

Village of Herscher, Illinois
Annual Financial Statements
As of and for the Year Ended April 30, 2021

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Independent Auditor's Report

The Board of Trustees
Village of Herscher
Herscher, Illinois 60941

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit 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 Herscher, Illinois, as of April 30, 2021, 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*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Village's basic financial statements. The Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Tort Expenditures and Combining Statements and Individual Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Bourbonnais, Illinois
September 27, 2021

**VILLAGE OF HERSCHER, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2021**

Our discussion and analysis of the Village of Herscher's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2021 within the limitations of the Village's modified cash basis of accounting. Please read it in conjunction with the Village's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The Village's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$230,903 for the year resulting in an increase in total net position of 5.0% over the previous year. The increase in the Village's governmental activities net position was \$200,471, and the increase in business-type activities net position was \$30,432.
- The Village's General Fund ended the year with a fund balance of \$1,056,794, which is an increase from the prior year of \$48,439 or 4.8%.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board, as applicable to the Village's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (on pages 13-14) provide information about the activities of the Village government-wide (or "as a whole") and present a longer-term view of the Village's finances.

Fund Financial Statements: Fund financial statements (starting on page 15) focus on the individual parts of the Village government. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short-term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Village operates like businesses, such as the water, sewer and garbage services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This annual report includes Management's Discussion and Analysis and other supplementary schedules as listed in the Table of Contents. This other supplementary financial information is provided to address certain specific needs of various users of the Village's annual report.

Basis of Accounting

The Village has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Village's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions or events, except for certain modifications, such as the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statement for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion with this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The Village's Reporting Entity Presentation

This annual report includes all activities for which the Herscher Village Board is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government.

The primary government includes the following entities:

- The Village of Herscher

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the Village as a whole begins on page 6. The government-wide financial statements are presented on pages 13 and 14. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Village as a whole and its activities in a way that helps answer this question. These statements include all of the Village's assets, liabilities, and deferred inflows and outflows resulting from the use of the modified cash basis of accounting, as further defined in the notes to the financial statements.

These two statements report the Village's net position and changes therein. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Village's net position – the difference among assets and liabilities – as one way to measure the Village's financial health or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's sales tax base and the condition of the Village's roads, to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities, we divide the Village into two kinds of activities:

Governmental activities: Most of the Village's basic services are reported here, including the police, general administration, streets and parks. Sales taxes, state income taxes, property taxes, franchise fees and fines finance most of these activities.

Business-type activities: The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and garbage systems are reported here.

Reporting the Village's Most Significant Funds

The Fund Financial Statements

Fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the Village as a whole. Some funds are required to be established by State law or by bond covenants. However, the Village Board can establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The Village's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations. The Village considers the General and Motor Fuel Funds to be its significant, or major, governmental funds.

Proprietary funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated, and principal payments on long-term debt are reported as a reduction to the liability. In fact, the Village's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information, such as cash flows. The Village includes the activities of the Water Fund, the Sewer Fund, and the Garbage Fund in its proprietary fund.

The Village currently has no fiduciary funds. Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity, such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position – Modified Cash Basis

The Village's combined net position resulting from modified cash basis transactions or events increased from approximately \$4.6 million for fiscal year 2020 to \$4.9 million for fiscal year 2021. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities and business-type activities increased.

Changes from 2020 to 2021 reflect an increase of 5.1% in total net position with an increase of 9.2% for governmental activities and an increase of 1.5% for business-type activities.

<u>2021</u>	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and other assets	\$ 1,263,784	\$ 877,441	\$ 2,141,225
Capital assets, net	1,127,814	1,914,333	3,042,147
Total assets	<u>\$ 2,391,598</u>	<u>\$ 2,791,774</u>	<u>\$ 5,183,372</u>
Liabilities			
Current and other liabilities	\$ 373	\$ 6,904	\$ 7,277
Long-term debt	-	300,000	300,000
Total Liabilities	<u>\$ 373</u>	<u>\$ 306,904</u>	<u>\$ 307,277</u>
Net Position			
Net investment in capital assets	\$ 1,127,814	\$ 1,614,333	\$ 2,742,147
Restricted	206,617	-	206,617
Unrestricted	1,056,794	870,537	1,927,331
Total net position	<u>\$ 2,391,225</u>	<u>\$ 2,484,870</u>	<u>\$ 4,876,095</u>
<u>2020</u>	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and other assets	\$ 1,140,522	\$ 821,264	\$ 1,961,786
Capital assets, net	1,052,745	1,642,182	2,694,927
Total assets	<u>\$ 2,193,267</u>	<u>\$ 2,463,446</u>	<u>\$ 4,656,713</u>
Liabilities			
Current and other liabilities	\$ 2,513	\$ 9,008	\$ 11,521
Total Liabilities	<u>\$ 2,513</u>	<u>\$ 9,008</u>	<u>\$ 11,521</u>
Net Position			
Net investment in capital assets	\$ 1,052,745	\$ 1,642,182	\$ 2,694,927
Restricted	129,654	-	129,654
Unrestricted	1,008,355	812,256	1,820,611
Total net position	<u>\$ 2,190,754</u>	<u>\$ 2,454,438</u>	<u>\$ 4,645,192</u>

Net position of the Village's governmental activities increased 9.2% to \$2.39 million. However, \$1.33 million of this amount either is restricted regarding the purposes it can be used for or is invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted amounts reported at the end of this year were \$1,056,794.

