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**VILLAGE OF ROUND LAKE HEIGHTS  
LAKE COUNTY, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2021**

eder, casella & co

VILLAGE OF ROUND LAKE HEIGHTS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 805,492	\$ 989,678	\$ 1,795,170
Investments	4,350	5,767	10,117
Deposits in Escrow	10	3,817	3,827
Capital Assets			
Land	301,869	5,300	307,169
Other Capital Assets, Net of Depreciation	392,116	1,741,679	2,133,795
<b>TOTAL ASSETS</b>	<b>\$ 1,503,837</b>	<b>\$ 2,746,241</b>	<b>\$ 4,250,078</b>
<b>LIABILITIES</b>			
Deposits in Escrow	\$ 10	\$ -	\$ 10
Payroll Liabilities	8,376	-	8,376
Water Deposits	-	74,035	74,035
Excavating Road Bonds	1,500	-	1,500
<b>TOTAL LIABILITIES</b>	<b>\$ 9,886</b>	<b>\$ 74,035</b>	<b>\$ 83,921</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 693,985	\$ 1,746,979	\$ 2,440,964
Restricted For			
Streets and Highways	113,496	-	113,496
Law Enforcement	8,359	-	8,359
Unrestricted / (Deficit)	678,111	925,227	1,603,338
<b>TOTAL NET POSITION</b>	<b>\$ 1,493,951</b>	<b>\$ 2,672,206</b>	<b>\$ 4,166,157</b>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 460,809	\$ 250,271	\$ 1,100	\$ -	\$ (209,438)	\$ -	\$ (209,438)
Public Safety	613,601	25,921	-	-	(587,680)	-	(587,680)
Public Works	170,410	2,285	-	14,118	(154,007)	-	(154,007)
Depreciation - Unallocated	11,203	-	-	-	(11,203)	-	(11,203)
	<u>\$ 1,256,023</u>	<u>\$ 278,477</u>	<u>\$ 1,100</u>	<u>\$ 14,118</u>	<u>\$ (962,328)</u>	<u>\$ -</u>	<u>\$ (962,328)</u>
Business-Type Activities							
Sewer and Water	\$ 662,065	\$ 805,212	\$ -	\$ -	\$ -	\$ 143,147	\$ 143,147
	<u>\$ 1,918,088</u>	<u>\$ 1,083,689</u>	<u>\$ 1,100</u>	<u>\$ 14,118</u>	<u>\$ (962,328)</u>	<u>\$ 143,147</u>	<u>\$ (819,181)</u>
TOTAL PRIMARY GOVERNMENT							
	GENERAL REVENUES						
	Taxes						
	Property Taxes				\$ 154,124	\$ -	\$ 154,124
	State Sales Tax				86,263	-	86,263
	State Income Tax				347,616	-	347,616
	Other Taxes				462,350	-	462,350
	Unrestricted Investment Earnings				2,699	323	3,022
	Sale of Equipment				2,177	-	2,177
	<u>TOTAL GENERAL REVENUES</u>				<u>\$ 1,055,229</u>	<u>\$ 323</u>	<u>\$ 1,055,552</u>
	CHANGE IN NET POSITION						
					\$ 92,901	\$ 143,470	\$ 236,371
	NET POSITION - BEGINNING OF YEAR						
					1,401,050	2,528,736	3,929,786
	NET POSITION - END OF YEAR						
					<u>\$ 1,493,951</u>	<u>\$ 2,672,206</u>	<u>\$ 4,166,157</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF ASSETS, LIABILITIES, AND  
FUND BALANCE - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 631,208	\$ 174,284	\$ 805,492
Investments	4,350	-	4,350
Deposits in Escrow	10	-	10
<b>TOTAL ASSETS</b>	<b>\$ 635,568</b>	<b>\$ 174,284</b>	<b>\$ 809,852</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Deposits in Escrow	\$ 10	\$ -	\$ 10
Payroll Liabilities	8,376	-	8,376
<b>TOTAL LIABILITIES</b>	<b>\$ 9,886</b>	<b>\$ -</b>	<b>\$ 9,886</b>
<b>FUND BALANCE</b>			
Restricted For			
Streets and Highways	\$ -	\$ 113,496	\$ 113,496
Law Enforcement	8,359	-	8,359
Assigned For			
Streets and Highways	-	60,788	60,788
Unassigned	617,323	-	617,323
<b>TOTAL FUND BALANCE</b>	<b>\$ 625,682</b>	<b>\$ 174,284</b>	<b>\$ 799,966</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 635,568</b>	<b>\$ 174,284</b>	<b>\$ 809,852</b>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCE - MODIFIED CASH BASIS TO THE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 799,966

