

Village of Steger, Illinois

Annual Financial Statements

December 31, 2025

Village of Steger, Illinois
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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, 2025, 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, 2025, 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, 2025, 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.



We did not audit the financial statements of the Police Pension Fund. 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 September 21, 2026, 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 and compliance.

McConnell Jones LLP

Houston, Texas
September 21, 2026

Management's Discussion and Analysis

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2025

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, 2025 through December 31, 2025.

Financial Highlights

- The Village's net position increased by a total of \$843,881 (28.4 percent). Net position of \$2,968,977 consists of \$1,131,201 related to governmental activities and \$2,681,657 related to business-type activities.
- The fund balance of the General Fund is \$4,957,166, which is an increase of \$178,219 from the prior fiscal year's fund balance of \$4,778,947.

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 subsidies 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, 2025

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, 2025

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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 11,588,233	\$ 10,169,717	\$ 868,210	\$ 2,122,942	\$ 12,456,443	\$ 12,292,659
Capital assets	4,458,075	4,661,111	3,500,679	3,034,174	7,958,754	7,695,285
Total assets	16,046,308	14,830,828	4,368,889	5,157,116	20,415,197	19,987,944
Deferred outflows	2,349,725	3,325,183	140,308	178,884	2,490,033	3,504,067
Long-term liabilities	8,274,175	8,700,096	170,241	144,778	8,444,416	8,844,874
Other liabilities	1,678,980	1,960,435	1,413,754	1,706,512	3,092,734	3,666,947
Total liabilities	9,953,155	10,660,531	1,583,995	1,851,290	11,537,150	12,511,821
Deferred inflows	7,311,677	7,842,062	233,545	169,151	7,545,222	8,011,213
Net position						
Net investment in capital assets	2,602,803	2,750,382	3,492,578	3,019,593	6,095,381	5,769,975
Restricted	3,194,621	2,714,571	-	-	3,194,621	2,714,571
Unrestricted	(4,666,223)	(5,631,535)	(810,921)	295,966	(5,477,144)	(5,335,569)
Total net position (deficit)	\$ 1,131,201	\$ (166,582)	\$ 2,681,657	\$ 3,315,559	\$ 3,812,858	\$ 3,148,977

The Village's total net position increased from \$2,968,657 as of December 31, 2024, to \$3,812,858 at December 31, 2025, which is an increase of \$843,881. The increase in total net position for governmental activities is \$1.5 million. Several items factored into the increase in net position, many of which were attributable to the pensions. Pension-related items had large fluctuations from the prior year with net assets, liabilities, deferred outflows, and deferred inflows all having significant changes. The governmental pension liability decreased \$406,421 due to changes in actuary assumptions; pension deferred outflows decreased \$840,015 and inflows decreased \$580,265. Long-term debt decreased \$328,577 and the OPEB liability decreased \$166,309. These were partially offset by governmental cash decreasing \$469,985 due to delayed in property tax collections from Cook County. Total net position for business-type activities decreased by \$633,902, largely due to the decrease in cash of \$542,451 from 2024 to 2025, which was due to expenses being higher than revenue collections due to higher water main maintenance expenses.

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, 2025

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	
	2025	2024	2025	2024	2025	2024
Revenue						
Program revenue						
Charges for services	\$ 1,027,165	\$ 1,097,916	\$ 2,574,854	\$ 2,597,233	\$ 3,602,019	\$ 3,695,149
Operating grants and contributions	458,423	441,373	2,934,575	40,000	3,392,998	481,373
Capital grants and contributions	-	-	-	-	-	-
General revenue						
Property taxes	3,100,931	3,007,278	-	-	3,100,931	3,007,278
Other taxes	507,951	485,923	-	-	507,951	485,923
Intergovernmental	2,957,169	3,993,857	-	-	2,957,169	3,993,857
Other	507,547	837,709	51,103	12,653	558,650	850,362
Total revenue	8,559,186	9,864,056	5,560,532	2,649,886	14,119,718	12,513,942
Program Expenses						
General government	685,094	636,382	-	-	685,094	636,382
Public safety	5,140,129	5,353,626	-	-	5,140,129	5,353,626
Parks and recreation	425,820	375,165	-	-	425,820	375,165
Highway and streets	967,233	451,212	-	-	967,233	451,212
Economic development	(54,145)	229,401	-	-	(54,145)	229,401
Interest and fees	300,022	135,408	-	-	300,022	135,408
Water and sewer	-	-	5,811,684	2,444,274	5,811,684	2,444,274
Total expenses	7,464,153	7,181,194	5,811,684	2,444,274	13,275,837	9,625,468
Change in Net Position before transfers	1,095,033	2,682,862	(251,152)	205,612	843,881	2,888,474
Transfers	382,750	(714,787)	(382,750)	714,787	-	-
Change in Net Position	1,477,783	1,968,075	(633,902)	920,399	843,881	2,888,474
Net Position (Deficit), