

VILLAGE OF TEUTOPOLIS, ILLINOIS

FINANCIAL STATEMENTS
AND OTHER INFORMATION
FOR THE YEAR ENDED
APRIL 30, 2019

VILLAGE OF TEUTOPOLIS, ILLINOIS
Financial Statements
April 30, 2019

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VILLAGE OF TEUTOPOLIS, ILLINOIS
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April 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Trustees
Village of Teutopolis, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Teutopolis, Illinois, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 modified cash basis financial position of the governmental activities, the business-type activities and each major fund of the Village of Teutopolis, Illinois, as of April 30, 2019, 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 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 this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Teutopolis, Illinois' basic financial statements. The budgetary comparison information on pages 27 – 29, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of the Village of Teutopolis, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Teutopolis, Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Teutopolis, Illinois' internal control over financial reporting and compliance.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

October 30, 2019

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Net Position - Modified Cash Basis
April 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,519,730	\$ 797,680	\$ 2,317,410
Inventory	473,866	-	473,866
Capital assets, net of accumulated depreciation	3,511,731	5,298,002	8,809,733
Total assets	\$ 5,505,327	\$ 6,095,682	\$ 11,601,009
LIABILITIES AND NET POSITION			
Liabilities:			
Deposits	\$ 500	\$ -	\$ 500
Due within one year:			
Bonds payable	-	72,000	72,000
Notes payable	-	18,447	18,447
Due in more than one year:			
Bonds payable	-	1,450,063	1,450,063
Notes payable	-	58,253	58,253
Total liabilities	500	1,598,763	1,599,263
Net Position:			
Net investment in capital assets	3,511,731	3,699,239	7,210,970
Restricted for:			
Other purposes	327,454	-	327,454
Unrestricted	1,665,642	797,680	2,463,322
Total net position	5,504,827	4,496,919	10,001,746
Total liabilities and net position	\$ 5,505,327	\$ 6,095,682	\$ 11,601,009

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Activities - Modified Cash Basis
For the Year Ended April 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 296,144	\$ 71,567	\$ 159	\$ -	\$ (224,418)	\$ -	\$ (224,418)
Public safety	174,849	-	-	-	(174,849)	-	(174,849)
Transportation and public works	289,457	-	38,954	371,992	121,489	-	121,489
Economic development	123,687	99,643	-	77,388	53,344	-	53,344
Total governmental activities	<u>884,137</u>	<u>171,210</u>	<u>39,113</u>	<u>449,380</u>	<u>(224,434)</u>	<u>-</u>	<u>(224,434)</u>
Business-type activities:							
Water	424,430	429,859	-	-	-	5,429	5,429
Sewer	156,141	167,793	-	17,500	-	29,152	29,152
Total business-type activities	<u>580,571</u>	<u>597,652</u>	<u>-</u>	<u>17,500</u>	<u>-</u>	<u>34,581</u>	<u>34,581</u>
Total primary government	<u>\$ 1,464,708</u>	<u>768,862</u>	<u>39,113</u>	<u>466,880</u>	<u>(224,434)</u>	<u>34,581</u>	<u>(189,853)</u>
General revenue:							
Taxes:							
Property taxes							
					319,548	82,996	402,544
Intergovernmental revenue:							
Sales tax							
					394,150	-	394,150
Income tax							
					148,546	-	148,546
Telecommunications tax							
					39,146	-	39,146
Video gaming tax							
					53,400	-	53,400
Replacement tax							
					11,660	-	11,660
Interest							
					18,430	9,264	27,694
Gain on disposal of equipment							
					1,000	-	1,000
Miscellaneous							
					3,558	27,895	31,453
Transfers							
					(21,879)	21,879	-
Total general revenues and transfers							
					<u>967,559</u>	<u>142,034</u>	<u>1,109,593</u>
Change in net position							
					<u>743,125</u>	<u>176,615</u>	<u>919,740</u>
Net position - beginning							
					5,205,276	4,403,321	9,608,597
Prior period adjustment - Note 14							
					(3,971)	-	(3,971)
Change in accounting principle - Note 15							
					<u>(439,603)</u>	<u>(83,017)</u>	<u>(522,620)</u>
Net position - beginning, as restated							
					<u>4,761,702</u>	<u>4,320,304</u>	<u>9,082,006</u>
Net position - ending							
					<u>\$ 5,504,827</u>	<u>\$ 4,496,919</u>	<u>\$ 10,001,746</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Balance Sheet - Modified Cash Basis
Governmental Funds
April 30, 2019