Amounts reported for governmental activities in the Statement of Net  
Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Capital Assets, Net of Accumulated Depreciation 693,985

Net Position of Governmental Activities \$ 1,493,951

VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Taxes			
Property Tax	\$ 154,124	\$ -	\$ 154,124
Utility Tax	79,095	-	79,095
Other Local Taxes	16,387	-	16,387
Intergovernmental			
State Sales Tax	86,263	-	86,263
State Income Tax	347,616	-	347,616
State Replacement Tax	553	-	553
State Local Use Tax	120,386	-	120,386
State Motor Fuel Tax	-	186,451	186,451
State Gaming Tax	56,852	-	56,852
Cannabis Use Tax	2,626	-	2,626
Community Development Block Grant	14,118	-	14,118
Other Local Sources			
Liquor Licenses	7,550	-	7,550
Other Licenses and Permits	6,258	-	6,258
Fines and Forfeitures	22,816	-	22,816
Building Permits	23,114	-	23,114
Business Registration	10,055	-	10,055
Filing Fees	126	-	126
Refuse Pickup Fees	167,168	-	167,168
Interest	2,469	230	2,699
Miscellaneous			
Rental	36,000	-	36,000
Donations	1,100	-	1,100
Public Safety	3,105	-	3,105
Equipment Sales	2,177	-	2,177
Snow Plow Income	2,285	-	2,285
	<u>\$ 1,162,243</u>	<u>\$ 186,681</u>	<u>\$ 1,348,924</u>
<b>EXPENDITURES</b>			
Current			
General Government	\$ 455,416	\$ -	\$ 455,416
Public Safety	598,428	-	598,428
Public Works	66,592	76,570	143,162
Capital Outlay	34,572	-	34,572
	<u>\$ 1,155,008</u>	<u>\$ 76,570</u>	<u>\$ 1,231,578</u>
NET CHANGE IN FUND BALANCES	\$ 7,235	\$ 110,111	\$ 117,346
FUND BALANCES - JULY 1, 2020	618,447	64,173	682,620
FUND BALANCES - JUNE 30, 2021	<u>\$ 625,682</u>	<u>\$ 174,284</u>	<u>\$ 799,966</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS TO THE  
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 117,346
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Amounts reported for governmental activities in the Statement of Activities -  
Modified Cash Basis are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities - Modified Cash Basis the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense	<u>(24,445)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 92,901</u></u>
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VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2021

	<u>Enterprise Fund</u> <u>Sewer and Water</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 989,678
Investments	5,767
Deposits in Escrow	3,817
	<u>\$ 999,262</u>
Non-Current Assets	
Capital Assets	
Land	\$ 5,300
Equipment	380,596
Sewer and Water System	2,736,452
Less: Accumulated Depreciation	(1,375,369)
	<u>\$ 1,746,979</u>
TOTAL ASSETS	<u>\$ 2,746,241</u>
LIABILITIES	
Current Liabilities	
Water Deposits	\$ 74,035
TOTAL LIABILITIES	<u>\$ 74,035</u>
NET POSITION	
Investment in Capital Assets	\$ 1,746,979
Restricted for	
Unrestricted / (Deficit)	925,227
TOTAL NET POSITION	<u><u>\$ 2,672,206</u></u>

The Notes to Financial Statements are an integral part of this statement.



VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund</u> <u>Sewer and Water</u>
OPERATING REVENUES	
Charges for Sales and Services	\$ 805,212
	<u>\$ 805,212</u>
OPERATING EXPENSES	
Sewer and Water Department	
Personal Services	\$ 184,947
Commodities	37,389
Contractual Services	227,531
Depreciation	57,817
	<u>\$ 507,684</u>
OPERATING INCOME/(LOSS)	<u>\$ 297,528</u>
NON-OPERATING REVENUES/(EXPENSES)	
Remittance of Hook-up Fees to Lake County	\$ (154,381)
Interest Income	323
TOTAL NON-OPERATING REVENUES/(EXPENSES)	<u>\$ (154,058)</u>
CHANGE IN NET POSITION	\$ 143,470
NET POSITION - BEGINNING OF YEAR	<u>2,528,736</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,672,206</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
FUND FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund</u> <u>Sewer and Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 805,447
Payments to Suppliers for Goods and Services	(264,920)
Payments to Employees for Services	(184,947)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 355,580</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Remittance of Hook-up Fees to Lake County	\$ (154,381)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ (154,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Cash Equivalents and Investments	\$ 323
Proceeds from Sale of Investments	(29)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 294</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 201,493
CASH AND CASH EQUIVALENTS BALANCE - BEGINNING OF YEAR	<u>788,185</u>
CASH AND CASH EQUIVALENTS BALANCE - END OF YEAR	<u><u>\$ 989,678</u></u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	
Operating Income/(Loss)	\$ 297,528
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	57,817
Change in Assets	
Water Deposits	235
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 355,580</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF ROUND LAKE HEIGHTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Round Lake Heights' (Village) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the Village are discussed below.

*A. Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement, in that the financial statements include all organizations, activities, and functions that comprise the Village. Component units are legally separate entities for which the Village (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Village's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Village. Using these criteria, the Village has no components units. In addition, the Village is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

*B. Basic Financial Statements – Government-Wide Statements*

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund (reporting the Village's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's general government, public safety, and public works services are classified as governmental activities. The Village's sewer and water services are classified as business-type activities.

In the government-wide Statement of Net Position – Modified Cash Basis, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a modified cash, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, sales taxes, income taxes, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function (general government, public safety and public works) or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales taxes, unrestricted investment earnings, etc.).

The Village does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

### *C. Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in the fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized in a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The following fund types are used by the Village:

#### 1. Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. Police Protection, Audit, Street and Bridge, Tort Immunity, Social Security, and Special Service Areas are included in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Motor Fuel Tax Fund includes revenues from motor fuel tax and other state road grants along with the related expenditures.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

#### 2. Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows which is similar to accounting practices of businesses in the private sector. The following is a description of the proprietary fund of the Village:

Enterprise Funds – Enterprise Funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing

## NOTES TO FINANCIAL STATEMENTS (Continued)

services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

### *D. Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In the government-wide Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

### *E. Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all Village funds. Instead, the funds maintain their cash balances in a common bank account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Village funds and are, therefore, interfund loans that have not been authorized by Village Board action.

No Village fund had a cash overdraft at June 30, 2021.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

### *F. Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to

## NOTES TO FINANCIAL STATEMENTS (Continued)

elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

### G. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on governmental activities assets and business-type activities assets is provided on the straight-line, half-year basis over the following estimated useful lives:

Buildings and Improvements	20-50 years
Furniture, Equipment, and Transportation Equipment	5 - 35 years
Sewer and Water Systems	50 years

### H. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Assets, Liabilities, and Fund Balance and Statement of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resource until that time.

### I. Compensated Absences

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Village. Newly hired employees shall accrue one day of vacation for every two months of continuous employment during the initial year but shall not exceed five working days. The prorated earned vacation then becomes the allowable earned vacation during the following calendar year. Employees shall be allowed to accumulate their unused vacation to a total of 40 hours per year. Each employee is allowed to accumulate only up to 120 days, which will be paid out at retirement only. Upon termination, only current year earned and unused vacation (not balances accumulated in prior years) will be paid. Under the modified cash basis of accounting, the Village does not accrue for compensated absences.

### J. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities and proprietary fund Statement of Net Position – Modified Cash Basis. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the current year.



## NOTES TO FINANCIAL STATEMENTS (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### K. *Government-Wide and Proprietary Fund Net Position*

Government-wide net position is divided into three components:

1. Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consists of net position that is restricted by the Village's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grants (both federal and state), and by other contributors.
3. Unrestricted net position – all other net position is reported in this category.

