

Village of Herscher, Illinois
Annual Financial Statements
As of and for the Year Ended April 30, 2024

VILLAGE OF HERSCHER, ILLINOIS
Annual Financial Statements
As of and for the year ended April 30, 2024

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Independent Auditor's Report

The Board of Trustees
Village of Herscher
Herscher, Illinois 60941

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Herscher, Illinois, as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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, 2024, 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 for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Herscher, Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—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.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Herscher, Illinois' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Herscher, Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Herscher, Illinois' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Herscher, Illinois' basic financial statements. The Combining Statements and Individual Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Tort Expenditures but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

SKDO, P.C.

Bourbonnais, Illinois
August 26, 2024

Village of Herscher, Illinois
Statement of Net Position - Modified Cash Basis
April 30, 2024

Exhibit A

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,111,058 | \$ 265,234 | \$ 1,376,292 |
| Investments | 646,318 | 53,757 | 700,075 |
| Capital assets | | | |
| Non-depreciable capital assets | - | 29,065 | 29,065 |
| Depreciable capital assets, net | 1,726,610 | 3,165,373 | 4,891,983 |
| Total assets | <u>3,483,986</u> | <u>3,513,429</u> | <u>6,997,415</u> |
| Liabilities | | | |
| Accounts payable and accrued expenses | (4,047) | 505 | (3,542) |
| Customer deposits | - | 9,750 | 9,750 |
| Long-term liabilities: | | | |
| Due within one year | - | 36,848 | 36,848 |
| Due in more than one year | - | 159,720 | 159,720 |
| Total liabilities | <u>(4,047)</u> | <u>206,823</u> | <u>202,776</u> |
| Net Position | | | |
| Net investment in capital assets | 1,726,610 | 2,997,870 | 4,724,480 |
| Restricted for: | | | |
| Streets | 239,412 | - | 239,412 |
| Unrestricted | 1,522,011 | 308,736 | 1,830,747 |
| Total net position | <u>\$ 3,488,033</u> | <u>\$ 3,306,606</u> | <u>\$ 6,794,639</u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Statement of Activities - Modified Cash Basis
For the year ended April 30, 2024

Exhibit B

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | Expenses | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 384,610 | \$ 36,999 | \$ - | \$ - | \$ (347,611) | \$ - | \$ (347,611) |
| Public safety | 364,801 | 62,551 | - | - | (302,250) | - | (302,250) |
| Public works | 177,603 | - | - | - | (177,603) | - | (177,603) |
| Parks | 166,006 | - | - | - | (166,006) | - | (166,006) |
| Total governmental activities | <u>1,093,020</u> | <u>99,550</u> | <u>-</u> | <u>-</u> | <u>(993,470)</u> | <u>-</u> | <u>(993,470)</u> |
| Business-type activities: | | | | | | | |
| Water | 318,960 | 338,713 | - | - | - | 19,753 | 19,753 |
| Sewer | 263,551 | 201,579 | - | - | - | (61,972) | (61,972) |
| Garbage | 148,378 | 142,547 | - | - | - | (5,831) | (5,831) |
| Total business-type activities | <u>730,889</u> | <u>682,839</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(48,050)</u> | <u>(48,050)</u> |
| Total | <u>\$ 1,823,909</u> | <u>\$ 782,389</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(993,470)</u> | <u>(48,050)</u> | <u>(1,041,520)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 106,214 | - | 106,214 |
| Sales tax | | | | | 607,216 | - | 607,216 |
| State income tax | | | | | 249,010 | - | 249,010 |
| Replacement, motor fuel, and other taxes | | | | | 225,197 | - | 225,197 |
| Interest | | | | | 75,539 | 5,793 | 81,332 |
| Rent | | | | | 21,651 | - | 21,651 |
| Miscellaneous | | | | | 76,473 | 96 | 76,569 |
| Transfers | | | | | (473,640) | 473,640 | - |
| Total general revenues | | | | | <u>887,660</u> | <u>479,529</u> | <u>1,367,189</u> |
| Change in net position | | | | | (105,810) | 431,479 | 325,669 |
| Net position-beginning | | | | | <u>3,593,843</u> | <u>2,875,127</u> | <u>6,468,970</u> |
| Net position - ending | | | | | <u>\$ 3,488,033</u> | <u>\$ 3,306,606</u> | <u>\$ 6,794,639</u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
 Balance Sheet -Modified Cash Basis - Governmental Funds
 April 30, 2024

