

VILLAGE OF PAWNEE, ILLINOIS
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2023

VILLAGE OF PAWNEE, ILLINOIS

CONTENTS

Year Ended April 30, 2023

Independent Auditor's Report	Exhibit A
------------------------------	-----------

BASIC FINANCIAL STATEMENTS

Statement of Net Position	Exhibit B
---------------------------	-----------

Statement of Activities	Exhibit C
-------------------------	-----------

Balance Sheet - Governmental Funds	Exhibit D
------------------------------------	-----------

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Exhibit E
---	-----------

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit F
--	-----------

Statement of Net Position - Proprietary Funds	Exhibit G
---	-----------

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	Exhibit H
--	-----------

Statement of Cash Flows - Proprietary Funds	Exhibit I
---	-----------

Notes to Financial Statements	Exhibit J
-------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios	Exhibit K
--	-----------

Multiyear Schedule of Contributions	Exhibit L
-------------------------------------	-----------

OTHER INFORMATION

Schedule of Legal Debt Margin	Exhibit M
-------------------------------	-----------

Schedule of Assessed Valuations, Tax Rates, and Settlements	Exhibit N
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Listing of Village Officials	Exhibit O
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123 S. High St., PO Box 617
Carlinville, IL 62626

Exhibit A

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and Board of Trustees
Village of Pawnee, Illinois
Pawnee, Illinois

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Pawnee, Illinois ("the Village"), as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Qualified
Motor Fuel Tax Fund	Unmodified
Library Fund	Unmodified
Water and Sewer Fund	Qualified
Gas Fund	Qualified

Qualified Opinions on the governmental activities, business-type activities, General Fund, Water and Sewer Fund, and Gas Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, General Fund, Water and Sewer Fund, and Gas Fund of the Village as of April 30, 2023, 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.

Unmodified Opinions on Motor Fuel Tax Fund and Library Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Motor Fuel Tax Fund and Library Fund of the Village as of April 30, 2023, and the respective changes in financial positions thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the governmental activities, business-type activities, General Fund, Water and Sewer Fund, and Gas Fund

Management has not engaged an actuary to calculate its Post-Retirement Benefit Plan ("OPEB") liability. Accounting principles generally accepted in the United States of America requires an adequate calculation of OPEB liability, detailed disclosures, and supplementary information regarding the OPEB liability. Instead, the Village has estimated the liability. See Note I. The amount by which this departure would affect the assets, liabilities, fund balance, and expenses has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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'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 and the Multiyear Schedule of Contributions in Exhibits K and L 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 management's discussion and analysis, budgetary comparison and OPEB contributions compared to the contributions required schedules 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 opinions on the basic financial statements are not affected by this missing information.

Our opinion has been qualified for the missing schedule of OPEB contributions compared to the contributions required, as described in the Basis for Qualified and Unmodified Opinions paragraph.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Exhibits M, N, and O 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.

Carlinville CPA Group. LTD.

Carlinville, Illinois
December 21, 2023

BASIC FINANCIAL STATEMENTS

VILLAGE OF PAWNEE, ILLINOISSTATEMENT OF NET POSITION

April 30, 2023

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>Assets</u>			
Cash and cash equivalents	\$ 1,282,074	\$ 1,450,660	\$ 2,732,734
Restricted cash and cash equivalents	348,299	43,925	392,224
Accounts receivable, net	157,726	185,327	343,053
Inventory	-	85,906	85,906
Due from (to) other funds	(200,000)	200,000	-
Land	7,803	38,550	46,353
Capital assets, net	3,681,195	1,786,281	5,467,476
Total assets	<u>5,277,097</u>	<u>3,790,649</u>	<u>9,067,746</u>
<u>Deferred outflows</u>			
Deferred outflows related to pension	731,985	946,882	1,678,867
Total deferred outflows	<u>731,985</u>	<u>946,882</u>	<u>1,678,867</u>
<u>Liabilities</u>			
Accounts payable	23,112	72,381	95,493
Accrued wages	12,156	10,896	23,052
Accrued vacation	84,667	70,941	155,608
Prepaid receivables	-	6,685	6,685
Customer deposits	-	43,925	43,925
Net pension liability	777,896	1,006,272	1,784,168
Long-term liabilities			
Due within one year	-	179,779	179,779
Due in more than one year	-	-	-
Total liabilities	<u>897,831</u>	<u>1,390,879</u>	<u>2,288,710</u>
<u>Deferred inflows</u>			
Deferred inflows related to pension	307,165	397,343	704,508
Deferred inflows related to OPEB	89,219	176,926	266,145
Total deferred inflows	<u>396,384</u>	<u>574,269</u>	<u>970,653</u>
<u>Net position</u>			
Net investment in capital assets	3,688,998	1,824,831	5,513,829
Restricted - street maintenance and improvements	230,594	-	230,594
Restricted - library services	126,069	-	126,069
Unrestricted	669,206	947,552	1,616,758
Total net position	<u>\$ 4,714,867</u>	<u>\$ 2,772,383</u>	<u>\$ 7,487,250</u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOIS

STATEMENT OF ACTIVITIES

Year Ended April 30, 2023

	Expenses	Fines and Charges for Services	Capital Grants	Net (Expense) Revenue and Changes in Net Position		Total
				Governmental Activities	Business-Type Activity	
Governmental activities:						
Public safety	\$ 808,312	\$ 2,117	\$ -	\$ (806,195)	\$ -	\$ (806,195)
Road and bridge maintenance	332,873	-	-	(332,873)	-	(332,873)
General government	201,351	-	-	(201,351)	-	(201,351)
Culture and recreation	187,058	-	3,950	(183,108)	-	(183,108)
Total governmental activities	1,529,594	2,117	3,950	(1,523,527)	-	(1,523,527)
Business-type activities:						
Water and sewer	1,181,312	1,161,470	-	-	(19,842)	(19,842)
Gas	1,625,533	1,322,602	-	-	(302,931)	(302,931)
Total business-type activities	2,806,845	2,484,072	-	-	(322,773)	(322,773)
Total primary government	\$ 4,336,439	\$ 2,486,189	\$ 3,950	(1,523,527)	(322,773)	(1,846,300)
General revenues:						
Taxes:						
Real estate taxes				428,991	-	428,991
Income and replacement taxes				428,382	-	428,382
Sales and use taxes				329,093	-	329,093
Utility taxes				73,956	-	73,956
Motor fuel taxes				140,224	-	140,224
Franchise taxes				100,335	-	100,335
Road and bridge taxes				29,590	-	29,590
Telecommunications taxes				3,547	-	3,547
Interest income				14,634	12,736	27,370
Interest expense				-	(3,134)	(3,134)
Miscellaneous				24,641	22,965	47,606
(Loss) on disposal of assets				-	(3,999)	(3,999)
Transfers				(170,102)	170,102	-
Total general revenues and transfers				1,403,291	198,670	1,601,961
Change in net position				(120,236)	(124,103)	(244,339)
Net position, beginning, as restated				4,835,103	2,896,486	7,731,589
Net position, ending				\$ 4,714,867	\$ 2,772,383	\$ 7,487,250

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOISBALANCE SHEET
Governmental Funds

April 30, 2023

	General Fund	Motor Fuel Tax Fund	Library Fund	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 1,282,074	\$ -	\$ -	\$ 1,282,074
Restricted cash and cash equivalents	-	221,080	127,219	348,299
Accounts receivable, net	148,212	9,514	-	157,726
Due from other funds	1,150	-	-	1,150
Total assets	<u>1,431,436</u>	<u>230,594</u>	<u>127,219</u>	<u>1,789,249</u>
<u>Liabilities</u>				
Due to other funds	200,000	-	1,150	201,150
Accounts payable	23,112	-	-	23,112
Accrued wages	12,156	-	-	12,156
Accrued vacation	84,667	-	-	84,667
Total liabilities	<u>319,935</u>	<u>-</u>	<u>1,150</u>	<u>321,085</u>
<u>Fund balances</u>				
Restricted for street maintenance	-	230,594	-	230,594
Restricted for library services	-	-	126,069	126,069
Assigned	563,480	-	-	563,480
Unassigned	548,021	-	-	548,021
Total fund balances	<u>1,111,501</u>	<u>230,594</u>	<u>126,069</u>	<u>1,468,164</u>
Total liabilities and fund balances	<u>\$ 1,431,436</u>	<u>\$ 230,594</u>	<u>\$ 127,219</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit B) are different because:

Net pension assets are not available to pay for current resources and, therefore, are not reported in the funds.	731,985
Net pension liabilities are not due and payable in the current period and, therefore, are either deferred or not reported in the funds.	(1,085,061)
Net OPEB are not due and payable in the current period and, therefore, are deferred.	(89,219)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>3,688,998</u>
Net position of governmental activities	<u>\$ 4,714,867</u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOISSTATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCESGovernmental Funds

Year Ended April 30, 2023

	General Fund	Motor Fuel Tax Fund	Library Fund	Total
<u>Revenues</u>				
Real estate taxes	\$ 282,119	\$ -	\$ 146,872	\$ 428,991
Income and replacement taxes	424,037	-	4,345	428,382
Sales and use taxes	329,093	-	-	329,093
Motor fuel taxes	-	140,224	-	140,224
Utility taxes	73,956	-	-	73,956
Franchise taxes	100,335	-	-	100,335
Miscellaneous	20,294	-	4,347	24,641
Road and bridge taxes	29,590	-	-	29,590
Telecommunications taxes	3,547	-	-	3,547
Fines and penalties	2,102	-	15	2,117
Interest income	11,619	2,913	102	14,634
Total revenues	<u>1,276,692</u>	<u>143,137</u>	<u>155,681</u>	<u>1,575,510</u>
<u>Expenditures</u>				
Current:				
Public safety	698,035	-	-	698,035
Road and bridge maintenance	187,489	86,268	-	273,757
General government	178,303	-	-	178,303
Culture and recreation	-	-	155,391	155,391
Capital outlay	319,182	-	73,342	392,524
Total expenditures	<u>1,383,009</u>	<u>86,268</u>	<u>228,733</u>	<u>1,698,010</u>
Excess (deficiency) of revenues over expenditures	<u>(106,317)</u>	<u>56,869</u>	<u>(73,052)</u>	<u>(122,500)</u>
<u>Other financing sources</u>				
Grants	-	-	3,950	3,950
Transfers in	487,178	-	-	487,178
Transfers out	(359,263)	(298,017)	-	(657,280)
Total other financing sources	<u>127,915</u>	<u>(298,017)</u>	<u>3,950</u>	<u>(166,152)</u>
Net change in fund balances	21,598	(241,148)	(69,102)	(288,652)
Fund balances, beginning, as restated	<u>1,089,903</u>	<u>471,742</u>	<u>195,171</u>	<u>1,756,816</u>
Fund balances, ending	<u>\$ 1,111,501</u>	<u>\$ 230,594</u>	<u>\$ 126,069</u>	<u>\$ 1,468,164</u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOISRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended April 30, 2023

Net change in fund balances - total governmental funds (Exhibit E)	\$ (288,652)
The changes in net position reported for governmental activities in the statement of activities is different because:	
The village's net pension liability and deferred outflows of resources related to the pension are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(130,695)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	36,648
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$392,524) exceeded depreciation (\$130,061) in the current year.	<u>262,463</u>
Change in net position of governmental activities (Exhibit C)	<u>\$ (120,236)</u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOIS

STATEMENT OF NET POSITION

Proprietary Funds

April 30, 2023

	Water and Sewer Fund	Gas Fund	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 739,036	\$ 711,624	\$ 1,450,660
Restricted cash and cash equivalents	19,125	24,800	43,925
Accounts receivable, net	76,659	108,668	185,327
Inventory	34,116	51,790	85,906
Due from other funds	-	200,000	200,000
Total current assets	868,936	1,096,882	1,965,818
Non-current assets:			
Land	38,000	550	38,550
Capital assets, net	1,692,124	94,157	1,786,281
Total non-current assets	1,730,124	94,707	1,824,831
Total assets	2,599,060	1,191,589	3,790,649
<u>Deferred outflows</u>			
Deferred outflows related to pension	463,684	483,198	946,882
Total deferred outflows	463,684	483,198	946,882
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	39,396	32,985	72,381
Accrued wages	7,195	3,701	10,896
Accrued vacation	63,431	7,510	70,941
Prepaid receivables	6,685	-	6,685
Notes payable - current portion	-	179,779	179,779
Total current liabilities	116,707	223,975	340,682
Non-current liabilities:			
Customer deposits	19,125	24,800	43,925
Net pension liability	492,767	513,505	1,006,272
Total non-current liabilities	511,892	538,305	1,050,197
Total liabilities	628,599	762,280	1,390,879
<u>Deferred inflows</u>			
Deferred inflows related to pension	194,577	202,766	397,343
Deferred inflows related to OPEB	95,958	80,968	176,926
Total deferred inflows	290,535	283,734	574,269
<u>Net position</u>			
Net investment in capital assets	1,730,124	94,707	1,824,831
Unrestricted	413,486	534,066	947,552
Total net position	\$ 2,143,610	\$ 628,773	\$ 2,772,383

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOISSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITIONProprietary Funds

Year Ended April 30, 2023

	Water and Sewer Fund	Gas Fund	Total
<u>Operating revenues</u>			
Charges for services	\$ 1,155,735	\$ 1,322,352	\$ 2,478,087
Fines and permits	5,735	250	5,985
Miscellaneous	8,367	14,598	22,965
Total operating revenues	<u>1,169,837</u>	<u>1,337,200</u>	<u>2,507,037</u>
<u>Operating expenses</u>			
Gas purchases	-	692,137	692,137
Water purchases	326,510	-	326,510
Salaries and taxes	356,524	360,742	717,266
Materials, supplies and chemicals	74,375	107,159	181,534
Insurance	103,692	121,274	224,966
Depreciation	118,857	22,827	141,684
Legal and professional	24,961	40,496	65,457
Repairs and maintenance	48,923	73,832	122,755
Utilities	41,506	6,976	48,482
Retirement plan	53,295	163,988	217,283
Postage and office	14,007	13,169	27,176
Fuel	13,877	11,511	25,388
Miscellaneous	4,785	11,422	16,207
Total operating expenses	<u>1,181,312</u>	<u>1,625,533</u>	<u>2,806,845</u>
Operating income	<u>(11,475)</u>	<u>(288,333)</u>	<u>(299,808)</u>
<u>Non-operating revenues (expenses)</u>			
Interest income	4,535	8,201	12,736
Interest expense	-	(3,134)	(3,134)
Loss on sale of assets	(3,999)	-	(3,999)
Total non-operating revenues	<u>536</u>	<u>5,067</u>	<u>5,603</u>
Income before transfers	<u>(10,939)</u>	<u>(283,266)</u>	<u>(294,205)</u>
<u>Transfers</u>			
Transfers in	359,263	-	359,263
Transfers out	(80,000)	(109,161)	(189,161)
Total transfers	<u>279,263</u>	<u>(109,161)</u>	<u>170,102</u>
Change in net position	268,324	(392,427)	(124,103)
Net position, beginning, as restated	1,875,286	1,021,200	2,896,486
Net position, ending	<u>\$ 2,143,610</u>	<u>\$ 628,773</u>	<u>\$ 2,772,383</u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOIS

STATEMENT OF CASH FLOWS

Proprietary Funds

Year Ended April 30, 2023

	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 1,180,175	\$ 1,366,266	\$ 2,546,441
Payments to suppliers	(665,984)	(1,112,526)	(1,778,510)
Payments to employees	(356,524)	(360,742)	(717,266)
Net cash provided by (used in) operating activities	<u>157,667</u>	<u>(107,002)</u>	<u>50,665</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in	359,263	-	359,263
Transfers out	(80,000)	(109,161)	(189,161)
Increase (decrease) in net amount due (to) from other funds	(29,313)	(30,135)	(59,448)
Net cash provided by (used in) noncapital financing activities	<u>249,950</u>	<u>(139,296)</u>	<u>110,654</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interest	-	(3,134)	(3,134)
Payments on loans	-	(177,994)	(177,994)
Proceeds from sale of assets	7,000	-	7,000
Acquisition and construction of capital assets	(73,817)	(27,950)	(101,767)
Net cash (used in) capital and related financing activities	<u>(66,817)</u>	<u>(209,078)</u>	<u>(275,895)</u>
<u>Cash Flows from Investing Activities</u>			
Investment income	4,535	8,201	12,736
Net cash provided by investing activities	<u>4,535</u>	<u>8,201</u>	<u>12,736</u>
Net increase (decrease) in cash	345,335	(447,175)	(101,840)
Cash and cash equivalents at beginning of year	<u>412,826</u>	<u>1,183,599</u>	<u>1,596,425</u>
Cash and cash equivalents at end of year	<u><u>758,161</u></u>	<u><u>736,424</u></u>	<u><u>1,494,585</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (11,475)	\$ (288,333)	\$ (299,808)
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation	118,857	22,827	141,684
Decrease in accounts receivable	4,303	29,391	33,694
Decrease (increase) in inventory	12,743	(9,954)	2,789
(Increase) in deferred outflows	(222,496)	(348,160)	(570,656)
(Decrease) increase in accounts payable	(1,664)	15,476	13,812
Increase (decrease) in accrued expenses	6,624	(8,843)	(2,219)
Increase in prepaid receivables	6,685	-	6,685
Decrease in customer deposits	(650)	(325)	(975)
(Decrease) in deferred inflows	(198,097)	(4,787)	(202,884)
Increase in net pension liability	442,837	485,706	928,543
Net cash provided by (used in) operating activities	<u><u>157,667</u></u>	<u><u>(107,002)</u></u>	<u><u>50,665</u></u>

See accompanying notes to financial statements

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Village of Pawnee, Illinois (“the Village”) is a municipal corporation with a President/Trustee form of government.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the Village’s financial activities for the fiscal year ended April 30, 2023.

2. Measurement Focus/Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and measurement focus refers to how they are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. With this measurement focus, all assets and all liabilities are included in the statement of net assets. Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements’ governmental column, reconciliations are presented on Exhibits D and F, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Proprietary financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Equity Classifications

Government-wide net position is categorized in three components.

- a. Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - represents amounts that are restricted to specific purposes when constraints are placed on the use either by external groups or law.
- b. Unrestricted - all other net position that does not meet the definition of net investment in capital assets or restricted.

In the balance sheet - governmental funds, the difference between the assets and liabilities of governmental funds is reported as fund balance. The Village's fund balance is divided into the following classifications, as applicable:

- a. Nonspendable - These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- b. Restricted - Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.
 - Motor Fuel Tax Fund: Funds can only be used for expenditures approved by the Illinois Department of Transportation.
 - Library Fund: Funds can only be used for the Village Library.
- c. Committed - Committed amounts are constrained for a specific purpose of the Village using its highest level of decision-making authority. The Village has no committed funds at April 30, 2023.
- d. Assigned - Assigned amounts represent resources that the Village intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The Village board had assigned funds for the General Fund infrastructure as of April 30, 2023.
- e. Unassigned - Unassigned amounts represent resources that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Fund Accounting

The accounts of the Village are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are grouped in the financial statements in this report into fund types as follows:

(a) Governmental Funds

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

(b) Business Type Funds

Enterprise Funds - Enterprise funds are used to account for operations (i) that are financed and operated in a similar manner to a private business enterprise - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (ii) where the governing body has decided that periodic determination of revenues collected, expenses paid, and/or excess of revenues collected over expenses paid is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The government reports the following major governmental funds:

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.

Motor Fuel Tax Fund - The Motor Fuel Tax Fund accounts for money received from tax collections to be used for the construction and repairs of Village streets.

Library Fund - The Library Fund accounts for expenditures for the public library of the Village.

The government reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the operations of providing water and sewer services to the residents of the Village and outlying areas.

Gas Fund - The Gas Fund accounts for the operations of providing natural gas services to the residents of the Village.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village reports deferred outflows/inflows related to pensions and OPEB.

6. New Accounting Pronouncements applicable to the Village

Current Year Standards

There were no current year standards applicable to the Village as of April 30, 2023.

Pending Accounting Standards

GASB has issued the following statements, which may impact the Village's financial reporting requirements in the future:

- GASB 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022.
- GASB 100 – *Accounting Changes and Error Corrections*, effective for periods beginning after June 15, 2023.

7. Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation and amortization of capital assets in the governmental funds and the business type funds are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, ranging from five to forty years, principally on a straight-line basis.

8. Capitalization Policy

Items in excess of \$2,500 with estimated useful lives greater than one year or other significant equipment purchases are capitalized. Other items are expenditures when incurred.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Infrastructure Assets

Capital assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have not been capitalized prior to the beginning of the fiscal year ended April 30, 2005. These assets will be capitalized and depreciated prospectively in accordance with GASB Statement No. 34.

10. Property Tax

Property taxes attach as an enforceable lien on property. Taxes are levied and are due and payable in equal installments of the following year. For the year ended April 30, 2023, the Village had a tax margin of \$0.98370 per \$100.00 assessed valuation. See Exhibit N, "Schedule of Assessed Valuations, Tax Rates and Settlements."