Changes in Net Position – Modified Cash Basis

Net position of the primary government (resulting from modified cash basis transactions) changed as follows:

<u>For the year ended April 30, 2021</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 85,980	\$ 661,192	\$ 747,172
Operating grants and contributions	65,634	-	65,634
General revenues:			
Taxes	909,043	-	909,043
Interest	3,182	1,744	4,926
Rent	28,913	-	28,913
Miscellaneous	25,974	-	25,974
Total revenues	<u>1,118,726</u>	<u>662,936</u>	<u>1,781,662</u>
Expenses			
Governmental activities:			
General government	444,052	-	444,052
Public works	192,508	-	192,508
Public safety	205,782	-	205,782
Int charges	-	-	-
Parks	75,913	-	75,913
Business-type activities:			
Water	-	308,740	308,740
Sewer	-	196,706	196,706
Garbage	-	144,327	144,327
Total expenses	<u>918,255</u>	<u>649,773</u>	<u>1,568,028</u>
Excess before extraordinary items	200,471	13,163	213,634
Extraordinary item	<u>-</u>	<u>17,269</u>	<u>17,269</u>
Increase (decrease) in net position	200,471	30,432	230,903
Net position - beginning of year	<u>2,190,754</u>	<u>2,454,438</u>	<u>4,645,192</u>
Net position - end of year	<u>\$ 2,391,225</u>	<u>\$ 2,484,870</u>	<u>\$ 4,876,095</u>

<u>For the year ended April 30, 2020</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 78,880	\$ 624,542	\$ 703,422
Operating grants and contributions	1,175	-	1,175
General revenues:			
Taxes	791,343	-	791,343
Interest	15,853	7,564	23,417
Rent	28,347	-	28,347
Miscellaneous	20	-	20
Total revenues	<u>915,618</u>	<u>632,106</u>	<u>1,547,724</u>
Expenses			
Governmental activities:			
General government	234,399	-	234,399
Public works	237,629	-	237,629
Public safety	272,521	-	272,521
Parks	87,659	-	87,659
Business-type activities:			
Water	-	293,168	293,168
Sewer	-	231,623	231,623
Garbage	-	119,508	119,508
Total expenses	<u>832,208</u>	<u>644,299</u>	<u>1,476,507</u>
Increase (decrease) in net position	83,410	(12,193)	71,217
Net position - beginning of year	<u>2,107,344</u>	<u>2,466,631</u>	<u>4,573,975</u>
Net position - end of year	<u>\$ 2,190,754</u>	<u>\$ 2,454,438</u>	<u>\$ 4,645,192</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the Village's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

The Village's governmental activities were funded as follows for fiscal year ending April 30, 2021 in comparison to the fiscal year ending April 30, 2020.

Sources of Funds for Governmental Activities

	2021		2020	
Property taxes	\$ 97,973	8.8%	\$ 97,133	10.6%
Sales tax	437,185	39.0%	372,680	40.8%
State income tax	182,389	16.3%	172,440	18.8%
Other taxes	191,496	17.1%	149,090	16.3%
Investment income	3,182	0.3%	15,853	1.7%
Charges for services	85,980	7.7%	78,880	8.6%
Operating grants and contributions	65,634	5.9%	1,175	0.1%
Other	54,887	4.9%	28,367	3.1%
	<u>\$ 1,118,726</u>	<u>100.0%</u>	<u>\$ 915,618</u>	<u>100.0%</u>

Use of Funds in Governmental Activities

	2021		2020	
General Government	\$ 444,052	48.3%	\$ 234,399	28.2%
Public Works	192,508	21.0%	237,629	28.6%
Public Safety	205,782	22.4%	272,521	32.7%
Parks	75,913	8.3%	87,659	10.5%
	<u>\$ 918,255</u>	<u>100.0%</u>	<u>\$ 832,208</u>	<u>100.0%</u>

For the year ended April 30, 2021, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$918,255. Of these total expenses, \$151,614 was funded by those directly benefiting from the program or grants, leaving \$766,641 to be funded by taxpayers and other general revenue.

For the year ended April 30, 2020, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$832,208. Of these total expenses, \$80,055 was funded by those directly benefiting from the program or grants, leaving \$752,153 to be funded by taxpayers and other general revenue.

Business-Type Activities

The business-type activities' net revenue resulting from modified cash basis transactions increased in total during fiscal year 2021.

Net operating (expense)/revenue

	2021	2020
Water	\$ 25,150	\$ 17,486
Sewer	974	(43,025)
Garbage	(14,705)	5,782
Total	<u>\$ 11,419</u>	<u>\$ (19,757)</u>

Charges for services for both water and sewer increased by approximately \$36,000 due to an increase in water consumption while expenses remained steady over the prior year.

FINANCIAL ANALYSIS OF VILLAGE'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues of \$1,009,362 and expenditures of \$960,923, resulting in an increase in fund balance of \$48,439. Revenues increased by \$153,237 while expenditures increased by \$135,567. The most significant increases in revenues resulted from an increase in sales tax of \$65,000, new COVID-related grant funding of \$65,000, and insurance proceeds of \$20,000. The Village spent \$100,000 on storm damage clean-up and \$121,000 on park improvements which contributed to the increase in expenditures.
- The Motor Fuel Tax Fund's increase of almost \$50,000 in revenues was primarily due to Rebuild Illinois funds in the amount of \$35,000 and renewal fund allotments of over \$23,000.

General Fund Budgetary Highlights

For the year ended April 30, 2021, General Fund Expenditures were \$197,987 below final appropriations, while actual revenues were \$330,182 above the final budgeted amount. Sales tax revenues were significantly higher than budgeted amounts and the COVID-related grant was not budgeted. The Village conservatively appropriated more for expenditures than what was expected to be incurred.

Fund Balances - Governmental Funds

For the year ended April 30, 2021, the Village's governmental funds reported total fund balances on a modified cash basis of \$1,263,411, of which \$206,617 was restricted for specific purposes, leaving a remaining amount of \$1,056,794 as unassigned.

CAPITAL ASSET ADMINISTRATION

Capital Assets – Modified Cash Basis

At April 30, 2021, the Village had \$3.0 million invested in capital assets, net of depreciation, including police equipment, buildings, park facilities, water lines, water towers, and sewer lines. (See table below for comparison between 2021 and 2020). More detailed information can be found in Note 3 to the financial statements.

Primary Government Capital Assets – Modified Cash Basis
(Net of accumulated depreciation)

<u>2021</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land and non-depreciable assets	\$ -	\$ 37,333	\$ 37,333
Buildings and improvements	689,831	1,621,451	2,311,282
Equipment	161,578	255,549	417,127
Vehicles	4,943	-	4,943
Infrastructure	271,462	-	271,462
Total	<u>\$ 1,127,814</u>	<u>\$ 1,914,333</u>	<u>\$ 3,042,147</u>

<u>2020</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Land and non-depreciable assets	\$ 26,749	\$ 54,930	\$ 81,679
Buildings and improvements	606,305	1,488,264	2,094,569
Equipment	119,864	98,988	218,852
Vehicles	6,921	-	6,921
Infrastructure	292,906	-	292,906
Total	<u>\$ 1,052,745</u>	<u>\$ 1,642,182</u>	<u>\$ 2,694,927</u>

This year's more significant capital asset additions included: 1) installation of new iron filters and softeners at the Water Treatment Plant, 2) the completion of the installation of the new digital message center, 3) the installation of a new storm sewer on Jeanette Street, 4) the completion of the Village Park Improvement project and 5) the construction of a retaining wall at the Lift Station on the Herscher Road.

LONG-TERM LIABILITIES

At the end of the current fiscal year, the Village had total long-term liabilities outstanding of \$300,000. The Village had no outstanding long-term liabilities as of April 30, 2020. To fund the water plant improvements, the Village obtained a note payable during fiscal year 2021 of \$300,000.

The following schedule shows the Village's long-term liabilities

Business-type activities	
Balance April 30, 2020	\$ -
Balance April 30, 2021	\$300,000

More detailed information about the Village's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending April 30, 2022, the Village's budget will increase in six departments and decrease in one. Comparing last fiscal year's projected expenses with this fiscal year, the largest increases are in Sewer and MFT. The General Fund's expenses are projected

down 2.34% over FY 20-21 while its revenue is projected up 20.24% due to the anticipation of stimulus funds the Village should receive.

The Sewer Fund expenses are projected up 243.77% due to the large Sewer Plant repair project being undertaken on Tank #3. However with the anticipated income yet to come from the insurance carrier our anticipated revenue in Sewer is up 224.82%. MFT Fund expenses are also projected up at 126.47% due to the planned overlay on Vernon Street. One thing to note is our anticipated expenses in the Water Fund are down 60.18% from FY 20-21. Our projected revenues in the Water Fund are up 5.93% over FY 20-21. In the upcoming FY 21-22 we begin making annual payments on the \$300,000 loan we secured from the State Bank of Herscher for the Water Treatment Plant Improvements.

Overall, our budgeted expenses are projected up 9.23% from FY 20-21 budgeted expenses and budgeted revenue for all the funds is projected up 43.80% from FY 20-21 budgeted revenue. We have strong beginning balances in all the funds that total over \$2.1 million.

The Village plans to use Motor Fuel Tax Funds and overlay Vernon Street.

The Village will see the completion of repairs to Tank #3 at the Sewer Plant which was caused by storm damage.

The Village plans to construct a new Press Box at the Village Park ball field.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Village Clerk's Office
272 East Second Street
Herscher, IL 60941
Herschervillage@netscape.net
(815) 426-2131

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

General Fund – This is the general operating fund of the Village. It accounts for and reports all financial resources not accounted for and reported in another fund.

Motor Fuel Tax Fund – This fund receives and accounts for the Village’s share of motor fuel taxes from the State of Illinois.

Proprietary funds are used to account for those Village activities that are similar to those often found in the private sector. The Village has presented the following major proprietary fund:

Utilities Fund – The fund is used to account for water, sewer, and garbage services to residents of the Village and other commercial users.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred.

Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Village utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgets

The Village Board receives a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified cash basis of accounting. A public hearing is conducted to obtain taxpayer comments. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. Responsibility for control of and amendments to the budget rests with the Village Board. No supplemental appropriations were necessary during the year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village considers all highly liquid assets (including restricted assets) with original maturities of three months or less to be cash equivalents.

Investments

Money market mutual funds (The Illinois Funds) are carried at amortized cost. See Note 2.

Capital Assets

The Village's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary funds and whether they are reported in the government-wide or fund financial statements.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004, are recorded at cost.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Donated capital assets do not result from a cash transaction and therefore are not reported.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 - \$10,000, depending on the department, is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	50-70 years
Improvements other than buildings	20-30 years
Machinery, furniture, equipment, and vehicles	4-20 years
Sewers, water tower and treatment plant	20-40 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported in liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported in expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position/Fund Balance Classifications

Government-Wide Statements

Net Position is classified and displayed in three components:

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. *Restricted.* Consists of restricted assets reduced by liabilities with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Village's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental Funds - The difference among assets and liabilities of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

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

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Village. Commitments may be established, modified, or rescinded only through resolutions approved by the Village Board.