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Audit</u>	<u>TIF I</u>	<u>TIF II</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,286,549	\$ 196,656	\$ 23,371	\$ -	\$ 13,154	\$ 1,519,730
Inventory	473,866	-	-	-	-	473,866
Due from other funds	-	-	-	-	5,687	5,687
Total current assets	<u>\$ 1,760,415</u>	<u>\$ 196,656</u>	<u>\$ 23,371</u>	<u>\$ -</u>	<u>\$ 18,841</u>	<u>\$ 1,999,283</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deposits	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 500
Due to other funds	-	-	-	5,687	-	5,687
Total liabilities	<u>500</u>	<u>-</u>	<u>-</u>	<u>5,687</u>	<u>-</u>	<u>6,187</u>
Fund balances:						
Non-spendable	473,866	-	-	-	-	473,866
Restricted:						
Other purposes	88,586	196,656	23,371	-	18,841	327,454
Assigned:						
Building construction	671,578	-	-	-	-	671,578
Unassigned	525,885	-	-	(5,687)	-	520,198
Total fund balances	<u>1,759,915</u>	<u>196,656</u>	<u>23,371</u>	<u>(5,687)</u>	<u>18,841</u>	<u>1,993,096</u>
Total liabilities and fund balances	<u>\$ 1,760,415</u>	<u>\$ 196,656</u>	<u>\$ 23,371</u>	<u>\$ -</u>	<u>\$ 18,841</u>	

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 funds.

3,511,731

Net position of governmental activities

\$ 5,504,827

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended April 30, 2019

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Audit</u>	<u>TIF I</u>	<u>TIF II</u>	<u>Total Governmental Funds</u>
REVENUE						
Property taxes	\$ 280,551	\$ -	\$ 9,797	\$ 10,359	\$ 18,841	\$ 319,548
Intergovernmental revenue:						
Sales tax	394,150	-	-	-	-	394,150
Income tax	148,546	-	-	-	-	148,546
Telecommunications tax	39,146	-	-	-	-	39,146
Video gaming tax	53,400	-	-	-	-	53,400
Replacement tax	11,660	-	-	-	-	11,660
Licenses and permits	26,525	-	-	-	-	26,525
Fees and fines	1,008	-	-	-	-	1,008
Charges for services	143,677	-	-	-	-	143,677
Capital grants and contributions	449,380	-	-	-	-	449,380
Operating grants and contributions	159	38,954	-	-	-	39,113
Interest	15,621	2,274	289	246	-	18,430
Miscellaneous	3,558	-	-	-	-	3,558
Total revenue	<u>1,567,381</u>	<u>41,228</u>	<u>10,086</u>	<u>10,605</u>	<u>18,841</u>	<u>1,648,141</u>
EXPENDITURES						
Current:						
General government	281,229	-	8,900	-	-	290,129
Public safety	162,506	-	-	-	-	162,506
Transportation and public works	187,437	20,386	-	-	-	207,823
Economic development	113,880	-	-	-	-	113,880
Capital outlay	1,445,673	-	-	-	-	1,445,673
Total expenditures	<u>2,190,725</u>	<u>20,386</u>	<u>8,900</u>	<u>-</u>	<u>-</u>	<u>2,220,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(623,344)</u>	<u>20,842</u>	<u>1,186</u>	<u>10,605</u>	<u>18,841</u>	<u>(571,870)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	24,244	-	-	-	-	24,244
Operating transfers out	(21,879)	-	-	(24,244)	-	(46,123)
Proceeds from the sale of capital assets	1,000	-	-	-	-	1,000
Total other financing sources (uses)	<u>3,365</u>	<u>-</u>	<u>-</u>	<u>(24,244)</u>	<u>-</u>	<u>(20,879)</u>
Net change in fund balances	<u>(619,979)</u>	<u>20,842</u>	<u>1,186</u>	<u>(13,639)</u>	<u>18,841</u>	<u>(592,749)</u>
Fund balances - beginning	1,937,054	179,317	22,185	7,952	-	2,146,508
Prior period adjustment - Note 14	554,670	-	-	-	-	554,670
Change in accounting principle - Note 15	(111,830)	(3,503)	-	-	-	(115,333)
Fund balances - beginning, as restated	<u>2,379,894</u>	<u>175,814</u>	<u>22,185</u>	<u>7,952</u>	<u>-</u>	<u>2,585,845</u>
Fund balances - ending	<u>\$ 1,759,915</u>	<u>\$ 196,656</u>	<u>\$ 23,371</u>	<u>\$ (5,687)</u>	<u>\$ 18,841</u>	<u>\$ 1,993,096</u>

VILLAGE OF TEUTOPOLIS, ILLINOIS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended April 30, 2019

Net change in fund balances - total governmental funds \$ (592,749)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

	Capital outlay	1,445,673	
	Depreciation	<u>(109,799)</u>	<u>1,335,874</u>

Change in net position of governmental activities \$ 743,125

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Net Position - Modified Cash Basis
Proprietary Funds
April 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 436,308	\$ 361,372	\$ 797,680
Total current assets	436,308	361,372	797,680
Noncurrent assets:			
Capital assets, net of accumulated depreciation	3,712,661	1,585,341	5,298,002
Total noncurrent assets	3,712,661	1,585,341	5,298,002
Total assets	\$ 4,148,969	\$ 1,946,713	\$ 6,095,682
LIABILITIES AND NET POSITION:			
Liabilities:			
Current liabilities:			
Bonds payable, current portion	\$ 72,000	\$ -	\$ 72,000
Notes payable, current portion	18,447	-	18,447
Total current liabilities	90,447	-	90,447
Noncurrent liabilities:			
Bonds payable, less current portion	1,450,063	-	1,450,063
Notes payable, less current portion	58,253	-	58,253
Total noncurrent liabilities	1,508,316	-	1,508,316
Total liabilities	1,598,763	-	1,598,763
Net position:			
Net investment in capital assets	2,113,898	1,585,341	3,699,239
Unrestricted	436,308	361,372	797,680
Total net position	2,550,206	1,946,713	4,496,919
Total liabilities and net position	\$ 4,148,969	\$ 1,946,713	\$ 6,095,682