Exhibit C

| | Major Funds | | |
|-------------------------------------|---------------------|---------------------------|--------------------------------|
| | General Fund | Motor Fuel Tax Fund | Total Governmental Funds |
| Assets | | | |
| Cash and cash equivalents | \$ 871,646 | \$ 239,412 | \$ 1,111,058 |
| Investments | 646,318 | - | 646,318 |
| Total assets | <u>\$ 1,517,964</u> | <u>\$ 239,412</u> | <u>\$ 1,757,376</u> |
| Liabilities | | | |
| Accounts payable | \$ (4,047) | \$ - | \$ (4,047) |
| Total liabilities | <u>(4,047)</u> | <u>-</u> | <u>(4,047)</u> |
| Fund Balance | | | |
| Restricted for: | | | |
| Street improvements | - | 239,412 | 239,412 |
| Unassigned | 1,522,011 | - | 1,522,011 |
| Total fund balances | <u>1,522,011</u> | <u>239,412</u> | <u>1,761,423</u> |
| Total liabilities and fund balances | <u>\$ 1,517,964</u> | <u>\$ 239,412</u> | <u>\$ 1,757,376</u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
April 30, 2024

Exhibit D

| | |
|---|---------------------|
| Total fund balances for governmental funds (Exhibit C) | \$ 1,761,423 |
| Total net position reported for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds. | <u>1,726,610</u> |
| Total net position of governmental activities (Exhibit A) | <u>\$ 3,488,033</u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Statement of Revenues, Expenditures and
Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the year ended April 30, 2024

Exhibit E

| | Major Funds | | Totals Governmental Funds |
|--|---------------------|---------------------------|---------------------------------|
| | General Fund | Motor Fuel Tax Fund | |
| Revenues: | | | |
| Taxes - property | \$ 106,214 | \$ - | \$ 106,214 |
| Intergovernmental: | | | |
| State replacement taxes | 112,138 | - | 112,138 |
| State income taxes | 249,010 | - | 249,010 |
| State sales tax | 607,216 | - | 607,216 |
| Telecommunications tax | 14,037 | - | 14,037 |
| Video gaming tax | 29,926 | - | 29,926 |
| Motor fuel tax | - | 66,736 | 66,736 |
| Cannabis tax | 2,360 | - | 2,360 |
| Licenses and permits | 17,421 | - | 17,421 |
| Franchise agreements | 19,578 | - | 19,578 |
| Fines | 2,638 | - | 2,638 |
| Refunds and reimbursements | 59,913 | - | 59,913 |
| Rent | 21,651 | - | 21,651 |
| Interest | 69,443 | 6,096 | 75,539 |
| Other | 76,473 | - | 76,473 |
| Total revenues | <u>1,388,018</u> | <u>72,832</u> | <u>1,460,850</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 350,396 | - | 350,396 |
| Public safety | 329,175 | - | 329,175 |
| Public works/transportation | 129,319 | - | 129,319 |
| Parks | 107,764 | - | 107,764 |
| Capital outlay | 400,401 | 50,101 | 450,502 |
| Total expenditures | <u>1,317,055</u> | <u>50,101</u> | <u>1,367,156</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>70,963</u> | <u>22,731</u> | <u>93,694</u> |
| Other financing sources (uses): | | | |
| Operating transfer out | <u>(473,640)</u> | <u>-</u> | <u>(473,640)</u> |
| Total other financing sources (uses) | <u>(473,640)</u> | <u>-</u> | <u>(473,640)</u> |
| Net change in fund balance | (402,677) | 22,731 | (379,946) |
| Fund balance, beginning of year | <u>1,924,688</u> | <u>216,681</u> | <u>2,141,369</u> |
| Fund balance, end of year | <u>\$ 1,522,011</u> | <u>\$ 239,412</u> | <u>\$ 1,761,423</u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended April 30, 2024

Exhibit F

| | |
|--|--------------|
| Net change in fund balances - total governmental funds (Exhibit E) | \$ (379,946) |
|--|--------------|

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---------------------------------------|-----------|
| Capital asset purchases capitalized | 416,438 |
| Depreciation expense | (131,727) |
| Gain/(loss) on sale of capital assets | (10,575) |

| | |
|---|----------------------------|
| Change in net position of governmental activities (Exhibit B) | <u><u>\$ (105,810)</u></u> |
|---|----------------------------|

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Statement of Fund Net Position - Modified Cash Basis
Proprietary Fund
Utilities Fund
April 30, 2024

Exhibit G

Assets

Current assets:

| | |
|----------------------|----------------|
| Cash | \$ 265,234 |
| Investments | 53,757 |
| Total current assets | <u>318,991</u> |

Capital assets:

| | |
|--------------------------------|--------------------|
| Non-depreciable capital assets | 29,065 |
| Depreciable capital assets | 5,795,648 |
| Less accumulated depreciation | <u>(2,630,275)</u> |
| Total capital assets | <u>3,194,438</u> |

| | |
|--------------|------------------|
| Total assets | <u>3,513,429</u> |
|--------------|------------------|

