

VILLAGE OF POCAHONTAS, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED MARCH 31, 2022

DRAFT

VILLAGE OF POCAHONTAS, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Village of Pocahontas
Pocahontas, Illinois 62275

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Pocahontas, Illinois, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Village of Pocahontas, Illinois' 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 financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Pocahontas, Illinois, as of March 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Pocahontas, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Pocahontas, Illinois's 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 and *Government 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 and *Government 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 Pocahontas, Illinois's 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 Pocahontas, Illinois's 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Multiyear Schedule of Changes in Net Pension Liability and Related Ratios on page 31 and the Multiyear Schedule of Pension Contributions on page 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management’s Discussion and Analysis and Budgetary Comparison Information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pocahontas, Illinois’s basic financial statements. The Schedule of Revenue Bond Maturities and Related Interest is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue Bond Maturities and Related Interest 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. 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, the Schedule of Revenue Bond Maturities and Related Interest 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 introductory and statistical sections 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of the Village of Pocahontas, Illinois’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Pocahontas, Illinois’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Pocahontas, Illinois’s internal control over financial reporting and compliance.

Highland, IL
November 22, 2022

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

To the Board of Trustees
Pocahontas, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Pocahontas, Illinois, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise Village of Pocahontas, Illinois' basic financial statements and have issued our report thereon dated November 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Pocahontas, Illinois' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Pocahontas, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Pocahontas, Illinois' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness. (2022-1)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies. (2022-2 and 2022-3)

Report on Compliance and Other Matters

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

Village of Pocahontas, Illinois' Response to Findings

The Village of Pocahontas, Illinois, has not presented a response to the findings identified in our audit that generally accepted accounting principles has determined is necessary to supplement this report.

Purpose of This Report

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

Highland, IL
November 22, 2022

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF NET POSITION
MARCH 31, 2022

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash And Savings Deposits - Unrestricted	\$ 479,667	\$ 171,111	\$ 650,778
Cash And Savings Deposits - Restricted		101,068	101,068
Receivables (Net Of Allowance For Uncollectibles)			
Customer	6,753	31,327	38,080
Property Tax	100,722		100,722
Sales Tax	20,789		20,789
Income Tax	10,965		10,965
Replacement Tax	2,208		2,208
Motor Fuel Tax	2,610		2,610
Amusement Tax	5,209		5,209
Interest	350	650	1,000
Other	222		222
Prepaid Insurance	7,909	1,895	9,804
Due From Other Funds	231,234	(231,234)	0
Land	50,755	5,850	56,605
Capital Assets (Net Of Accumulated Depreciation)	222,125	782,644	1,004,769
Net Pension Asset	66,409	91,677	158,086
TOTAL ASSETS	<u>1,207,927</u>	<u>954,988</u>	<u>2,162,915</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Related To Pensions	33,192	45,821	79,013
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,241,119</u>	<u>\$ 1,000,809</u>	<u>\$ 2,241,928</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 13,260	\$ 11,956	\$ 25,216
Accrued Payroll And Compensated Absences	3,853	3,488	7,341
Customer Deposits		7,700	7,700
Interest Payable		8,490	8,490
Notes Payable, Due In More Than One Year		50,959	50,959
Bonds Payable, Due In One Year		17,000	17,000
Bonds Payable, Due In More Than One Year		549,000	549,000
TOTAL LIABILITIES	<u>17,113</u>	<u>648,593</u>	<u>665,706</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Property Tax	100,722		100,722
Related To Pensions	74,946	103,462	178,408
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>175,668</u>	<u>103,462</u>	<u>279,130</u>
 <u>NET POSITION</u>			
Net Investment In Capital Assets	272,880	171,535	444,415
Restricted	361,980	101,068	463,048
Unrestricted	413,478	(23,849)	389,629
TOTAL NET POSITION	<u>1,048,338</u>	<u>248,754</u>	<u>1,297,092</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,241,119</u>	<u>\$ 1,000,809</u>	<u>\$ 2,241,928</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
General Government	\$ 281,342	\$ 62,135	\$ 49,739	\$ (169,468)		\$ (169,468)
Public Safety	14,480	729		(13,751)		(13,751)
Highways And Streets	37,196		48,437	11,241		11,241
Total Governmental Activities	<u>333,018</u>	<u>62,864</u>	<u>98,176</u>	<u>(171,978)</u>	\$ 0	<u>(171,978)</u>
BUSINESS-TYPE ACTIVITIES:						
Water	153,028	165,613	15,000		27,585	27,585
Sewer	135,509	117,242			(18,267)	(18,267)
Total Business-Type Activities	<u>288,537</u>	<u>282,855</u>	<u>15,000</u>	<u>0</u>	<u>9,318</u>	<u>9,318</u>
Total Primary Government	<u>\$ 621,555</u>	<u>\$ 345,719</u>	<u>\$ 113,176</u>	<u>(171,978)</u>	<u>9,318</u>	<u>(162,660)</u>
GENERAL REVENUES:						
Taxes:						
Property Taxes, Levied For General Purposes				100,029		100,029
Intergovernmental				319,533		319,533
Miscellaneous				15,115	278	15,393
Interest Income				513	824	1,337
Operating Transfers				(68,429)	68,428	(1)
Total General Revenues				<u>366,761</u>	<u>69,530</u>	<u>436,291</u>
CHANGE IN NET POSITION				194,783	78,848	273,631
NET POSITION, BEGINNING				853,555	169,906	1,023,461
NET POSITION, ENDING				<u>\$ 1,048,338</u>	<u>\$ 248,754</u>	<u>\$ 1,297,092</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2022

	<u>GENERAL FUND</u>	<u>AUDIT FUND</u>	<u>INSURANCE FUND</u>	<u>MOTOR FUEL TAX FUND</u>	<u>RETIREMENT FUND</u>	<u>STREETS AND PARKS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>							
Cash And Savings Deposits	\$ 166,926	\$ 43,238	\$ 7,108	\$ 172,457	\$ 30,874	\$ 59,064	\$ 479,667
Receivables (Net Of Allowance For Uncollectibles):							
Property Tax	17,221	20,500	18,000		25,796	19,205	100,722
Sales Tax	20,789						20,789
Income Tax	10,965						10,965
Replacement Tax	2,208						2,208
Motor Fuel Tax				2,610			2,610
Amusement Tax	5,209						5,209
Customer	6,753						6,753
Interest				321		29	350
Other	222						222
Prepaid Insurance			6,327			1,582	7,909
Due From Other Funds	82,103	2,310	947	30,904	143,341	364,551	624,156
Total Assets	<u>\$ 312,396</u>	<u>\$ 66,048</u>	<u>\$ 32,382</u>	<u>\$ 206,292</u>	<u>\$ 200,011</u>	<u>\$ 444,431</u>	<u>\$ 1,261,560</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 9,127			1,012	\$ 1,092	\$ 2,029	\$ 13,260
Accrued Payroll	1,725						1,725
Due To Other Funds	34,244		\$ 3,298		274,937	80,443	392,922
Total Liabilities	<u>45,096</u>	<u>\$ 0</u>	<u>3,298</u>	<u>\$ 1,012</u>	<u>276,029</u>	<u>82,472</u>	<u>407,907</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Property Tax	17,221	20,500	18,000		25,796	19,205	100,722
<u>FUND BALANCES</u>							
Non-Spendable	82,103		6,327			1,582	90,012
Restricted		45,548	4,757	199,136			249,441
Assigned				6,144		341,172	347,316
Unassigned	167,976				(101,814)		66,162
Total Fund Balance (Deficit)	<u>250,079</u>	<u>45,548</u>	<u>11,084</u>	<u>205,280</u>	<u>(101,814)</u>	<u>342,754</u>	<u>752,931</u>
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	<u>\$ 312,396</u>	<u>\$ 66,048</u>	<u>\$ 32,382</u>	<u>\$ 206,292</u>	<u>\$ 200,011</u>	<u>\$ 444,431</u>	<u>\$ 1,261,560</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
MARCH 31, 2022

Total Fund Balances for Governmental Funds		\$ 752,931
Total Net Position reported for Governmental Activities in the Statement of Net Position is different because:		
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 50,755	
Buildings and improvements, net of accumulated depreciation	108,505	
Equipment, net of accumulated depreciation	<u>113,620</u>	
Total assets, net of accumulated depreciation		272,880
Certain assets applicable to the Village's governmental activities are not realizable in the current period and accordingly are not reported as fund assets. All assets, both current and long-term, are reported in the Statement of Net Position.		
		66,409
An accrual for compensated absences is applicable to the Village's governmental activities but is not due and payable in the current period and accordingly is not reported as fund liabilities.		
		(2,128)
Deferred outflows and inflows of resources related to defined benefit pensions are applicable to future periods and, therefore, are not reported in the funds. These consist of:		
Deferred Outflows of Resources Related to Pensions		33,192
Deferred Inflows of Resources Related to Pensions		<u>(74,946)</u>
Total Net Position of Governmental Activities		<u>\$ 1,048,338</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	GENERAL FUND	AUDIT FUND	INSURANCE FUND	MOTOR FUEL TAX FUND	RETIREMENT FUND	STREETS AND PARKS FUND	TOTAL GOVERNMENTAL FUNDS
Revenues:							
General Property Tax	\$ 16,797	\$ 20,693	\$ 18,168		\$ 26,037	\$ 18,334	\$ 100,029
Income Tax	107,514						107,514
Sales And Use Tax	135,172						135,172
Replacement Tax	10,571						10,571
Amusement Tax	65,108						65,108
Cannabis Tax	1,168						1,168
Rent	5,400						5,400
Licenses	2,700					389	3,089
Interest Income	74	4		\$ 336		99	513
Trash Service	53,646						53,646
Grants & Contributions	49,739			17,223			66,962
Miscellaneous Income	135		3		5	14,972	15,115
Fines						729	729
Motor Fuel Tax				31,214			31,214
Total Revenues	<u>448,024</u>	<u>20,697</u>	<u>18,171</u>	<u>48,773</u>	<u>26,042</u>	<u>34,523</u>	<u>596,230</u>
Expenditures:							
General Government	132,910	17,766	23,623		12,934	93,808	281,041
Public Safety						32,510	32,510
Highways And Streets				7,212		7,814	15,026
Capital Outlay	20,612					72,544	93,156
Total Expenditures	<u>153,522</u>	<u>17,766</u>	<u>23,623</u>	<u>7,212</u>	<u>12,934</u>	<u>206,676</u>	<u>421,733</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>294,502</u>	<u>2,931</u>	<u>(5,452)</u>	<u>41,561</u>	<u>13,108</u>	<u>(172,153)</u>	<u>174,497</u>
Other Financing Sources (Uses):							
Operating Transfers In			12,290		331	163,624	176,245
Operating Transfers Out	(199,710)		(1,562)		(10,022)	(33,380)	(244,674)
Total Other Financing Sources (Uses)	<u>(199,710)</u>	<u>0</u>	<u>10,728</u>	<u>0</u>	<u>(9,691)</u>	<u>130,244</u>	<u>(68,429)</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	94,792	2,931	5,276	41,561	3,417	(41,909)	106,068
Fund Balance (Deficit), Beginning Of Year	<u>155,287</u>	<u>42,617</u>	<u>5,808</u>	<u>163,719</u>	<u>(105,231)</u>	<u>384,663</u>	<u>646,863</u>
Fund Balance (Deficit), End Of Year	<u>\$ 250,079</u>	<u>\$ 45,548</u>	<u>\$ 11,084</u>	<u>\$ 205,280</u>	<u>\$ (101,814)</u>	<u>\$ 342,754</u>	<u>\$ 752,931</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 106,068
 Amounts reported for governmental activities in the Statements of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation expense exceeded capital outlay in the current period.	66,891
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	646
Governmental funds report the defined benefit pension contributions as expenditures. However in the Statement of Activities, the cost of defined benefit pension benefits earned net of employee contributions is reported as pension expense.	<u>21,180</u>
Change in Net Position of Governmental Activities	<u><u>\$ 194,785</u></u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
MARCH 31, 2022