Assigned - Amounts constrained by the Village's intent to be used for specific purposes but that are neither restricted nor committed. Intent may be expressed by the Village Board.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Unassigned - The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

It is the Village's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

It is also Village policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

Proprietary Funds - The difference among assets and liabilities of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

Operating Revenue and Expenses

The Proprietary Fund distinguishes 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 are charges to customers for water, sewer, and garbage services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Tax Revenues

Property taxes are recognized in the year in which taxes have been received. Property taxes are levied on the basis of a calendar year with a January 1 lien date. The certificate of tax levy is filed annually on or before the last Tuesday in December based on the assessed valuation as of April 1 of the same year. Taxes are due in the following year in two equal installments, one in June and the other in September, with distribution to the Village coming shortly thereafter and continuing through January of the ensuing year. Property taxes levied in 2019 and collected in 2020 are recorded as revenues for fiscal year ended April 30, 2021.

Internal and Interfund Balances and Activities

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported in the fund financial statements. Interfund loans are amounts provided with a requirement for repayment and are reported as due to/from other funds.

Interfund activity and balances resulting from cash transactions or events, if any, are eliminated or reclassified in the government-wide financial statements.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Internal balances are amounts reported in the fund financial statements as due to/from other funds and are eliminated in the "Governmental" and "Business-Type Activities" columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Village to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

The Village has adopted a formal written investments and cash management policy.

The Village is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6). The institutions in which investments are made must be approved by the Village Board.

Authorized investment officers shall not invest in tri-party repurchase agreements or derivative products and will not leverage assets through reverse repurchase agreements.

Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, the Village shall not purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of the Village unless the instruments and the transaction meet the requirements of section 2(h) of the Illinois Public Funds Investment Act.

Repurchase agreements may be executed only with approved financial institutions or broker/dealers meeting the Village's established standard, which shall include a mutual execution of a master repurchase agreement adopted by the Village.

At April 30, 2021, the Village's investments were comprised solely of The Illinois Funds in the amount of \$16,283.

The Illinois Funds is a local government investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The Illinois Funds uses amortized cost, which is the share price, to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. The Illinois Funds does not place any limitations or restrictions on withdrawals. The Illinois Funds has a credit rating of AAAM from Standard & Poor's (S&P).

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 2 – Deposits and Investments (Continued)

The Illinois Funds invests in those investments authorized by the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2). Audited financial statements for The Illinois Funds are available at www.illinoistreasurer.gov.

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligation. State law limits investments in commercial paper, corporate bonds, and mutual funds to the three top ratings issued by standard rating services. The Village's investment policy further limits its investment choices.

Concentration of Credit Risk and Interest Rate Risk: The Village's investment policy states that the investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In order to properly manage any risk attendant to the investment of Village assets, the portfolio shall not exceed the following diversification limits unless specifically authorized by the Village:

- a) The Village shall seek to achieve diversification in the portfolio by distributing investment amounts in authorized investment categories among financial institutions, issuers, and broker/dealers;
- b) The investment portfolio shall at no time hold time deposits constituting more than ten percent (10%) of any single financial institution's total deposits;
- c) No investment category shall exceed forty percent (40%) of the Village's portfolio, with the exception of cash equivalents and treasury securities;
- d) The Village shall invest the majority of Village funds in authorized investments of less than one year maturity. No investment shall exceed two (2) years' maturity.

Custodial Credit Risk. With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the Village's deposits may not be returned to it.

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Village's policy regarding collateral states that collateralization will be required above depository insured amounts on both deposits and repurchase agreements. Deposits shall be collateralized with securities approved by the Village with a market value equal to at least 110% of deposits in excess of insured amounts per institution. Repurchase agreements shall be collateralized by direct treasury securities with a market value equal to at least 102% of the value of the repurchase agreement. The deposits in financial institutions were insured or collateralized with collateral held by the Village's agent in the Village's name.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 3 – Capital Assets

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

	Balances April 30, 2020	Additions and Reclassifications	Retirements and Reclassifications	Balances April 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 26,749	\$ -	\$ 26,749	\$ -
Total capital assets not being depreciated	<u>\$ 26,749</u>	<u>\$ -</u>	<u>\$ 26,749</u>	<u>\$ -</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 880,277	\$ 124,040	\$ -	\$ 1,004,317
Equipment	345,549	61,538	-	407,087
Vehicles	305,054	-	-	305,054
Infrastructure	467,155	-	-	467,155
Total capital assets being depreciated:	<u>1,998,035</u>	<u>185,578</u>	<u>-</u>	<u>2,183,613</u>
Less accumulated depreciation for:				
Buildings and improvements	273,972	40,514	-	314,486
Equipment	225,685	19,824	-	245,509
Vehicles	298,133	1,978	-	300,111
Infrastructure	174,249	21,444	-	195,693
Total accumulated depreciation	<u>972,039</u>	<u>83,760</u>	<u>-</u>	<u>1,055,799</u>
Depreciable capital assets, net	<u>\$ 1,025,996</u>	<u>\$ 101,818</u>	<u>\$ -</u>	<u>\$ 1,127,814</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 29,065	\$ -	\$ -	\$ 29,065
Assets not yet in service	25,865	8,268	25,865	8,268
Total capital assets not being depreciated	<u>\$ 54,930</u>	<u>\$ 8,268</u>	<u>\$ 25,865</u>	<u>\$ 37,333</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,394,983	\$ 484,513	\$ -	\$ 3,879,496
Equipment	291,519	166,750	-	458,269
Total capital assets being depreciated	<u>3,686,502</u>	<u>651,263</u>	<u>-</u>	<u>4,337,765</u>
Less: accumulated depreciation for:				
Building and improvements	1,906,719	351,326	-	2,258,045
Equipment	192,531	10,189	-	202,720
Total accumulated depreciation	<u>2,099,250</u>	<u>361,515</u>	<u>-</u>	<u>2,460,765</u>
Depreciable capital assets, net	<u>\$ 1,587,252</u>	<u>\$ 289,748</u>	<u>\$ -</u>	<u>\$ 1,877,000</u>

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 3 – Capital Assets (Continued)

Depreciation for the year ended April 30, 2021, was charged as follows to the following functions:

Utilities - Water	\$ 51,973
Utilities - Sewer	12,807
Utilities - Garbage	-
Administration	15,453
Parks	28,871
Public Safety	5,009
Public Works	34,427
Total	<u>\$ 148,540</u>

A tank at the wastewater treatment plant was determined to be impaired during fiscal year ending April 30, 2021 (see Note 11). To recognize the effect of the impairment, accumulated depreciation was increased by \$296,735, which was the amount of the impairment.

Note 4 – Long Term Liabilities

A summary of the changes in long-term liabilities is as follows:

	<u>Balances BOY</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances EOY</u>	<u>Due Within One Year</u>
Business-type activities:					
Direct borrowings:					
Notes payable	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ 33,331
Total direct borrowings	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 33,331</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 33,331</u>

Long-term liabilities are comprised of the following:

Business-type Activities:

\$300,000 State Bank of Herscher Note dated August 5, 2020

Due August 5, 2028 with an interest rate of 3.390%

\$300,000

This note is secured by the general assets of the Village.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 4 – Long Term Liabilities (Continued)

The annual requirements to amortize business-type activities notes payable outstanding at April 30, 2021 are as follows:

Year Ending April 20,	Notes Payable		
	Principal	Interest	Total
2022	\$ 33,331	\$ 10,200	\$ 43,531
2023	34,464	9,067	43,531
2024	35,636	7,895	43,531
2025	36,848	6,683	43,531
2026	38,101	5,430	43,531
2027-2029	121,620	8,342	129,962
	<u>\$ 300,000</u>	<u>\$ 47,617</u>	<u>\$ 347,617</u>

Note 5 – Restricted Fund Balance and Net Position

Restricted fund balances and net position consist of the following:

Motor Fuel Tax Funds (enabling legislation) – street improvements \$206,617

Note 6 – Sales Tax Agreements

The Village is authorized by the State of Illinois under 65 ILCS 5/8-11-20 to enter into economic incentive agreements in order to encourage the development or re-development of land within their corporate limits.

The Village has sales tax rebate agreements with Donald Busch and Country Chevrolet.

The agreement with Donald Busch was entered into on January 1, 2003 and runs for a period of 20 years. Under the agreement, the Village rebates to Busch 50% of the sales taxes it receives over a base amount of \$16,134. During fiscal year 2021, this rebate amounted to \$-0-.

The Village entered into an agreement with Country Chevrolet on December 17, 2012, for a term of 120 months ending on December 31, 2022. The Village will rebate to Country Chevrolet 50% of the sales taxes generated from Country Chevrolet between the years 2013 to 2017 and 40% between the years 2018 to 2022. During fiscal year 2021, this rebate amounted to \$89,833.

The Village is within the Kankakee River Valley Enterprise Zone, created under the Illinois Enterprise Zone Act (20 ILCS 655), and participates in the five-year tax abatement program for industrial and manufacturing projects. As of April 30, 2021, no enterprise zone tax has been abated.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 7 - Operating Lease

In November 2010, the Village entered into an agreement with Verizon Wireless which allowed Verizon Wireless to use the Village's water tower to install, maintain and operate radio communications equipment, antennas, and appurtenances. The lease agreement provides for an annual rental of \$24,000 with a 2% increase each anniversary of the commencement date. The initial term was five years, and the agreement shall be automatically extended for four additional five-year terms. The lessee may terminate the agreement by giving the Village written notice of the intent to terminate at least six months prior to the end of the then-current term. The Village received \$28,913 in rent during fiscal year 2021 under this agreement.

The future minimum rentals to be received under this lease as of April 30, 2021 are as follows:

Fiscal year ending April 30,	
2022	\$ 29,451
2023	30,040
2024	30,641
2025	31,254
2026	31,879
	<u>\$ 153,265</u>

Note 8 – Pension Plan

IMRF Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 8 – Pension Plan (Continued)

Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings.

Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired *on or after* January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2020, the following employees were covered by the benefit terms:

Retirees and beneficiaries	6
Inactive, non-retired members	4
Active members	<u>7</u>
Total	<u><u>17</u></u>

Contributions

As set by statute, the Village’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village’s annual contribution rate for calendar year 2020 was 6.19% and for 2021 is 6.31%. For the fiscal year ended April 30, 2021, the Village contributed \$20,732 to the plan which was reported as an expense. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 9 – 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.

The Village, through participation in the Illinois Counties Risk Management Trust (ICRMT), a public entity risk pool, insures all major areas of risk. The ICRMT was formed for the purpose of establishing a joint self-insurance fund to provide, on behalf of the participants, for the defense and payment of claims and losses covered under the agreement.

The Village's costs are determined and apportioned among the participants by the Trust's Executive Board in its sole discretion. Factors include, but are not limited to, claims experience investment income, costs, and expenses of the ICRMT as a whole, and each participant's own claims experience.

