

VILLAGE OF DONNELSON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2021

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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NOTES TO THE 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 May 13, 2020.

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 the provision of 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 the provision of 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.

VILLAGE OF DONNELSON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
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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 on 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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NOTES TO THE FINANCIAL STATEMENTS
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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.

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.

VILLAGE OF DONNELSON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
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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.

New Accounting Pronouncements

Effective May 1, 2020, the Village adopted the provisions of GASB Statement No. 83, Certain Asset Retirement Obligations (AROs), GASB Statement No. 84, Fiduciary Activities, and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

GASB Statement No. 83, Certain Asset Retirement Obligations (AROs), establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and expenses for asset retirement obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. The Village has determined that asset retirement obligations are not significant to these financial statements.

GASB Statement No. 84, Fiduciary Activities, establishes standards of accounting and financial reporting for fiduciary activities. The statement establishes criteria for identifying fiduciary activities, focusing on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The implementation of GASB Statement No. 84 had no impact on the financial statements of the Village for the year ended April 30, 2021.

The objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB statement No. 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The implementation of GASB Statement No. 88 resulted in changes to the long-term debt disclosure.

Reclassifications

Certain accounts related to the prior year have been restated to conform to the current year's presentation. The reclassifications have no effect on net position or fund balance.

NOTE 2. 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.

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NOTE 3. 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, 2021, in the accompanying financial statements is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Cash And Cash Equivalents	\$ 109,974	\$ 123,748
Savings Deposits - Certificates Of Deposit	22,839	3,370
Restricted Cash - Bond Reserve		28,361
Restricted Cash - Deposits		6,077
Total Cash And Cash Equivalents, Savings Deposits, And Restricted Cash	<u>\$ 132,813</u>	<u>\$ 161,556</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, 2021, 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>
Certificates Of Deposit	<u>\$ 26,209</u>	<u>\$ 26,209</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 \$286,209 and uninsured balances totaling \$8,749.

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	\$ 22,839
Bank of Hillsboro	Certificates Of Deposit	3,370

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 1st, and September 1st, 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 2019 and prior tax levies.

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NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
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	177,535	1,181		178,716
Buildings And Improvements	18,701	1,299		20,000
Machinery And Equipment	72,816	1,820		74,636
Total Accumulated Depreciation	<u>269,052</u>	<u>4,300</u>	<u>0</u>	<u>273,352</u>
Net Other Capital Assets	<u>57,906</u>	<u>(4,300)</u>	<u>0</u>	<u>53,606</u>
Net Capital Assets	<u>\$ 58,717</u>	<u>\$ (4,300)</u>	<u>\$ 0</u>	<u>\$ 54,417</u>
Business-Type Activities				
Other Capital Assets:				
Infrastructure	\$ 2,318,550			\$ 2,318,550
Machinery And Equipment	33,560	\$ 11,027		44,587
Total Depreciable Capital Assets	<u>2,352,110</u>	<u>11,027</u>	<u>\$ 0</u>	<u>2,363,137</u>
Accumulated Depreciation:				
Infrastructure	1,178,663	50,862		1,229,525
Machinery And Equipment	22,534	735		23,269
Total Accumulated Depreciation	<u>1,201,197</u>	<u>51,597</u>	<u>0</u>	<u>1,252,794</u>
Net Other Capital Assets	<u>1,150,913</u>	<u>(40,570)</u>	<u>0</u>	<u>1,110,343</u>
Net Capital Assets	<u>\$ 1,150,913</u>	<u>\$ (40,570)</u>	<u>\$ 0</u>	<u>\$ 1,110,343</u>
Depreciation was charged to functions as follows:				
Governmental Activities				
General Government		\$ 2,480		
Streets And Roads		1,820		
Total Governmental Activities Depreciation Expense		<u>\$ 4,300</u>		
Business-Type Activities				
Water		\$ 1,144		
Sewer		50,453		
Total Business-Type Activities Depreciation Expense		<u>\$ 51,597</u>		

VILLAGE OF DONNELLSON, ILLINOIS
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APRIL 30, 2021

NOTE 6. LONG-TERM DEBT

Business-Type Activities

The following is a summary of long-term debt transactions for the Village:

	May 1, 2020	Additions	Reductions	April 30, 2021	Due Within One Year
Direct Placement Bonds	\$ 340,000	\$ -	\$ 10,000	\$ 330,000	\$ 10,000

Annual debt service to maturity, include principal and interest, for long-term debt as of April 30, 2021, is as follows:

Year Ending April 30th	Principal	Interest	Total
2022	\$ 10,000	\$ 14,625	\$ 24,625
2023	10,000	14,175	24,175
2024	10,000	13,725	23,725
2025	10,000	13,275	23,275
2026	10,000	12,825	22,825
2027-2031	75,000	54,563	129,563
2032-2036	85,000	37,238	122,238
2037-2041	105,000	15,300	120,300
2042	15,000	674	15,674
Total	\$ 330,000	\$ 176,400	\$ 506,400

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 bond 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.

NOTE 7. LEGAL DEBT MARGIN

The legal debt margin for the Village was \$79,461 for general obligation debts. The computation was as follows:

Assessed Valuation, 2020 Levy	\$ 921,288
Statutory Rate	8.625%
Legal Debt Margin	\$ 79,461

The Village had no debt counting towards its legal debt margin for the year ended April 30, 2021.

VILLAGE OF DONNELLSON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. GOVERNMENTAL FUND BALANCES

As of April 30, 2021, governmental fund balances are classified as follows:

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Totals</u>
Restricted For:			
Audit	\$ 936		\$ 936
Streets And Roads	432	\$ 32,029	32,461
Total Restricted	<u>1,368</u>	<u>32,029</u>	<u>33,397</u>
Unassigned	<u>99,416</u>	<u>0</u>	<u>99,416</u>
Total Fund Balances	<u>\$ 100,784</u>	<u>\$ 32,029</u>	<u>\$ 132,813</u>

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2022, which is the date the financial statements were available to be issued. Management concluded that the following was a subsequent event:

As part of the American Rescue Plan Act (ARPA), the Village of Donnellson is eligible to receive \$26,536 in two installments of \$13,268. The first installment was received in the year ended April 30, 2022, and the second installment was received for the year ending April 30, 2023.