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash And Savings Deposits	\$ 65,930	\$ 105,181	\$ 171,111
Receivables:			
Customer	18,311	13,016	31,327
Interest	137	513	650
Prepaid Insurance	949	946	1,895
Due From Other Funds	12,173		12,173
Total Current Assets	<u>97,500</u>	<u>119,656</u>	<u>217,156</u>
RESTRICTED ASSETS			
Cash	13,655	87,413	101,068
CAPITAL ASSETS			
Land		5,850	5,850
Other Capital Assets (Net Of Accumulated Depreciation)	158,437	624,207	782,644
OTHER ASSETS			
Net Pension Asset	45,607	46,070	91,677
TOTAL ASSETS	<u>315,199</u>	<u>883,196</u>	<u>1,198,395</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related To Pensions	22,795	23,026	45,821
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 337,994</u>	<u>\$ 906,222</u>	<u>\$ 1,244,216</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	\$ 11,956	\$	\$ 11,956
Accrued Payroll	1,744	1,744	3,488
Due To Other Funds	84,250	159,157	243,407
Interest Payable		8,490	8,490
Customer Deposit	3,850	3,850	7,700
Bonds Payable - Current Portion		17,000	17,000
Total Current Liabilities	<u>101,800</u>	<u>190,241</u>	<u>292,041</u>
LONG-TERM LIABILITIES			
Notes Payable - Net Of Current Portion		50,959	50,959
Bonds Payable - Net Of Current Portion		549,000	549,000
Total Liabilities	<u>101,800</u>	<u>790,200</u>	<u>892,000</u>
DEFERRED INFLOWS OF RESOURCES			
Related To Pensions	51,470	51,992	103,462
NET POSITION			
Net Investment In Capital Assets	158,437	13,098	171,535
Restricted	13,655	87,413	101,068
Unrestricted	12,632	(36,481)	(23,849)
Total Net Position	<u>184,724</u>	<u>64,030</u>	<u>248,754</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 337,994</u>	<u>\$ 906,222</u>	<u>\$ 1,244,216</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges For Services	\$ 165,613	\$ 117,242	\$ 282,855
OPERATING EXPENSES:			
Wages And Benefits	32,332	30,979	63,311
Supplies	12,262	1,915	14,177
Water Purchases	71,866		71,866
Operations	28,707	28,516	57,223
Depreciation	7,861	47,197	55,058
Total Operating Expenses	<u>153,028</u>	<u>108,607</u>	<u>261,635</u>
Operating Income (Loss)	<u>12,585</u>	<u>8,635</u>	<u>21,220</u>
NON-OPERATING REVENUE (EXPENSE):			
Grant Income	15,000		15,000
Miscellaneous Income	278		278
Interest Income	142	682	824
Interest Expense		(26,902)	(26,902)
Total Non-Operating Revenue (Expense)	<u>15,420</u>	<u>(26,220)</u>	<u>(10,800)</u>
OTHER FINANCING SOURCES:			
Operating Transfers Out	(1,297)	(1,297)	(2,594)
Operating Transfers In	51,730	19,292	71,022
	<u>50,433</u>	<u>17,995</u>	<u>68,428</u>
CHANGE IN NET POSITION	78,438	410	78,848
TOTAL NET POSITION, BEGINNING OF YEAR	<u>106,286</u>	<u>63,620</u>	<u>169,906</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 184,724</u>	<u>\$ 64,030</u>	<u>\$ 248,754</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2022

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received From Customers And Other Governments	\$ 167,650	\$ 118,410	\$ 286,060
Cash Payments To Employees For Wages And Benefits	(46,968)	(45,764)	(92,732)
Cash Payments For Goods And Services	(107,897)	(30,332)	(138,229)
Net Cash Provided By Operating Activities	<u>12,785</u>	<u>42,314</u>	<u>55,099</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Amount Received From Other Funds	<u>49,914</u>	<u>15,925</u>	<u>65,839</u>
Net Cash Provided By Non-Capital Financing Activities	<u>49,914</u>	<u>15,925</u>	<u>65,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Grant Receipt	15,000		15,000
Purchase Of Capital Assets	(56,473)	(66,381)	(122,854)
Aquisition Of Notes Payable		50,959	50,959
Repayments Of Bonds		(17,000)	(17,000)
Interest Paid		(27,157)	(27,157)
Net Cash Used In Capital And Related Financing Activities	<u>(41,473)</u>	<u>(59,579)</u>	<u>(101,052)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts Of Interest Income	<u>142</u>	<u>682</u>	<u>824</u>
Net Cash Provided By Investing Activities	<u>142</u>	<u>682</u>	<u>824</u>
NET INCREASE (DECREASE) IN CASH	21,368	(658)	20,710
CASH - BEGINNING OF YEAR	<u>58,217</u>	<u>193,252</u>	<u>251,469</u>
CASH - END OF YEAR	<u>\$ 79,585</u>	<u>\$ 192,594</u>	<u>\$ 272,179</u>
RECONCILIATION OF OPERATING TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income	\$ 12,585	\$ 8,635	\$ 21,220
Adjustments To Reconcile Operating Income To Net Cash Provided By (Used In) Operating Activities:			
Depreciation	7,861	47,197	55,058
Decrease In Accounts Receivable	1,384	797	2,181
Decrease In Prepaid Insurance	99	99	198
Increase In Net Pension Asset	(20,641)	(20,855)	(41,496)
Decrease In Pension Costs	6,096	6,157	12,253
Decrease In Accounts Payable	5,117	0	5,117
Increase In Accrued Payroll	(91)	(91)	(182)
Increase In Customer Deposits	375	375	750
Net Cash Provided By Operating Activities	<u>\$ 12,785</u>	<u>\$ 42,314</u>	<u>\$ 55,099</u>

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

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Pocahontas conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

(A) PRINCIPLES USED TO DETERMINE SCOPE OF ENTITY

The Village's reporting entity includes the Village's governing board and all related organizations for which the Village exercises significant influence.

The Village has developed criteria to determine whether outside agencies with activities which benefit the citizens of the Village should be included within its financial reporting entity. The criterion includes, but is not limited to, whether the Village exercises significant influence (which includes financial benefit or burden, appoints a voting majority, ability to significantly impose its will, and fiscal independence).

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

(B) FINANCIAL STATEMENT PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Village's funds are grouped into two broad fund categories and three generic fund types for financial statement presentation purposes. Governmental funds include the general and special revenue funds. Proprietary funds include enterprise funds.

(C) BASIS OF ACCOUNTING

(i) Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income tax, other gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures, under the accrual basis of accounting, are generally recognized when the related fund liability is incurred. Exception to this general rule includes accumulated unpaid sick pay, which was not accrued and is estimated to be immaterial.

All proprietary funds are accounted for using the accrual basis of accounting. They report charges for services as operating revenues, and items such as interest income as non-operating revenues. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The accounting policies of the Village of Pocahontas, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental program. Program revenues include charges paid by the recipients for the goods or services offered by the programs as well as grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Village.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(ii) Fund Financial Statements

Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on each fund as considered to be a major fund by the Village. For presentation in the financial statements, the Village has decided to treat all funds as major. All funds are presented in a separate column along with a total column.

The Village reports the following fund types:

General Fund To account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

The Village reports the following major special revenue governmental funds:

Audit Fund - To levy and pay for the required annual audit.

Insurance Fund - To levy and pay for the annual premium for insurance policies.

Motor Fuel Tax Fund - To collect the allotment of motor fuel tax and spend those monies on approved road improvements and maintenance.

Retirement Fund - To levy and pay for the expense of social security and IMRF contributions.

Streets & Parks Fund - To levy and collect related revenues and pay the expenses of improving and maintaining streets, parks, and police protection.

The Village reports the following major enterprise funds:

Water Fund To collect water service charges and pay for the expense of operating the system, retire bond indebtedness, and improve and maintain the current system.

Sewer Fund To collect sewer service charges and pay for the expense of operating the system, retire bond indebtedness, and improve and maintain the current system.

(iii) Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. The length of time to define available is 60 days or less. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Enterprise Funds

All enterprise funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus determines costs as a means of maintaining capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

(D) CASH

Cash is presented in the statement of cash flows and is defined as cash that carries an original maturity date of 90 days or less and savings deposits. Transactions involving savings deposits with maturity dates greater than 90 days are reflected in the statements of cash flows under the caption "Cash Flows From Investing Activities."

Restricted cash on the financial statements represents cash for sewer bond and interest, sewer depreciation and equipment replacement, reserve for sewer bond retirement, and reserve for water bond retirement. Restricted cash balances at March 31, 2022 are as follows:

Fund	Beginning Balance			Ending Balance
	April 1, 2021	Additions	Subtractions	March 31, 2022
Water Subordinate Lien	\$ 13,130	\$ 525		\$ 13,655
Sewer Depreciation	22,229	8		22,237
Sewer Bond Reserve	65,130	46		65,176
Total	<u>\$ 100,489</u>	<u>\$ 579</u>	<u>\$ 0</u>	<u>\$ 101,068</u>

(E) GOVERNMENTAL RECEIVABLES

Long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

(F) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(G) BUDGETS AND BUDGETARY ACCOUNTING

The Village budgets expenditures for the governmental funds using the cash basis of accounting. Under the cash basis, revenues are recognized when cash is received and expenditures are recognized when checks are issued. The budget, which was not amended, was adopted by the Board of Trustees on June 28, 2021.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) NET POSITION

The term net position refers to the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets is capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Village legislation or external restrictions by other governments, creditors or grantors. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Village applies the expense to restricted resources first.

(I) CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized for government-wide reporting purposes. The Village adopted a capitalization policy in September 2014 which establishes minimum capitalization thresholds for capitalizing fixed assets as follows: land/improvements, \$5,000; buildings/improvements, \$5,000; machinery/equipment/vehicles, \$1,000. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated fixed assets are reported at their fair value as of the date received. The Village has elected to not retroactively report infrastructure assets, as allowed for Phase III governments by GASB Statement 34.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the general capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 10 to 30 years; improvements, 10 to 30 years; infrastructure, 10 to 50 years; equipment/furniture, 3 to 20 years; vehicles, 5 to 10 years; software, 5 to 10 years.

(J) RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLES

Receivables include current billed amounts due on customer accounts, as well as various tax receivables (property, sales, income, replacement and motor fuel). Service receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectibles as of March 31, 2022 is \$202 for disposal receivables, \$1,096 for water receivables, and \$1,202 for sewer receivables.

(K) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period, and therefore, will not be recognized as an outflow of resources until that time. The government wide and enterprise fund statements report deferred outflows of resources related to the pension plan. This deferred outflow represents the combination of changes in assumptions and the difference between projected and actual earnings on pension plan investments to be recognized in a future period.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period, and therefore, will not be recognized as an inflow of resources (revenue) until that time.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government wide and enterprise fund statements also report deferred inflows of resources related to the pension plan. This deferred inflow represents the difference between expected and actual experience of the total pension liability to be recognized in a future period.