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating revenues:			
Charges for services	\$ 429,859	\$ 167,793	\$ 597,652
Miscellaneous	25,945	1,950	27,895
Total operating revenue	455,804	169,743	625,547
Operating expenses:			
Personal services	67,404	31,379	98,783
Support services	2,671	154	2,825
Contractual services	87,760	8,093	95,853
Repairs and maintenance	9,456	22,974	32,430
Utilities	15,356	19,032	34,388
Other supplies and materials	61,698	18,795	80,493
Depreciation	118,079	55,714	173,793
Total operating expenses	362,424	156,141	518,565
Operating income	93,380	13,602	106,982
Nonoperating revenue (expenses):			
Property taxes	38,716	44,280	82,996
Interest income	4,303	4,961	9,264
Interest expense	(62,006)	-	(62,006)
Total nonoperating revenues (expenses)	(18,987)	49,241	30,254
Income before contributions and transfers	74,393	62,843	137,236
Capital contributions	-	17,500	17,500
Transfers in	21,879	-	21,879
Change in net position	96,272	80,343	176,615
Total net position - beginning	2,504,451	1,898,870	4,403,321
Change in accounting principle - Note 15	(50,517)	(32,500)	(83,017)
Total net position - beginning, as restated	2,453,934	1,866,370	4,320,304
Total net position - ending	\$ 2,550,206	\$ 1,946,713	\$ 4,496,919

VILLAGE OF TEUTOPOLIS, ILLINOIS
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 429,859	\$ 167,793	\$ 597,652
Payments to suppliers	(176,941)	(69,048)	(245,989)
Payments to employees	(67,404)	(31,379)	(98,783)
Other receipts	25,945	1,950	27,895
Net cash provided by operating activities	<u>211,459</u>	<u>69,316</u>	<u>280,775</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Property taxes	38,716	44,280	82,996
Transfers from other funds	21,879	-	21,879
Net cash provided by noncapital and related financing activities	<u>60,595</u>	<u>44,280</u>	<u>104,875</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(109,566)	(247,317)	(356,883)
Capital contributions received	-	17,500	17,500
Principal paid on bonds payable	(69,601)	-	(69,601)
Principal paid on notes payable	(17,982)	-	(17,982)
Interest paid on capital debt	(62,006)	-	(62,006)
Net cash used by capital and related financing activities	<u>(259,155)</u>	<u>(229,817)</u>	<u>(488,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and investment revenue	4,303	4,961	9,264
Net cash provided by investing activities	<u>4,303</u>	<u>4,961</u>	<u>9,264</u>
Net increase (decrease) in cash and cash equivalents	17,202	(111,260)	(94,058)
Cash and cash equivalents - beginning of year	419,106	472,632	891,738
Cash and cash equivalents - end of year	<u>\$ 436,308</u>	<u>\$ 361,372</u>	<u>\$ 797,680</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 93,380	\$ 13,602	\$ 106,982
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	118,079	55,714	173,793
Net cash provided by operating activities	<u>\$ 211,459</u>	<u>\$ 69,316</u>	<u>\$ 280,775</u>

VILLAGE OF TEUTOPOLIS, ILLINOIS

Notes to Financial Statements

April 30, 2019

Note 1: Summary of Significant Accounting Policies

The Village of Teutopolis, Illinois (the “Village”) operates under a corporate charter issued by the State of Illinois in 1839. It provides the following services as authorized by statute: general administrative services, public safety, public works and improvements, planning and zoning, and public utility services (water and sewer). All activities of the Village are included in these financial statements based on manifestations of oversight, scope of public service and special financing relationships.

The accounting policies and presentation of the basic financial statements of the Village have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, as applicable to governments. 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 more significant accounting policies.

A. Financial Reporting Entity

In conformance with generally accepted accounting principles, the Village is considered the primary governmental unit, and includes all funds, elected offices, and departments of the Village. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the Village’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Village. After applying the concept of financial accountability, scope of public service, or special financing relationship criteria, no organizations have been determined to be part of the reporting entity.

Basis of Presentation

The Village’s basic financial statements consist of government-wide statements, including the statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide focus is on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the Village as a whole. These statements include financial activities of the primary government. The government-wide statement of activities reflects both expenses and net cost of each function of the Village’s governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as property taxes, are presented as general revenues of the Village. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the Village.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Fund Financial Statements

The financial transactions of the Village are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major funds; therefore each is displayed in a separate column.

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

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

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 to sound financial administration.