Liabilities

Current liabilities:

| | |
|-------------------------------|---------------|
| Accounts payable | 505 |
| Customer deposits | 9,750 |
| Notes payable due in one year | <u>36,848</u> |
| Total current liabilities | <u>47,103</u> |

Due subsequent to one year:

| | |
|-----------------------------|----------------|
| Notes payable | <u>159,720</u> |
| Total long-term liabilities | <u>159,720</u> |

| | |
|-------------------|----------------|
| Total liabilities | <u>206,823</u> |
|-------------------|----------------|

Net Position

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 2,997,870 |
| Unrestricted | <u>308,736</u> |

| | |
|--------------------|---------------------|
| Total net position | <u>\$ 3,306,606</u> |
|--------------------|---------------------|

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Statement of Revenues, Expenses and
Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund
Utilities Fund
For the year ended April 30, 2024

Exhibit H

| | |
|------------------------------------|----------------------------|
| <hr/> | |
| Operating revenues: | |
| Water, sewer, and garbage fees | \$ 682,008 |
| Other income | <u>927</u> |
| Total operating revenue | <u>682,935</u> |
| Operating expenses: | |
| Salaries and benefits | 181,831 |
| Contractual services | 193,282 |
| Maintenance | 83,967 |
| Utilities | 48,401 |
| Materials and supplies | 69,073 |
| Other operating expenses | 19,115 |
| Depreciation | <u>122,061</u> |
| Total operating expenses | <u>717,730</u> |
| Operating income (loss) | <u>(34,795)</u> |
| Nonoperating revenue (expense): | |
| Interest expense | (7,895) |
| Interest income | 5,793 |
| Gain (loss) on disposal of assets | (5,264) |
| Transfers | <u>473,640</u> |
| Net nonoperating revenue (expense) | <u>466,274</u> |
| Change in net position | 431,479 |
| Net position, beginning of year | <u>2,875,127</u> |
| Net position, end of year | <u><u>\$ 3,306,606</u></u> |

The accompanying notes are an integral part of the financial statements.

Village of Herscher, Illinois
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
Utilities Fund
For the year ended April 30, 2024

Exhibit I

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Customer receipts | \$ 683,985 |
| Payments to suppliers | (413,838) |
| Payments to employees | (180,885) |
| Net cash provided (used) by operating activities | <u>89,262</u> |
| Cash flows from noncapital financing activities: | |
| Transfers from (to) other funds | 473,640 |
| Net cash provided (used) by noncapital financing activities | <u>473,640</u> |
| Cash flows from capital and related financing activities: | |
| Principal and interest payments on long-term debt | (43,531) |
| Purchase of capital assets | (370,745) |
| Net cash provided (used) by capital and related financing activities | <u>(414,276)</u> |
| Cash flows from investing activities: | |
| Interest payments received | 5,793 |
| Net cash provided (used) by investing activities | <u>5,793</u> |
| Net increase (decrease) in cash and cash equivalents | 154,419 |
| Cash and cash equivalents, beginning of year | 164,572 |
| Cash and cash equivalents, end of year | <u>\$ 318,991</u> |
| Cash per Statement of Fund Net Position-Proprietary Fund | \$ 265,234 |
| Investments per Statement of Fund Net Position-Proprietary Fund | 53,757 |
| Total cash and cash equivalents, end of year | <u>\$ 318,991</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | \$ (34,795) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 122,061 |
| Changes in assets and liabilities: | |
| Increase (decrease) in employee withholdings | 946 |
| Increase (decrease) in customer deposits | 1,050 |
| Net cash provided (used) by operating activities | <u>\$ 89,262</u> |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 1 – Summary of Significant Accounting Policies

General

The Village of Herscher is a municipal corporation governed by an elected board. The Village provides the following services: public safety, parks and recreation, public works, and utilities including water, sewer, and garbage.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the Village of Herscher and any component units, of which there were none during the year. The criteria used to determine if a legally separate organization's financial statements should be included and the manner in which they should be displayed center on the nature of financial accountability. Among factors determining this financial accountability include the degree to which the governing body is controlled by the Village as manifested by the ability to appoint a majority of its voting board and approval of its budget, the degree to which it provides a financial benefit or burden to the Village, or the extent to which it is fiscally dependent.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities displays the direct expenses of a given function or segment and the associated program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements and all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The Village has presented the following major governmental funds:

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

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 – This 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, 2024

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 including leases receivable) 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 including lease 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.

New Accounting Pronouncements:

During the year, the Village implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This standard requires recognition of an intangible right of use asset and a related liability for software arrangements meeting certain criteria. Because the Village uses the modified cash basis of accounting and these arrangements constitute non-cash transactions, they are not reported on the Village's financial statements. The Village continues to recognize software expenses in the period paid, and therefore the implementation of the standard has no material effect on the financial statements.