11. Budget

Illinois law requires the Village to pass an annual appropriations ordinance. These financial statements do not contain a comparison of budgeted and actual receipts/revenues and expenditures/expenses as required by generally accepted accounting principles.

12. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash deposited with financial institutions, and certificates of deposit with original maturity dates of three months or less, if any.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from these estimates.

14. Operating and Non-Operating Revenues and Expenses

The Village considers revenues derived from the continuing operations of the business-type activities to be operating revenues and all expenses applicable to the continuing operations of the business-type activities to be operating expenses. All other revenues and expenses are considered non-operating.

15. Program Revenues

Program revenues are revenues generated by the operations of the Village. The program revenues for the governmental funds are as follows:

<u>Function</u>	<u>Revenue Description</u>
Public safety	Fines, police reports, and fire calls

16. Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All earned but unused pay is accrued when incurred in the government-wide and proprietary fund financial statements.

18. Customer Deposits

The Village collects water and gas supply deposits from customers renting or buying a contract for deed and from new businesses in order to protect the Village from customers who do not pay their final bills. Deposits are refunded to customers if they move where water or gas is furnished or buy a new house. Customer deposits held by the Village are restricted to this purpose within the Water and Sewer and Gas Funds.

NOTE B - CASH AND CASH EQUIVALENTS

The Village's investment policy is in accordance with the Illinois Compiled Statutes. The Village is authorized by statute to make deposits or investments in obligations of the U.S. Government; obligations of state or their political subdivisions; savings accounts, time deposits, certificates of deposit; or other investments which are direct obligations of banks as defined by the Illinois Banking Act; and the Illinois Funds.

The Village's deposits as of April 30, 2023 are in checking and savings accounts and are carried at cost. The Village's current investment practice is only to invest in local financial institution accounts.

Deposits and Custodian Credit Risk

At April 30, 2023, the carrying value of the Village's deposits, net of outstanding checks totaled \$3,124,958 and the bank balances were \$3,155,399. Of this balance, \$273,248 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$2,882,151 was covered by pledged collateral, which was held in the Village's name.

Interest Rate Risk

The Village does not have a formal policy that limits invested maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Village does not have a formal credit risk policy.

NOTE C - ACCOUNTS RECEIVABLE

For the year ended April 30, 2023, governmental funds accounts receivable consists of Illinois state tax revenue receivable and proprietary funds accounts receivable consist of water, sewer, and gas sales, net of uncollectible accounts and direct budget billing.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE D - INTER-FUND TRANSFERS AND LOANS

The Village transferred various amounts between funds during fiscal year ended April 30, 2023, as follows:

<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
\$359,263	General Fund	Water/Sewer Fund	Infrastructure/ARPA
219,751	MFT Fund	General Fund	Street Infrastructure
80,000	Water/Sewer Fund	General Fund	Infrastructure
80,000	Gas Fund	General Fund	Infrastructure
78,266	MFT Fund	General Fund	Street Maintenance
29,161	Gas Fund	General Fund	Insurance payments

The Village loaned various amounts between funds for operating purposes during fiscal year ended April 30, 2023. Inter-fund loan balances as of April 30, 2023, are:

<u>Amount</u>	<u>From</u>	<u>To</u>
\$200,000	General Fund	Gas Fund
1,150	Library	General Fund

NOTE E - RISK MANAGEMENT

The Village is exposed to various risks of loss relating to torts, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Village purchases commercial insurance from third party insurance companies for risks of loss. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. For the insured programs there has been no significant reduction in coverage. Settlement amounts have not exceeded insurance coverage for the current or prior three years. Coverage limits for aggregate property (buildings and personal) are \$250,000,000, general aggregate liability \$8,000,000, auto liability \$1,000,000, and workers compensation \$3,000,000, plus other special coverages.

NOTE F - CAPITAL ASSETS

The following is a summary of changes in the capital assets:

GOVERNMENTAL FUNDS

<u>General Fund</u>	<u>Infra- structure</u>	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
Balance, April 30, 2022	\$ 1,697,050	\$902,005	\$ 562,143	\$3,161,198
Additions	219,751	-	99,431	319,182
Transfers	-	-	(38,508)	(38,508)
Subtotal	1,916,801	902,005	623,066	3,441,872
Less: Accumulated Depreciation	(25,291)	(304,999)	(370,218)	(700,508)
Balance, April 30, 2023	\$ <u>1,891,510</u>	<u>\$597,006</u>	<u>\$252,848</u>	<u>\$2,741,364</u>

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE F - CAPITAL ASSETS (continued)

<u>Library Fund</u>	<u>Infra- structure</u>	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
Balance, April 30, 2022	\$ 444,010	\$509,356	\$ 43,358	\$ 996,724
Additions	-	62,467	10,875	73,342
Subtotal	444,010	571,823	54,233	1,070,066
Less: Accumulated Depreciation	-	(91,510)	(38,725)	(130,235)
Balance, April 30, 2023	\$ <u>444,010</u>	\$ <u>480,313</u>	\$ <u>15,508</u>	\$ <u>939,831</u>

TOTAL GOVERNMENTAL FUNDS \$3,681,195

Depreciation was charged to functions/programs of the governmental activities as follows:

General government	18,219
Road and bridge	39,731
Public safety	53,243
Culture and recreation	18,868
Total	<u>\$130,061</u>

