

Village of Steger, Illinois

Annual Financial Statements

December 31, 2022

**Village of Steger, Illinois
Table of Contents
December 31, 2022**

Independent Auditor's Report	1
Management's Discussion and Analysis	5-12
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14-15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23-24
Fiduciary Funds:	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to Financial Statements	27-56
 Required Supplementary Information	
Schedule of Changes in the Village's Total OPEB Liability and Related Ratios	58
Schedule of Changes in the Village Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund – Regular Plan	59
Schedule of Changes in the Village Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund – Regular Plan	60
Schedule of Changes in the Village Net Pension Liability and Related Ratios - Police Pension Plan	61
Schedule of Village Contributions – Regular Plan	62
Schedule of Village Contributions – SLEP Plan	63
Schedule of Village Contributions - Police Pension Fund	64
Schedule of Investment Returns	65
Budgetary Comparison Schedule - General Corporate Fund	66
Budgetary Comparison Schedule – Liability Insurance Fund	67
Notes to Required Supplementary Information	68
 Supplementary Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet	70-71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	72-73
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 74-75
Schedule of Findings and Responses	76-77

Independent Auditor's Report



Independent Auditor’s Report

To the Honorable President and
Members of the Board of Trustees
Village of Steger, Illinois

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Steger, Illinois (Village), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Village of Steger, Illinois’ basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental activities	Qualified
Business-type activities	Qualified
General Fund	Unmodified
Liability Insurance Fund	Unmodified
Water and Sewer Operations Fund	Qualified
Aggregate remaining fund information	Unmodified

Qualified Opinions on Governmental Activities, Business-Type Activities and Water and Sewer Operations 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, the business-type activities, and the Water and Sewer Operations Fund for the Village of Steger, Illinois, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the General Fund, Liability Insurance Fund, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Liability Insurance Fund, and the aggregate remaining fund information for the Village of Steger, Illinois as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4828 Loop Central Dr.
Suite 1000
Houston, TX 77081
Phone: 713.968.1600
Fax: 713.968.1601



We did not audit the financial statements of the Police Pension Fund, which represent 63%, 82% and 42%, respectively of the assets, fund balance/net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the aggregate remaining fund information, insofar as it relates to the amounts included for the Police Pension Fund, is based solely on the report of the other auditors

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Steger, Illinois and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Basis for Qualified Opinions on Governmental Activities, Business-Type Activities and Water and Sewer Operations Fund

The Village of Steger, Illinois does not maintain detailed records of the historical cost, accumulated depreciation or depreciation expense of its capital assets. Therefore, we were unable to obtain sufficient evidence to form an opinion on the capital assets, accumulated depreciation and depreciation expense of the Village of Steger, Illinois. Quantification of the effects on the financial statements of these matters is not practicable.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village'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 responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Pension Fund, which represent all of the financial balances and activity of the pension trust funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, is based solely on the report of the other auditors.



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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 management's discussion and analysis and required supplementary information, as identified in the table of contents, 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 GAAS, 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



McConnell Jones

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting

McConnell Jones LLP

Houston, Texas
October 21, 2024

Management's Discussion and Analysis

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

The Village of Steger, Illinois (Village) management's discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, and (3) identify changes in the Village's financial position.

Since management's discussion and analysis (MD&A) is designed to focus on the current period's activities, resulting changes, and currently known facts, please read it in conjunction with the Village's financial statements. The current year being reported is from January 1, 2022 through December 31, 2022.

Financial Highlights

- The Village's net position increased by a total of \$967,216. Net position of \$678,277 consists of (\$1,983,688) related to governmental activities and \$2,661,965 related to business-type activities.
- The fund balance of the General Fund is \$3,539,943, which is an increase of \$891,078 from the prior fiscal year's fund balance.

Using the Financial Section of This Financial Report

In accordance with generally accepted accounting principles (GAAP), the Village's financial statements present two kinds of statements, each with a different view of the Village's finances. The financial statements focus on both the Village as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the Village's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the primary government.

The statement of net position presents information on all of the Village's assets and deferred outflows and liabilities and deferred inflows of resources, with the difference of the two reported as net position. The focus of the statement of net position (the "unrestricted net position") is designed to be similar to bottom-line results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds using the current financial resources measurement focus (short-term, spendable resources) with capital assets and long-term obligations, using the accrual basis of accounting and economic resources measurement focus. Over time, increases and decreases in net position may serve as useful indicators of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the fiscal year. The statement of activities is focused on both the gross and net cost of various activities (including governmental and business-type) which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

Both statements distinguish functions of the Village that are primarily supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities reflect the Village's basic services, including police, fire, public works, community development, and finance and administration. Property taxes, local sales taxes, local utility taxes, state-shared income taxes, replacement taxes, and local use taxes finance the majority of these services. The business-type activities reflect private sector-type operations (water and sewer), whereby the fee for service typically covers all or most of the cost of operation, including depreciation.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The governmental funds focus on sources and uses of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. This is the manner in which the financial plan (the appropriations) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or appropriations compliance associated therewith.

Proprietary funds provide the same type of information (private sector operations) as the government-wide business-type financial statements, only in more detail. The proprietary fund statements provide separate information for the water and sewer activity, which is considered to be a major fund of the Village.

The fund financial statements also allow the Village to address its fiduciary fund (police pension fund). While this fund represents trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

Other Information

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Village's progress in funding its obligation to provide pension benefits to employees.

While the total column on the proprietary fund financial statements is the same as the business-type activities column in the government-wide financial statements, the governmental funds total column requires reconciliation with the governmental activities column in the government-wide financial statements because of the different measurement focus (current financial resources versus total economic resources), which is reflected on the page following each statement.

The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the governmental activities column (in the government-wide statements).

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

Government-Wide Statements

As mentioned earlier, the statement of net position may serve over time as a useful indicator of the Village's financial position. The following table reflects the condensed statement of net position:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 9,392,206	\$ 9,176,110	\$ 1,603,919	\$ 2,031,205	\$ 10,996,125	\$ 11,207,315
Capital assets	4,580,887	4,856,400	1,919,232	2,017,636	6,500,119	6,874,036
Total assets	<u>13,973,093</u>	<u>14,032,510</u>	<u>3,523,151</u>	<u>4,048,841</u>	<u>17,496,244</u>	<u>18,081,351</u>
Deferred outflows	4,253,209	2,443,614	57,162	52,962	4,310,371	2,496,576
Long-term liabilities	10,688,834	12,166,036	126,300	141,559	10,815,134	12,307,595
Other liabilities	2,961,445	2,921,543	394,870	366,943	3,356,315	3,288,486
Total liabilities	<u>13,650,279</u>	<u>15,087,579</u>	<u>521,170</u>	<u>508,502</u>	<u>14,171,449</u>	<u>15,596,081</u>
Deferred inflows	6,559,711	5,008,918	397,178	261,864	6,956,889	5,270,782
Net position						
Net investment in						
capital assets	2,585,157	2,711,736	1,919,232	2,017,636	4,504,389	4,729,372
Restricted	2,928,475	3,018,167	-	112,263	2,928,475	3,130,430
Unrestricted	<u>(7,497,320)</u>	<u>(9,350,276)</u>	<u>742,733</u>	<u>1,201,535</u>	<u>(6,754,587)</u>	<u>(8,148,741)</u>
Total net position (deficit)	<u>\$ (1,983,688)</u>	<u>\$ (3,620,373)</u>	<u>\$ 2,661,965</u>	<u>\$ 3,331,434</u>	<u>\$ 678,277</u>	<u>\$ (288,939)</u>

The Village's total net position increased from (\$288,939 deficit) as of December 31, 2021 to \$678,277 at December 31, 2022, which is an increase in net position of \$967,216. The increase in total net position for governmental activities is \$1,636,685. Several items factored into the increase in net position. Cash balances increased \$1,405,570, largely in the general fund, due higher revenue collections across multiple accounts, offset by lower expenditures. Accounts payable decreased \$527,711 from 2021 to 2022. This was due to an accrual of \$501,199 for a road paving project in 2021 and no such large accruals in 2022. Pension-related items also had large fluctuations from the prior year with net assets, liabilities, deferred outflows, and deferred inflows all having significant changes. Total net position for business-type activities decreased by \$669,469, largely due the decrease in the IMRF pension asset of \$327,073 and capital assets of \$98,404 from 2021 to 2022. The capital asset decrease is due to no new capital assets in 2022 and assets purchased in prior years depreciating.

The Village uses capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Investment in capital assets, net of debt also provides useful information that can be used for trend analysis to determine if the Village is properly replacing aging infrastructure, including streets and water and sewer mains.

The Village's unrestricted net position for governmental activities reflects the portion of net position that can be used to finance day-to-day operations. Restricted net position represents funds that are subject to limitations on how they may be used. These funds primarily reflect funds restricted for specific purposes based on the nature of the revenue funding them.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

The following table reflects the change in net position resulting from revenues and expenses of the Village's governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue						
Charges for services	\$ 892,385	\$ 674,177	\$ 2,209,569	\$ 2,216,770	\$ 3,101,954	\$ 2,890,947
Operating grants and contributions	611,116	599,256	-	-	611,116	599,256
Capital grants and contributions	-	62,058	-	-	-	62,058
General revenue						
Property taxes	2,498,844	2,671,030	-	-	2,498,844	2,671,030
Other taxes	626,834	556,042	-	-	626,834	556,042
Intergovernmental	2,917,539	2,508,519	-	-	2,917,539	2,508,519
Other	280,476	230,335	53,535	235	334,011	230,570
Total revenue	<u>7,827,194</u>	<u>7,301,417</u>	<u>2,263,104</u>	<u>2,217,005</u>	<u>10,090,298</u>	<u>9,518,422</u>
Program Expenses						
General government	743,458	1,178,905	-	-	743,458	1,178,905
Public safety	4,313,952	4,490,437	-	-	4,313,952	4,490,437
Parks and recreation	364,595	292,595	-	-	364,595	292,595
Highway and streets	895,114	1,255,416	-	-	895,114	1,255,416
Economic development	123,151	82,692	-	-	123,151	82,692
Interest and fees	136,939	151,100	-	-	136,939	151,100
Water and sewer	-	-	2,545,873	1,909,341	2,545,873	1,909,341
Total expenses	<u>6,577,209</u>	<u>7,451,145</u>	<u>2,545,873</u>	<u>1,909,341</u>	<u>9,123,082</u>	<u>9,360,486</u>
Change in Net Position before transfers	<u>1,249,985</u>	<u>(149,728)</u>	<u>(282,769)</u>	<u>307,664</u>	<u>967,216</u>	<u>157,936</u>
Transfers	<u>386,700</u>	<u>440,000</u>	<u>(386,700)</u>	<u>(440,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>1,636,685</u>	<u>290,272</u>	<u>(669,469)</u>	<u>(132,336)</u>	<u>967,216</u>	<u>157,936</u>
Net Position (Deficit), Beginning of Year	<u>(3,620,373)</u>	<u>(3,910,645)</u>	<u>3,331,434</u>	<u>3,463,770</u>	<u>(288,939)</u>	<u>(446,875)</u>
Net Position (Deficit), End of Year	<u>\$ (1,983,688)</u>	<u>\$ (3,620,373)</u>	<u>\$ 2,661,965</u>	<u>\$ 3,331,434</u>	<u>\$ 678,277</u>	<u>\$ (288,939)</u>

Governmental Activities

Charges for services include revenue from Village fines, licenses, and permits.

Operating grants and contributions reflect grant revenue. Operating grants for public safety remained consistent, increasing only \$1,368. Operating grants and contributions for highways and street increased \$10,492 from 2021 to 2022. This is due to slightly higher collections in Motor Fuel Taxes. \$210,234 was received in both 2021 and 2022 for the Rebuild Illinois MFT program that is distributing funds for bondable capital improvements. 2022 was the final year of distributions for the Rebuild Illinois program.

Property taxes historically have been one of the Village's largest revenue sources, generating \$2,498,844 (\$431,728 relates to the TIF districts), which represents 31.9% of the total governmental activity revenue. Property tax revenue reflects the allowable increase under the *Property Tax Limitation Act*, which is restricted to 5%, or the percent of increase in the national Consumer Price Index (CPI), whichever is less. The decrease in revenue from 2021 to 2022 was due to the delay in distributions from Cook County on the second installment of the tax levy.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

Other taxes and intergovernmental revenue include sales tax revenue combined with state-shared revenue (income tax, local use tax, and replacement tax), local utility taxes, video gaming tax, and franchise fee revenue; they total \$3,544,343, which represents 31.9% of the total governmental activity revenue.

Other revenue reflects investment interest income, reimbursement for damaged property, training and prosecution services, and other miscellaneous revenue.

The Village realizes the importance of offering competitive compensation and benefit packages for the recruitment and retention of employees. General government expenses in 2022 include an annual general wage adjustment of salaries.

The general government program expenses decrease is partially due to highway and street expenditures decreasing \$360,302, as the Village had an MFT street resurfacing project in 2021, but no such large projects in 2022.

Business-Type Activities

Fund Financial Analysis

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Village's governmental fund types, which include the General Fund, is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of a fiscal year. The Village's proprietary fund types, which are those funds that operate similar to a business, provide the same type of information found in the government-wide financial statements, but in more detail.

Governmental Funds

The General Fund is the main operating fund of the Village. Revenue was \$5,575,383 for the year ended December 31, 2022, compared to \$4,894,920 for the year ended December 31, 2021. Expenditures were \$3,919,505 for the year ended December 31, 2022, compared to \$4,096,134 for the year ended December 31, 2021. Engineering expenses were down \$67,046, due to the Union Avenue Project, which was completed in 2022, but the majority of the work was done in 2021. At December 31, 2022, the General Fund reflected an increase in fund balance of \$891,078.

The Liability Insurance Fund accounts for resources restricted for Village's insurance coverage and the costs associated with maintaining that coverage. Revenue was \$749,543 for the year ended December 31, 2022. Expenditures were \$1,233,127 for the year ended December 31, 2022. It also received transfers from the Water and Sewer Operations Funds for \$375,000 and the General Fund for \$100,000. At December 31, 2022, the fund balance decreased \$8,584 to \$45,742.

General Fund Budgetary Highlights

The Village Board adopted the appropriation ordinance for the year ended December 31, 2022. No amendments to the budget were made during the year. Actual revenue was lower than budgeted revenue by \$706,652. This was largely due to ARPA revenue being budgeted at \$1.3 million, but only \$53,000 being recognized, as the project that was projected to start to use these funds was delayed. This was offset by several intergovernmental taxes being higher than budgeted, for a total of \$356,458. Actual expenditures were lower than budgeted expenditures by \$681,201. Several budgeted equipment and vehicle purchases were not made in 2022 in both the Police Department (\$109,000) and Fire Department (\$240,000) due to the items not being available. Actual transfers out of \$764,800 were less than the budgeted amount by \$1,200,700, due to that ARPA project being delayed and transfers to the water fund not being needed. All of this resulted in an overall budget variance of \$1,461,899 in the General Fund.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2022

Proprietary Funds

Net position of the Water and Sewer Operations Fund at December 31, 2022, totaled \$2,661,965. Net position decreased from December 31, 2021 by \$669,469. This can largely be attributed to a higher than usual amount of water main breaks in the Village that needed to be repaired.

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2022, was \$6,500,119. This investment in capital assets includes land, buildings, improvements, equipment, and the water/sewer system as reflected in the table below. The Village depreciates assets over their useful lives. If a road project is considered maintenance, a recurring cost that does not extend the road's original useful life or expand its capacity, the cost of the project will be expensed. An "overlay" or resurfacing of a road will be considered maintenance whereas a "rebuild" or reconstruction of a road will be capitalized.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Nondepreciable assets	\$ 578,386	\$ 578,386	\$ -	\$ -	\$ 578,386	\$ 578,386
Depreciable assets, net of accumulated depreciation						
Buildings and improvements	3,310,871	3,445,070	-	-	3,310,871	3,445,070
Land improvements	277,552	297,693	-	-	277,552	297,693
Water/sewer system	-	-	2,017,636	1,919,232	2,017,636	1,919,232
Equipment	414,078	535,251	-	-	414,078	535,251
Total capital assets	<u>\$ 4,580,887</u>	<u>\$ 4,856,400</u>	<u>\$ 2,017,636</u>	<u>\$ 1,919,232</u>	<u>\$ 6,598,523</u>	<u>\$ 6,775,632</u>

Total capital assets for governmental activities and for business-type activities decreased due to depreciation expense for the current year and well as the disposition of a Fire Truck and an Ambulance.

Additional information on the Village's capital assets can be found in the notes to the financial statements (see Note 4).

Long-Term Debt

At December 31, 2022, the Village has total governmental activity bonded debt, notes, and TIF obligations outstanding of \$3,639,474, all of which is backed by the full faith and credit of the Village.

State statutes limit the amount of general obligation bond debt a governmental entity may issue to 8.625% of its total equalized assessed valuation. The current estimated debt limit for the Village is \$9,921,396; as such, the Village is currently significantly under the outstanding general obligation debt limit.

In the year ended December 31, 2022, bonded debt and notes outstanding decreased, as all payments due in the fiscal year were made and no new debt was issued.

Village of Steger, Illinois
Management's Discussion and Analysis
December 31, 2022

GO Bonds and premium	\$ 2,919,412	\$ 2,697,141	\$ -	\$ -	\$ 2,919,412	\$ 2,697,141
Promissory notes	94,442	62,061	-	-	94,442	62,061
TIF Senior Lien Capital			-			
Accretion Bonds	277,965	236,457	-	-	277,965	236,457
TIF Junior Lien Notes	403,272	403,272	-	-	403,272	403,272
TIF Developer Notes	313,799	240,543	-	-	313,799	240,543
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total outstanding bonds and notes	<u>\$ 4,008,890</u>	<u>\$ 3,639,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,008,890</u>	<u>\$ 3,639,474</u>

Additional information on the Village's long-term debt can be found in the notes to the financial statements (see Note 6).

Economic Factors

The Village's composition is primarily residential with small commercial and industrial components. Many trends and economic factors will continue to be monitored, along with managing expenses. The Village will continue to have ongoing challenges of planning for capital replacements and infrastructure improvements while maintaining and operating the Village's existing facilities and services in the manner the residents deserve.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Mary Jo Seehausen, Village Administrator, Village of Steger, Illinois, 3320 Lewis Avenue, Steger, Illinois 60475.

Basic Financial Statements

Village of Steger, Illinois
Statement of Net Position
December 31, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and investments	\$ 5,497,439	\$ 1,220,712	\$ 6,718,151
Restricted cash and investments	869,190	-	869,190
Receivables:			
Property taxes receivable	2,421,233	-	2,421,233
Accounts receivable	-	374,001	374,001
Grants receivable	27,391	-	27,391
Intergovernmental receivable	37,407	-	37,407
Other taxes receivable	445,027	-	445,027
Allowance for doubtful accounts	-	(142,205)	(142,205)
Internal balances	(158,406)	158,406	-
Prepaid expense and other assets	252,925	-	252,925
Net pension asset	-	(6,995)	(6,995)
Capital assets:			
Nondepreciable assets	578,386	-	578,386
Depreciable assets - net	4,002,501	1,919,232	5,921,733
Total assets	13,973,093	3,523,151	17,496,244
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension costs	4,048,044	20,956	4,069,000
Deferred OPEB costs	205,165	36,206	241,371
Total deferred outflows of resources	4,253,209	57,162	4,310,371
LIABILITIES			
Accounts payable	307,668	241,537	549,205
Due to police pension	30,600	-	30,600
Deposits payable	557	137,471	138,028
Accrued liabilities and other:			
Accrued salaries and wages	114,816	13,678	128,494
Accrued interest payable	1,068,029	-	1,068,029
Unearned revenue	1,201,537	-	1,201,537
Noncurrent liabilities:			
Due within one year:			
Compensated absences	15,857	2,184	18,041
Leases payable	-	-	-
Current portion of loans payable	222,381	-	222,381
Due in more than one year:			
Compensated absences	142,711	19,655	162,366
Long-term debt	3,522,811	-	3,522,811
Net pension liability	6,418,993	-	6,418,993
Net OPEB liability	604,319	106,645	710,964
Total liabilities	13,650,279	521,170	14,171,449

Village of Steger, Illinois
Statement of Net Position (Continued)
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	\$ 2,421,234	\$ -	\$ 2,421,234
Deferred pension items	3,815,146	340,120	4,155,266
Deferred OPEB items	323,331	57,058	380,389
Total deferred inflows of resources	6,559,711	397,178	6,956,889
NET POSITION (DEFICIT)			
Net investment in capital assets	2,585,157	1,919,232	4,504,389
Restricted:			
Streets and highways	1,059,126	-	1,059,126
Public safety	146,864	-	146,864
Capital improvements	869,190	-	869,190
Economic development	735,024	-	735,024
Employee retirement	118,271	-	118,271
Unrestricted	(7,497,320)	742,733	(6,754,587)
Total net position (deficit)	\$ (1,983,688)	\$ 2,661,965	\$ 678,277

Village of Steger, Illinois
Statement of Activities
Year Ended December 31, 2022

	Program Revenue			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
FUNCTIONS/PROGRAMS							
Primary government:							
Governmental activities:							
General government	\$ 743,458	\$ 357,958	\$ -	\$ -	\$ (385,500)	\$ -	\$ (385,500)
Public safety	4,313,952	396,700	15,419	-	(3,901,833)	-	(3,901,833)
Highway and streets	895,114	54,205	595,697	-	(245,212)	-	(245,212)
Economic development	123,151	-	-	-	(123,151)	-	(123,151)
Parks and recreation	364,595	83,522	-	-	(281,073)	-	(281,073)
Interest on long-term debt	136,939	-	-	-	(136,939)	-	(136,939)
Total governmental activities	6,577,209	892,385	611,116	-	(5,073,708)	-	(5,073,708)
Business-type activities:							
Water and sewer	2,545,873	2,209,569	-	-	-	(336,304)	(336,304)
Total primary government	<u>9,123,082</u>	<u>3,101,954</u>	<u>611,116</u>	<u>-</u>	<u>(5,073,708)</u>	<u>(336,304)</u>	<u>(5,410,012)</u>
General revenue:							
Property taxes					2,498,844	-	2,498,844
Unrestricted intergovernmental revenue - sales and income tax					626,834	-	626,834
Unrestricted intergovernmental revenue - utility tax and other taxes					2,917,539	-	2,917,539
Unrestricted investment income					45,961	-	45,961
Other miscellaneous income					234,515	53,535	288,050
Total general revenue					6,323,693	53,535	6,377,228
Other financing sources							
Transfers					386,700	(386,700)	-
Change in net position					1,636,685	(669,469)	967,216
Net position (deficit) - beginning of year					(3,620,373)	3,331,434	(288,939)
Net position (deficit) - end of year					<u>\$ (1,983,688)</u>	<u>\$ 2,661,965</u>	<u>\$ 678,277</u>

Village of Steger, Illinois
Governmental Funds
Balance Sheet
December 31, 2022

	General Fund	Liability Insurance Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments	3,181,216	\$ 67,861	\$ 2,248,362	\$ 5,497,439
Restricted cash and investments	869,190	-	-	869,190
Receivables:				
Property taxes	1,428,677	745,000	247,556	2,421,233
Grants	27,391	-	-	27,391
Intergovernmental	-	-	37,407	37,407
Other taxes	445,027	-	-	445,027
Due from other funds	682,747	-	17,404	700,151
Prepaid items	-	81,962	170,963	252,925
Total assets	<u>\$ 6,634,248</u>	<u>\$ 894,823</u>	<u>\$ 2,721,692</u>	<u>\$ 10,250,763</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ 132,008.00	\$ -	\$ 175,660.00	\$ 307,668.00
Due to other funds	206,413	104,083	578,661	889,157
Deposits payable	557	-	-	557
Accrued payroll	97,723	-	17,093	114,816
Unearned grant revenue	1,201,537	-	-	1,201,537
Total liabilities	1,638,238	104,083	771,414	2,513,735
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for the following year	1,428,676	744,998	247,560	2,421,234
Unavailable revenues	27,391	-	-	27,391
Total deferred inflows of resources	1,456,067	744,998	247,560	2,448,625
FUND BALANCES (DEFICIT)				
Nonspendable	-	-	72,372	72,372
Committed for playground/recreation purposes	-	-	142,276	142,276
Restricted:				
Highway and streets	-	-	1,059,126	1,059,126
Public safety	72,212	-	74,652	146,864
Capital improvements	869,190	-	-	869,190
Economic development	-	-	735,024	735,024
Employee retirement	-	-	118,271	118,271
Unrestricted	2,598,541	45,742	(499,003)	2,145,280
Total fund balance (deficit)	<u>3,539,943</u>	<u>45,742</u>	<u>1,702,718</u>	<u>5,288,403</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 6,634,248</u>	<u>\$ 894,823</u>	<u>\$ 2,721,692</u>	<u>\$ 10,250,763</u>

Village of Steger, Illinois
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
December 31, 2022

Fund Balances Reported in Governmental Funds	\$ 5,288,403
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	4,580,887
Unavailable revenues that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	27,391
Promissory notes, TIF bonds, G.O. bonds, related premium and notes are not due and payable in the current period and therefore are not reported in the funds.	(3,745,192)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,068,029)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(158,568)
Pension benefits and related deferred inflows and outflows	(6,186,095)
Retiree health care benefits	<u>(722,485)</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (1,983,688)</u>

Village of Steger, Illinois
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Year Ended December 31, 2022