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.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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 2022 and collected in 2023 are recorded as revenues for fiscal year ended April 30, 2024.

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.

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

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 AAA from Standard & Poor's (S&P).

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

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. At April 30, 2024, the Village's balances in these accounts were \$700,074.

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. At April 30, 2024, 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, 2024

Note 3 – Capital Assets

Capital asset activity for the year ended April 30, 2024, was as follows:

| | Balances April 30, <u>2023</u> | Additions and <u>Reclassifications</u> | Retirements and <u>Reclassifications</u> | Balances April 30, <u>2024</u> |
|---|--------------------------------------|--|--|--------------------------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$1,088,832 | \$117,459 | \$ - | \$1,206,291 |
| Equipment | 446,258 | 88,707 | 31,936 | 503,029 |
| Vehicles | 315,084 | - | - | 315,084 |
| Infrastructure | <u>769,684</u> | <u>210,272</u> | <u>-</u> | <u>979,956</u> |
| Total capital assets being depreciated | <u>2,619,858</u> | <u>416,438</u> | <u>31,936</u> | <u>3,004,360</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 400,987 | 49,995 | - | 450,982 |
| Equipment | 241,505 | 31,848 | 21,361 | 251,992 |
| Vehicles | 276,693 | 11,936 | - | 288,629 |
| Infrastructure | <u>248,199</u> | <u>37,948</u> | <u>-</u> | <u>286,147</u> |
| Total accumulated depreciation | <u>1,167,384</u> | <u>131,727</u> | <u>21,361</u> | <u>1,277,750</u> |
| Depreciable capital assets, net | <u>\$1,452,474</u> | <u>\$284,711</u> | <u>\$ 10,575</u> | <u>\$1,726,610</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 29,065 | \$ - | \$ - | \$ 29,065 |
| Assets not yet in service | <u>8,405</u> | <u>-</u> | <u>8,405</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>\$ 37,470</u> | <u>\$ -</u> | <u>\$ 8,405</u> | <u>\$ 29,065</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$5,117,819 | \$354,536 | \$ 85,656 | \$5,386,699 |
| Equipment | <u>463,340</u> | <u>24,614</u> | <u>79,005</u> | <u>408,949</u> |
| Total capital assets being Depreciated | <u>5,581,159</u> | <u>379,150</u> | <u>164,661</u> | <u>5,795,648</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,447,881 | 109,954 | 81,879 | 2,475,956 |
| Equipment | <u>219,730</u> | <u>12,107</u> | <u>77,518</u> | <u>154,319</u> |
| Total accumulated depreciation | <u>2,667,611</u> | <u>122,061</u> | <u>159,397</u> | <u>2,630,275</u> |
| Depreciable capital assets, net | <u>\$2,913,548</u> | <u>\$257,089</u> | <u>\$ 5,264</u> | <u>\$3,165,373</u> |

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 3 – Capital Assets (Continued)

Depreciation for the year ended April 30, 2024, was charged as follows to the following functions:

| | |
|-------------------|-------------------|
| Utilities – Water | \$ 50,312 |
| Utilities – Sewer | 71,749 |
| Administration | 17,547 |
| Parks | 40,616 |
| Public Safety | 20,018 |
| Public Works | <u>53,546</u> |
| Total | <u>\$ 253,788</u> |

Note 4 – Long Term Liabilities

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

| | Balances April 30, 2023 | Additions | Reductions | Balances April 30, 2024 | Due Within One Year |
|--------------------------------|----------------------------|-----------|------------------|----------------------------|------------------------|
| Business-type activities: | | | | | |
| Direct borrowings: | | | | | |
| Notes payable | \$ <u>232,204</u> | \$ - | \$ <u>35,636</u> | \$ <u>196,568</u> | \$ <u>36,848</u> |
| Total direct borrowings | \$ <u>232,204</u> | \$ - | \$ <u>35,636</u> | \$ <u>196,568</u> | \$ <u>36,848</u> |
| Total business-type activities | \$ <u>232,204</u> | \$ - | \$ <u>35,636</u> | \$ <u>196,568</u> | \$ <u>36,848</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%

\$196,568

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

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

| Year Ending April 30: | Notes Payable | | |
|-----------------------|------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2025 | \$ 36,848 | \$ 6,683 | \$ 43,531 |
| 2026 | 38,101 | 5,430 | 43,531 |
| 2027 | 39,396 | 4,135 | 43,531 |
| 2028 | 40,736 | 2,796 | 43,532 |
| 2029 | <u>41,487</u> | <u>1,411</u> | <u>42,898</u> |
| | <u>\$196,568</u> | <u>\$20,455</u> | <u>\$217,023</u> |

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

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 | <u>\$239,412</u> |
|---|------------------|

Note 6 – Interfund Transfers

During fiscal year 2024, the Village transferred \$473,640 from the General Fund to the Utilities Fund to cover operating expenses.