### L. *Governmental Fund Balances*

Governmental fund balances are divided between non-spendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

1. Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
2. Committed – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action (e.g. legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
3. Assigned – Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted, nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Trustees has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Village itself. All other assigned fund balances are the residual amounts of the fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

4. Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Village permits funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

### M. Property Tax Calendar and Revenues

The Village's property tax is levied each calendar year on all taxable real property located in the Village's district on or before the last Tuesday in December. The 2020 levy was passed by the Board on December 8, 2020. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Village receives significant distributions of tax receipts approximately one month after these dates.

### N. Defining Operating Revenues and Expenses

The Village's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's Sewer and Water Fund consist of charges for services (including tap on fees for the Water Fund and systems development charges for the Sewer Fund) and the costs of providing those services, including depreciation and excluding interest cost. All other revenue and expenses are reported as nonoperating.

## NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured and collateralized by securities held in the Village's name.

The Village is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6.

### Investments

As of June 30, 2021, the Village had the following investments:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
State Investment Pool	\$ 152,675	\$ 152,675	\$ -	\$ -	\$ -
	\$ 152,675	\$ 152,675	\$ -	\$ -	\$ -

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered but does have regulatory oversight through the State of Illinois.

*Interest Rate Risk.* The Village does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments based on credit risk. The Village has an investment policy that would further limit its investment choices. As of June 30, 2021, the Village's investments were rated as follows:



## NOTES TO FINANCIAL STATEMENTS (Continued)

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's

### NOTE 3 - FAIR VALUE MEASUREMENT

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Village has the following recurring fair value measurements as of June 30, 2021.

Investments by fair value level	6/30/2021	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Certificates of Deposit	\$ 10,117	\$ -	\$ 10,117
Total Investments by fair value level	\$ 10,117	\$ -	\$ 10,117

### NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<b>Governmental Activities:</b>				
Capital Assets not being depreciated				
Land	\$ 301,869	\$ -	\$ -	\$ 301,869
Total Capital Assets not being depreciated	\$ 301,869	\$ -	\$ -	\$ 301,869
Other Capital Assets				
Buildings and Improvements	\$ 757,895	\$ -	\$ -	\$ 757,895
Furniture, Equipment, and Transportation Equipment	407,203	-	-	407,203
Total Other Capital Assets at historical cost	\$ 1,165,098	\$ -	\$ -	\$ 1,165,098
Less: Accumulated Depreciation for:				
Buildings and Improvements	\$ 361,657	\$ 14,127	\$ -	\$ 375,784
Furniture, Equipment, and Transportation Equipment	386,880	10,318	-	397,198
Total Accumulated Depreciation	\$ 748,537	\$ 24,445	\$ -	\$ 772,982
Other Capital Assets, net	\$ 416,561	\$ (24,445)	\$ -	\$ 392,116
Governmental Activities Capital Assets, net	\$ 718,430	\$ (24,445)	\$ -	\$ 693,985
<b>Business-Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 5,300	\$ -	\$ -	\$ 5,300
Total Capital Assets not being depreciated	\$ 5,300	\$ -	\$ -	\$ 5,300
Other Capital Assets				
Sewer and Water Systems	\$ 2,736,452	\$ -	\$ -	\$ 2,736,452
Equipment	380,596	-	-	380,596
Total Other Capital Assets at historical cost	\$ 3,117,048	\$ -	\$ -	\$ 3,117,048
Less: Accumulated Depreciation for:				
Sewer and Water Systems	\$ 1,061,996	\$ 54,729	\$ -	\$ 1,116,725
Equipment	255,557	3,087	-	258,644
Total Accumulated Depreciation	\$ 1,317,553	\$ 57,816	\$ -	\$ 1,375,369
Other Capital Assets, net	\$ 1,799,495	\$ (57,816)	\$ -	\$ 1,741,679
Business-Type Activities Capital Assets, net	\$ 1,804,795	\$ (57,816)	\$ -	\$ 1,746,979

Depreciation expense was charged to functions as follows:

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Governmental Activities

Unallocated	\$	11,203
General Government		2,339
Public Safety		8,079
Public Works		2,824
Total Governmental Activities Depreciation Expense	\$	<u>24,445</u>

### Business-Type Activities

Sewer and Water	\$	57,817
Total Business-Type Activities Depreciation Expense	\$	<u>57,817</u>

## NOTE 5 - INTERFUND BALANCES

The Village had no interfund balances as of June 30, 2021.