Each participant agrees to abide by rules and regulations which are promulgated by the Executive Board for the administration of the ICRMT, including initiating and maintaining a safety program which is designed to prevent or reduce claims or losses within the scope of coverage. No participant shall be responsible for any defense or losses of, or claims against, any other participant.

There were no significant reductions in insurance coverage during the year, and there were no settlements that exceeded insurance coverage during the last three years.

Note 10 – Other Post-Employment Benefits

Plan Description

Under Public Act 06-1444, the Village, an IMRF employer, is required to offer the same health insurance to disabled members, retirees, and surviving spouses eligible for IMRF benefits at the same premium rate as active employees. The plan does not have a trust fund and therefore does not issue a separate publicly available report.

Funding Policy

The Village requires retirees to contribute 100% of the premium for their desired coverage. The premiums established for the group contain an implied rate subsidy through the blended premium covering all current employees and retirees. No actuarial valuation was performed to determine the amount of such subsidy.

Contributions

Because the retiree premium is paid entirely by the retiree contributions, there is no net cash outflow by the village in regard to the plan benefits for retirees.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2021

Note 11 – Extraordinary Item

In May 2020, a tank at the wastewater treatment plant was damaged due to extreme flooding in a nearby creek caused by a storm. The estimated restoration costs are \$767,464. Because the event was both unusual and infrequent, it is considered an extraordinary item for financial reporting purposes. An impairment loss in the amount of \$296,735 was calculated. The Village received insurance proceeds in the amount of \$314,004, resulting in a gain of \$17,269 for fiscal year ending April 30, 2021. This gain is reported as an extraordinary item on the Statement of Activities and the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. No significant restoration costs were incurred during fiscal year ended April 30, 2021. After restoration is complete, the Village expects to receive additional insurance proceeds to cover the difference between total costs and proceeds already received.

Note 12 – Subsequent Events

Since April 30, 2021, The Village has approved the following bids: \$727,604 for wastewater treatment plant repairs and improvements and \$103,034 for work on Vernon Street to be paid for with Motor Fuel Tax Funds.

The Village has been awarded \$204,460 of federal American Rescue Plan Act relief funds through the Illinois Department of Commerce and Economic Opportunity. The village received half of the amount in August 2021.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Most Recent Calendar Years

Calendar year ended December 31,	2020	2019	2018	2017	2016
Total pension liability					
Service Cost	\$ 33,288	\$ 30,648	\$ 28,091	\$ 33,838	\$ 35,338
Interest on the total pension liability	77,229	71,132	66,990	62,685	57,195
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience of the total pension liability	1,116	19,678	648	29,956	17,165
Changes of assumptions	(9,733)	-	28,755	(30,554)	-
Benefit payments, including refunds of employee contributions	(39,115)	(38,260)	(37,400)	(33,892)	(37,603)
Net change in total pension liability	62,785	83,198	87,084	62,033	72,095
Total pension liability - beginning	1,068,138	984,940	897,856	835,823	763,728
Total pension liability - ending (A)	\$ 1,130,923	\$ 1,068,138	\$ 984,940	\$ 897,856	\$ 835,823
Plan fiduciary net position					
Contributions - Employer	\$ 20,392	\$ 16,925	\$ 20,251	\$ 25,541	\$ 24,809
Contributions - Employees	14,825	14,619	13,745	13,699	13,387
Net investment income	159,206	177,833	(53,713)	145,400	50,208
Benefit payments, including refunds of employee contributions	(39,115)	(38,260)	(37,400)	(33,892)	(37,603)
Other/net transfer	6,949	3,546	15,200	(3,584)	61,583
Net change in plan fiduciary net position	162,257	174,663	(41,917)	147,164	112,384
Plan fiduciary net position - beginning	1,126,214	951,551	993,468	846,304	733,920
Plan fiduciary net position - ending (B)	\$ 1,288,471	\$ 1,126,214	\$ 951,551	\$ 993,468	\$ 846,304
Net pension liability (asset) - ending (A - B)	\$ (157,548)	\$ (58,076)	\$ 33,389	\$ (95,612)	\$ (10,481)
Plan fiduciary net position as a percentage of the total pension liability	113.93%	105.44%	96.61%	110.65%	101.25%
Covered payroll	\$ 329,442	\$ 324,875	\$ 293,081	\$ 304,433	\$ 297,482
Net pension liability (asset) as a percentage of covered payroll	-47.82%	-17.88%	11.39%	-31.41%	-3.52%

Notes:

IMRF Net Pension Liability: The Village's net pension liability was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2020 IMRF annual actuarial valuation report.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Most Recent Fiscal Years

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2021	\$ 20,732	\$ 20,732	\$ -	\$ 333,359	6.22%
2020	\$ 17,983	\$ 17,983	\$ -	\$ 325,896	5.52%
2019	\$ 19,491	\$ 19,491	\$ -	\$ 307,021	6.35%
2018	\$ 22,284	\$ 22,284	\$ -	\$ 281,033	7.93%
2017	\$ 26,443	\$ 26,443	\$ -	\$ 316,398	8.36%

Notes:

A detailed description of the actuarial assumptions and methods can be found in the annual GASB 68 accounting schedules prepared by a third party.