	General Corporate Fund	Liability Insurance Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
Property taxes	\$ 1,099,788	\$ 611,334	\$ 787,722	\$ 2,498,844
Other taxes	620,771	-	216,297	837,068
Licenses and permits	191,428	-	-	191,428
Intergovernmental	2,967,625	-	385,463	3,353,088
Charges for services	481,069	-	137,727	618,796
Fines and forfeitures	82,161	-	-	82,161
Investment income	36,335	-	9,626	45,961
Miscellaneous	96,206	138,209	100	234,515
Total revenue	<u>5,575,383</u>	<u>749,543</u>	<u>1,536,935</u>	<u>7,861,861</u>
EXPENDITURES				
Current services:				
General government	714,874	123,312	220,277	1,058,463
Public safety	3,204,631	838,526	32,404	4,075,561
Highway and streets	-	221,963	684,934	906,897
Economic development	-	-	266,407	266,407
Parks and recreation	-	49,326	262,605	311,931
Debt service				
Principal	-	-	142,381	142,381
Interest and fiscal charges	-	-	117,263	117,263
Total expenditures	<u>3,919,505</u>	<u>1,233,127</u>	<u>1,726,271</u>	<u>6,878,903</u>
Excess of revenue over expenditures	1,655,878	(483,584)	(189,336)	982,958
OTHER FINANCING SOURCES (USES)				
Transfers in	-	475,000	771,500	1,246,500
Transfers out	(764,800)	-	(95,000)	(859,800)
Total other financing sources (uses)	<u>(764,800)</u>	<u>475,000</u>	<u>676,500</u>	<u>386,700</u>
Net Change in Fund Balances	891,078	(8,584)	487,164	1,369,658
Fund Balances (Deficit) - Beginning of Year	2,648,865	54,326	1,215,554	3,918,745
Fund Balances (Deficit) - End of Year	<u>\$ 3,539,943</u>	<u>\$ 45,742</u>	<u>\$ 1,702,718</u>	<u>\$ 5,288,403</u>

Village of Steger, Illinois
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit) to the Statement of Activities
Year Ended December 31, 2022

Net Change in Fund Balances Reported in Governmental Funds \$ 1,369,658

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	25,921
Depreciation expense	(301,434)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	285,637
--	---------

Change in accrued interest payable and amortization of bond issuance premium on long-term debt is reported as an expense on the statement of activities	8,816
---	-------

The accretion of interest on capital accretion debt is not reported in the governmental funds; however, it results in an increase in debt principal payable in the statement of net position.	(28,492)
---	----------

Certain revenues recognized is different on full accrual basis than on the modified accrual basis.	(34,665)
--	----------

Change in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current financial resources, and therefore is not reported in the fund statements until coming due for payment.	(18,163)
--	----------

Change in net pension liability (asset) and related deferrals reported in the statement of activities does not require the use of current financial resources, and therefore is not reported in the funds.	340,583
--	---------

Change in total OPEB liability and related deferrals reported in the statement of activities does not require the use of current financial resources, and therefore is not reported in the funds.	(11,176)
---	----------

Change in Net Position (Deficit) of Governmental Activities **\$ 1,636,685**

Village of Steger, Illinois
Proprietary Funds
Statement of Net Position
December 31, 2022

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and investments	\$ 1,220,712
Receivables:	
Customer receivables	374,001
Allowance for doubtful accounts	(142,205)
Advances to other funds	158,406
Total current assets	1,610,914
Noncurrent assets:	
Net pension asset	(6,995)
Capital assets:	
Assets subject to depreciation - net	1,919,232
Total noncurrent assets	1,912,237
Total assets	3,523,151
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension costs	20,956
Deferred OPEB costs	36,206
Total deferred outflows of resources	57,162
LIABILITIES	
Current liabilities:	
Accounts payable	241,537
Accrued salaries and wages	13,678
Refundable deposits, bonds, etc.	137,471
Compensated absences	2,184
Current portion of leases payable	-
Current portion of bonds payable	-
Total current liabilities	394,870
Noncurrent liabilities:	
Net OPEB liability	106,645
Compensated absences	19,655
Total noncurrent liabilities	126,300
Total liabilities	521,170
DEFERRED INFLOWS OF RESOURCES	
Deferred pension cost reductions	340,120
Deferred OPEB cost reductions	57,058
Total deferred inflows of resources	397,178
NET POSITION (DEFICIT)	
Net investment in capital assets	1,919,232
Unrestricted	742,733
Total net position (deficit)	\$ 2,661,965

Village of Steger, Illinois
Proprietary Funds
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended December 31, 2022

	Water and Sewer Operations Fund
OPERATING REVENUE	
Charges for services	\$ 2,209,569
Miscellaneous revenue	53,531
Total operating revenue	2,263,100
OPERATING EXPENSES	
Water and sewer operations	2,421,549
Depreciation	124,324
Total operating expenses	2,545,873
OPERATING INCOME (LOSS)	(282,773)
NON-OPERATING REVENUE (EXPENSE)	
Investment income	4
Total non-operating revenue (expense)	4
Income (Loss) - Before transfers	(282,769)
Transfers In	53,300
Transfers Out	(440,000)
Net Change in Net Position	(669,469)
Net Position - Beginning of Year	3,331,434
Net Position - End of Year	\$ 2,661,965

**Village of Steger, Illinois
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2022**

	Water and Sewer Operations Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,346,780
Payments to suppliers	(2,393,622)
Payments to employees and fringes	442,923
Cash payments for interest	-
	396,081
Cash Flows from Non-Capital Financing Activities	
Transfers from other funds	53,300
Transfers to other funds	(440,000)
Payments on loans from other funds	-
Advances (to)/from other funds	(84,037)
	(470,737)
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(25,921)
	(25,921)
Cash Flows from Investing Activities	
Interest received on investments	4
	4
Net Increase (Decrease) in Cash and Cash Equivalents	(100,573)
Cash and Cash Equivalents - Beginning of Year	1,321,285
Cash and Cash Equivalents - End of Year	\$ 1,220,712
Classification of Cash and Cash Equivalents	
Cash and investments	\$ 1,220,712

**Village of Steger, Illinois
Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended December 31, 2022**

	<u>Water and Sewer Operations Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities	
Operating income (loss)	\$ (669,469)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	124,324
Net transfers and capital contributions	386,700
Investment income	(4)
Changes in assets and liabilities:	
Receivables	83,680
Prepaid and other assets	21,431
Net pension asset	327,073
Accounts payable	17,163
Other adjustment	-
Net Pension and OPEB liabilities	135,311
Deferrals related to pension and OPEB	(4,200)
Accrued and other liabilities	(25,928)
	<u>1,065,550</u>
Total Adjustments	
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 396,081</u>

**Village of Steger, Illinois
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2022**

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 1,852,132
Investments:	
Pooled Investments	4,508,084
Total cash and investments	6,360,216
Due from municipality	101,366
Prepays	486
Total assets	6,462,068
LIABILITIES	
Expenses due/unpaid	9,547
NET POSITION RESTRICTED FOR PENSIONS	\$ 6,452,521

Village of Steger, Illinois
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

	Pension Trust Funds
ADDITIONS	
Contributions:	
Contributions - municipal	\$ 550,606
Contributions - members	91,417
Total contributions	642,023
Investment income (loss):	
Interest and dividends	128,136
Net change in fair value of investments	(663,286)
Total investment income	(535,150)
Less investment expense	(15,222)
Net investment income	(550,372)
Total additions	91,651
DEDUCTIONS	
Benefit payments	587,004
Administrative expenses	40,851
Total deductions	627,855
NET CHANGE IN NET POSITION	(536,204)
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING OF YEAR	6,988,725
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	\$ 6,452,521

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Steger, Illinois (Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Steger, Illinois.

Financial Reporting Entity

The Village of Steger, Illinois is a municipal corporation governed by an elected president and six-member Board of Trustees. The accompanying financial statements present the Village. The Village is not considered a component unit of any other governmental unit, nor does it have any component units.

Accounting and Reporting Principles

The Village follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, which are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-basis presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The Village accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources; separate funds allow it to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds and capital projects fund. The Village reports the following funds as "major" governmental funds:

General Fund - The Village's primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Liability Insurance Fund (special revenue fund) - Accounts for resources restricted for Village insurance coverage and the costs associated with maintaining that coverage.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Village reports the following fund as a “major” enterprise fund:

Water and Sewer Operations Fund - Accounts for the provision of water and sanitary sewer services to the residents of the Village.

Fiduciary fund includes amounts held in a fiduciary capacity for others. These amounts will not be used to operate Village programs. Activities reported as fiduciary include:

Police Pension Fund - Used to account for the police pension activities. Under GASB Statement No. 84, *Fiduciary Activities*, the plan is reported as a fiduciary component unit because it is a legally separate organization and meets the financial benefit/burden and fiscal dependency criteria of GASB 14.

Interfund Activities

During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the funds included in governmental activities (*i.e.*, the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (*i.e.*, the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activities occur during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Village has spent its resources.

Expenditures are reported when the goods are received, or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims and judgments are recorded only when payment is due.

Revenues are not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Village considers amounts collected within 60 days of year end to be available for recognition, except for sales tax and telecommunications tax revenue which is collected within 90 days of the end of the current fiscal year. The following major revenue sources meet the availability criterion: sales taxes owed by the State at year end, franchise taxes, licenses, charges for services, income and motor fuel taxes, and fines collected and held by the State or County at year end on behalf of the Village, and interest associated with the current fiscal period. Conversely, some sales taxes owed by the State at year end, telecommunication tax revenue, and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these along with a “deferred inflow of resources.”

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, grants, charges for services and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenues/additions are recorded when earned and expenses/ deductions are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. All investments of the pension trust fund are reported at fair value. Fair value has been based on quoted market prices at December 31, 2022, for debt and equity securities and contract values for mutual funds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for under the consumption method, whereby amounts are recorded as expenditures during the period benefited by the goods or services.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, storm sewers and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Assets</u>	<u>Depreciable Useful Life (Years)</u>
Infrastructure – Other	10 - 40
Infrastructure – Roads	50 - 80
Buildings	40 - 60
Improvements	10 - 15
Equipment	5 - 15

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt and the Water and Sewer Fund is used to liquidate business-type long-term debt.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports deferred outflows of resources related to the defined benefit pension plans and the defined other post-employment benefit plan (OPEB). The deferred outflows of resources related to the defined benefit pension plans are reported in the government-wide financial statements and the applicable proprietary funds. The deferred outflows of resources result from (1) the variance between expected and actual experience, (2) changes of assumptions, and (3) the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes from the prior tax years and intergovernmental revenue not collected within the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Village also has property taxes recorded as a receivable before the period for which they are levied. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations. Finally, the Village has deferred inflows of resources related to the defined benefit pension plans and OPEB. The deferred inflows of resources related to the defined benefit pension and OPEB plans are reported in the government-wide financial statements and the applicable proprietary funds. The deferred inflows of resources result from (1) the variance between expected and actual experience, (2) changes of assumptions, and (3) the net difference between projected and actual earnings on pension plan investments.

Net Position Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance except for transfers from the General Fund. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village board is the highest level of decision-making authority for the Village that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village board has by resolution authorized the Village clerk to assign fund balance. The Village board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. An additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned amounts are available for any purpose. Positive amounts are only reported in the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Property Tax Revenue

Property taxes are attached as an enforceable lien on January 1 of the levy year. They are levied in December (by passage of a tax levy ordinance). Tax bills are prepared by both Cook and Will Counties as follows: (1) Cook County - issued on or about the end of January and the beginning of July and are payable in two installments on or about March 1 and August 1; (2) Will County - issued on or about May 1 and are payable in two installments on or about June 1 and September 1. The Counties collect such taxes and remit them periodically to the Village.

Property taxes receivable (net of allowance for uncollectible amounts based on prior history) are recorded at the time of the enforceable lien. The 2021 levy was recorded as revenue in 2022. The 2022 levy had been recognized as receivable as of December 31, 2022, but recognition as revenue has been deferred to 2023 because the revenue is used to finance the 2023 expenditures.

The Village also receives, but does not levy for, road and bridge and tax increment financing district property taxes. The Village does not record a receivable for property taxes related to the tax increment financing (TIF) districts. Due to the nature of TIF revenue, the Village does not levy a direct tax upon the districts. Instead, property taxes are based solely upon the incremental increase in the property value, utilizing the tax rates of all the taxing bodies whose boundaries encompass the districts. As such, the Village cannot reasonably estimate the receivable and records the revenue on the cash basis.