Note 7 – Tax Abatement

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 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. For the year ending April 30, 2024, no enterprise zone tax has been abated.

Note 8 – Lease Revenue

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. In September 2023, the Village and Verizon Wireless amended the agreement to reduce the annual rent to \$21,000, with a 2% increase in September 2024 and each anniversary of the commencement date thereafter. The Village received \$21,651 in rent during fiscal year 2024 under this agreement.

The future minimum rentals to be received under this lease as of April 30, 2024 are as follows:

| | |
|------|-----------------|
| 2025 | \$21,282 |
| 2026 | 21,708 |
| 2027 | 22,142 |
| 2028 | 22,585 |
| 2029 | <u>7,578</u> |
| | <u>\$95,295</u> |

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 9 – Other Revenue

In September 2023, the Village approved the development of a wind energy conversion system whereby the Village will receive a community donation in the amount of \$160,000 to be paid at various phases, and annual donations upon commercial operation in the amount of \$12,000. The term of the agreement is 38 years after the commercial operation date. The Village received \$60,000 of the donation during fiscal year 2024.

Note 10 – 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 Annual Comprehensive 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.

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

VILLAGE OF HERSCHER, ILLINOIS
Notes to Financial Statements
As of and for the year ended April 30, 2024

Note 10 – Pension Plan (Continued)

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, 2023, the following employees were covered by the benefit terms:

| | |
|-------------------------------|-----------|
| Retirees and beneficiaries | 8 |
| Inactive, non-retired members | 4 |
| Active members | <u>7</u> |
| Total | <u>19</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 2023 was 3.27% and for 2024 is 2.58%. For the fiscal year ended April 30, 2024, the Village contributed \$12,238 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.

Note 11 – 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, 2024

Note 12 – 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 13 – Commitments

In March 2024, the Village approved a bid of \$456,236 for a water main and storm sewer replacement project on Elm Street.

Village of Herscher, Illinois
Balance Sheet - Modified Cash Basis
General Fund
April 30, 2024
(With comparative totals for 2023)

Schedule 1

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 871,646 | \$ 1,315,286 |
| Investments | <u>646,318</u> | <u>612,388</u> |
| Total assets | <u><u>\$ 1,517,964</u></u> | <u><u>\$ 1,927,674</u></u> |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts payable | <u>\$ (4,047)</u> | <u>\$ 2,986</u> |
| Total liabilities | <u>(4,047)</u> | <u>2,986</u> |
| Fund balance: | | |
| Unassigned | <u>1,522,011</u> | <u>1,924,688</u> |
| Total fund balance | <u>1,522,011</u> | <u>1,924,688</u> |
| Total liabilities and fund balance | <u><u>\$ 1,517,964</u></u> | <u><u>\$ 1,927,674</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, 2024
(With comparative totals for 2023)

Schedule 2

| | Budget | Actual | |
|--|---------------------|---------------------|---------------------|
| | | 2024 | 2023 |
| Revenues: | | | |
| Property taxes | \$ 106,500 | \$ 106,214 | \$ 102,266 |
| State replacement taxes | 110,000 | 112,138 | 155,083 |
| State income taxes | 225,000 | 249,010 | 245,761 |
| Sales taxes | 460,000 | 607,216 | 610,185 |
| Telecommunications tax | 14,000 | 14,037 | 14,979 |
| Video gaming tax | 25,000 | 29,926 | 28,911 |
| Cannabis tax | 2,500 | 2,360 | 2,395 |
| Grants | - | - | 204,672 |
| Licenses and permits | 13,725 | 17,421 | 18,865 |
| Franchise agreements | 19,000 | 19,578 | 21,324 |
| Fines | 1,020 | 2,638 | 1,272 |
| Refunds and reimbursements | 53,000 | 59,913 | 52,169 |
| Rent | 30,500 | 21,651 | 30,080 |
| Interest | 18,006 | 69,443 | 25,609 |
| Other | 120,100 | 76,473 | 21,581 |
| Total revenues | <u>1,198,351</u> | <u>1,388,018</u> | <u>1,535,152</u> |
| Expenditures: | | | |
| Administration | 551,050 | 404,978 | 276,718 |
| Public works | 417,475 | 297,228 | 314,134 |
| Public safety | 403,835 | 357,926 | 299,839 |
| Parks | 207,600 | 256,923 | 85,785 |
| Contingencies | 30,000 | - | - |
| Total expenditures | <u>1,609,960</u> | <u>1,317,055</u> | <u>976,476</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (411,609) | 70,963 | 558,676 |
| Other financing sources (uses): | | | |
| Transfers | <u>-</u> | <u>(473,640)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (411,609)</u> | (402,677) | 558,676 |
| Fund balance, beginning of the year | | <u>1,924,688</u> | <u>1,366,012</u> |
| Fund balance, end of year | | <u>\$ 1,522,011</u> | <u>\$ 1,924,688</u> |