BUSINESS-TYPE FUNDS

<u>Water and Sewer Fund</u>	<u>Real Property</u>	<u>Equipment</u>	<u>Total</u>
Balance, April 30, 2022	\$4,939,641	\$718,114	\$5,657,755
Additions	38,492	35,325	73,817
Transfers	-	38,508	38,508
Disposals	-	(18,857)	(18,857)
Subtotal	4,978,133	773,090	5,751,223
Less: Accumulated Depreciation	(3,400,922)	(658,177)	(4,059,099)
Balance April 30, 2023	\$ <u>1,577,211</u>	\$ <u>114,913</u>	\$ <u>1,692,124</u>

<u>Gas Fund</u>			
Balance, April 30, 2022	\$ 387,642	\$ 488,510	\$ 876,152
Additions	-	27,950	27,950
Disposals	-	-	-
Subtotal	387,642	516,460	904,102
Less: Accumulated Depreciation	(355,377)	(454,568)	(809,945)
Balance, April 30, 2023	\$ <u>32,265</u>	\$ <u>61,892</u>	\$ <u>94,157</u>

TOTAL BUSINESS-TYPE FUNDS \$ 1,786,281

Land was \$7,803 for governmental funds and \$38,550 for business-type funds as of April 30, 2023.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE G - NOTES PAYABLE

Due to extraordinarily low temperatures across the country in February 2021, the Village was charged open market rates for gas usage. The Village approved a loan agreement with Illinois Finance Authority in order to pay the large bill charged by the gas suppliers. To recoup the cost and pay back the loan, the Village added an \$11 fee to every customer who pays a gas bill over the next three years, or until the loan is paid off.

The following is a summary of the changes in long-term debt:

	Balance 4/30/22	<u>Additions</u>	<u>Retirements</u>	Balance 4/30/23
Illinois Finance Authority, 1.00%, semi-annual payments of \$90,564, including interest due 3/1/2024	\$ 357,773	\$ -	\$177,994	\$179,779
Total	\$ 357,773	\$ -	\$177,994	\$179,779

The following is the remaining maturities of this long-term debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 179,779	\$ 1,349	\$181,128
	\$ 179,779	\$ 1,349	\$181,128

NOTE H - EXCESS OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES

For the year ended April 30, 2023, the MFT Fund and Library Fund had a decrease in fund balance of \$241,148, and \$69,102, respectively. The Gas Fund had a decrease in net position of \$392,427.

NOTE I - RETIREMENT PLAN

IMRF Plan Description. The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of the 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 Annual Comprehensive 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.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE I - RETIREMENT PLAN (continued)

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.

Unless otherwise noted, the following IMRF plan information is based on the calendar year 2022 rather than the fiscal year ended April 30, 2023.

Employees Covered by Benefit Terms. As of December 31, 2022, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	<u>21</u>
Total	<u>55</u>

Contributions. As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE I - RETIREMENT PLAN (continued)

calendar year 2022 was 15.94%. For the fiscal year ended April 30, 2023, the Village contributed \$175,822 to the plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The following are the methods and assumptions used to determine total pension liability at December 31, 2022.

- The actuarial cost method used was entry age normal.
- The asset valuation method used was market value of assets.
- The inflation rate was assumed to be 2.25%.
- Salary increases were expected to be 2.85% to 13.75%, including inflation.
- The investment rate of return was assumed to be 7.25%.
- Projected retirement age was from the experience-based table of rates, specific to the type of eligibility condition, last updated for the 2020 valuation according to an experience study from years 2017-2019.
- For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE I - RETIREMENT PLAN (continued)

the fiduciary net position is projected to be sufficient to pay benefits) and (2) 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 this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.05%; and the resulting single discount rate is 7.25%.

Expected contributions are developed based on the following:

- Member contributions for current members
- Normal cost contributions for current members
- Unfunded liability contributions for current and future members

Changes in the Net Pension Liability (asset)	
Balance at December 31, 2021	<u>\$128,133</u>
Changes for the year:	
Service cost	88,641
Interest on the total pension liability	593,597
Changes of benefit terms	-
Differences between expected and actual experience of the total pension liability	172,831
Changes of assumptions	-
Contributions - employer	(175,822)
Contributions - employees	(49,676)
Net investment income	1,051,074
Benefit payments, including refunds of employee contributions	-
Other (net transfer)	<u>(24,610)</u>
Net changes	<u>1,656,035</u>
Balance at December 31, 2022	<u>\$1,784,168</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.25%)	Current Discount (7.25%)	1% Higher (8.25%)
Net pension liability (asset)	\$2,873,356	\$1,784,168	\$920,011

Pension Expense. For the year ended April 30, 2023, the Village recognized pension expense of \$430,448.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE I - RETIREMENT PLAN (continued)

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$301,681	\$ -
Changes of assumptions	-	14,553
Net difference between projected and actual earnings on pension plan investments	<u>1,312,987</u>	<u>689,955</u>
Total deferred amounts to be recognized in pension expense in future periods	1,614,668	704,508
Pension contributions made subsequent to the measurement date	<u>64,199</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$1,678,867</u>	<u>\$704,508</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2022 will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31,</u>	<u>Net Deferred Outflows of Resources</u>
2023	\$210,321
2024	160,071
2025	211,522
2026	328,246
2027	-
Thereafter	-
Total	<u>\$ 910,160</u>

NOTE J - OTHER POST EMPLOYMENT BENEFITS

The Village administers a single-employer defined benefit Post-Retirement Benefit Plan (“OPEB”). The OPEB plan is under the direction of the Village. Upon retirement of an employee after ten or more years of service to the Village, the Village will pay 30% of the cost of the employee’s health (medical, dental, and vision) insurance premiums for a maximum of five years or upon reaching Medicare eligibility.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE J - OTHER POST EMPLOYMENT BENEFITS (continued)

GASB Statements Number 74 and 75 require that the Village calculate and disclose the details of the OPEB liability. The Village has not engaged an actuary to determine the OPEB liability. Instead, the Village has estimated the liability using the alternative method. The estimate of potential liability as of April 30, 2023, is \$266,145.

NOTE K - MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2023, the date on which the financial statements were available to be issued.

NOTE L - RECLASSIFICATIONS

Certain prior year capital asset amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported net position.

NOTE M - PRIOR PERIOD ADJUSTMENTS

The Village adjusted its General fund beginning fund balance, its Water & Sewer and Gas funds beginning net position, and its government-wide beginning net position for governmental activities during the year ended April 30, 2023 due to the following:

- \$52,756 in tax receivables was not recorded in the General Fund.
- \$6,127 was improperly recorded for IMRF expense in the General Fund.
- \$3,288 was not recorded for April IMRF deferred outflows in the General Fund. This adjustment is only applicable to the government-wide financial statements.
- \$358 was not recorded for April IMRF deferred outflows in the Library Fund. This adjustment is only applicable to the government-wide financial statements.
- \$1,987 was not recorded for April IMRF deferred outflows in the Water & Sewer Fund.
- \$1,860 was not recorded for April IMRF deferred outflows in the Gas Fund.

The beginning fund balance for the General fund has been restated in the financial statements as follows:

Fund balance at April 30, 2022	\$1,031,020
Prior period adjustment to tax receivables	52,756
Prior period adjustment to IMRF	6,127
Fund balance, beginning, as restated	<u>\$1,089,903</u>

This adjustment had a net increase effect of \$58,883 to the General fund change in fund balance for the year ended April 30, 2022.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTE M – PRIOR PERIOD ADJUSTMENTS (continued)

The beginning fund net position for the Water & Sewer and Gas funds have been restated in the financial statements as follows:

	Water & Sewer	Gas
Net position at April 30, 2022	\$1,873,299	\$1,019,340
Prior period adjustments to IMRF	<u>1,987</u>	<u>1,860</u>
Net position, beginning, as restated	\$1,875,286	\$1,021,200

These adjustments had a net increase effect of \$1,987 and \$1,860 to the Water & Sewer fund and Gas fund change in net position, respectively, for the year ended April 30, 2022.

The beginning government-wide net position for governmental activities has been restated in the financial statements as follows:

Net position at April 30, 2022	\$4,772,574
Prior period adjustment per fund balance above	58,883
Prior period adjustment to General IMRF	3,288
Prior period adjustment to Library IMRF	<u>358</u>
Net position, beginning, as restated	\$4,835,103

These adjustments had a net increase effect of \$62,529 to the government-wide change in net position for the governmental activities for the year ended April 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PAWNEE, ILLINOISMULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For Calendar Years Ending December 31,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Pension Liability								
Service Cost	\$ 92,022	\$ 98,569	\$ 94,883	\$ 87,802	\$ 104,988	\$ 101,900	\$ 78,898	\$ 88,641
Interest in the total of pension liability	431,896	452,234	463,676	458,775	482,253	520,277	540,471	593,597
Benefit changes	-	-	-	-	-	-	-	-
Difference between expected and actual experience	19,373	(120,312)	(158,507)	52,542	232,981	93,373	501,716	172,831
Assumption changes	8,027	(24,295)	(183,140)	199,145	-	(72,312)	-	-
Benefit payments and refunds	<u>(270,531)</u>	<u>(278,681)</u>	<u>(273,332)</u>	<u>(284,091)</u>	<u>(260,113)</u>	<u>(328,288)</u>	<u>(378,121)</u>	<u>(408,257)</u>
Net changes in Total Pension Liability	280,787	127,515	(56,420)	514,173	560,109	314,950	742,964	446,812
Total Pension Liability - Beginning	5,863,268	6,144,055	6,271,570	6,215,150	6,729,323	7,289,432	7,604,382	8,347,346
Total Pension Liability - Ending	<u>\$ 6,144,055</u>	<u>\$ 6,271,570</u>	<u>\$ 6,215,150</u>	<u>\$ 6,729,323</u>	<u>\$ 7,289,432</u>	<u>\$ 7,604,382</u>	<u>\$ 8,347,346</u>	<u>\$ 8,794,158</u>
Plan Fiduciary Net Position								
Employer Contributions	\$ 153,459	\$ 145,642	\$ 131,230	\$ 137,987	\$ 126,526	\$ 143,740	\$ 190,445	\$ 175,822
Employee Contributions	40,318	40,285	38,346	77,090	46,103	42,808	43,563	49,676
Pension Plan Net investment income	23,482	336,463	891,924	(296,824)	967,294	890,294	1,178,894	(1,051,074)
Benefit payment and refunds	(270,531)	(278,681)	(273,332)	(284,091)	(260,113)	(328,288)	(378,121)	(408,257)
Other	<u>108,575</u>	<u>6,090</u>	<u>(79,916)</u>	<u>(50,635)</u>	<u>80,086</u>	<u>84,231</u>	<u>60,081</u>	<u>24,610</u>
Net change in Plan Fiduciary Net Position	55,303	249,799	708,252	(416,473)	959,896	832,785	1,094,862	(1,209,223)
Plan Fiduciary Net Position - Beginning	4,734,789	4,790,092	5,039,891	5,748,143	5,331,670	6,291,566	7,124,351	8,219,213
Plan Fiduciary Net Position - Ending	<u>4,790,092</u>	<u>5,039,891</u>	<u>5,748,143</u>	<u>5,331,670</u>	<u>6,291,566</u>	<u>7,124,351</u>	<u>8,219,213</u>	<u>7,009,990</u>
Net Pension Liability	<u>\$ 1,353,963</u>	<u>\$ 1,231,679</u>	<u>\$ 467,007</u>	<u>\$ 1,397,653</u>	<u>\$ 997,866</u>	<u>\$ 480,031</u>	<u>\$ 128,133</u>	<u>\$ 1,784,168</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.96%	80.36%	92.49%	79.23%	86.31%	93.69%	98.46%	79.71%
Covered valuation payroll	\$ 892,203	\$ 865,450	\$ 852,140	\$ 901,288	\$ 1,024,502	\$ 951,296	\$ 968,079	\$ 1,089,895
Net Pension Liability as a Percentage of Covered Valuation Payroll	151.76%	142.32%	54.80%	155.07%	97.40%	50.46%	13.24%	163.70%