Pensions

The Village offers defined benefit pension plans to its employees. The Village records a net pension asset (liability) for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

The Village offers retiree healthcare benefits to retirees. For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated Absences (Vacation and Sick Leave)

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vested or accumulated sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Operations Fund, primarily) are used to liquidate this obligation.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Operations Fund is charged to customers for sales and services. The Water and Sewer Operations Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

State statutes and the Village's investment policy authorize the Village to make deposits/ investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury, GNMA's, Federal Home Loan Bank, bank-managed money market funds, Illinois Funds and the Illinois Metropolitan Investment Fund. The Police Pension Fund's investment policy allows the pension fund to invest in the same and may also invest in any U.S. agency obligation, in certain non-U.S. obligations, mortgages, veterans' loans, life insurance company contracts, equity mutual funds and equity securities.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the *Investment Company Act of 1940*. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

Village Deposits and Investments (Excluding Police Pension Fund)

At year end, the carrying amount of the Village's deposits and investments totaled \$7,586,341 (excluding \$1,000 in cash on hand) and the bank balance was \$4,666,749. It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity, yield and public trust.

The Village's cash and investments are subject to several types of risk, which are discussed in more detail below:

Custodial Credit Risk

Village Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it.

As of December 31, 2022, all Village deposits were either FDIC insured or were collateralized with securities held by an independent third-party institution and pledged to the Village.

Village Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Illinois Funds are not subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

The Village limits its exposure to credit risk by primarily investing in obligations guaranteed by the United States government (Treasury obligations), securities issued by agencies of the United States government (Treasury obligations), or securities issued by agencies of the United States government that are explicitly guaranteed by the United States government (GNMAs and Federal Home Loan Bank). However, the investment policy is generally silent regarding credit risk except as it relates to commercial paper. At December 31, 2022, the Village had investments of approximately \$2,919,596 in Illinois Funds which are rated AAAM by Standard & Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a two-year period.

Concentration of Credit Risk

Concentration of credit risk is the risk that the Village has a high percentage of its investments invested in one type of investment. The Village's investment policy requires the Village to diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in, and length of maturity.

Deposits and Investments at December 31, 2022

The Village's deposits and investments at December 31, 2022, are comprised of the following:

Demand deposits	\$	4,666,749
Petty cash		1,000
Illinois Funds		2,919,596
	\$	7,587,345

Police Pension Fund Deposits and Investments

Custodial Credit Risk

Deposits - At year end, the carrying amount of the Police Pension Fund's (Pension Fund) demand deposits, certificates of deposit and the bank balances are fully covered by the federal depository or equivalent insurance.

Investments - Money market mutual funds and equity mutual funds are not subject to custodial credit risk. To limit its exposure, the Pension Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third-party custodian acting as the pension fund's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the pension fund's name.

Credit Risk

The Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States government and/or its agencies that are implicitly guaranteed by the United States government. The Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The Investments in the securities of State and Local Obligations were all rated Baa2 or better, U.S. government agencies were not rated, and Corporate Bonds are rated Ba3 or better by Standard & Poor's or by Moody's Ratings.

The Pension Fund's investment policy also prescribes to the "prudent expert" rule, which states, "Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims."

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 3: RECEIVABLES

The receivables as reported on the government-wide financial statements, net of allowances, were comprised of the following:

	Governmental Activities	Business-Type Activities
Receivables Accounts:		
Property taxes	\$ 2,421,233	\$ -
Utility billing	-	323,674
Grants	27,391	-
Other taxes:		
Franchise tax	23,105	-
Utility tax	46,635	-
Total other taxes	69,740	-
Intergovernmental:		
Income tax	142,639	-
Telecom tax	13,384	-
Personal property replacement tax	15,557	-
Sales tax	97,676	-
Local use tax	70,760	-
Cannabis tax	2,429	-
Video gaming tax	32,384	-
Motor fuel tax	37,407	-
Total intergovernmental	\$ 412,695	\$ -

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 578,386	\$ -	\$ -	\$ 578,386
Capital assets being depreciated:				
Land improvements	382,944	-	-	382,944
Buildings and improvements	5,439,529	-	-	5,439,529
Equipment	<u>2,746,202</u>	<u>25,921</u>	<u>(235,448)</u>	<u>2,536,675</u>
	8,568,675	25,921	(235,448)	8,359,148
Less accumulated depreciation for:				
Land improvements	85,251	20,141	-	105,392
Buildings and improvements	1,994,459	134,199	-	2,128,658
Equipment	<u>2,210,951</u>	<u>147,094</u>	<u>(235,448)</u>	<u>2,122,597</u>
	4,290,661	301,434	(235,448)	4,356,647
Total capital assets being depreciated, net	<u>4,278,014</u>	<u>(275,513)</u>	<u>-</u>	<u>4,002,501</u>
Governmental activities capital assets, net	<u>\$ 4,856,400</u>	<u>\$ (275,513)</u>	<u>\$ -</u>	<u>\$ 4,580,887</u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 116,142	\$ 25,921	\$ -	\$ 142,063
System Improvements	<u>6,640,267</u>	<u>-</u>	<u>-</u>	<u>6,640,267</u>
	6,756,409	25,921	-	6,782,330
Less accumulated depreciation for:				
Equipment	100,980	3,639	-	104,619
System Improvements	<u>4,637,793</u>	<u>120,686</u>	<u>-</u>	<u>4,758,479</u>
	4,738,773	124,325	-	4,863,098
Business-type activities capital assets, net	<u>\$ 2,017,636</u>	<u>\$ (98,404)</u>	<u>\$ -</u>	<u>\$ 1,919,232</u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 14,285
Public safety	224,562
Road and Bridges	7,031
Economic development	2,893
Parks and recreation	<u>52,664</u>
Total Governmental activities	\$ <u>301,435</u>

Business-type activities:

Water and sewer	\$ <u>124,324</u>
Total Business-type activities	\$ <u>124,324</u>

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
Playground/Recreation	General Fund	\$ 4,527
IMRF	General Fund	7,610
Booster Club	General Fund	3,560
TIF 2	General Fund	569
TIF 3	General Fund	569
TIF 5	General Fund	<u>569</u>
		17,404
General Fund	TIF 4	\$ 60,677
General Fund	Debt Service	99,090
General Fund	Auditing	4802
General Fund	D.A.R.E	2392
General Fund	Capital Fund	79,831
General Fund	Road & Bridge	331,804
General Fund	H.S.E.M.	67
General Fund	Liability Insurance	<u>104,082</u>
		682,745
Water and Sewer Operations Fund	General Fund	\$ <u>158,406</u>
		158,406
Police Pension Fund	General Fund	\$ <u>30,600</u>
		30,600

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

These balances result from the time lag between the dates that goods and services are provided, or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Liability Insurance Fund	\$ <u>100,000</u> 100,000
General Fund	Nonmajor governmental funds	
	Playground/Recreation	\$ 136,500
	Road and Bridge	220,000
	Debt Service	180,000
	H.S.E.M.	<u>75,000</u> 611,500
Water and Sewer Operations Fund	Liability Insurance Fund	\$ 375,000
	IMRF (Nonmajor governmental)	55,000
	Audit (Nonmajor governmental)	<u>10,000</u> 440,000
TIF 5 Fund (Nonmajor governmental)	Debt Service (Nonmajor governmental)	\$ <u>95,000</u> 95,000
General Fund	Water and Sewer Operations Fund	\$ <u>53,300</u> 53,300

The transfers from the Water and Sewer Operations Fund to the Liability Insurance Fund and nonmajor governmental funds represent budgeted transfers to cover expenditures in excess of revenue. Transfers from the General Fund to the Liability Insurance Fund and nonmajor governmental funds represent transfers to cover expenditures in excess of revenue.

NOTE 6: LONG-TERM DEBT

The following is a summary of bond transactions and other debt transactions of the Village for the year ended December 31, 2022, that are payable by governmental activities.

Promissory Note

The Village has one promissory note outstanding for the purchase of various vehicles and equipment. The note, issued in 2020 for \$129,523, and requires monthly principal payments of \$2,698, including interest at a rate of 3.30%. The note matures on November 10, 2024. The balance of the promissory note at December 31, 2022, is \$62,061 within governmental activities.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 6: LONG-TERM DEBT (CONTINUED)

TIF Obligations

The Village has entered into redevelopment agreements with multiple developers of various projects within the Village's TIF districts. The agreements provide for the capture by the Village of incremental taxes from the properties for a period not to extend beyond December 31st of the year following the twenty-third (23rd) year from the date of designation of the Redevelopment Project Area. The incremental taxes so captured by the Village shall be utilized as described in the Redevelopment Agreement, including pledges to repay TIF obligations. The Village is liable only to the extent that the Village receives such incremental property taxes.

On March 2, 1998, the Village issued a \$337,272 Junior Lien Tax Increment Revenue Note, Series 1998-A. The note matured November 15, 2017, and accrues interest at 15% until principal is paid. Payments are due November 15 annually to the extent that incremental taxes are on deposit with the Village. The full amount of principal on the note was outstanding at December 31, 2022. The Senior TIF Lien Bonds associated with this note were paid off in 2017.

On November 15, 2006, the Village issued \$496,609 of Senior Lien Tax Increment Revenue (Capital Appreciation) Bonds, Series 2006. The remaining outstanding bonds totaling \$236,457 at December 31, 2022, are to be retired in annual installments ranging from \$65,000 to \$300,000, beginning November 15, 2018 through November 15, 2026. Interest is payable semiannually and is added to the principal balance due 10%. The bonds are payable from the Cook TIF 2 Fund.

On November 15, 2006, the Village also issued a \$66,000 Junior Lien Tax Increment Revenue Note, Series 2006-A. The note matures November 15, 2026, and accrues interest at 13% until principal is paid. Payments are due November 15 annually to the extent that incremental taxes are on deposit with the Village.

Both the 1998 and 2006 Junior Lien Notes are subordinate to their respective senior lien bonds. The senior and junior liens are each payable from the same incremental revenues generated by their respective redevelopment areas. Since the amount of those taxes is uncertain, with payments on the junior lien notes delayed until sufficient net incremental property taxes have been collected, no repayment schedule has been calculated for the junior lien notes. The order of payment on both junior lien notes from all available monies shall be as follows:

- a) To pay for previously accrued interest on the Junior Lien Note
- b) To pay for current interest on the Junior Lien Note
- c) To pay mandatory redemption of principal on the Junior Lien Note

The Village also has two notes with developers to reimburse them for approved redevelopment costs. The first was entered into in 2005 for a maximum amount of \$1,104,172, and the second in 2011 for a maximum amount of \$70,000. The second note was paid in full in 2019. Both notes provide annual payments of 75% of incremental taxes from the redevelopment area. The remaining amount due at December 31, 2022, was \$240,543. Since the amount of incremental taxes is uncertain, no repayment schedule has been calculated for these notes.

On February 22, 2018, the Village issued Alternate Revenue Source General Obligation Bonds Series 2018 with a face value of \$3,190,000. The bonds were issued at a premium of \$85,893. Proceeds from the bonds were used to (i) finance the cost of construction of a police station and other capital improvements throughout the Village (Project), (ii) finance the reimbursements of expenditures already incurred and paid by the Village related to the Project, and (iii) pay for the costs of issuance associated with the bonds. Interest on the bonds is payable semi-annually on July 1 and January 1 of each year, commencing January 1, 2019. Interest on the bonds ranges from 3.5% to 5.0%. Principal installments range from \$120,000 to \$220,000 and are due annually starting January 1, 2019. The bonds will mature on January 1, 2039.

The Alternate Revenue Source General Obligation Bonds are secured by a pledge of (i) certain tax revenues received by the Village and (ii) other funds of the Village as may be lawfully available and annually appropriated for such payment. The Village has pledged a portion of future sales tax revenues to repay the remaining principal and interest on the Series 2018 Bonds. The pledged revenues are projected to be sufficient to meet debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$4.8 million, payable through fiscal year 2039. Interest and principal paid on the bonds in 2022 amounted to \$224,125.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 6: LONG-TERM DEBT (CONTINUED)

Changes in long-term debt payable for governmental and business-type activities are as follows:

	<u>Beginning Balance</u>	<u>Additions/ Accretion</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Alternate Revenue G.O.					
Series 2018	\$ 2,860,000	\$ -	\$ (110,000)	\$ 2,750,000	\$ 115,000
Bond Premium	59,412	-	(6,553)	52,859	-
Promissory notes	94,442	-	(32,381)	62,061	32,381
TIF Senior Lien Capital					
Accretion Bonds					
Series 2006	277,965	28,492	(70,000)	236,457	75,000
TIF Junior Lien Notes					
Series 1998	337,272	-	-	337,272	-
Series 2006	66,000	-	-	66,000	-
TIF Developer Notes	313,799	-	(73,256)	240,543	-
Compensated absences	140,405	18,163	-	158,568	15,857
Total governmental activities	\$ 4,149,295	\$ 46,655	\$ (292,190)	\$ 3,903,760	\$ 238,238
Business-type activities					
Compensated absences	\$ 19,027	\$ 2,812	\$ -	\$ 21,839	\$ 19,655

Total interest expense on the notes payable for 2022 is approximately \$2,600. Annual debt service requirements to maturity for the promissory notes are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,381	\$ 1,579	\$ 33,960
2024	29,682	498	30,180
Total	\$ 62,063	\$ 2,077	\$ 64,140

Future payments and annual accretions for the Capital Appreciation Bonds for each of the next five fiscal years and in five-year increments thereafter are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Accretion</u>	<u>Principal</u>
2023	\$ 24,237	\$ 75,000
2024	19,034	75,000
2025	13,298	75,000
2026	6,974	75,000
	\$ 63,543	\$ 300,000

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 6: LONG-TERM DEBT (CONTINUED)

Accrued values at December 31, 2022 \$ 236,457

Future payments for the Alternate Revenue G.O. Bonds for each of the next five fiscal years and in five-year increments thereafter are as follows:

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 115,000	\$ 109,625	\$ 224,625
2024	120,000	104,925	224,925
2025	125,000	100,025	225,025
2026	130,000	94,925	224,925
2027	135,000	89,625	224,625
2028-2032	765,000	361,137	1,126,137
2033-2037	930,000	189,425	1,119,425
2038-2039	430,000	17,400	447,400
Total	\$ <u><u>2,750,000</u></u>	\$ <u><u>1,067,087</u></u>	\$ <u><u>3,817,087</u></u>

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Village provides other postemployment benefits (OPEB) for retired employees through a single-employer defined benefit OPEB plan. Employees are eligible to retire from the Village of Steger and continue their health coverage after meeting the age and service requirement for retirement. The benefits, benefit levels, employee contributions and any employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund in the Village's financial statements, as no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate report.