Measurement Focus

The government-wide statements report using the economic resources measurement focus, while the governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements (due mainly to inclusion of capital assets and long-term debt activity in the government-wide presentation), a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Basis of Accounting

Basis of accounting refers to when revenues received and expenses or 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. 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. Their revenues are recognized when they are received, and expenses or expenditures are recognized when paid. Generally accepted accounting principles require the recognition of revenue when it becomes "measurable" and "available" as net current assets and, generally, expenses or expenditures when the related fund liability is incurred.

Operating revenue and expenses reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. Fund Types and Major Funds

The Village reports the following major governmental funds:

The General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Motor Fuel Tax fund accounts for revenues and expenditures for the building and maintenance of Village roads.

The Audit fund accounts for revenues and expenditures for the audit costs of the Village.

The TIF I fund accounts for the revenues and expenditures of the West Main Street Redevelopment Area Tax Increment Financing District created on August 20, 2014.

The TIF II fund accounts for the revenues and expenditures of the Central Area Tax Increment Financing District created on August 2, 2017.

The Village reports the following major enterprise funds:

The Water fund is used to account for revenues and expenses associated with providing water services to the general public.

The Sewer Fund is used to account for revenues and expenses associated with providing sewer services to the general public.

C. Cash and Cash Equivalents

The Village maintains cash balances to meet current operating requirements. Cash in excess of current requirements is invested in interest bearing money market accounts and included in the financial statements as cash and cash equivalents.

D. Inventory

Inventory consists of developed lots in the Prairie View subdivision held for sale. Inventory is valued at cost (purchase price and development costs, if applicable). Fund balance is reported as non-spendable for these amounts because they are not legally appropriable for expenditure.

E. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund balances are presented in the fund financial statements but are eliminated in the statement of net position.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, bridges, and sidewalks) are reported in the government-wide financial statements. The Villages has been including infrastructure assets prospectively since May 1, 2004. Capital assets are defined by the Village as individual assets with an initial, individual cost of more than \$2,500 for equipment, \$10,000 for buildings, and \$50,000 for improvements and infrastructure assets and an estimated useful life of 1 year or more. Such assets are recorded at historical costs if purchased or constructed. Donated capital assets are not recorded because they did not result from a cash transaction. The Village writes off fully depreciated equipment.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	10 - 40
Water and Sewer System	5 - 40
Machinery and Equipment	3 - 7

G. Fund Equity

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets is the net cost (book value) of the capital assets, less principal on any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance based on the nature and extent of the constraints placed on a government’s fund balances. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts that can be used only for specific purposes determined by a formal action of the Village Board. The Board of Trustees is the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned fund balance – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for a specific purpose. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned fund balance – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Village’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

H. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the Village. Program specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for program operations.

I. Use of Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires the Village's management to make estimates and assumptions that affect the amounts reported in those statements. Actual results could differ from those estimates.

J. Concentration of Credit Risk

All users of the Village's water and sewer system are located within the same geographic area within the Village of Teutopolis, Illinois.

K. Date of Management's Review

Management has evaluated subsequent events through October 30, 2019, the date which the financial statements were available to be issued.

Note 2: Cash and Cash Equivalents

The Village is authorized by state statute to invest in obligations of the U.S. Treasury, agencies, instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of states and their political subdivisions, savings accounts, credit union shares, and Illinois Public Treasurer's Investment Pool or such other officially recognized Illinois funds. The Village's cash deposits consist of checking and money market accounts. These deposits are stated at cost.

At April 30, 2019, the carrying amount and the bank balance of the Village's cash deposits were \$2,317,385 and \$2,318,093, respectively. Cash deposits do not include petty cash of \$25 recorded in the General Fund. The Village has a written investment policy.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village has a policy for custodial credit risk. As of April 30, 2019, \$1,992,196 of the government's bank balance of \$2,318,093 was exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the Village's name	\$ <u>1,992,196</u>
--	---------------------

Note 3: Common Bank Account

Separate bank accounts are not maintained for all of the Village's funds. Certain funds maintain a portion of their cash balances in a common checking and money market account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund. Occasionally, certain funds participating in the common bank account may incur an overdraft (deficit) in the account. The overdraft results from expenditures which have been approved by the Village.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 4: Changes in Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities:

Capital Asset	Balance 5/1/18	Additions	Transfers	Deletions	Balance 4/30/19
Assets Not Depreciated:					
Land	\$ 209,807	\$ -	\$ -	\$ -	\$ 209,807
Construction in Progress	318,367	95,648	(270,239)	-	143,776
Assets Depreciated:					
Buildings	736,465	-	-	-	736,465
Infrastructure	1,381,868	1,301,567	270,239	-	2,953,674
Equipment	564,559	48,458	-	(359,126)	253,891
Total Capital Assets	3,211,066	1,445,673	-	(359,126)	4,297,613
Less: Accumulated Depreciation:					
Buildings	(390,956)	(15,986)	-	-	(406,942)
Infrastructure	(213,613)	(60,854)	-	-	(274,467)
Equipment	(430,640)	(32,959)	-	359,126	(104,473)
Total Accumulated Depreciation	(1,035,209)	(109,799)	-	359,126	(785,882)
Capital Assets, Net	\$ 2,175,857	\$ 1,335,874	\$ -	\$ -	\$ 3,511,731

Business-type Activities:

Capital Asset	Balance 5/1/18	Additions	Deletions	Balance 4/30/19
Assets Not Depreciated:				
Land	\$ 3,200	\$ -	\$ -	\$ 3,200
Assets Depreciated:				
System & Improvements	7,595,978	356,883	(54,737)	7,898,124
Total Capital Assets	7,599,178	356,883	(54,737)	7,901,324
Less: Accumulated Depreciation	(2,484,266)	(173,793)	54,737	(2,603,322)
Capital Assets, Net	\$ 5,114,912	\$ 183,090	\$ -	\$ 5,298,002

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 4: Changes in Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities	
General government	\$ 6,015
Public safety	12,343
Transportation and public works	81,634
Economic development	9,807
	\$ 109,799
Business-type Activities	
Water	\$ 118,079
Sewer	55,714
	\$ 173,793

Note 5: Long-Term Debt

Enterprise Funds:

Bond Obligations

The Village issued General Obligation Waterworks (Limited Tax Alternate Revenue Source) Series 2014 Bonds in the original amount of \$1,750,000. Pursuant to the Local Government Debt Reform Act, the bonds are general obligations of the Village, for which its full faith and credit has been irrevocably pledged. The bonds were issued to construct a twenty-one mile water line connecting Teutopolis and Newton. The Series 2014 Bonds are dated April 24, 2014, with interest and principal payable on December 1st of each year and interest only payable on June 1st of each year.

The following is a summary of the bonds maturity schedule:

Fiscal Year	Principal	Interest	Total
2020	\$ 72,000	\$ 57,078	\$ 129,078
2021	74,500	54,378	128,878
2022	77,000	51,586	128,586
2023	79,700	48,698	128,398
2024	82,500	45,708	128,208
2025 - 2029	463,200	179,618	642,818
2030 - 2034	550,200	86,195	636,395
2035	122,963	4,612	127,575
	\$ 1,522,063	\$ 527,873	\$ 2,049,936

Total interest related to the bonds incurred and expensed for the year ended April 30, 2019 was \$59,687.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 5: Long-Term Debt (Continued)

Notes Payable

The Village obtained a \$309,822 note from the Illinois Environmental Protection Agency on September 4, 2002 to construct a 150,000 gallon water storage tank. The loan carries an interest rate of 2.57% and is due April 22, 2023. Semi-annual principal and interest payments of \$10,150 are payable on April 22nd and October 22nd of each year.

The following is a summary of the notes maturity schedule:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,447	\$ 1,853	\$ 20,300
2021	18,924	1,376	20,300
2022	19,414	886	20,300
2023	19,915	385	20,300
	<u>\$ 76,700</u>	<u>\$ 4,500</u>	<u>\$ 81,200</u>

Total interest related to the note incurred and expensed for the year ended April 30, 2019 was \$2,319.

The following is a summary of long-term debt transactions for the fiscal year ended April 30, 2019:

	<u>Balance</u>			<u>Balance</u>
	<u>April 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2019</u>
Water Revenue Bonds	\$ 1,591,664	\$ -	\$ (69,601)	\$ 1,522,063
Illinois EPA Loan	94,682	-	(17,982)	76,700
	<u>\$ 1,686,347</u>	<u>\$ -</u>	<u>\$ (87,583)</u>	<u>\$ 1,598,763</u>

Note 6: Interfund Receivables and Payables

Individual interfund receivable and payable balances at April 30, 2019 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
TIF I Fund:		
TIF II Fund	\$ -	\$ 5,687
TIF II Fund:		
TIF I Fund	5,687	-
	<u>\$ 5,687</u>	<u>\$ 5,687</u>

Interfund balances between the TIF Funds resulted from cash shortfalls. Interfund balances are expected to be repaid as cash balances allow, but may not be repaid within one year.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 7: Fund Equity

During the fiscal year ended April 30, 2019, the Village had the following nonspendable, restricted, and assigned governmental fund balances:

The Village's nonspendable fund balance consisted of the following:

Purpose	Amount
Inventory of lots available for sale	\$ <u>473,866</u>

The following funds' cumulative revenue over expenditures have been restricted in accordance with Illinois Compiled Statutes as follows:

Fund	Amount
General:	
Workers Compensation	\$ 55,066
Insurance	18,282
Motor Fuel Tax	196,656
Audit	23,371
TIF II	18,841
Total ILCS Restricted Fund Balances	\$ 312,216

In the General Fund, the Village has restricted the following funds where donations have exceeded expenditures:

Purpose	Amount
Recycling Program	\$ <u>15,238</u>

In the General Fund, the Village has assigned funds by depositing such funds in a separate money market account for a specific purpose as follows:

Purpose	Amount
Building Construction	\$ <u>671,578</u>

Note 8: Deficit Fund Balance

The TIF I Fund had a deficit fund balance in the amount of \$5,687 at April 30, 2019. This deficit will be financed through future property taxes.

