

VILLAGE OF DONNELSON, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Village is a municipal corporation governed by a seven-member Board consisting of six trustees and the President. The Village provides the following services: general government, public safety (police), parks, street, water, and sewer.

The Village's reporting entity includes the Village's governing board and all related organizations for which the Village exercises significant influence. The Village has developed a criterion to determine whether outside agencies with activities that benefit the citizens of the Village should be included within its financial reporting entity. The criterion is but not limited to whether the Village exercises influence. This includes analyzing a financial benefit or burden, whether the entity appoints a voting majority, whether the entity can significantly impose its will, and analyzing the entity's fiscal independence, or lack thereof.

The Village has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Village's financial statements. In addition, the Village is not aware of any entity which would exercise such influence which result in the Village being considered a component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the Village's activities. Governmental activities generally are financed through taxes and intergovernmental revenues, and they are reported separately from business-type activities, which rely on fees and charges for support to a significant extent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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, and 2) grants and contributions that are restricted for meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

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

Basis of Accounting and Financial Statement Presentation

The financial statements of the Village of Donnellson, Illinois have been prepared on a modified cash basis of accounting. The modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). This basis of accounting recognizes assets, liabilities, net position/fund balance, revenues, and expenditures when they result from cash transactions. Modifications to the cash basis of accounting include reporting capital assets, deposits payable, and bonds payable.

As a result of the use of the modified cash basis of accounting, certain assets (such as accounts receivable), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable), and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Village is required by state law to adopt annual budgets for the general fund and the special revenue funds. The budget is prepared on the modified cash basis of accounting, which is the same basis used for financial reporting purposes. The budget, which was not amended, was passed by the Board on March 13, 2022.

Motor Fuel Tax expenditures exceeded appropriations by \$7,150.

Inventory

Inventories are not recorded in the financial statements of the Village. The costs of such items are charged to expenditures when paid.

Governmental Funds

Governmental fund types are those funds through which most governmental functions typically are financed. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General operating expenditures and improvements costs that are not paid through other funds are paid from the General Fund.

Motor Fuel Tax Fund - The Motor Fuel Tax Fund is a special revenue fund and accounts for the taxes and grants received and amounts paid related to motor fuel tax expenses. These revenues are legally restricted to expenditures for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Village reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for providing water services to the residents of the Village. Activities of the fund include administration, operation and maintenance of the water system, and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

Sewer Fund - The Sewer Fund is used to account for providing sewer services to the residents of the Village. Activities of the fund include administration, operation and maintenance of the sewer systems, and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

In preparing financial statements in conformity with the modified cash basis of accounting, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Village's cash and cash equivalents are considered to be cash on hand, checking and savings accounts.

The Village's deposits are in checking, savings accounts, and certificates of deposits and are carried at cost. The Village's funds may be invested in instruments permitted by the Illinois Public Funds Investment Act (30 ILCS 230/5). The Village's current investment practice is only to invest in local financial institution accounts and the Illinois Public Treasurer's Investment Pool.

Restricted cash on the financial statements represents cash for customer deposits and sewer bonds.

Savings Deposits

Savings deposits, consisting only of certificates of deposits, are stated at cost, with approximate market.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government, as assets with initial, individual cost of more than \$5,000 for equipment, more than \$20,000 for buildings improvements, and more than and \$100,000 for infrastructure 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. Estimated historical cost was used to value the majority of the assets acquired prior to April 30, 2004. Infrastructure assets acquired since May 1, 2004, are recorded at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Cost includes labor, material and similar items, and indirect charges for such items as transportation and supervision.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings And Improvements	25-50 years
Furniture And Fixtures	5-15 years
Machinery And Equipment	5-15 years

In the fund financial statements, fixed assets used in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

Long-term debt is reported as a liability in the applicable governmental activities or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted. The Village first uses restricted resources to finance qualifying activities.

Governmental Fund Balances

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Village reports the following fund balance classifications:

Nonspendable— Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted— Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision-making authority. The Village's highest level of authority is the majority vote of the Village's council in the form of a village ordinance. As of April 30, 2023, the General Fund has a committed fund balance of \$10,031 for future solar projects.

Assigned — Amounts that are constrained by an intent to be used for specific purposes but are neither restricted nor committed.

Unassigned - The unassigned fund balance classification includes amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance may be reported.