Eligibility

<u>Police</u>		Age 50 and 20 years of service or
Tier 1		Age 60 and 8 years of service
Tier 2	Normal retirement	Age 55 and 10 years of service
	Early retirement	Age 50 and 10 years of service

Other IMRF-Covered Employees and Elected Officials

Tier 1	Normal retirement	Age 55 and 35 years of service or
	Early retirement	Age 55 and 8 years of service
Tier 2	Normal retirement	Age 62 and 35 years of service or
	Early retirement	Age 62 and 10 years of service

Benefits

Retired eligible employees and their dependents may continue coverage under Village of Steger's group health until they reach age 65 by paying 100% of the blended group premium cost. The Village pays the entire actuarial cost of the health coverage for grandfathered retired elected officials and their spouses. The Village pays 100% of the cost of coverage for disabled officers.

**Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022**

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At December 31, 2022, the following Village employees were covered by the benefit terms:

Active participants	35
Retired participants	3
	38
	38

The plan only covers previous retired officials who are already part of the plan. New retired officials are no longer covered.

Total OPEB Liability

The Village's total OPEB liability of \$710,964 was measured as of December 31, 2022, as determined by an actuarial valuation as of December 31, 2022.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2022	\$ <u>829,565</u>
Changes for the year	
Service cost including administrative expenses	49,182
Interest on the total OPEB liabilities	14,925
Benefit changes	-
Differences between expected and actual experience	-
Assumption changes	(145,838)
Benefit payments	<u>(36,870)</u>
Net changes	<u>(118,601)</u>
Balance at December 31, 2022	\$ <u><u>710,964</u></u>

Changes in assumptions reflect a change in the discount rate from 1.84% in 2021 to 4.05% in 2022.

OPEB Expense and Deferred Inflows of Resource Related to OPEB

For the year ended December 31, 2022, the Village recognized OPEB expense of \$50,018. At December 31, 2022, the Village reported deferred inflows of resources related to OPEB from the following source:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 71,340	\$ (187,896)
Assumption changes	<u>170,031</u>	<u>(192,493)</u>
	<u><u>\$ 241,371</u></u>	<u><u>\$ (380,389)</u></u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	Amount
2023	\$ (14,089)
2024	(14,089)
2025	(14,089)
2026	(14,089)
2027	(14,089)
Thereafter	(68,573)
	\$ (139,018)

Actuarial Assumption and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	December 31, 2022
Actuarial cost method	Entry-age normal
Discount rate	1.84% used as of January 1, 2022 4.05% as of December 31, 2022
Salary increase	The discount rate was based on the 20-year muni bond index rates 3.50% per annum
Mortality	Probabilities of death for participants were according to PubS base rates projected to 2021 using scale MP2021 for Police. For all others, the Pub 2010 base rates projected to 2021 using scale MP2021 was used. No additional provision (besides those already embedded) were included for mortality improvements beyond 2021.
Healthcare cost trend rates	Starting at 7.0% decreasing .25% annually through 2023, then .50% through 2026 to an ultimate rate of 4.5% for 2027 and after.

Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and healthcare cost trend rates. The table below presents the total OPEB liability of the Village calculated using the discount rate of 4.05% as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or 1 percentage point higher (5.05%) the current rate:

	1 % Decrease (3.05%)	Current Discount Rate (4.05%)	1 % Increase (5.05%)
Village's total OPEB liability	\$ 775,214	\$ 710,964	\$ 653,471

The table below illustrates the sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates assumption for a 1% decrease and a 1% increase in the rates.

1 % Decrease 6.0% Decreasing to 3.5%	Current Healthcare Cost Trend Rates 7.0% Decreasing to 4.5%	1 % Increase 8.0% Decreasing to 5.5%
--	--	--

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

Village's total OPEB liability	\$	643,229	\$	710,964	\$	789,303
--------------------------------	----	---------	----	---------	----	---------

NOTE 8: DEFINED BENEFIT PENSION PLAN – REGULAR EMPLOYEES

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF) plans (Regular and SLEP), agent multiple-employer defined benefit pension plans, and the Police Pension Plan, which is a single-employer defined benefit pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. Complete financial statements for the Police Pension Plan may be obtained at the Village's administrative offices located at 3320 Lewis Avenue, Steger, Illinois 60475. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

The aggregate totals for all pension items for the three plans are as follows:

		Governmental Activities		Business-Type Activities		Total Village
Net pension liability (asset)						
IMFR - Regular	\$	66,422	\$	16,605	\$	83,027
IMFR - SLEP		(38,755)		(9,689)		(48,444)
Police		6,391,405		-		6,391,405
	\$	6,419,072	\$	6,916	\$	6,425,988
Deferred outflows of resources						
IMFR - Regular	\$	1,056,650	\$	264,162	\$	1,320,812
IMFR - SLEP		50,999		12,750		63,749
Police		2,684,439		-		2,684,439
	\$	3,792,088	\$	276,912	\$	4,069,000
Deferred inflows of resources						
IMFR - Regular	\$	(601,418)	\$	(150,355)	\$	(751,773)
IMFR - SLEP		(36,169)		(9,042)		(45,211)
Police		(3,358,282)		-		(3,358,282)
	\$	(3,995,869)	\$	(159,397)	\$	(4,155,266)

Regular Plan

Plan Description

The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement 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 a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. 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 financial report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplemental information. The report may be obtained online at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs and selected police chiefs.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLAN – REGULAR EMPLOYEES (CONTINUED)

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

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

Employees Covered by Benefit Terms

At the December 31, 2022 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	43
Inactive plan members entitled but not yet receiving benefits	31
Active plan members	24
Total employees covered by IMRF	98

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 their own employees. The Village’s annual contribution rate for calendar year 2022 was 4.07%. For the fiscal year ended December 31, 2022, the Village contributed \$44,153 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 reported at December 31, 2022, was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLAN – REGULAR EMPLOYEES (CONTINUED)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at January 1, 2022	\$ 6,388,560	\$ 7,856,136	\$ (1,467,576)
Service Cost	93,553	-	93,553
Interest	454,838	-	454,838
Differences between expected and actual experience	88,969	-	88,969
Contributions – employer	-	44,153	(44,153)
Contributions – employee	-	48,818	(48,818)
Net investment income	-	(994,485)	994,485
Benefit payments, including refunds	(323,420)	(323,420)	-
Miscellaneous other charges	-	(11,729)	11,729
Net changes	<u>313,940</u>	<u>(1,236,663)</u>	<u>1,550,603</u>
Balance at December 31, 2022	<u>\$ 6,702,500</u>	<u>\$ 6,619,473</u>	<u>\$ 83,027</u>

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

For the year ended December 31, 2022, the Village recognized pension expense of \$72,871. At December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 76,591	\$ 27,369
Changes of assumptions	-	9,240
Net difference between projected and actual earnings on pension plan investments	<u>1,244,221</u>	<u>715,164</u>
	<u>\$ 1,320,812</u>	<u>\$ 751,773</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2023	\$ (23,387)
2024	107,351
2025	174,019
2026	<u>311,056</u>
	<u>\$ 569,039</u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLAN – REGULAR EMPLOYEES (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	December 31, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry-age normal
Assumptions Inflation	2.25%
Salary increases	2.85% - 13.75%, including inflation
Investment rate of return	7.25%
Asset valuation method	Market value

For nondisabled 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.

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2022, was 7.25% (same as prior year). The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The target allocation and best estimates of geometric real rates of return as of December 31, 2022, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Domestic equity	39%	4.50%
International equity	15%	5.75%
Fixed income	25%	2.00%
Real estate	10%	5.90%
Alternative investments	10%	4.30% - 8.10%
Cash equivalents	1%	1.70%

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 8: DEFINED BENEFIT PENSION PLAN – REGULAR EMPLOYEES (CONTINUED)

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

The following presents the net pension liability (asset) of the Village, calculated using the discount rate of 7.25%, as well as what the Village's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
Net pension liability (asset) of the Village	\$ 857,857	\$ 83,027	\$ (538,018)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report.

NOTE 9: DEFINED BENEFIT PENSION PLAN – SHERIFF'S LAW ENFORCEMENT PLAN (SLEP)

Plan Description

The Village's defined benefit pension plan for sheriff's law enforcement personnel employees provides retirement and disability benefits, postretirement 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 a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. 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 financial report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplemental information. The report may be obtained online at www.imrf.org.

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2022 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	1
Active plan members	1
Total employees covered by IMRF	2

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 9: DEFINED BENEFIT PENSION PLAN – SHERIFF’S LAW ENFORCEMENT PLAN (SLEP)
(CONTINUED)

Contributions

As set by statute, the Village’s SLEP plan members are required to contribute 14.10% 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. For the fiscal year ended December 31, 2022, the Village made \$13,921 contributions 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 (Asset)

The Village’s net pension liability (asset) reported at December 31, 2022, was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of that date.

Changes in the net pension asset during the measurement year were as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at January 1, 2022	\$ 212,164	\$ 327,045	\$ (114,881)
Service Cost	17,093	-	17,093
Interest	15,419	-	15,419
Differences between expected and actual experience	4,627	-	4,627
Contributions – employer	-	13,921	(13,921)
Contributions – employee	-	8,400	(8,400)
Net investment income	-	(51,419)	51,419
Benefit payments, including refunds	(16,061)	(16,061)	-
Miscellaneous other charges	-	(200)	200
Net changes	<u>21,078</u>	<u>(45,359)</u>	<u>66,437</u>
Balance at December 31, 2022	\$ <u>233,242</u>	\$ <u>281,686</u>	\$ <u>(48,444)</u>

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

For the year ended December 31, 2022, the Village recognized pension expense of \$4,270. At December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,470	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>60,279</u>	<u>45,211</u>
Total	\$ 63,749	\$ 45,211

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

**NOTE 9: DEFINED BENEFIT PENSION PLAN – SHERIFF’S LAW ENFORCEMENT PLAN (SLEP)
(CONTINUED)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2023	\$ (7,929)
2024	1,893
2025	9,505
2026	15,069
	\$ 18,538

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	December 31, 2022
Measurement date	December 31, 2022
Actuarial cost method	Entry-age normal
Assumptions Inflation	2.25%
Salary increases	2.85% - 13.75%, including inflation
Investment rate of return	7.25%
Asset valuation method	Market value

For or nondisabled 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.

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2022, was 7.25% (same as prior year). The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

**NOTE 9: DEFINED BENEFIT PENSION PLAN – SHERIFF’S LAW ENFORCEMENT PLAN (SLEP)
(CONTINUED)**

The target allocation and best estimates of geometric real rates of return as of December 31, 2022, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Domestic equity	39%	4.50%
International equity	15%	5.75%
Fixed income	25%	2.00%
Real estate	10%	5.90%
Alternative investments	10%	4.30% - 8.10%
Cash equivalents	1%	1.70%

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

The following presents the net pension liability (asset) of the Village, calculated using the discount rate of 7.25%, as well as what the Village’s net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
Net pension liability (asset) of the Village	\$ (24,746)	\$ (48,444)	\$ (68,766)

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report.

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND

Plan Description

The Police Pension Fund is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the fund as a pension trust fund. The plan is governed by a five-member Board of Trustees. Two members of the board are appointed by the Village’s mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

The plan issues a publicly available report that includes financial statements and other required information for the Police Pension Fund which may be obtained by writing the Village.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled but not yet receiving benefits	3
Active plan members	13
Total employees covered by plan	<u>27</u>

**Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022**

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (CONTINUED)

Benefits Provided

The Police Pension Fund provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (*i.e.*, one-half percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1 after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year ended December 31, 2022, the Village's contribution was 59.86% of covered payroll, or \$550,606.