Note 9: Property Taxes

The Village's property tax is levied each year on all taxable real estate located in the Village. The local taxing authority for the Village of Teutopolis is Effingham County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October and are payable in two installments, generally in August and November of the subsequent year. Property taxes are billed and collected by the County, which in turn, remits them to the Village. Payments are typically made during the period September through February. The 2017 tax year levy, received during fiscal year 2019, was adopted by the Village Board on October 18, 2017.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 9: Property Taxes (Continued)

The following are the tax rates applicable to current year levies:

	Maximum	Actual Rate 2017 Levy
Corporate	.3399	.3345
Police Protection	.0750	.0734
Sewage Treatment	.1000	.0986
Audit	NA	.0225
Liability Insurance	NA	.0492
Social Security	NA	.0459
Workers Compensation	NA	.0413
Waterworks	.0500	.0493
Water Supply	.0330	.0326
Total		.7473

Note 10: Transfers

Interfund transfers for the fiscal year ended April 30, 2019 consisted of the following:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund:		
TIF I Fund	\$ 24,244	\$ -
Water Fund	-	21,879
TIF I Fund:		
General Fund:	-	24,244
Water Fund:		
General Fund	21,879	-
	\$ 46,123	\$ 46,123

The General Fund transferred \$21,879 of video gaming tax receipts to the Water Fund to be used for meter purchases. The TIF I Fund transferred \$24,244 to the General Fund for reimbursement of TIF legal expenditures paid by the General Fund in a previous year.

Note 11: Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a result, the Village has joined together with other governments to form the Illinois Municipal League Risk Management Association, a self-funded insurance pool for public entities. During the year ended April 30, 2019, there were no significant reductions in insurance coverage. There have been no settlement amounts that have exceeded insurance coverage in the current year or the preceding two years.

VILLAGE OF TEUTOPOLIS, ILLINOIS

Notes to Financial Statements

April 30, 2019

(Continued)

Note 12: Post-Employment Health Care Benefits

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Village provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium and, if applicable, a 2% administration fee, is paid in full by the insured each month. This program is offered for a duration of 18 months after termination date, and is subject to extension. There is no associated cost to the Village under this program.

Note 13: Simplified Employee Pension Plan

The Village adopted a Simplified Employee Pension Plan (SEP) agreement for the calendar year starting January 1, 1999. The plan provides an Individual Retirement Account (IRA) benefit to each employee who has attained age 21, performed services for the Village during at least 3 of the immediately preceding 5 years, and received at least \$600 of compensation. There are no post-retirement benefit plans.

For the year ending December 31, 2018, the Village contributed 5% of the eligible employee's compensation to IRA accounts in the amount of \$18,503. Total compensation for calendar year 2018 was \$380,188 and covered compensation was \$370,052. Coverage payroll is 97% of total payroll. The Village may choose to fund or not fund the plan for succeeding calendar years.

Note 14: Prior Period Adjustment

The following adjustments were made to the beginning fund balance and beginning net position of the Governmental Fund Financial Statements and the Government-wide Financial Statements, respectively:

The Village did not report property held for sale as inventory for the year ending April 30, 2018. Instead, the property was reported as non-depreciable fixed assets on the government-wide financial statements and as capital outlay expenditures on the fund financial statements in the year purchased. Beginning fund balance has been restated by \$558,641 for this purpose.

The Village also reported a certificate of deposit in the amount of \$11,621 for the year ending April 30, 2018. However, this certificate of deposit had been previously closed and actually had a \$0 balance as of April 30, 2018. Beginning fund balance and net position have been restated by \$11,621 for this correction.

The Village also received and deposited \$7,650 of golf cart and license revenue in April 2018. However, the deposit was not recorded on the books until May 2018. As a result, beginning fund balance and net position have been restated by \$7,650 for this transaction.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 14: Prior Period Adjustment (Continued)

A summary of the adjustments for these items is as follows:

Governmental Fund Financial Statements:

		General Fund
Inventory	\$	558,641
Closed certificate of deposit		(11,621)
Revenue deposited in FY18		7,650
Increase in beginning fund balance	\$	554,670

Government-wide Financial Statements:

		Governmental
Closed certificate of deposit	\$	(11,621)
Revenue deposited in FY18		7,650
Decrease in beginning net position	\$	(3,971)

Note 15: Change in Accounting Principle

The Village has changed from the modified accrual method of accounting to the modified cash basis method of accounting during the fiscal year ending April 30, 2019. The Village has made this change in order to simplify the financial statement reporting for the users of the financial statements.

The following adjustments were made to beginning fund balances and net position of the Governmental Fund Financial Statements, Proprietary Fund Financial Statements, and the Government-wide Financial Statements, respectively:

Governmental Fund Financial Statements:

Description	General Fund	Motor Fuel Tax	Audit	TIF I	TIF II	Total
Assets:						
Receivables, net of allowances for uncollectibles:						
Taxes	\$ (285,120)	\$ -	\$ (9,800)	\$ (10,350)	\$ (19,000)	\$ (324,270)
Due from other governments	(134,276)	(3,503)	-	-	-	(137,779)
Other receivables	(20,000)	-	-	-	-	(20,000)
Prepaid expenditures	(19,391)	-	-	-	-	(19,391)
Liabilities:						
Accounts payable	35,748	-	-	-	-	35,748
Accrued wages	12,719	-	-	-	-	12,719
Compensated absences	13,370	-	-	-	-	13,370
Deferred inflows of property taxes	285,120	-	9,800	10,350	19,000	324,270
Net decrease in beginning fund balance	\$ (111,830)	\$ (3,503)	\$ -	\$ -	\$ -	\$ (115,333)