Schedule K is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The plan years above are reported in the Village's financial statements in the fiscal year following the plan year - i.e. plan year 2015 information was presented in the Village's 2016 financial report.

VILLAGE OF PAWNEE, ILLINOISNOTES TO FINANCIAL STATEMENTSMULTIYEAR SCHEDULE OF CONTRIBUTIONS

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$153,459	\$153,459	\$ -	\$ 892,203	17.20%
2016	145,049	145,642	(593)	865,450	16.83%
2017	131,230	131,230	-	852,140	15.40%
2018	137,987	137,987	-	901,288	15.31%
2019	126,526	126,526	-	1,024,502	12.35%
2020	143,741	143,740	1	951,296	15.11%
2021	160,120	190,445	(30,325)	968,079	19.67%
2022	173,729	175,822	(2,093)	1,089,895	16.13%

Exhibit L is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to RSI are an integral part of this schedule.

VILLAGE OF PAWNEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2023

NOTES TO SCHEDULE OF CONTRIBUTIONS

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE DECEMBER 2022 CONTRIBUTION RATE*

Valuation Date:

Notes - Actuarially determined contribution rates are calculated as of December 31 each year, which is 16 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2022 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): 21-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 16 years for most employers (five employers were financed over 17 years; one employer was financed over 18 years; two employers were financed over 19 years; one employer was financed over 20 years; three employers were financed over 25 years; four employers were financed over 26 years and one employer was financed over 27 years).

Asset Valuation Method - 5-year smoothed market; 20% corridor

Wage growth – 2.75%

Price Inflation - 2.25%

Salary Increases – 2.85% to 13.75% 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 2020 valuation pursuant to an experience study of the period 2017-2019.

Mortality - For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future improvements projected using scale MP-2020.

Other Information:

Notes - There were no benefit changes during the year.

**Based on Valuation Assumptions used in the December 31, 2020, actuarial valuation.*

OTHER INFORMATION

VILLAGE OF PAWNEE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

Year Ended April 30, 2023

ASSESSED VALUATION - 2022		\$ 44,135,735
Statutory Debt Limitation as Defined in Chapter 24, Section 8-5-1, Illinois Revised Statutes of 1983 (8.625% of Assessed Valuation)		\$ 3,806,707
<u>TOTAL DEBT</u>		
Note Payable - Illinois Finance Authority	\$ 179,779	
Revenue Bonds	-	
Less: Revenue Bonds		
Exempt from Above Limitations	-	
Limited Debt		179,779
LEGAL DEBT LIMIT		\$ 3,626,928

See Independent Auditor's Report

VILLAGE OF PAWNEE, ILLINOISSCHEDULE OF ASSESSED VALUATIONS, TAX RATES, AND SETTLEMENTS

Year Ended April 30, 2023

	2019 Taxes Collected In <u>2020</u>	2020 Taxes Collected In <u>2021</u>	2021 Taxes Collected In <u>2022</u>
Assessed Valuation	\$ 41,195,761	\$ 42,478,650	\$ 44,135,735
Tax Rate Percent	<u>1.03070</u>	<u>1.01270</u>	<u>0.98370</u>
Tax Extension	424,605	430,181	434,163
<u>SETTLEMENT</u>			
Deductions	<u>(6,035)</u>	<u>(5,744)</u>	<u>(5,172)</u>
TOTAL SETTLEMENT	<u>\$ 418,570</u>	<u>\$ 424,437</u>	<u>\$ 428,991</u>

See Independent Auditor's Report

VILLAGE OF PAWNEE, ILLINOIS

LISTING OF VILLAGE OFFICIALS

April 30, 2023

Jeff Clarke	President
Devona Martin	Village Clerk
Brent Wise	Village Treasurer
Troy Grant	Trustee
Patrick Murphy	Trustee
David Skinner	Trustee
Dale Walters	Trustee
Phillip Thompson	Trustee
Brian Whitlow	Trustee

See Independent Auditor's Report