Pension Plan Investments – Policy and Rate of Return

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is in accordance with Illinois Compiled Statutes (ILCS), as described further in Note 2. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2022:

Asset Class	Target Allocation %
Fixed income	53%
Domestic equity	20%
International equity	10%
Real estate equities	5%
Blended equities	10%
Cash and cash equivalents	2%

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (CONTINUED)

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.37%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Village at December 31, 2022, were as follows:

Total pension liability	\$	12,843,926
Plan fiduciary net position		6,452,521
		6,391,405
Village's net pension liability	\$	6,391,405
		50.24%
Plan fiduciary net position as a percentage of the total pension liability		

The Village's net pension liability reported at December 31, 2022, was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2022, rolled forward to December 31, 2022.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at January 1, 2022	\$ 14,526,758	\$ 6,988,725	\$ 7,538,033
Service costs	319,953	-	319,953
Interest	729,634	-	729,634
Differences between expected and actual experience	(824,035)	-	(824,035)
Change in assumptions	(1,311,812)	-	(1,311,812)
Change in benefit terms	(9,568)	-	(9,568)
Contributions – employer	-	550,606	(550,606)
Contributions – employee	-	91,417	(91,417)
Net investment income	-	(550,372)	550,372
Benefit payments, including refunds	(587,004)	(587,004)	-
Miscellaneous other charges	-	(40,851)	40,851
Net changes	(1,682,832)	(536,204)	(1,146,628)
Balance at December 31, 2022	\$ 12,843,926	\$ 6,452,521	\$ 6,391,405

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (CONTINUED)

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

For the year ended December 31, 2022, the Village recognized pension expense of \$629,378. At December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 280,053	\$ (1,476,820)
Changes of assumptions	1,309,985	(1,602,554)
Net difference between projected and actual earnings on pension plan investments	1,094,401	(278,908)
	\$ 2,684,439	\$ (3,358,282)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2023	\$ (43,981)
2024	58,613
2025	(48,479)
2026	(217,653)
2027	(311,004)
Thereafter	(111,339)
	\$ (673,843)

Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	2.50% - 11.32%
Investment rate of return	6.50%
Asset valuation method	Fair value
Actuarial cost method	Entry-age normal
Mortality rates	PubS-2010(A) adjusted for Plan Status, Collar and Illinois Public Pension Data, as appropriate
Retirement rates	100% of L&A 2020 Illinois Police Retirement Rates capped at age 65
Termination rates	100% of L&A 2020 Illinois Police Termination Rates
Disability rates	100% of L&A 2020 Illinois Police Disability Rates
Marital assumptions	Active members: 80% Retiree and disabled members: 80%

Discount Rate

The discount rate used to measure the total pension liability was 6.16% (5.45% in the prior year). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (CONTINUED)

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current members through 2065. Accordingly, the discount rate reflects the use of the long-term expected rate of return of 6.50% through 2064 and the use of the High Quality 20-Year Tax-Exempt G.O. Bond Rate (which is published by the Federal Reserve) of 3.72% for all remaining years (2.06% in the prior year).

The long-term expected rate of return on pension plan investments was determined using an asset allocation study conducted by the fund’s investment management firm in December 2014 in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected summarized inflation. The best estimates of arithmetic real rates of return as of December 31, 2022, for each major asset class included in the pension plan’s target asset allocation, as disclosed above, are in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	1.30%
Domestic equities	5.40%
International equities	5.50%
Real estate equities	4.50%
Blended equities	3.50%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Village, calculated using the discount rate of 6.16%, as well as what the Village’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.16%) or one percentage point higher (7.16%) than the current rate:

	<u>Once Percentage Decrease (4.45%)</u>	<u>Current Discount Rate (6.16%)</u>	<u>One Percentage Increase (7.16%)</u>
Net pension liability of the Village	\$ 8,298,081	\$ 6,391,405	\$ 4,838,413

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report.

NOTE 11: 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; natural disasters and injuries to the Village’s employees. The Village participates in the Illinois Counties Risk Management Trust (ICRMT). ICRMT is a proprietary cooperative whose members are Illinois governments. ICRMT manages and funds first-party property losses, third-party liability claims, workers’ compensation claims and public officials’ liability claims of its members.

Management consists of a Board of Directors composed of one appointed representative from each member. In addition, there are two officers, a risk manager and a treasurer.

The Village does not exercise any control over the activities of ICRMT beyond its representation on the Board of Directors.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 11: RISK MANAGEMENT (CONTINUED)

Contributions to ICRMT are determined in advance of each membership year based on the individual member's eligible revenue, as defined in the bylaws of ICRMT, assessment factors based on past member experience and the funding needs for the membership year. The Board of Directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit of ICRMT attributable to a membership year during which they were a member. The Village's payments to ICRMT are displayed in the financial statements as expenditures/expenses in the appropriate funds.

The Village purchases third-party indemnity insurance for employees' health, dental and vision. The Village is not aware of any additional amounts owed as of December 31, 2022, for the current or prior claim years. There have been no significant reductions in insurance coverage during the current year. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

NOTE 12: DEFICIT FUND BALANCE

The Capital Projects Fund had a deficit fund balance at December 31, 2022, of \$79,331, the Road and Bridge Fund had a deficit fund balance of \$353,003, the D.A.R.E. Fund had a deficit fund balance of \$2,192, Auditing Fund had a deficit fund balance of \$4,301 and the TIF 4 Fund had a deficit fund balance of \$60,176. These deficits are expected to be eliminated either through operations of the funds or transfers from the General Fund.

NOTE 13: TAX INCENTIVES AND ABATEMENTS

As of December 31, 2022, the Village of Steger provides tax incentives under the *Tax Increment Allocation Redevelopment Act*. The Village uses the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 to, among other things, finance infrastructure redevelopment projects that retain, expand and create employment opportunities within the Village's TIF districts, increase industry and commerce within the State of Illinois, increase the tax base, and eradicate potentially blighting conditions through the use of tax increment allocation financing for economic redevelopment. Under the TIF program, the Village authorizes incentives through passage of public ordinances, based upon each business' investment criteria, and through a contractual redevelopment agreement with each business, including among other things, a proposed TIF budget outlining the project and proof that the project and/or improvements have been made. Parcels located within a TIF district receive a property tax bill as well as any normal increase in the property tax bill; however, the increase or increment from the time the TIF is adopted and certified comes back to the Village to be used within the TIF district for the TIF eligible costs, some of which are described above. A portion of the agreed-upon amount of increment is rebated to the developer for the TIF eligible costs in accordance with the signed and adopted Redevelopment Agreement. For fiscal year ended December 31, 2022, the Village's property tax revenue was not reduced but was segregated by virtue of the TIF base value and the incremental property taxes collected. Payouts made by the Village under these programs totaled \$262,939 for the year ended December 31, 2022.

NOTE 14: FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) recently issued the following standards:

GASB Statement No. 87, Leases (GASB 87)

In June 2017, GASB 87, *Leases*. The standard was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new standard establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting – A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2022

NOTE 14: FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Lessor Accounting – A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (*i.e.*, timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded. The effective date is for periods beginning after June 15, 2021.

GASB Statement No. 92, *Omnibus 2020* (GASB 92)

GASB 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to leases, intra-entity transfers, fiduciary activities and fair value disclosures. GASB 92 is effective for reporting periods based on individual topics discussed therein. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96)

GASB 96 provides guidance on governments are utilizing more cloud-based solutions for their information technology (IT) needs and paying for the use of third-parties' IT software on a subscription basis. The accounting and financial reporting for what the GASB refers to as subscription-based information technology arrangements (SBITAs) has been inconsistent because of a lack of authoritative guidance. The Standard is effective for reporting periods after June 15, 2022, and all reporting periods thereafter, with early implementation encouraged. The statement would be applied retroactively, using the facts and circumstances that exist at the beginning of the fiscal year of implementation. Due to the COVID-19 pandemic, the effective date was delayed one year from that originally proposed.

GASB Statement No. 99, *Omnibus 2022* (GASB 99)

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, Omnibus 2022, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Village does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

GASB Statement No. 101, *Compensated Absences* (GASB 101)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Village's financial statements for the year ending April 30, 2025.

Management has not yet completed its evaluation of the impact, if any, of the provisions of these standards on its financial statements.

Required Supplementary Information

Village of Steger, Illinois
Required Supplementary Information
Schedule of Changes in the Village's Total OPEB Liability and Related Ratios
Year Ended December 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 49,182	\$ 48,309	\$ 42,601	\$ 76,514	\$ 84,785
Interest	14,925	18,910	23,452	51,778	44,555
Changes in benefit terms	-	(5,667)	-	(712,880)	-
Differences between expected and actual experience	-	(235,172)	-	116,864	-
Changes in assumptions	(145,838)	74,839	64,193	106,151	(117,739)
Benefit payments, including refunds	(36,870)	(34,298)	(47,040)	(43,757)	(44,086)
Net Change in Total OPEB Liability	(118,601)	(133,079)	83,206	(405,330)	(32,485)
Total OPEB Liability - Beginning of year	829,565	962,644	879,438	1,284,768	1,317,253
Total OPEB Liability - End of year	\$ 710,964	\$ 829,565	\$ 962,644	\$ 879,438	\$ 1,284,768
Covered-employee Payroll	\$ 1,788,592	\$ 1,728,108	\$ 1,960,747	\$ 1,885,334	\$ 1,988,864
Total OPEB Liability as a Percentage of Covered-employee Payroll	39.75%	48.00%	49.10%	46.65%	64.60%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Changes of assumptions relate to changes in the discount rate from 1.84% to 4.05% from 2021 to 2022.

GASB Statement No. 75 requires presentation of ten years. As of December 31, 2022, only five years of information is available.

Village of Steger, Illinois
Required Supplementary Information
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Illinois Municipal Retirement Fund - Regular Plan
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 93,553	\$ 88,797	\$ 108,622	\$ 120,411	\$ 115,564	\$ 131,361	\$ 107,083	\$ 109,451
Interest	454,838	435,520	433,742	413,730	381,901	380,346	353,403	335,658
Differences between expected and actual experience	88,969	58,216	(141,537)	60,750	221,046	(100,928)	85,679	(2,513)
Changes in assumptions	-	-	(47,784)	-	165,972	(160,612)	-	-
Benefit payments, including refunds	(323,420)	(313,497)	(323,717)	(302,220)	(242,380)	(200,677)	(197,470)	(212,140)
Net Change in Total Pension Liability	313,940	269,036	29,326	292,671	642,103	49,490	348,695	230,456
Total Pension Liability- Beginning of year	6,388,560	6,119,524	6,090,198	5,797,527	5,155,424	5,105,934	4,757,239	4,526,783
Total Pension Liability- End of year	<u>\$ 6,702,500</u>	<u>\$ 6,388,560</u>	<u>\$ 6,119,524</u>	<u>\$ 6,090,198</u>	<u>\$ 5,797,527</u>	<u>\$ 5,155,424</u>	<u>\$ 5,105,934</u>	<u>\$ 4,757,239</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 44,153	\$ 77,202	\$ 75,841	\$ 52,561	\$ 89,949	\$ 93,118	\$ 90,147	\$ 85,373
Contributions - Employee	48,818	46,425	44,208	51,941	52,500	53,379	53,447	46,065
Net investment income (loss)	(994,485)	1,176,644	892,412	996,801	(314,614)	880,186	315,419	23,889
Benefit payments, including refunds	(323,420)	(313,497)	(323,717)	(302,220)	(242,380)	(200,677)	(197,470)	(212,140)
Other (net transfer)	(11,729)	(8,779)	31,297	12,648	68,904	(62,366)	32,583	(127,113)
Net Change in Plan Fiduciary Net Position	(1,236,663)	977,995	720,041	811,731	(345,641)	763,640	294,126	(183,926)
Plan Fiduciary Net Position - Beginning of year	7,856,136	6,878,141	6,158,100	5,346,369	5,692,010	4,928,370	4,634,244	4,818,170
Plan Fiduciary Net Position - End of year	<u>\$ 6,619,473</u>	<u>\$ 7,856,136</u>	<u>\$ 6,878,141</u>	<u>\$ 6,158,100</u>	<u>\$ 5,346,369</u>	<u>\$ 5,692,010</u>	<u>\$ 4,928,370</u>	<u>\$ 4,634,244</u>
Village's Net Pension (Asset) Liability - Ending	<u>\$ 83,027</u>	<u>\$ (1,467,576)</u>	<u>\$ (758,617)</u>	<u>\$ (67,902)</u>	<u>\$ 451,158</u>	<u>\$ (536,586)</u>	<u>\$ 177,564</u>	<u>\$ 122,995</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.76%	122.97%	112.40%	101.11%	92.22%	110.41%	96.52%	97.41%
Covered Payroll	\$ 1,084,845	\$ 1,027,995	\$ 982,398	\$ 1,137,676	\$ 1,166,655	\$ 1,186,212	\$ 1,187,698	\$ 1,023,660
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll	7.65%	-142.76%	-77.22%	-5.97%	38.67%	-45.24%	14.95%	12.02%

Notes to Schedule:

There were no benefit changes during the year.