Village of Herscher, Illinois
Schedule of Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the year ended April 30, 2024
(With comparative totals for 2023)

Schedule 2A

| | Budget | Actual | |
|----------------------|---------------------|---------------------|-------------------|
| | | 2024 | 2023 |
| Expenditures: | | | |
| Administration: | | | |
| Personnel | \$ 118,350 | \$ 110,470 | \$ 98,758 |
| Contractual services | 100,150 | 70,145 | 50,320 |
| Commodities | 7,850 | 10,828 | 6,043 |
| Capital outlay | 27,500 | 54,582 | 15,858 |
| Other | 285,200 | 158,953 | 105,739 |
| Contingencies | 12,000 | - | - |
| Total administration | <u>551,050</u> | <u>404,978</u> | <u>276,718</u> |
| Public works: | | | |
| Personnel | 46,950 | 25,534 | 22,107 |
| Contractual services | 139,300 | 81,196 | 103,665 |
| Commodities | 17,825 | 11,567 | 6,538 |
| Capital outlay | 173,000 | 167,909 | 174,949 |
| Other | 20,400 | 11,022 | 6,875 |
| Contingencies | 20,000 | - | - |
| Total public works | <u>417,475</u> | <u>297,228</u> | <u>314,134</u> |
| Public safety: | | | |
| Personnel | 275,500 | 245,967 | 185,770 |
| Contractual services | 67,050 | 57,397 | 51,049 |
| Commodities | 24,585 | 23,469 | 14,899 |
| Capital outlay | 17,000 | 28,751 | 46,462 |
| Other | 6,700 | 2,342 | 1,659 |
| Contingencies | 13,000 | - | - |
| Total public safety | <u>403,835</u> | <u>357,926</u> | <u>299,839</u> |
| Parks: | | | |
| Personnel | 18,300 | 11,397 | 10,308 |
| Contractual services | 46,100 | 75,941 | 26,194 |
| Commodities | 30,000 | 18,426 | 14,134 |
| Capital outlay | 104,000 | 149,159 | 35,149 |
| Other | 3,200 | 2,000 | - |
| Contingencies | 6,000 | - | - |
| Total parks | <u>207,600</u> | <u>256,923</u> | <u>85,785</u> |
| Contingencies | 30,000 | - | - |
| Total expenditures | <u>\$ 1,609,960</u> | <u>\$ 1,317,055</u> | <u>\$ 976,476</u> |

Village of Herscher, Illinois
Balance Sheet - Modified Cash Basis
Motor Fuel Tax Fund
April 30, 2024
(With comparative totals for 2023)

Schedule 3

| | <u>2024</u> | <u>2023</u> |
|-------------------------|--------------------------|--------------------------|
| Assets | | |
| Cash in bank | <u>\$ 239,412</u> | <u>\$ 216,681</u> |
| Total assets | <u><u>\$ 239,412</u></u> | <u><u>\$ 216,681</u></u> |
| Fund Balance | | |
| Restricted fund balance | <u>\$ 239,412</u> | <u>\$ 216,681</u> |
| Total fund balance | <u><u>\$ 239,412</u></u> | <u><u>\$ 216,681</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, 2024
(With comparative totals for 2023)

Schedule 4

| | Budget | Actual | |
|---------------------------------|--------------------|-------------------|-------------------|
| | | 2024 | 2023 |
| Revenues: | | | |
| State of Illinois | \$ 64,000 | \$ 66,736 | \$ 80,444 |
| Interest | 400 | 6,096 | 389 |
| Total revenues | <u>64,400</u> | <u>72,832</u> | <u>80,833</u> |
| Expenditures: | | | |
| Streets and alleys: | | | |
| Contractual services | 18,000 | - | 6,849 |
| Capital outlay | <u>97,000</u> | <u>50,101</u> | <u>43,125</u> |
| Total expenditures | <u>115,000</u> | <u>50,101</u> | <u>49,974</u> |
| Net change in fund balance | <u>\$ (50,600)</u> | 22,731 | 30,859 |
| Fund balance, beginning of year | | <u>216,681</u> | <u>185,822</u> |
| Fund balance, end of year | | <u>\$ 239,412</u> | <u>\$ 216,681</u> |