Unless specifically identified, expenditures act to reduce the restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions/Transfers

There are various types of interfund transactions and transfers that are reported as interfund items between the funds. Interfund services provided and used are recorded as revenue, expenditures, or expenses as if the transactions occurred outside the government. Interfund transactions, which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as a reduction of expenditures in the fund that is reimbursed.

NOTE 2. CASH AND CASH EQUIVALENTS, SAVINGS DEPOSITS, AND RESTRICTED CASH

The breakdown of cash and cash equivalents, savings deposits, and restricted cash as of April 30, 2023, in the accompanying financial statements is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Cash And Cash Equivalents	\$ 121,184	\$ 100,856
Savings Deposits - Certificates Of Deposit	22,957	3,393
Restricted Cash - Bond Reserve		24,691
Restricted Cash - Meter Deposits		6,540
Total Cash And Cash Equivalents, Savings Deposits, And Restricted Cash	<u>\$ 144,141</u>	<u>\$ 135,480</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of April 30, 2023, the Village had the following savings deposit maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
<u>Certificates Of Deposit</u>	<u>\$ 26,350</u>	<u>\$ 26,350</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. At year end, the Village has FDIC insured bank balances totaling \$283,904 and uninsured balances totaling \$0.

Concentrations of Credit Risk

The Village places no limit on the amount that it may invest with any one issuer. The Village had certificates of deposit held within both the Bank of Hillsboro and First National Bank of Litchfield. Investments in any one issuer that represent 5% or more of the Village's total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNB Litchfield	Certificates Of Deposit	\$ 22,957
Bank of Hillsboro	Certificates Of Deposit	3,393

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**NOTE 3. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; error and omissions and natural disasters for which the Village carries commercial insurance. The Village has purchased insurance through a public entity risk pool, Illinois Municipal League, to protect against such loss. The liabilities for any unpaid claims would revert back to members of the pool. There have been no significant reductions in coverage from the prior year and settlements, if any, have not exceeded coverage in the past.

**NOTE 4. PROPERTY TAXES**

The Village's property tax is levied and attached as an enforceable lien on the property as of January 1 of each year on property values assessed as of the same date. Taxes levied in one year become due and payable in two installments on or about June 1<sup>st</sup>, and September 1<sup>st</sup>, during the following fiscal year. The county bills and collects property taxes for the Village then remits its respective share of the collections. Taxes recorded in these financial statements are from the 2021 and prior tax levies.

**NOTE 5. LONG-TERM DEBT**

Business-Type Activities

Long-term debt activity for the year ended April 30, 2023 was as follows:

	May 1, 2022	Additions	Reductions	April 30, 2023	Due Within One Year
Direct Placement Bonds	\$ 320,000	\$ 0	\$ 10,000	\$ 310,000	\$ 10,000
FCB Loan	0	40,000	0	40,000	3,319
<b>Total</b>	<u>\$ 320,000</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>	<u>\$ 350,000</u>	<u>\$ 13,319</u>

Long-Term Debt as of April 30, 2023 is comprised of the following:

	<u>ENTERPRISE FUNDS</u>
<u>Revenue Bonds</u>	
\$460,000 Sewerage System Revenue Bond, due in annual installments of variable amounts through May 1, 2041, interest rate of 4.5%.	<u>\$ 310,000</u>
<u>Notes Payable</u>	
\$40,000 Promissory Note dated April 4, 2023, due in monthly installments of \$405 through March 4, 2028, interest rate of 4.005% with a balloon payment of \$22,398 on April 4, 2028.	<u>40,000</u>
<b>Total Long-Term Debt</b>	<u><u>\$ 350,000</u></u>

VILLAGE OF DONNELSON, ILLINOIS  
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NOTE 5. LONG-TERM DEBT (CONTINUED)

Annual debt service to maturity, include principal and interest, for the revenue bonds subsequent to April 30, 2023, is as follows:

Year Ending April 30th	Principal	Interest	Total
2024	\$ 10,000	\$ 13,725	\$ 23,725
2025	10,000	13,275	23,275
2026	10,000	12,825	22,825
2027	15,000	12,263	27,263
2028	15,000	11,588	26,588
2029-2033	75,000	47,812	122,812
2034-2038	95,000	29,137	124,137
2039-2042	80,000	6,975	86,975
Total	<u>\$ 310,000</u>	<u>\$ 147,600</u>	<u>\$ 457,600</u>

The 2002 Sewerage Revenue Bond is due in annual principal payments in May and semi-annual interest payments in May and November. The bond accrues interest at 4.5% and matures in May of 2041. The bonds were issued for sewer system improvements. Pledged assets include the sewer system revenues. In the event of default, the lender will issue a written notice. If no action has been taken within thirty days of this written notice, the lender can declare all payments due on demand.