GASB Statement No. 68 requires the presentation of ten fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2015. Information in this schedule has been determined as of the Village's measurement date (December 31) of the net pension liability (asset).

Village of Steger, Illinois
Required Supplementary Information
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Illinois Municipal Retirement Fund - SLEP Plan
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 17,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	16,302
Interest	15,419	13,741	22,624	22,604	23,144	24,224	24,337	24,789
Differences between expected and actual experience	4,627	16,704	(123,906)	9,330	8,620	7,727	7,320	(2,040)
Changes in assumptions	-	-	711	-	6,061	(12,478)	-	-
Benefit payments, including refunds	(16,061)	(15,620)	(28,301)	(35,001)	(34,254)	(33,515)	(32,804)	(41,043)
Net Change in Total Pension Liability	21,078	14,825	(128,872)	(3,067)	3,571	(14,042)	(1,147)	(1,992)
Total Pension Liability- Beginning of year	212,164	197,339	326,211	329,278	325,707	339,749	340,896	342,888
Total Pension Liability- End of year	\$ 233,242	\$ 212,164	\$ 197,339	\$ 326,211	\$ 329,278	\$ 325,707	\$ 339,749	\$ 340,896
Plan Fiduciary Net Position								
Contributions - Employer	\$ 13,921	\$ 1,215	\$ -	\$ -	\$ -	\$ -	\$ -	10,855
Contributions - Employee	8,400	646	-	-	-	-	-	5,791
Net investment income (loss)	(51,419)	53,917	60,018	72,326	(30,952)	71,259	24,425	1,701
Benefit payments, including refunds	(16,061)	(15,620)	(28,301)	(35,001)	(34,254)	(33,515)	(32,804)	(41,043)
Other (net transfer)	(200)	(91)	(123,552)	7,387	14,352	(6,767)	6,760	25,872
Net Change in Plan Fiduciary Net Position	(45,359)	40,067	(91,835)	44,712	(50,854)	30,977	(1,619)	3,176
Plan Fiduciary Net Position - Beginning of year	327,045	286,978	378,813	334,101	384,955	353,978	355,597	352,421
Plan Fiduciary Net Position - End of year	\$ 281,686	\$ 327,045	\$ 286,978	\$ 378,813	\$ 334,101	\$ 384,955	\$ 353,978	\$ 355,597
Village's Net Pension (Asset) Liability - Ending	\$ (48,444)	\$ (114,881)	\$ (89,639)	\$ (52,602)	\$ (4,823)	\$ (59,248)	\$ (14,229)	\$ (14,701)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability								
	120.77%	154.15%	145.42%	116.13%	101.46%	118.19%	104.19%	104.31%
Covered Payroll	\$ 112,000	\$ 8,615	\$ -	\$ -	\$ -	\$ -	\$ -	77,210
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll	-43.25%	-1333.50%	-	-	-	-	-	-19.04%

Notes to Schedule:

There were no benefit changes during the year.

GASB Statement No. 68 requires the presentation of ten fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2015. Information in this schedule has been determined as of the Village's measurement date (December 31) of the net pension liability (asset).

Village of Steger, Illinois
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Pension Plan
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 319,953	\$ 391,766	\$ 463,455	\$ 391,590	\$ 462,609	\$ 407,488	\$ 384,205	\$ 264,033	\$ 217,127
Interest	729,634	735,095	731,845	713,644	693,587	660,260	531,706	500,990	310,962
Differences between expected and actual experience	(9,568)	(329,795)	(600,664)	259,202	(393,605)	(4,804)	(153,823)	675,159	(753,351)
Changes in assumptions	(824,035)	(687,060)	345,752	598,563	(121,484)	1,075,738	1,742,755	-	512,690
Changes in benefit terms	(1,311,812)	-	-	95,977	-	-	-	-	-
Benefit payments, including refunds	(587,004)	(788,282)	(451,220)	(449,536)	(382,767)	(371,967)	(394,988)	(325,277)	(153,160)
Net Change in Total Pension Liability	(1,682,832)	(678,276)	489,168	1,609,440	258,340	1,766,715	2,109,855	1,114,905	134,268
Total Pension Liability- Beginning of year	14,526,758	15,205,034	14,715,866	13,106,426	12,848,086	11,081,371	8,971,516	7,856,611	7,722,342
Total Pension Liability- End of year	\$ 12,843,926	\$ 14,526,758	\$ 15,205,034	\$ 14,715,866	\$ 13,106,426	\$ 12,848,086	\$ 11,081,371	\$ 8,971,516	\$ 7,856,610
Plan Fiduciary Net Position									
Contributions - Employer	\$ 550,606	\$ 493,782	\$ 462,641	\$ 422,911	\$ 327,613	\$ 261,946	\$ 274,640	\$ 257,765	\$ 176,060
Contributions - Employee	91,417	91,075	95,838	108,013	111,215	104,006	101,635	89,002	51,112
Contributions - other	-	-	-	-	-	-	15,758	-	-
Net investment income (loss)	(550,372)	(20,571)	854,036	866,160	(321,333)	279,110	152,864	(179,609)	9,729
Benefit payments, including refunds	(587,004)	(788,282)	(451,220)	(449,536)	(382,767)	(371,967)	(394,988)	(325,277)	(153,160)
Administrative expenses	(40,851)	(33,362)	(38,094)	(35,841)	(32,841)	(30,807)	(24,412)	(25,121)	(16,928)
Net Change in Plan Fiduciary Net Position	(536,204)	(257,358)	923,201	911,707	(298,113)	242,288	125,497	(183,240)	66,813
Plan Fiduciary Net Position - Beginning of year	6,988,725	7,246,083	6,322,882	5,411,175	5,709,288	5,467,000	5,341,503	5,524,743	5,457,930
Plan Fiduciary Net Position - End of year	\$ 6,452,521	\$ 6,988,725	\$ 7,246,083	\$ 6,322,882	\$ 5,411,175	\$ 5,709,288	\$ 5,467,000	\$ 5,341,503	\$ 5,524,743
Village's Net Pension (Asset) Liability - Ending Plan Fiduciary Net Position as a Percentage of Total Pension Liability									
	50.24%	48.11%	47.66%	42.97%	41.29%	44.44%	49.34%	59.54%	70.32%
Covered Payroll	\$ 919,792	\$ 955,398	\$ 1,145,479	\$ 1,070,145	\$ 1,116,996	\$ 1,074,571	\$ 1,040,747	\$ 990,071	\$ 753,126
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll	694.88%	788.99%	694.81%	784.28%	688.92%	664.34%	539.46%	366.64%	309.63%

Notes to Schedule:

Changes of assumptions relate to changes in the discount rate from 5.45% to 6.16%.

GASB Statement No. 68 requires the presentation of ten fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2015. Information in this schedule has been determined as of the Village's measurement date (December 31) of the net pension liability (asset).

Village of Steger, Illinois
Required Supplementary Information
Schedule of Investment Returns
Police Pension Fund
Year Ended December 31, 2022

Fiscal Year	Annual Money Weighted Rate of Return, Net of
2014	0.20%
2015	-3.24%
2016	3.09%
2017	5.16%
2018	-5.94%
2019	16.50%
2020	13.82%
2021	-0.37%
2022	6.80%

Table is built prospectively upon implementation of GASB Statement No. 68 until 10 years of data are available.

Village of Steger, Illinois
Required Supplementary Information
Budgetary Comparison Schedule
General Corporate Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 1,291,100	\$ 1,099,788	\$ (191,312)
Other taxes	539,500	620,771	81,271
Licenses and permits	202,450	191,428	(11,022)
State Shared revenue	2,523,200	2,879,658	356,458
Grant revenue	1,254,000	87,967	(1,166,033)
Charges for services	296,750	481,069	184,319
Fines and forfeitures	75,000	82,161	7,161
Investment income	300	36,335	36,035
Miscellaneous	99,735	96,206	(3,529)
Total revenues	<u>6,282,035</u>	<u>5,575,383</u>	<u>(706,652)</u>
Expenditures			
Current Services:			
General government	768,010	714,874	53,136
Public safety	3,832,696	3,204,631	628,065
Total expenditures	<u>4,600,706</u>	<u>3,919,505</u>	<u>681,201</u>
Excess of Revenue (Under) Over	1,681,329	1,655,878	(25,451)
Other Financing Sources (Uses)			
Loan Proceeds	286,650	-	(286,650)
Transfers out	(1,965,500)	(764,800)	1,200,700
Total other financing uses	<u>(1,678,850)</u>	<u>(764,800)</u>	<u>914,050</u>
Net Change in Fund Balance	2,479	891,078	888,599
Fund Balance - Beginning of year	<u>2,648,865</u>	<u>2,648,865</u>	<u>-</u>
Fund Balance - End of year	\$ 2,651,344	\$ 3,539,943	\$ 888,599

Village of Steger, Illinois
Required Supplementary Information
Budgetary Comparison Schedule
Liability Insurance Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 725,000	\$ 611,334	\$ (113,666)
Miscellaneous	160,000	138,209	(21,791)
Total revenues	<u>885,000</u>	<u>749,543</u>	<u>(135,457)</u>
Expenditures			
Current Services:			
General government	133,954	123,312	10,642
Public safety	910,887	838,526	72,361
Highway and streets	241,117	221,963	19,154
Parks and recreation	53,582	49,326	4,256
Total expenditures	<u>1,339,540</u>	<u>1,233,127</u>	<u>106,413</u>
Excess of Revenue (Under) Over Other Financing Sources (Uses)	<u>(454,540)</u>	<u>(483,584)</u>	<u>(29,044)</u>
Transfers in	475,000	475,000	-
Total other financing uses	<u>475,000</u>	<u>475,000</u>	<u>-</u>
Net Change in Fund Balance	20,460	(8,584)	(29,044)
Fund Balance - Beginning of year	54,326	54,326	-
Fund Balance - End of year	\$ 74,786	\$ 45,742	\$ (29,044)

Village of Steger, Illinois
Notes to Required Supplementary Information
December 31, 2022

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The Village, each year prior to March 30 of the fiscal year, must file and pass the appropriation for the fiscal year ended December 31. This appropriation can be subsequently amended by a two-thirds vote of the Board of Trustees. However, no amendments were passed during the year.

Appropriations are adopted, controlled, and formal budgetary integration is employed as a control device during the year at the fund level for all funds. All appropriations lapse at the end of the year for which the appropriations were adopted.

Supplemental Information

**Village of Steger, Illinois
Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022**

Special Revenue Funds

	I.M.R.F	Playground/ Recreation	Road and Bridge	D.A.R.E	MFT Rebuild IL Allotments	E.S.D.A	Auditing	Motor Fuel Tax	Total Special Revenue Funds
Assets									
Cash and investments	\$ 110,661	\$ 153,407	\$ 2,328	\$ 200	\$ 630,701	\$ 78,698	\$ 501	\$ 467,049	\$ 1,443,545
Receivables:									
Property taxes receivable	147,400	71,268	-	-	-	1,390	27,498	-	247,556
Intergovernmental	-	-	-	-	-	-	-	37,407	37,407
Due from other funds	7,610	8,087	-	-	-	-	-	-	15,697
Prepaid items	-	-	-	-	-	-	-	-	-
Total assets	265,671	232,762	2,328	200	630,701	80,088	27,999	504,456	1,744,205
Liabilities									
Accounts payable	-	15,981	11,452	-	-	2,196	-	76,031	105,660
Due to other funds	-	-	331,804	2,392	-	67	4,800	-	339,063
Accrued payroll	-	3,235	12,075	-	-	1,783	-	-	17,093
Total liabilities	-	19,216	355,331	2,392	-	4,046	4,800	76,031	461,816
Deferred Inflows of Resources									
Property taxes levied for the following year	147,400	71,270	-	-	-	1,390	27,500	-	247,560
Fund Balances (Deficit)									
Nonspendable	-	-	-	-	-	-	-	-	-
Committed for playground/recreation purpc	-	142,276	-	-	-	-	-	-	142,276
Restricted:									
Highway and streets	-	-	-	-	630,701	-	-	428,425	1,059,126
Public safety	-	-	-	-	-	74,652	-	-	74,652
Economic development	-	-	-	-	-	-	-	-	-
Employee retirement	118,271	-	-	-	-	-	-	-	118,271
Unassigned	-	-	(353,003)	(2,192)	-	-	(4,301)	-	(359,496)
Total fund balances (deficit)	118,271	142,276	(353,003)	(2,192)	630,701	74,652	(4,301)	428,425	1,034,829
Toal liabilities, deferred inflows of resources, and fund balances	\$ 265,671	\$ 232,762	\$ 2,328	\$ 200	\$ 630,701	\$ 80,088	\$ 27,999	\$ 504,456	\$ 1,744,205