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Financial Statements
April 30, 2019
(Continued)

Note 15: Change in Accounting Principle (Continued)

Proprietary Fund Financial Statements:

Description	Water	Sewer	Total
Assets:			
Receivables, net of allowances for uncollectibles:			
Taxes	\$ (35,730)	\$ (43,000)	\$ (78,730)
Customers	(73,748)	(29,054)	(102,802)
Prepaid expenses	(4,019)	(417)	(4,436)
Liabilities:			
Accounts payable	34,658	36,573	71,231
Accrued expenses	2,103	2,103	4,206
Accrued interest	24,924	-	24,924
Compensated absences	1,295	1,295	2,590
Net decrease in beginning net position	\$ <u>(50,517)</u>	\$ <u>(32,500)</u>	\$ <u>(83,017)</u>

Government-wide Financial Statements:

Description	Governmental	Business-Type	Total
Assets:			
Receivables, net of allowances for uncollectibles:			
Taxes	\$ (324,270)	\$ (78,730)	\$ (403,000)
Due from other governments	(137,779)	-	(137,779)
Customers	(20,000)	(102,802)	(122,802)
Prepaid expenses	(19,391)	(4,436)	(23,827)
Liabilities:			
Accounts payable	35,748	71,231	106,979
Accrued expenses	12,719	4,206	16,925
Accrued interest	-	24,924	24,924
Compensated absences	13,370	2,590	15,960
Net decrease in beginning net position	\$ <u>(439,603)</u>	\$ <u>(83,017)</u>	\$ <u>(522,620)</u>

Note 15: Subsequent Events

At their meeting on July 3, 2019, the board of trustees accepted bids of \$346,461 for street and storm sewer construction and \$172,777 for water and sewer construction related to Phase II of the Prairie View Subdivision. At their meeting on August 7, 2019, they authorized borrowing \$1,000,000 from Teutopolis State Bank to finance the infrastructure construction costs related to Phase II of the Prairie View Subdivision. At their meeting on September 18, 2019, they accepted a bid of \$1,261,850 related to the Route 40 center turn lane project.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the President and Members
of the Board of Trustees
Village of Teutopolis, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Teutopolis, Illinois, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the Village of Teutopolis, Illinois' basic financial statements and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Teutopolis, Illinois' internal control over financial reporting (internal control) to determine the 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 the Village of Teutopolis, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Teutopolis, Illinois' internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001, 2019-002, and 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Teutopolis, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Teutopolis, Illinois' Responses to Findings

The Village of Teutopolis, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village of Teutopolis, Illinois' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

October 30, 2019

VILLAGE OF TEUTOPOLIS, ILLINOIS

Schedule of Findings and Responses

April 30, 2019

FINDING 2019-001 Lack of Segregation of Duties – Public Utilities

Criteria: A basic premise of internal control is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: We noted a lack of segregation of duties exists with respect to the billing, adjusting of customer accounts, and accepting and processing of payments in the utilities department.

Cause: The Village does not have the resources to hire additional staff to adequately segregate duties.

Effect: Because all duties are performed by the same individual, the Village is at risk for misstatements to occur and not be prevented or detected in the processing of transactions.

Recommendation: We recommend that duties among Village employees be segregated to the extent possible.

Management's Response: The Village acknowledges this is a problem and has implemented mitigating controls to the extent practicable.

FINDING 2019-002 Lack of Segregation of Duties – General Ledger

Criteria: A basic premise of internal control is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: We noted a lack of segregation of duties exists with respect to maintaining and reconciling the general ledger.

Cause: The Village does not have the resources to hire additional staff to adequately segregate duties.

Effect: Because all duties are performed by the same individual, the Village is at risk for misstatements to occur and not be prevented or detected in the processing of transactions.

Recommendation: We recommend that duties among Village employees be segregated to the extent possible.

Management's Response: The Village acknowledges this is a problem and has implemented mitigating controls to the extent practicable.

FINDING 2019-003 Ability to Prepare Financial Statements

Criteria: The Village should have at least one employee who is trained in preparing the financial statements and footnotes in accordance with the modified cash basis of accounting.

Condition: The Village currently does not have any personnel with the necessary expertise to properly prepare the financial statements and footnotes.

Cause: Village personnel have not received the proper training in preparing financial statements and footnotes in accordance with the modified cash basis of accounting.

Effect: The Village cannot prepare its own financial statements and footnotes in accordance with the modified cash basis of accounting.

Recommendation: The Village should provide the necessary training to its personnel or contract with an independent contractor with the knowledge to properly prepare the financial statements and footnotes in accordance with the modified cash basis of accounting.

Management's Response: Management will utilize an independent contractor to prepare the financial statements and footnotes in accordance with the modified cash basis of accounting, but will retain the responsibility for reviewing and approving those financial statements and footnotes.