Village of Herscher, Illinois
Combining Statement of Net Position - Modified Cash Basis
Proprietary Fund
April 30, 2024
(With comparative totals for 2023)

Schedule 5

| | Utilities Fund | | | Totals | |
|--------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
| | Water | Sewer | Garbage | 2024 | 2023 |
| Assets | | | | | |
| Cash in bank | \$ 108,292 | \$ 134,011 | \$ 22,931 | \$ 265,234 | \$ 113,637 |
| Investments | - | 53,757 | - | 53,757 | 50,935 |
| Total current assets | <u>108,292</u> | <u>187,768</u> | <u>22,931</u> | <u>318,991</u> | <u>164,572</u> |
| Capital assets | | | | | |
| Non-depreciable capital assets | - | 29,065 | - | 29,065 | 37,470 |
| Depreciable capital assets | 3,568,219 | 2,224,867 | 2,562 | 5,795,648 | 5,581,159 |
| Less accumulated depreciation | <u>(1,444,765)</u> | <u>(1,182,948)</u> | <u>(2,562)</u> | <u>(2,630,275)</u> | <u>(2,667,611)</u> |
| Total capital assets | <u>2,123,454</u> | <u>1,070,984</u> | <u>-</u> | <u>3,194,438</u> | <u>2,951,018</u> |
| Total assets | <u>\$ 2,231,746</u> | <u>\$ 1,258,752</u> | <u>\$ 22,931</u> | <u>\$ 3,513,429</u> | <u>\$ 3,115,590</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Employee withholdings | \$ 650 | \$ 168 | \$ (313) | \$ 505 | \$ (441) |
| Customer deposits | 9,750 | - | - | 9,750 | 8,700 |
| Loan payable-current | <u>36,848</u> | <u>-</u> | <u>-</u> | <u>36,848</u> | <u>35,636</u> |
| Total current liabilities | <u>47,248</u> | <u>168</u> | <u>(313)</u> | <u>47,103</u> | <u>43,895</u> |
| Long-term liabilities: | | | | | |
| Loan payable, net of current portion | <u>159,720</u> | <u>-</u> | <u>-</u> | <u>159,720</u> | <u>196,568</u> |
| Total long-term liabilities | <u>159,720</u> | <u>-</u> | <u>-</u> | <u>159,720</u> | <u>196,568</u> |
| Total liabilities | <u>206,968</u> | <u>168</u> | <u>(313)</u> | <u>206,823</u> | <u>240,463</u> |
| Net Position | | | | | |
| Net investment in capital assets | 1,926,886 | 1,070,984 | - | 2,997,870 | 2,718,814 |
| Unrestricted | <u>97,892</u> | <u>187,600</u> | <u>23,244</u> | <u>308,736</u> | <u>156,313</u> |
| Total net position | <u>2,024,778</u> | <u>1,258,584</u> | <u>23,244</u> | <u>3,306,606</u> | <u>2,875,127</u> |
| Total liabilities and net position | <u>\$ 2,231,746</u> | <u>\$ 1,258,752</u> | <u>\$ 22,931</u> | <u>\$ 3,513,429</u> | <u>\$ 3,115,590</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, 2024
(With comparative totals for 2023)

Schedule 6

| | Utilities Fund | | | Totals | |
|-------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
| | Water | Sewer | Garbage | 2024 | 2023 |
| Operating revenues: | | | | | |
| Water receipts | \$ 337,882 | \$ - | \$ - | \$ 337,882 | \$ 355,287 |
| Deposits and hookups | - | - | - | - | 6,000 |
| Sewer receipts | - | 201,579 | - | 201,579 | 204,998 |
| Garbage receipts | - | - | 142,547 | 142,547 | 141,333 |
| Other income | 831 | 96 | - | 927 | 882 |
| Total operating revenue | <u>338,713</u> | <u>201,675</u> | <u>142,547</u> | <u>682,935</u> | <u>708,500</u> |
| Operating expenses: | | | | | |
| Salaries and benefits | 95,879 | 82,191 | 3,761 | 181,831 | 216,232 |
| Contractual services | 24,777 | 25,258 | 143,247 | 193,282 | 165,902 |
| Maintenance | 61,648 | 22,319 | - | 83,967 | 41,808 |
| Utilities | 17,113 | 31,288 | - | 48,401 | 44,813 |
| Materials and supplies | 50,419 | 18,654 | - | 69,073 | 71,327 |
| Other operating expenses | 7,029 | 10,716 | 1,370 | 19,115 | 17,072 |
| Depreciation | 50,312 | 71,749 | - | 122,061 | 112,478 |
| Total operating expenses | <u>307,177</u> | <u>262,175</u> | <u>148,378</u> | <u>717,730</u> | <u>669,632</u> |
| Operating income (loss) | <u>31,536</u> | <u>(60,500)</u> | <u>(5,831)</u> | <u>(34,795)</u> | <u>38,868</u> |
| Non-operating revenue (expense) | | | | | |
| Interest expense | (7,895) | - | - | (7,895) | (9,067) |
| Interest income | 364 | 4,542 | 887 | 5,793 | 1,487 |
| Gain (loss) on disposal of assets | (3,888) | (1,376) | - | (5,264) | - |
| Transfers | 473,640 | - | - | 473,640 | - |
| Net non-operating revenue (expense) | <u>462,221</u> | <u>3,166</u> | <u>887</u> | <u>466,274</u> | <u>(7,580)</u> |
| Change in net position | 493,757 | (57,334) | (4,944) | 431,479 | 31,288 |
| Net position, beginning of year | 1,531,021 | 1,315,918 | 28,188 | 2,875,127 | 2,843,839 |
| Net position, end of year | <u>\$ 2,024,778</u> | <u>\$ 1,258,584</u> | <u>\$ 23,244</u> | <u>\$ 3,306,606</u> | <u>\$ 2,875,127</u> |