**Village of Steger, Illinois
Supplementary Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2022**

	Capital Projects Funds								
	Debt Service Fund	TIF 1 (Will TIF 1)	TIF 2 (Cook TIF 1)	TIF 3 (Cook TIF 2)	TIF 4 (Will TIF 2)	TIF 5 (Will TIF 3)	Capital Project Fund	Total Capital Project Funds	Total
Assets									
Cash and investments	\$ 499	\$ 189,027	\$ 128,279	\$ 147,176	\$ 501	\$ 338,835	\$ 500	\$ 804,318	\$ 2,248,362
Receivables:									
Property taxes receivable	-	-	-	-	-	-	-	-	247,556
Intergovernmental	-	-	-	-	-	-	-	-	37,407
Due from other funds	-	-	569	569	-	569	-	1,707	17,404
Prepaid items	170,963	-	-	-	-	-	-	-	170,963
Total assets	\$ 171,462	\$ 189,027	\$ 128,848	\$ 147,745	\$ 501	\$ 339,404	\$ 500	\$ 806,025	\$ 2,721,692
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000	\$ 175,660
Due to other funds	99,090	-	-	-	60,677	-	79,831	140,508	578,661
Accrued payroll	-	-	-	-	-	-	-	-	17,093
Total liabilities	99,090	-	-	70,000	60,677	-	79,831	210,508	771,414
Deferred Inflows of Resources									
Property taxes levied for the following year	-	-	-	-	-	-	-	-	247,560
Fund Balances (Deficit)									
Nonspendable	72,372	-	-	-	-	-	-	-	72,372
Committed for playground/recreation purpos	-	-	-	-	-	-	-	-	142,276
Restricted:									
Highway and streets	-	-	-	-	-	-	-	-	1,059,126
Public safety	-	-	-	-	-	-	-	-	74,652
Economic development	-	189,027	128,848	77,745	-	339,404	-	735,024	735,024
Employee retirement	-	-	-	-	-	-	-	-	118,271
Unassigned	-	-	-	-	(60,176)	-	(79,331)	(139,507)	(499,003)
Total fund balances (deficit)	72,372	189,027	128,848	77,745	(60,176)	339,404	(79,331)	595,517	1,702,718
Total liabilities, deferred inflows of resources, and fund balances	\$ 171,462	\$ 189,027	\$ 128,848	\$ 147,745	\$ 501	\$ 339,404	\$ 500	\$ 806,025	\$ 2,721,692

Village of Steger, Illinois
Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended December 31, 2022

Special Revenue Funds

	I.M.R.F	Playground/ Recreation	Road and Bridge	D.A.R.E	MFT Rebuild IL Allotments	E.S.D.A	Auditing	Motor Fuel Tax	Total Special Revenue Funds
Revenue									
Property taxes	\$ 122,301	\$ 59,131	\$ 152,064	\$ -	\$ -	\$ 1,153	\$ 21,345	\$ -	\$ 355,994
Other taxes	-	-	6,063	-	210,234	-	-	385,463	601,760
Charges for services	-	83,522	54,205	-	-	-	-	-	137,727
Miscellaneous	-	100	-	-	-	-	-	9,626	9,726
Total revenue	122,301	142,753	212,332	-	210,234	1,153	21,345	395,089	1,105,207
Expenditures									
Current services:									
General government	184,677	-	-	-	-	-	35,600	-	220,277
Public Safety	-	-	-	-	-	32,404	-	-	32,404
Highway and streets	-	-	397,859	-	-	-	-	287,075	684,934
Economic development	-	-	-	-	-	-	-	-	-
Parks and recreation	-	262,605	-	-	-	-	-	-	262,605
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	184,677	262,605	397,859	-	-	32,404	35,600	287,075	1,200,220
Excess of Revenue (Under) Over Expenditures	(62,376)	(119,852)	(185,527)	-	210,234	(31,251)	(14,255)	108,014	(95,013)
Other Financing Sources (Uses)									
Transfers in	55,000	136,500	220,000	-	-	75,000	10,000	-	496,500
Transfers out	-	-	-	-	-	-	-	-	-
Other financing sources and uses	-	-	-	-	-	-	-	-	-
Total other financing (uses)	55,000	136,500	220,000	-	-	75,000	10,000	-	496,500
Net Change in Fund Balances	(7,376)	16,648	34,473	-	210,234	43,749	(4,255)	108,014	401,487
Fund Balances (Deficit) - Beginning of year	125,647	125,628	(387,476)	(2,192)	420,467	30,903	(46)	320,411	633,342
Fund Balances (Deficit) - End of year	\$ 118,271	\$ 142,276	\$ (353,003)	\$ (2,192)	\$ 630,701	\$ 74,652	\$ (4,301)	\$ 428,425	\$ 1,034,829

Village of Steger, Illinois
Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2022

	Capital Projects Funds								
	Debt Service Fund	TIF 1 (Will TIF 1)	TIF 2 (Cook TIF 1)	TIF 3 (Cook TIF 2)	TIF 4 (Will TIF 2)	TIF 5 (Will TIF 3)	Capital Project Fund	Total Capital Project Funds	Total
Revenue									
Property taxes	\$ -	\$ -	\$ 35,666	\$ 112,565	\$ 96,005	\$ 187,492	\$ -	\$ 431,728	\$ 787,722
Other taxes	-	-	-	-	-	-	-	-	601,760
Charges for services	-	-	-	-	-	-	-	-	137,727
Miscellaneous	-	-	-	-	-	-	-	-	9,726
Total revenue	-	-	35,666	112,565	96,005	187,492	-	431,728	1,536,935
Expenditures									
Current services:									
General government	-	-	-	-	-	-	-	-	220,277
Public Safety	-	-	-	-	-	-	-	-	32,404
Highway and streets	-	-	-	-	-	-	-	-	684,934
Economic development	-	3,350	867	79,447	74,123	108,620	-	266,407	266,407
Parks and recreation	-	-	-	-	-	-	-	-	262,605
Debt service									
Principal	142,381	-	-	-	-	-	-	-	142,381
Interest and fiscal charges	117,263	-	-	-	-	-	-	-	117,263
Total expenditures	259,644	3,350	867	79,447	74,123	108,620	-	266,407	1,726,271
Excess of Revenue (Under) Over Expenditures	(259,644)	(3,350)	34,799	33,118	21,882	78,872	-	165,321	(189,336)
Other Financing Sources (Uses)									
Transfers in	275,000	-	-	-	-	-	-	-	771,500
Transfers out	-	-	-	-	-	(95,000)	-	(95,000)	(95,000)
Other financing sources and uses	-	-	-	-	-	-	-	-	-
Total other financing (uses)	275,000	-	-	-	-	(95,000)	-	(95,000)	676,500
Net Change in Fund Balances	15,356	(3,350)	34,799	33,118	21,882	(16,128)	-	70,321	487,164
Fund Balances (Deficit) - Beginning of year	57,016	192,377	94,049	44,627	(82,058)	355,532	(79,331)	525,196	1,215,554
Fund Balances (Deficit) - End of year	\$ 72,372	\$ 189,027	\$ 128,848	\$ 77,745	\$ (60,176)	\$ 339,404	\$ (79,331)	\$ 595,517	\$ 1,702,718



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

INDEPENDENT AUDITOR'S REPORT

To Management, the Honorable President and
Members of the Board of Trustees
Village of Steger, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Franklin Park, Illinois (the Village) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 21, 2024. Our report includes a reference to other auditors who audited the financial statements of the Police Pension Fund and the Firefighters' Pension Fund, as described in our report on the Village's financial statements. The financial statements of the Police Pension Fund and the Firefighters' Pension fund were not audited in accordance with *Government Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or on instances of reportable noncompliance associated with the Police Pension Fund and the Firefighters' Pension Fund.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-003 and 2022-004 to be significant deficiencies.



McConnell Jones

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Report on Compliance and Other Matters

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

Purpose of this Report

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

McConnell Jones LLP

Houston, Texas
October 21, 2024

Village of Steger, Illinois
Schedule of Findings and Responses
Year Ended December 31, 2022

2022-001 Segregation of Duties (Prior Year Finding)

Criteria: Internal controls are designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept in a good system of internal control is segregation of duties.

Condition: During the audit the following items were noted:

- There are multiple people with access to both cash and the ability to record cash receipts. Daily batch reconciliations/reports are prepared, but not reviewed by anyone independent of these functions leaving the monthly bank reconciliations as the only means of identifying errors or fraud.
- The Village Administrator has access to blank checks and is authorized to sign the checks. The AP Clerk has access to the blank checks and has the ability to post cash payments in the system, plus has access to signed checks for mailing, therefore, is able to modify checks after they have been signed.
- The Village Administrator and payroll clerk have the ability to add new employees and process the payroll checks and related reports without additional review and approval.

Effect: The lack of segregation of duties makes the Village susceptible to financial reporting errors or possible fraud.

Cause: The limited size of the Village's finance department has resulted in Village Administrator and some clerks having ability approve and record journal entries in the system.

Recommendation: We recommend the Village review the above noted transaction cycles and identify additional levels of reviews and approvals be put in place.

Views of Responsible Officials and Planned Corrective Actions: With a small staff the Village has limited options with separating employee duties. For cash receipts the deputy clerk, who does not handle cash receipts, reviews the CDR report from Locis (that shows all cash receipts for the day) and balances the receipts by department. Any discrepancies are investigated on a daily basis to ensure it balances for the day. This person is also then the one who prepares the deposit for the day. A second clerk will then review the deposits to also ensure they are accurate. The Village plans to have a person other than the AP clerk mail signed checks in the future. They are looking to implementing additional review and approval of transactions that cannot be segregated.

2022-002 Maintenance of Capital Asset Records (Prior Year Finding)

Criteria: The Village is required to maintain complete and accurate records for capital asset activity.

Condition: During the audit, the following items were noted:

- The Village was unable to provide documentation to support the cost associated with several of the assets along with the impairment adjustment made in a previous year for one of its buildings.
- Infrastructure assets are missing from the listing resulting in incomplete capital asset records.

Effect: The lack of complete and accurate balances for capital assets results in material misstatements to the financial statements and qualified opinions in the independent auditor's report.

Cause: The Village does not have a formal process tracking capital asset activity. Through the years, it missed reporting capital asset additions and deletions to reconcile with the Village's accounting records.

Recommendation: We recommend that the Village reevaluate their listing of capital assets to ensure it has a complete listing of their capital assets. This will specifically require an assessment/inventory of infrastructure assets be performed so that historical cost values or estimates can be assigned to all of these assets.

Views of Responsible Officials and Planned Corrective Actions: The external finance department, Village Administrator, and department heads communicate to keep track of all asset additions and deletions during the year. Spreadsheets are kept to track the cost and depreciation of all assets added or deleted during the year. The Village plans on having a capital asset inventory completed and implementing a formal capital asset policy in the near future to ensure all assets are properly recorded.

Village of Steger, Illinois
Schedule of Findings and Responses
Year Ended December 31, 2022

2022-003 Written Policies (Prior Year Finding)

Criteria: Accounting procedures manuals are used by organizations to ensure responsibilities and reporting standards are transparent.

Condition: During the audit, we noted that the Village does not have a policies and procedures manual on the following areas:

- Job descriptions and responsibilities for positions within the Village
- Accounting policies and procedures
- Information technology policies and procedures
- Information security policy
- Disaster recovery policy
- Fixed asset policy

Effect: The lack of a procedures manual in times of staff turnover or extended absence could result in key processes or controls being overlooked, a lack of clarity on how to perform certain key functions, or unclear assignment of responsibilities; ultimately resulting in material financial misstatements.

Cause: The Village has not documented policies and procedures in key areas.

Recommendation: We recommend that the Village consider developing written policies and procedures for the areas above.

Views of Responsible Officials and Planned Corrective Actions: The Village is looking into implementing written policies and procedures in the near future in the areas recommended.

2022-004 Documented Review and Approval (Prior Year Finding)

Criteria: The Village should maintain appropriate documentation of review and approval process.

Condition: During the audit, we noted that the daily cash receipts are not reconciled to the system to ensure there were no errors or payments missing and are also not reviewed by an individual other than the person who prepares the cash receipts and prepares the deposit.

Effect: Lack of control on maintaining appropriate documentation of review and approval process makes the Village susceptible to financial reporting errors or possible fraud.

Cause: The Village does not have policies and procedures in documenting review and approval process.

Recommendation: We recommend that the Village implement policies and procedures requiring the documented review and approve the items above.

Views of Responsible Officials and Planned Corrective Actions: Starting in the middle of 2022 cash receipts are reconciled to the system on a daily basis by the deputy clerk, who has no involvement in preparing cash receipts. She then prepares the deposits for the day. A second clerk then reviews these deposits for discrepancies before they are given to a police officer to be taken to the bank. Documentation and sign-off of the review will be kept in the future.