members of the Board of Trustees, and Village Treasurer  
Village of Creston, Illinois  
110 N. Main Street  
PO Box 36  
Creston, IL 60113

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund, of the Village as of and for the year ended April 30, 2021, in accordance with the modified cash basis of accounting, we considered the Village of Creston's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below and on the following pages, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control listed on the next page to be material weaknesses.

This information is intended solely for the use of the Board of Trustees and management of the Village of Creston and is not intended to be and should not be used by anyone other than these specified parties.

*Newkirk & Associates, Inc.*

Newkirk & Associates, Inc.

Plano, Illinois

November 2, 2021

## **MATERIAL WEAKNESSES**

We consider the following deficiencies to be material weaknesses in internal control:

### **1. Segregation of Duties**

With a limited number of staff at the Village, proper segregation of duties is difficult to accomplish. A fundamental element of internal control is the segregation of certain key duties. In general, the principal incompatible duties to be segregated include:

- Custody of assets, in particular cash
- Authorization or approval of related transaction affecting those assets
- Recording or reporting of related transactions
- Execution of the transaction or transaction activity

An essential feature of segregation of duties within an organization is that no one employee has exclusive control over any transaction or group of transactions. We noted specific lack of segregation of duties listed below. This list would not be considered to be all inclusive as we did not perform a review of all control structures throughout the Village.

In regard to cash receipts, the Village Treasurer control the processes of creating water bills, collecting payments, recording deposits, taking deposits to the bank, and reconciling the bank account.

In regard to cash disbursements (including payroll) the Village Treasurer has access to check stock, records all transactions, and reconciles bank accounts. Bank account reconciliations are not reviewed.

We further noted a direct familial relationship between the clerk and treasurer beginning in 2021 which makes segregation of duties even more difficult.

As a result of the lack of segregation of duties it was specifically noted there were some errors and omissions on bank reconciliations and general ledger accounts. Specifically some MFT expenditures were paid out of the general account with no reimbursement and lack of proper accounting on the general ledger created errors in the reconciliation of both general and MFT accounts which were not corrected until the audit.

A lack of segregation of duties results in a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

With limited staff it is important that the board and other officials remain diligent in their monitoring of financial transactions. A detailed review of financial reports, budget vs. actual results, bank reconciliations, water billing adjustments, and water billing collections greatly enhances internal controls. These reviews should be performed by someone other than the employee responsible for executing and recording the transactions. In all cases, we recommend the Village reassign duties or increase approval processes in order to more fully segregate conflicting duties.

## **2. Preparation of Financial Statements**

The Village Board of Trustees and management share the ultimate responsibility for the Village's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Village engages us to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, we cannot be considered part of the Village's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Village should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable accounting principles and sufficient financial reporting and accounting knowledge to the extent necessary to enable them to review the Village's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.