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

| Calendar year ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service Cost | \$ 31,143 | \$ 31,516 | \$ 31,891 | \$ 33,288 | \$ 30,648 |
| Interest on the total pension liability | 89,702 | 85,923 | 81,589 | 77,229 | 71,132 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience of the total pension liability | 69,914 | 3,850 | (6,792) | 1,116 | 19,678 |
| Changes of assumptions | (3,737) | - | - | (9,733) | - |
| Benefit payments, including refunds of employee contributions | (87,571) | (50,403) | (43,016) | (39,115) | (38,260) |
| Net change in total pension liability | 99,451 | 70,886 | 63,672 | 62,785 | 83,198 |
| Total pension liability - beginning | 1,265,481 | 1,194,595 | 1,130,923 | 1,068,138 | 984,940 |
| Total pension liability - ending (A) | \$ 1,364,932 | \$ 1,265,481 | \$ 1,194,595 | \$ 1,130,923 | \$ 1,068,138 |
| Plan fiduciary net position | | | | | |
| Contributions - Employer | \$ 12,062 | \$ 15,698 | \$ 20,397 | \$ 20,392 | \$ 16,925 |
| Contributions - Employees | 16,600 | 14,779 | 14,547 | 14,825 | 14,619 |
| Net investment income | 133,127 | (172,148) | 211,918 | 159,206 | 177,833 |
| Benefit payments, including refunds of employee contributions | (87,571) | (50,403) | (43,016) | (39,115) | (38,260) |
| Other/net transfer | 69,216 | 6,339 | 1,729 | 6,949 | 3,546 |
| Net change in plan fiduciary net position | 143,434 | (185,735) | 205,575 | 162,257 | 174,663 |
| Plan fiduciary net position - beginning | 1,308,311 | 1,494,046 | 1,288,471 | 1,126,214 | 951,551 |
| Plan fiduciary net position - ending (B) | \$ 1,451,745 | \$ 1,308,311 | \$ 1,494,046 | \$ 1,288,471 | \$ 1,126,214 |
| Net pension liability (asset) - ending (A - B) | \$ (86,813) | \$ (42,830) | \$ (299,451) | \$ (157,548) | \$ (58,076) |
| Plan fiduciary net position as a percentage of the total pension liability | 106.36% | 103.38% | 125.07% | 113.93% | 105.44% |
| Covered payroll | \$ 368,886 | \$ 328,418 | \$ 323,254 | \$ 329,442 | \$ 324,875 |
| Net pension liability (asset) as a percentage of covered payroll | -23.53% | -13.04% | -92.64% | -47.82% | -17.88% |

Notes:

IMRF Net Pension Liability: The Village's net pension liability was measured as of December 31, 2023. 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, 2023 IMRF annual actuarial valuation report.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Most Recent Fiscal Years

| Fiscal Year Ended April 30 | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|---|------------------------|--|--------------------|--|
| 2024 | \$ 12,238 | \$ 12,238 | \$ - | \$ 371,700 | 3.29% |
| 2023 | \$ 14,064 | \$ 14,064 | \$ - | \$ 319,557 | 4.40% |
| 2022 | \$ 19,541 | \$ 19,541 | \$ - | \$ 331,282 | 5.90% |
| 2021 | \$ 20,732 | \$ 20,732 | \$ - | \$ 333,359 | 6.22% |
| 2020 | \$ 17,983 | \$ 17,983 | \$ - | \$ 325,896 | 5.52% |

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, 2024

Tort Expenditures

Disclosure of Tort Expenditures under PA 91-0628:

Illinois Counties Risk Management Trust \$ 65,101