## NOTE 6 - DEFICIT FUND BALANCE

No Village fund had a deficit fund balance at June 30, 2021.

## NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2019 levy (\$82,849) and the 2020 levy (\$71,275). A summary of the assessed valuation, rates, and extensions for the years 2020, 2019, and 2018 follows:

Tax Year Assessed Valuation	2020 \$41,558,740		2019 \$40,658,464		2018 \$34,656,133	
	Rate	Extension	Rate	Extension	Rate	Extension
Corporate	0.119	\$ 49,352	0.098	\$ 39,807	0.110	\$ 38,207
Police Protection	0.117	48,457	0.058	23,696	0.067	23,224
Audit	-	-	0.021	8,462	0.026	9,100
Street and Bridge	0.024	10,101	0.024	9,816	0.028	9,740
Tort Immunity	0.027	11,358	0.027	11,109	0.031	10,887
Social Security	-	-	0.058	23,696	0.067	23,224
Special Service Area #1	-	15,004	-	15,001	-	5,001
Special Service Area #2	-	15,002	-	15,001	-	5,001
	<u>0.287</u>	<u>\$ 149,274</u>	<u>0.287</u>	<u>\$ 146,588</u>	<u>0.330</u>	<u>\$ 124,384</u>

## NOTE 8 - SOCIAL SECURITY

All employees are covered under Social Security. The Village paid the total required contribution for the current fiscal year.

## NOTE 9 - JOINT AGREEMENT

The Village is a member of the CenCom E9-1-1 Joint Emergency Telephone System Board and CenCom E9-1-1 Public Safety Communications, which are intergovernmental agreements to provide joint and mutual operation of an emergency telephone system as provided by Illinois Statutes. As of April 30, 2020, these entities have six and eight members, respectively. Each member is represented on the Board of Directors, which governs CenCom and establishes the budget. CenCom is financed primarily by two sources: a telephone surcharge paid by customers in the area; and monthly dispatch fees paid by members based on the service they receive. The Village's contribution to CenCom is reflected as an operating disbursement of the General Fund. Payments by the Village during the current fiscal year totaled \$50,734.

A summary of financial condition (cash basis) of CenCom at April 30, 2020 (most recent information available) is as follows:

## NOTES TO FINANCIAL STATEMENTS (Continued)

	Joint Emergency Telephone System	Public Safety Communications
Assets	\$ 1,616,476	\$ 1,466,119
Liabilities	\$ -	\$ -
Net Position	1,616,476	1,466,119
	<u>\$ 1,616,476</u>	<u>\$ 1,466,119</u>
Revenues	\$ 988,055	\$ 2,483,435
Expenses	750,558	2,439,609
Net Increase/(Decrease) in Net Position	<u>\$ 237,497</u>	<u>\$ 43,826</u>

Complete financial statements for CenCom can be obtained from the Village Clerk at 911 N. Lotus Dr., Round Lake Beach, Illinois 60073.

### NOTE 10 - 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 purchases commercial insurance to handle these risks of loss. During fiscal year 2021, there was no significant reduction in insurance coverage for any category. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Village is insured under a retrospectively rated policy for workers' compensation coverage, whereas the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2021, there were no significant adjustments in premiums based on actual experience.

### NOTE 11 - CONTINGENCIES

The Village is not aware of any pending litigation or potential nondisclosed liabilities that management believes would have a material adverse effect on the financial statements.

### NOTE 12 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limit the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Village.

2020 EAV	\$ 41,558,740
	x 8.625%
Debt Margin	\$ 3,584,441
Current Debt	-
Remaining Debt Margin	<u>\$ 3,584,441</u>

### NOTE 13 - SUBSEQUENT EVENTS

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various governments and has continued to impact these organizations. The Village was not impacted during the year ended June 30, 2021. However, the extent of any additional impact on the Village is uncertain and cannot be reasonably estimated at this time.