VILLAGE OF TEUTOPOLIS, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended April 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Over (Under)
REVENUE				
Property taxes	\$ 274,000	\$ 274,000	\$ 280,551	\$ 6,551
Intergovernmental revenue:				
Sales tax	370,000	370,000	394,150	24,150
Income tax	160,000	160,000	148,546	(11,454)
Telecommunications tax	-	-	39,146	39,146
Video gaming tax	64,000	64,000	53,400	(10,600)
Personal property replacement tax	-	-	11,660	11,660
Licenses and permits	-	-	26,525	26,525
Fees and fines	-	-	1,008	1,008
Charges for services	103,610	103,610	143,677	40,067
Capital grants and contributions	2,000,000	2,000,000	449,380	(1,550,620)
Operating grants and contributions	-	-	159	159
Interest	16,000	16,000	15,621	(379)
Miscellaneous	77,000	77,000	3,558	(73,442)
Total revenue	<u>3,064,610</u>	<u>3,064,610</u>	<u>1,567,381</u>	<u>(1,497,229)</u>
EXPENDITURES				
Current:				
General government	701,200	701,200	281,229	(419,971)
Public safety	196,500	196,500	162,506	(33,994)
Transportation and public works	1,719,600	1,719,600	187,437	(1,532,163)
Economic development	-	-	113,880	113,880
Capital outlay	5,351,000	5,351,000	1,445,673	(3,905,327)
Total expenditures	<u>7,968,300</u>	<u>7,968,300</u>	<u>2,190,725</u>	<u>(5,777,575)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,903,690)</u>	<u>(4,903,690)</u>	<u>(623,344)</u>	<u>4,280,346</u>
OTHER FINANCING SOURCES AND (USES)				
Operating transfers in	-	-	24,244	24,244
Operating transfers out	(550,000)	(550,000)	(21,879)	528,121
Proceeds from the sale of equipment	-	-	1,000	1,000
Total other financing sources and (uses)	<u>(550,000)</u>	<u>(550,000)</u>	<u>3,365</u>	<u>553,365</u>
Net change in fund balance	<u>\$ (5,453,690)</u>	<u>\$ (5,453,690)</u>	<u>(619,979)</u>	<u>\$ 4,833,711</u>
Fund balance - beginning			1,937,054	
Prior period adjustment - Note 14			554,670	
Change in accounting principle - Note 15			(111,830)	
Fund balance - beginning, as restated			<u>2,379,894</u>	
Fund balance - ending			<u>\$ 1,759,915</u>	

VILLAGE OF TEUTOPOLIS, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
Motor Fuel Tax Fund
For the Year Ended April 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Over (Under)</u>
REVENUE				
Operating grants and contributions	\$ 40,000	\$ 40,000	\$ 38,954	\$ (1,046)
Interest	1,100	1,100	2,274	1,174
Total revenue	<u>41,100</u>	<u>41,100</u>	<u>41,228</u>	<u>128</u>
EXPENDITURES				
Current:				
Transportation and public works	<u>100,000</u>	<u>100,000</u>	<u>20,386</u>	<u>(79,614)</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>20,386</u>	<u>(79,614)</u>
Net change in fund balance	<u>\$ (58,900)</u>	<u>\$ (58,900)</u>	20,842	<u>\$ 79,742</u>
Fund balance - beginning			179,317	
Change in accounting principle - Note 15			<u>(3,503)</u>	
Fund balance - beginning, as restated			<u>175,814</u>	
Fund balance - ending			<u>\$ 196,656</u>	

VILLAGE OF TEUTOPOLIS, ILLINOIS
Notes to Other Information
April 30, 2019

Note 1: Appropriations Ordinance and Budgetary Accounting

The Village adopts its annual appropriations ordinance in accordance with the modified cash basis of accounting. Annual appropriations are adopted for the General Fund, Motor Fuel Tax Fund, Water Fund, and Sewer Fund. The Village does not appropriate amounts for the Audit Fund, TIF I Fund, and TIF II Fund. All annual appropriations lapse at fiscal year end. The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to adoption, the treasurer prepares and submits to the Board of Trustees proposed appropriations for the fiscal year commencing May 1st. The appropriations include both proposed expenditures and the means of financing them.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments.
3. Prior to August 1, the appropriations are legally enacted through passage of an ordinance.
4. No further appropriations can be made during the fiscal year once the ordinance has been legally adopted, except:
 - a. Transfers from one appropriation of any fund to another appropriation of the same fund may be made by 2/3 vote of the Board of Trustees.
 - b. Any revisions which alter the total expenditures of any fund may be approved by the Board of Trustees in the same manner as the original appropriation if new or additional revenues were not available when the initial appropriation was made.
5. Expenditures may not legally exceed appropriated amounts for an individual fund.
6. The annual appropriation ordinance was adopted on July 18, 2018.
7. Budget amounts reflected in the financial statements are the amounts as originally adopted in the appropriation ordinance on July 18, 2018.

Note 2: Encumbrances

Encumbrance accounting is not used by the Village.

Note 3: Individual Fund Disclosures

No funds had an excess of expenditures over appropriations for the year ended April 30, 2019.