(L) INTERFUND ACTIVITY

Interfund debt exists on the governmental and enterprise fund statements to represent amounts loaned among funds. Money is loaned between funds to cover normal operating expenses in each respective fund. The Village of Pocahontas does not expect to pay these debts within one year unless surplus funds become available. Interfund receivable and payable balances at March 31, 2022 are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Streets And Parks Fund	\$ 48,630
General Fund	Water Fund	18,492
General Fund	Sewer Fund	14,981
Audit Fund	General Fund	2,310
Insurance Fund	General Fund	40
Insurance Fund	Streets And Parks Fund	909
Motor Fuel Tax Fund	Streets And Parks Fund	30,904
Retirement Fund	General Fund	25,895
Retirement Fund	Sewer Fund	55,972
Retirement Fund	Water Fund	55,062
Streets And Parks Fund	Retirement Fund	274,523
Streets And Parks Fund	Sewer Fund	79,334
Streets And Parks Fund	Water Fund	10,696
Water Fund	Insurance Fund	3,298
Water Fund	Sewer Fund	8,876

None of the following transfers were made for a specific purpose. The Village budgeted for several transfers to be made to provide for other governmental fund's operating expenses. Transfers occurring during the fiscal year ending March 31, 2022 are as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Streets And Parks Fund	General Fund	\$ 33,620
Insurance Fund	General Fund	12,290
Insurance Fund	Sewer Fund	1,297
Insurance Fund	Water Fund	1,297
Retirement Fund	Sewer Fund	4,292
Retirement Fund	Streets And Parks Fund	1,331
Sewer Fund	Streets And Parks Fund	15,000
Streets And Parks Fund	General Fund	160,800
Streets And Parks Fund	Insurance Fund	4,155
Water Fund	Streets And Parks Fund	45,000

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 2. FUND BALANCE REPORTING

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and how these balances are reported:

Nonspendable Fund Balance - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories or prepaid amounts. The consumption method is used to report prepaid insurance in the governmental funds. The Village had nonspendable funds of \$90,012 at fiscal year-end March 31, 2022.

Restricted Fund Balance - The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity, such as restrictions imposed by creditors, grantors, contributors, or law and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specific purposes. The Village has two special revenue sources received within different funds that fall into this category:

1. **Property Tax Levy** – Proceeds from this restricted tax levy are accounted for in the respective funds of the Village. Revenues received exceeded expenditures disbursed from tax levies, resulting in a restricted fund balance of \$45,548.
2. **Motor Fuel Taxes** - Proceeds from motor fuel taxes and the related expenditures have been included in the Motor Fuel Tax Fund. At March 31, 2022, revenues received exceeded expenditures disbursed from motor fuel taxes, resulting in a restricted fund balance of \$199,136.

Committed Fund Balance - The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (the Board of Trustees). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts. The Board of Trustees commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of March 31, 2022, there is no committed fund balance.

Assigned Fund Balance - The assigned fund balance classification refers to amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the Board of Trustees itself or (b) the finance committee, if applicable, to assign amounts to be used for specific purposes. The Village had \$347,316 of assigned fund balances as of March 31, 2022.

Unassigned Fund Balance - The unassigned fund balance classification is the residual classification in the General Operating Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. It also encompasses any other Governmental Fund with a negative fund balance at year end. The Village had 66,162 of unassigned fund balances as of March 31, 2022.

Expenditures of Fund Balance - As of March 31, 2022, the Village had not adopted a fund balance spending policy. GASB Statement No. 54 set the default spending policy for fund balance as follows: expenditures are spent from restricted fund balances first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, unless there are legal requirements that prohibit doing this. When restricted fund balances are not available, the default policy considers expenditures to be spent from committed fund balance first, then assigned and then unassigned. Expenditures for a specifically identified purpose will act to reduce the specific classification of the fund balance that is identified.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 3. CASH AND SAVINGS DEPOSITS

Cash and savings deposits, as of March 31, 2022, are classified in the accompanying financial statements as follows:

	Unrestricted	Restricted	Total
Checking	\$ 433,555	\$ 13,655	\$ 447,210
Savings	217,223	87,413	304,636
	\$ 650,778	\$ 101,068	\$ 751,846

The Village is authorized to invest in Certificates of Deposit, Treasury Bills, and other securities guaranteed by the U.S. Government, participation in the Illinois Funds program sponsored by the State of Illinois and obligations of any corporation wholly owned, directly or indirectly by the United States or any agency or instrumentality of the United States, so long as said obligations have an AAA investment rating. The Village should have funds available in order to meet liquidity needs for the current month plus one month and every effort should be made to maximize return on investments made. Cash and savings deposits are reported at cost plus accrued interest.

(A) INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by purchasing short-term investments only.

(B) CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Illinois Funds, the Village's state investment pool has earned Fitch's highest rating (AAAmmf).

(C) CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of March 31, 2022, cash balances are fully insured and collateralized.

The Village's deposit in the state investment pool is fully collateralized. The Village maintains a separate deposit account representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant's account. The Village's balance in the state investment pool as of March 31, 2022 was \$195,201.

NOTE 4. PROPERTY TAXES

The Village's property tax is levied each year, in December, on all taxable real property located in the Village. Property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments: November 16th and December 16th. The county bills and collects property taxes for the Village.

Property taxes are recorded at the time they are levied as current assets and also as a deferred inflow. Property tax revenues are recognized in the year in which they were intended to be available to finance expenditures. Tax revenues reflected in these financial statements are taxes collected on the 2021 levy.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 5. RISK OF LOSS

The Village of Pocahontas is exposed to risks of loss from normal items typically applicable to all municipalities. These include liability, worker's injury, property damage and others too numerous to mention. To reduce the Village's risk of loss from damages and claims, the Village is a participant in the Illinois Municipal League Risk Management Association. For an annual contribution, the League provides insurance coverage for property and liability claims. The League has more than 600 Illinois Municipals in the pool and has not assessed additional contributions from the Village to cover excess claims for the last ten years. For the year ended March 31, 2022, the Village of Pocahontas has not incurred or paid a claim. There is no indication from the League or the Village that there are any claims either existing or implied that would result in an additional liability to the Village as of March 31, 2022.