VILLAGE OF HERSCHER, ILLINOIS
Supplementary Information
As of and for the year ended April 30, 2021

Tort Expenditures

Disclosure of Tort Expenditures under PA 91-0628:

Illinois Counties Risk Management Trust \$50,060

Village of Herscher, Illinois
Balance Sheet - Modified Cash Basis
General Fund
April 30, 2021
(With comparative totals for 2020)

Schedule 1

	<u>2021</u>	<u>2020</u>
Assets		
Cash in bank	\$ 1,050,640	\$ 312,715
Investments	<u>6,527</u>	<u>698,153</u>
Total assets	<u><u>\$ 1,057,167</u></u>	<u><u>\$ 1,010,868</u></u>
 Liabilities and Fund Balance		
Liabilities:		
Accounts payable	<u>\$ 373</u>	<u>\$ 2,513</u>
Total liabilities	<u>373</u>	<u>2,513</u>
Fund balance:		
Unassigned	<u>1,056,794</u>	<u>1,008,355</u>
Total fund balance	<u>1,056,794</u>	<u>1,008,355</u>
Total liabilities and fund balance	<u><u>\$ 1,057,167</u></u>	<u><u>\$ 1,010,868</u></u>

Village of Herscher, Illinois
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Modified Cash Basis
Budget and Actual - General Fund
For the year ended April 30, 2021
(With comparative totals for 2020)

Schedule 2

	Budget	Actual	
		2021	2020
Revenues:			
Property taxes	\$ 98,300	\$ 97,973	\$ 97,133
State replacement taxes	35,000	50,892	53,975
State income taxes	137,000	182,389	172,440
Sales taxes	273,000	437,185	372,420
Telecommunications tax	18,000	17,757	19,146
Video gaming tax	5,000	12,679	18,456
Cannabis tax	1,100	1,300	260
Grants	-	65,634	-
Licenses and permits	9,725	13,875	10,591
Franchise agreements	18,000	19,736	20,046
Fines	1,100	619	1,100
Refunds and reimbursements	50,500	51,750	47,143
Rent	28,300	28,913	28,347
Interest	4,005	2,686	13,873
Other	150	6,228	1,195
Total revenues	<u>679,180</u>	<u>989,616</u>	<u>856,125</u>
Expenditures:			
Administration	319,950	401,850	255,385
Public works	251,375	125,680	142,421
Public safety	340,185	262,311	297,114
Parks	217,400	171,082	130,436
Contingencies	30,000	-	-
Total expenditures	<u>1,158,910</u>	<u>960,923</u>	<u>825,356</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(479,730)	28,693	30,769
Other financing sources (uses):			
Insurance recoveries	-	19,746	-
Net change in fund balance	<u>\$ (479,730)</u>	48,439	30,769
Fund balance, beginning of the year		<u>1,008,355</u>	<u>977,586</u>
Fund balance, end of year		<u>\$ 1,056,794</u>	<u>\$ 1,008,355</u>

Village of Herscher, Illinois
Schedule of Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the year ended April 30, 2021
(With comparative totals for 2020)

Schedule 2A

	Budget	Actual	
		2021	2020
Expenditures:			
Administration:			
Personnel	\$ 106,900	\$ 96,408	\$ 89,105
Contractual services	73,750	165,389	56,338
Commodities	6,000	5,017	5,916
Capital outlay	39,700	34,789	29,719
Other	81,600	100,247	74,307
Contingencies	12,000	-	-
Total administration	<u>319,950</u>	<u>401,850</u>	<u>255,385</u>
Public works:			
Personnel	28,900	26,635	22,925
Contractual services	123,950	72,093	102,875
Commodities	16,925	10,098	7,947
Capital outlay	56,000	16,542	6,785
Other	9,600	312	1,889
Contingencies	16,000	-	-
Total public works	<u>251,375</u>	<u>125,680</u>	<u>142,421</u>
Public safety:			
Personnel	235,100	208,213	210,899
Contractual services	54,350	40,627	39,462
Commodities	19,935	12,297	13,835
Capital outlay	12,000	876	31,928
Other	5,800	298	990
Contingencies	13,000	-	-
Total public safety	<u>340,185</u>	<u>262,311</u>	<u>297,114</u>
Parks:			
Personnel	16,850	11,719	11,991
Contractual services	57,200	29,841	38,759
Commodities	15,550	5,482	14,374
Capital outlay	121,000	124,040	65,212
Other	800	-	100
Contingencies	6,000	-	-
Total parks	<u>217,400</u>	<u>171,082</u>	<u>130,436</u>
Contingencies	30,000	-	-
Total expenditures	<u>\$ 1,158,910</u>	<u>\$ 960,923</u>	<u>\$ 825,356</u>

Village of Herscher, Illinois
Balance Sheet - Modified Cash Basis
Motor Fuel Tax Fund
April 30, 2021
(With comparative totals for 2020)

Schedule 3

	<u>2021</u>	<u>2020</u>
Assets		
Cash in bank	\$ 204,204	\$ 47,369
Investments	<u>2,413</u>	<u>82,285</u>
Total assets	<u><u>\$ 206,617</u></u>	<u><u>\$ 129,654</u></u>
 Fund Balance		
Restricted fund balance	<u>\$ 206,617</u>	<u>\$ 129,654</u>
Total fund balance	<u><u>\$ 206,617</u></u>	<u><u>\$ 129,654</u></u>

Village of Herscher, Illinois
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Modified Cash Basis
Budget and Actual - Motor Fuel Tax Fund
For the year ended April 30, 2021
(With comparative totals for 2020)

Schedule 4

	Budget	Actual	
		2021	2020
Revenues:			
State of Illinois	\$ 82,000	\$ 108,868	\$ 57,513
Interest	800	496	1,980
Total revenues	<u>82,800</u>	<u>109,364</u>	<u>59,493</u>
Expenditures:			
Streets and alleys:			
Contractual services	<u>79,000</u>	<u>32,401</u>	<u>67,599</u>
Total expenditures	<u>79,000</u>	<u>32,401</u>	<u>67,599</u>
Net change in fund balance	<u>\$ 3,800</u>	76,963	(8,106)
Fund balance, beginning of year		<u>129,654</u>	<u>137,760</u>
Fund balance, end of year		<u>\$ 206,617</u>	<u>\$ 129,654</u>