Annual debt service to maturity, include principal and interest, for the notes payable subsequent to April 30, 2023, is as follows:

Year Ending April 30th	Principal	Interest	Total
2024	\$ 3,319	\$ 1,542	\$ 4,861
2025	3,455	1,406	4,861
2026	3,596	1,265	4,861
2027	3,742	1,118	4,860
2028	25,888	966	26,854
Total	<u>\$ 40,000</u>	<u>\$ 6,297</u>	<u>\$ 46,297</u>

The 2023 Water Note Payable is due in monthly installments of \$405. The note accrues interest at 4.005% through March 4, 2028. A final balloon payment of \$22,398 is due on April 4, 2028. The loan was used by the Village to finance new water meters.

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NOTE 6. CAPITAL ASSETS

Summary of capital assets for governmental activities for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Not Being Depreciated:				
Land	\$ 811			\$ 811
Other Capital Assets:				
Infrastructure	186,135			186,135
Buildings And Improvements	58,995			58,995
Machinery And Equipment	81,828			81,828
Total Depreciable Capital Assets	<u>326,958</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>326,958</u>
Accumulated Depreciation:				
Infrastructure	179,161	442		179,603
Buildings And Improvements	21,299	1,299		22,598
Machinery And Equipment	76,453	1,820		78,273
Total Accumulated Depreciation	<u>276,913</u>	<u>3,561</u>	<u>0</u>	<u>280,474</u>
Net Other Capital Assets	<u>50,045</u>	<u>(3,561)</u>	<u>0</u>	<u>46,484</u>
Net Capital Assets	<u>\$ 50,856</u>	<u>\$ (3,561)</u>	<u>\$ 0</u>	<u>\$ 47,295</u>
<b>Business-Type Activities</b>				
Other Capital Assets:				
Infrastructure	\$ 2,318,550			\$ 2,318,550
Machinery And Equipment	44,587	\$ 75,285		119,872
Total Depreciable Capital Assets	<u>2,363,137</u>	<u>75,285</u>	<u>\$ 0</u>	<u>2,438,422</u>
Accumulated Depreciation:				
Infrastructure	1,280,387	50,862		1,331,249
Machinery And Equipment	24,372	2,358		26,730
Total Accumulated Depreciation	<u>1,304,759</u>	<u>53,220</u>	<u>0</u>	<u>1,357,979</u>
Net Other Capital Assets	<u>1,058,378</u>	<u>22,065</u>	<u>0</u>	<u>1,080,443</u>
Net Capital Assets	<u>\$ 1,058,378</u>	<u>\$ 22,065</u>	<u>\$ 0</u>	<u>\$ 1,080,443</u>
Depreciation was charged to functions as follows:				
Governmental Activities				
General Government		\$ 1,741		
Streets And Roads		1,820		
Total Governmental Activities Depreciation Expense		<u>\$ 3,561</u>		
Business-Type Activities				
Water		\$ 2,399		
Sewer		50,821		
Total Business-Type Activities Depreciation Expense		<u>\$ 53,220</u>		



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**NOTE 7. LEGAL DEBT MARGIN**

The legal debt margin for the Village was \$120,805 for general obligation debts. The computation was as follows:

Assessed Valuation, 2022 Levy	\$	1,400,637
Statutory Rate		<u>8.625%</u>
Legal Debt Margin		<u>\$ 120,805</u>

The Village had no debt counting towards its legal debt margin for the year ended April 30, 2023.

**NOTE 8. GOVERNMENTAL FUND BALANCES**

As of April 30, 2023, governmental fund balances are classified as follows:

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Totals</u>
Restricted For:			
Streets And Roads		\$ 27,433	\$ 27,433
Total Restricted	\$ 0	<u>27,433</u>	<u>27,433</u>
Committed	10,031		10,031
Unassigned	<u>106,677</u>		<u>106,677</u>
Total Fund Balances	<u>\$ 116,708</u>	<u>\$ 27,433</u>	<u>\$ 144,141</u>

**NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated the effects of subsequent events on the financial statements through December 22, 2023, which is the date the financial statements were available to be issued and determined that no other disclosures were required for the financial statements.