NOTE 6. EXCESS OF EXPENDITURES OVER BUDGETED OR NON-BUDGETED AMOUNTS
IN INDIVIDUAL FUNDS

As of March 31, 2022, the Village's expenses exceeded appropriations in the following funds:

Audit Fund	\$ 1,125
Insurance Fund	<u>7,395</u>
	<u>\$ 8,520</u>

NOTE 7. CAPITAL ASSETS

Summary of capital assets for governmental activities for the year:

	Beginning Balance	Increases	Decreases	Ending Balance
Not Being Depreciated:				
Land	\$ 50,755			\$ 50,755
Other Capital Assets:				
Buildings And Improvements	169,981	\$ 15,500		185,481
Equipment	<u>356,581</u>	<u>77,656</u>	\$ (1,194)	<u>433,043</u>
Subtotal	<u>526,562</u>	<u>93,156</u>	<u>(1,194)</u>	<u>618,524</u>
Accumulated Depreciation:				
Buildings And Improvements	70,564	6,412		76,976
Equipment	<u>300,762</u>	<u>19,855</u>	(1,194)	<u>319,423</u>
Subtotal	<u>371,326</u>	<u>26,267</u>	<u>(1,194)</u>	<u>396,399</u>
Net Other Capital Assets	<u>155,236</u>	<u>66,889</u>	0	<u>222,125</u>
Net Capital Assets	<u>\$ 205,991</u>	<u>\$ 66,889</u>	<u>\$ 0</u>	<u>\$ 272,880</u>

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 3,006
Public Safety	1,000
Highways And Streets	<u>22,261</u>
Total Government Activities Depreciation Expense	<u>\$ 26,267</u>

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 7. CAPITAL ASSETS (CONTINUED)

Summary of capital assets for business-type activities for the year:

	Beginning Balance	Increases	Decreases	Ending Balance
Not Being Depreciated:				
Land	\$ 5,850			\$ 5,850
Other Capital Assets:				
Equipment	310,397	\$ 102,783	(1,026)	412,154
Waterworks	652,200	20,032		672,232
Sewer System	1,680,614			1,680,614
Subtotal	2,643,211	122,815	\$ (1,026)	2,765,000
Accumulated Depreciation:				
Equipment	218,077	19,118	(1,026)	236,169
Waterworks	620,626	1,029		621,655
Sewer System	1,089,621	34,911		1,124,532
Subtotal	1,928,324	55,058	(1,026)	1,982,356
Net Other Capital Assets	714,887	67,757	0	782,644
Net Capital Assets	\$ 720,737	\$ 67,757	\$ 0	\$ 788,494

Depreciation was charged to functions as follows:

Business-Type Activities:

Water	\$ 7,861
Sewer	47,197
Total Business-Type Activities Depreciation Expense	<u>\$ 55,058</u>

NOTE 8. LEGAL DEBT LIMIT

The legal debt limit for the Village of Pocahontas is \$488,582 for general obligation debts. The computations are as follows:

Assessed Valuation, 2021 Levy	\$ 5,664,715
Statutory Debt Limitation (8.625% Of Assessed Valuation)	488,582
Less, Indebtedness March 31, 2022	0
Legal Debt Margin	<u>\$ 488,582</u>

The total general obligation debt for the Village of Pocahontas at March 31, 2022 is \$0.

NOTE 9. MAJOR SUPPLIER

The Village purchases all of the water supplied to patrons from the Bond/Madison Water Company. For the year ended March 31, 2022, the Village purchased 17,128,696 gallons at a cost of \$71,139 from this company.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 10. PENSION PLAN

IMRF Plan Description

The Village of Pocahontas' 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 of Pocahontas' plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-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. The 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 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
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2021, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	11
Inactive Plan Members entitled to but not yet receiving benefits	0
Active Plan Members	<u>3</u>
Total	<u><u>14</u></u>

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 10. PENSION PLAN (CONTINUED)

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	39%	1.90%
International Equity	15%	3.15%
Fixed Income	25%	-0.60%
Real Estate	10%	3.30%
Alternative Investments	10%	1.70%-5.50%
Cash Equivalents	1%	-0.90%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 1.84%, and the resulting single discount rate is 7.25%.

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 10. PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability

	Total Pension Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance, December 31, 2020	\$ 1,041,671	\$ 1,128,209	\$ (86,538)
Changes For The Year:			
Service Cost	10,175		10,175
Interest On The Total Pension Liability	72,485		72,485
Difference Between Expected And Actual Experience Of The Total Pension Liability	97,057		97,057
Contributions - Employer		13,090	(13,090)
Contributions - Employees		6,382	(6,382)
Net Investment Income		190,838	(190,838)
Benefit Payments, Including Refunds Of Employee Contributions	(93,922)	(93,922)	0
Other (Net Transfer)		40,955	(40,955)
Net Changes	<u>85,795</u>	<u>157,343</u>	<u>(71,548)</u>
Balance, December 31, 2021	<u>\$ 1,127,466</u>	<u>\$ 1,285,552</u>	<u>\$ (158,086)</u>

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the plan's net pension (asset) liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension (asset) liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	Discount Rate	Net Pension (Asset) Liability
1% decrease	6.25%	\$ (47,874)
Current discount rate	7.25%	(158,086)
1% increase	8.25%	(248,280)

For the year ended March 31, 2022, the Village of Pocahontas recognized pension benefit of \$16,446. At March 31, 2022, the Village of Pocahontas recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	\$ 51,394	
Net Difference Between Projected And Actual Earnings On Pension Plan Investments	25,825	\$ 178,408
Pension Contributions Made Subsequent To The Measurement Date	1,794	
Total Deferred Amounts Related To Pensions	<u>\$ 79,013</u>	<u>\$ 178,408</u>

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 10. PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Amounts realized as deferred outflows of resources and deferred inflows of resources related to pensions will be realized in pension expense in future periods as follows:

<u>Year ending December 31,</u>	<u>Net Deferred Inflows of Resources</u>
2022	\$ 14,090
2023	(53,460)
2024	(37,972)
2025	<u>(22,053)</u>
Total	<u>\$ (99,395)</u>

NOTE 11. CHANGES IN LONG-TERM DEBT

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

	<u>Balance April 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance April 1, 2022</u>
Governmental Funds:				
Compensated Absences	\$ 2,774		\$ 647	\$ 2,127
Total	<u>\$ 2,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,127</u>
Enterprise Funds				
Notes From Direct Borrowings And				
Direct Placements	\$ 583,000		\$ 17,000	\$ 566,000
Compensated Absences	3,670		183	3,487
Total	<u>\$ 586,670</u>	<u>\$ 0</u>	<u>\$ 17,183</u>	<u>\$ 569,487</u>