Village of Herscher, Illinois
Combining Statement of Net Position - Modified Cash Basis
Proprietary Fund
April 30, 2021
(With comparative totals for 2020)

Schedule 5

	Utilities Fund			Totals	
	Water	Sewer	Garbage	2021	2020
Assets					
Cash in bank	\$ 273,448	\$ 560,828	\$ 35,822	\$ 870,098	\$ 433,444
Investments	4,946	2,397	-	7,343	387,820
Total current assets	<u>278,394</u>	<u>563,225</u>	<u>35,822</u>	<u>877,441</u>	<u>821,264</u>
Capital assets					
Non-depreciable capital assets	8,268	29,065	-	37,333	54,930
Depreciable capital assets	2,797,465	1,537,738	2,562	4,337,765	3,686,502
Less accumulated depreciation	<u>(1,321,199)</u>	<u>(1,137,004)</u>	<u>(2,562)</u>	<u>(2,460,765)</u>	<u>(2,099,250)</u>
Total capital assets	<u>1,484,534</u>	<u>429,799</u>	<u>-</u>	<u>1,914,333</u>	<u>1,642,182</u>
Total assets	<u>\$ 1,762,928</u>	<u>\$ 993,024</u>	<u>\$ 35,822</u>	<u>\$ 2,791,774</u>	<u>\$ 2,463,446</u>
Liabilities					
Current liabilities:					
Employee withholdings	\$ (624)	\$ (224)	\$ (48)	\$ (896)	\$ 908
Customer deposits	7,800	-	-	7,800	8,100
Loan payable-current	<u>33,331</u>	<u>-</u>	<u>-</u>	<u>33,331</u>	<u>-</u>
Total current liabilities	<u>40,507</u>	<u>(224)</u>	<u>(48)</u>	<u>40,235</u>	<u>9,008</u>
Long-term liabilities:					
Loan payable, net of current portion	<u>266,669</u>	<u>-</u>	<u>-</u>	<u>266,669</u>	<u>-</u>
Total long-term liabilities	<u>266,669</u>	<u>-</u>	<u>-</u>	<u>266,669</u>	<u>-</u>
Total liabilities	<u>307,176</u>	<u>(224)</u>	<u>(48)</u>	<u>306,904</u>	<u>9,008</u>
Net Position					
Net investment in capital assets	1,184,534	429,799	-	1,614,333	1,642,182
Unrestricted	<u>271,218</u>	<u>563,449</u>	<u>35,870</u>	<u>870,537</u>	<u>812,256</u>
Total net position	<u>1,455,752</u>	<u>993,248</u>	<u>35,870</u>	<u>2,484,870</u>	<u>2,454,438</u>
Total liabilities and net position	<u>\$ 1,762,928</u>	<u>\$ 993,024</u>	<u>\$ 35,822</u>	<u>\$ 2,791,774</u>	<u>\$ 2,463,446</u>

Village of Herscher, Illinois
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund
For the year ended April 30, 2021
(With comparative totals for 2020)

Schedule 6

	Enterprise Fund			Totals	
	Water	Sewer	Garbage	2021	2020
Operating revenues:					
Water receipts	\$ 332,640	\$ -	\$ -	\$ 332,640	\$ 307,686
Deposits and hookups	1,250	1,750	-	3,000	6,000
Sewer receipts	-	195,930	-	195,930	185,098
Garbage receipts	-	-	129,622	129,622	125,290
Other income	-	-	-	-	468
Total operating revenue	<u>333,890</u>	<u>197,680</u>	<u>129,622</u>	<u>661,192</u>	<u>624,542</u>
Operating expenses:					
Salaries and benefits	118,400	47,734	657	166,791	159,439
Contractual services	19,349	27,340	142,841	189,530	192,174
Maintenance	49,851	57,413	-	107,264	111,401
Utilities	13,633	24,904	-	38,537	37,407
Materials and supplies	39,655	16,920	-	56,575	40,200
Other operating expenses	15,879	9,588	829	26,296	28,238
Depreciation	51,973	12,807	-	64,780	75,440
Total operating expenses	<u>308,740</u>	<u>196,706</u>	<u>144,327</u>	<u>649,773</u>	<u>644,299</u>
Operating income (loss)	<u>25,150</u>	<u>974</u>	<u>(14,705)</u>	<u>11,419</u>	<u>(19,757)</u>
Non-operating revenue (expense)					
Interest income	884	802	58	1,744	7,564
Net non-operating revenue (expense)	<u>884</u>	<u>802</u>	<u>58</u>	<u>1,744</u>	<u>7,564</u>
Income (loss) before extraordinary item	26,034	1,776	(14,647)	13,163	(12,193)
Extraordinary item (Note 11)	-	17,269	-	17,269	-
Change in net position	<u>26,034</u>	<u>19,045</u>	<u>(14,647)</u>	<u>30,432</u>	<u>(12,193)</u>
Net position, beginning of year	<u>1,429,718</u>	<u>974,203</u>	<u>50,517</u>	<u>2,454,438</u>	<u>2,466,631</u>
Net position, end of year	<u>\$ 1,455,752</u>	<u>\$ 993,248</u>	<u>\$ 35,870</u>	<u>\$ 2,484,870</u>	<u>\$ 2,454,438</u>