Long-Term Direct Placement Debt as of March 31, 2022 is comprised of the following:

<u>Revenue Bonds</u>	<u>ENTERPRISE FUNDS</u>
\$814,000 Junior Lien Sewerage System Revenue Bonds, Series A and B, due in annual installments of \$6,000 to \$45,000 through December 1, 2040, interest rate of 4.5%.	<u>\$ 566,000</u>
Total Long-Term Debt	<u>\$ 566,000</u>

VILLAGE OF POCAHONTAS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 11. CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all direct placement debt outstanding as of March 31, 2022, including interest payments of \$290,385 are as follows:

	Revenue Bond		
<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	17,000	25,470	42,470
2024	22,000	24,705	46,705
2025	22,000	23,715	45,715
2026	23,000	22,725	45,725
2027-2031	125,000	97,875	222,875
2032-2036	154,000	67,230	221,230
2037-2041	203,000	28,665	231,665
Totals	<u>\$ 566,000</u>	<u>\$ 290,385</u>	<u>\$ 856,385</u>

The above bonded indebtedness was authorized with the related Village ordinances. The ordinances require the following additional information be disclosed in these notes to the financial statements.

The Village appears to have met all material items of compliance with regards to the debt ordinances. Insurance coverage is through the Illinois Municipal League and covers the risks of property damage and liability of Village employees. Coverage for the water and sewer systems has property damage of \$250,000,000, liability of \$8,000,000, automobile liability of \$1,000,000, and fidelity coverage of \$170,000. Water users numbered 335 and 15,925,361 gallons were sold. Sewer users numbered 294 and 13,040,179 gallons were treated.

NOTE 12. SUBSEQUENT EVENTS

The effects of subsequent events on the financial statements have been evaluated through November 22, 2022, which is the date the financial statements were available to be issued.

The Village has applied for Rural Development loan for \$4,400,000 for construction of a new water main. Loan has not been approved or finalized as of the date of the auditor's report but is expected to be approve by March 31, 2022. Once loan is approved construction will likely not start until the end of fiscal year 2022 or in early fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE OF POCAHONTAS, ILLINOIS
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Calendar Year Ended December 31,	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY							
Service Cost	\$ 10,175	\$ 8,041	\$ 16,675	\$ 18,896	\$ 20,888	\$ 20,825	\$ 20,323
Interest On The Total Pension Liability	72,485	71,035	67,338	69,162	78,462	72,690	70,222
Difference Between Expected And Actual Experience							
Of The Total Pension Liability	97,057	17,435	44,653	(28,324)	(135,979)	44,757	9,050
Changes Of Assumptions		2,145		19,639	(25,884)	(7,573)	2,033
Benefit Payments, Including Refunds Of Employee Contributions	(93,922)	(65,519)	(81,198)	(62,038)	(58,948)	(66,855)	(65,384)
Net Change In Total Pension Liability	85,795	33,137	47,468	17,335	(121,461)	63,844	36,244
Total Pension Liability - Beginning	1,041,671	1,008,534	961,066	943,731	1,065,192	1,001,348	965,104
Total Pension Liability - Ending (a)	<u>\$ 1,127,466</u>	<u>\$ 1,041,671</u>	<u>\$ 1,008,534</u>	<u>\$ 961,066</u>	<u>\$ 943,731</u>	<u>\$ 1,065,192</u>	<u>\$ 1,001,348</u>
PLAN FIDUCIARY NET POSITION							
Contributions - Employer	\$ 13,090	\$ 7,633	\$ 12,192	\$ 19,644	\$ 18,086	\$ 20,128	\$ 19,669
Contributions - Employees	6,382	4,648	6,708	7,447	7,481	22,505	7,327
Net Investment Income	190,838	151,773	168,840	(57,799)	176,383	62,263	4,363
Benefit Payments, Including Refunds Of Employee Contributions	(93,922)	(65,519)	(81,198)	(62,038)	(58,948)	(66,855)	(65,384)
Other (Net Transfer)	40,955	15,476	21,942	19,959	(131,300)	9,959	41,052
Net Change In Plan Fiduciary Net Position	157,343	114,011	128,484	(72,787)	11,702	48,000	7,027
Plan Fiduciary Net Position - Beginning	1,128,209	1,014,198	885,715	958,502	946,800	898,800	891,773
Plan Fiduciary Net Position - Ending (b)	<u>1,285,552</u>	<u>1,128,209</u>	<u>1,014,199</u>	<u>885,715</u>	<u>958,502</u>	<u>946,800</u>	<u>898,800</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$ (158,086)</u>	<u>\$ (86,538)</u>	<u>\$ (5,665)</u>	<u>\$ 75,351</u>	<u>\$ (14,771)</u>	<u>\$ 118,392</u>	<u>\$ 102,548</u>
Plan Fiduciary Net Position As A Percentage							
Of The Total Pension Liability	114.02%	108.31%	100.56%	92.16%	101.57%	88.89%	89.76%
Covered Valuation Payroll	\$ 141,818	\$ 103,296	\$ 149,058	\$ 165,494	\$ 166,234	\$ 166,487	\$ 162,822
Net Pension (Asset) Liability As A Percentage Of Covered Valuation Payroll	-111.47%	-83.78%	-3.80%	45.53%	-8.89%	71.11%	62.98%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

VILLAGE OF POCAHONTAS, ILLINOIS
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
LAST 10 CALENDAR YEARS

<u>Calendar Year</u> <u>Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Valuation Payroll</u>
2015	\$ 19,669	\$ 19,669	\$ 0	\$ 162,822	12.08%
2016	20,128	20,128	0	166,487	12.09%
2017	18,086	18,086	0	166,234	10.88%
2018	19,644	19,644	0	165,494	11.87%
2019	12,193	12,192	1	149,058	8.18%
2020	7,634	7,633	1	103,296	7.39%
2021	13,090	13,090	0	141,818	9.23%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

*Summary of Actual Methods and Assumptions Used in the Calculation of the 2021 Contribution Rate**

VALUATION DATE

Notes: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2021 Contribution Rates:

Actuarial Cost Method: Aggregate Entry Age Normal
Amortization Method: Level Percentage of Payroll, Closed
Remaining Amortization Period: Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 22-year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 17 years for most employers (five employers were financed over 18 years; one employer was financed over 26 years; four employers were financed over 27 years and one employer was financed over 28 years).

Asset Valuation Method: 5-Year smoothed market; 20% corridor
Wage Growth: 3.25%
Price Inflation: 2.50%
Salary Increases: 3.35% to 14.25% including inflation
Investment Rate of Return: 7.25%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

OTHER INFORMATION

Notes: There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2019 actuarial valuation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

SUPPLEMENTARY INFORMATION

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VILLAGE OF POCAHONTAS, ILLINOIS
REVENUE BOND MATURITIES AND RELATED INTEREST
REQUIREMENTS IN FUTURE YEARS
MARCH 31, 2022

DUE YEAR ENDING MARCH 31	TOTAL FOR ALL REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2023	17,000	25,470	42,470
2024	22,000	24,705	46,705
2025	22,000	23,715	45,715
2026	23,000	22,725	45,725
2027	23,000	21,690	44,690
2028	23,000	20,655	43,655
2029	23,000	19,620	42,620
2030	28,000	18,585	46,585
2031	28,000	17,325	45,325
2032	28,000	16,065	44,065
2033	29,000	14,805	43,805
2034	29,000	13,500	42,500
2035	34,000	12,195	46,195
2036	34,000	10,665	44,665
2037	34,000	9,135	43,135
2038	39,000	7,605	46,605
2039	40,000	5,850	45,850
2040	45,000	4,050	49,050
2041	45,000	2,025	47,025
TOTAL	\$ 566,000	\$ 290,385	\$ 856,385

VILLAGE OF POCAHONTAS, ILLINOIS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED MARCH 31, 2022

Finding #2022-1

The Village does not have anyone who is adequately trained or possesses the necessary knowledge that enables the preparation of the Village's financial statements and disclosures in accordance with generally accepted accounting principles. The Village keeps their records on a cash basis. Adjusting journal entries are needed to adjust the government-wide basis to accrual basis. In addition, adjusting journal entries outside the scope of the audit are also prepared.

"Generally accepted accounting principles" is the body of rules that all accountants must follow when they prepare financial statements. These rules cover how your assets, liabilities, revenues, and expenses are recorded in your books and records. Your books and records are then used to prepare the financial statements and related disclosures. Again, generally accepted accounting principles will determine the proper presentation of your assets, liabilities, revenues, and expenses and the related disclosures. An adequate system of internal control also covers the preparation of financial statements and related disclosures. This is deemed necessary so that misstatements will not occur in the financial statements.

To avoid this internal control deficiency, it would be necessary to either have a Village employee who possesses an in depth knowledge of generally accepted accounting principles needed to properly prepare the financial statements and related disclosures or contract with someone who can perform this function.

Finding #2022-2

The Village's system of internal control over cash receipts is lacking the proper segregation of duties and mitigating review and supervision procedures.

Errors and defalcations can be prevented and discovered if there is more than one person who will handle, compile, deposit, and record cash receipts. Currently, there is one Village employee who processes all cash receipts.

It is recommended that the Village incorporate another employee in the cash receipt process. How the process is split between the employees would be determined by a number of factors, including but not limited to: expertise, education, training, and availability. If these additional duties cannot be assumed by another current employee, then additional staff will need to be considered.

Finding #2022-3

The Village does not maintain their fixed asset listing.

Because no Village employee maintains the fixed asset listing, there is a possibility that the financial statements could be materially misstated due to improper classification as an expense.

To avoid this significant deficiency, it would be necessary to have a Village employee maintain the Village's fixed asset listing.

VILLAGE OF POCAHONTAS, ILLINOIS
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2021

Corrective Action Plan

Finding No.: 2022-1

Condition:

The Village does not have anyone who is adequately trained or possesses the necessary knowledge that enables the preparation of the Village's financial statements and disclosures in accordance with generally accepted accounting principles. The Village keeps their records on a cash basis. Adjusting journal entries are needed to adjust the government-wide basis to accrual basis. In addition, adjusting journal entries outside the scope of the audit are also prepared.

Plan:

The Village should consider hiring a Village employee who possesses an in depth knowledge of generally accepted accounting principles that is needed to properly prepare the financial statements and related disclosures or contract with someone who can perform this function.

Anticipated Date of Completion: N/A

Name of Contact Person: Loni Hensler, Village Clerk

Management Response: The Village does not believe it is cost beneficial to hire additional accounting expertise to ensure the Village's annual financial statements are prepared in accordance with generally accepted accounting principles. The Village will continue to reevaluate on an ongoing basis.

Finding No.: 2022-2

Condition:

The Village's system of internal control over cash receipts is lacking the proper segregation of duties and mitigating review and supervision procedures.

Plan:

It is recommended that the Village incorporate another employee in the cash receipt process. How the process is split between the employees would be determined by a number of factors, including but not limited to: expertise, education, training, and availability. If these additional duties cannot be assumed by another current employee, then additional staff will need to be considered.

Anticipated Date of Completion: N/A

Name of Contact Person: Loni Hensler, Village Clerk

Management Response: The Village does not believe it is cost beneficial to hire additional accounting expertise to ensure the proper segregation of duties. The Village will continue to reevaluate on an ongoing basis.

Finding No.: 2022-3

Condition:

The Village does not maintain their fixed asset listing.

Plan:

It is recommended that the Village have a Village employee maintain the Village's fixed asset listing.

Anticipated Date of Completion: N/A

Name of Contact Person: Loni Hensler, Village Clerk

Management Response: The Village does not believe it is cost beneficial to hire additional accounting expertise to ensure the Village's fixed asset listing are kept up to date. The Village will continue to reevaluate on an ongoing basis.

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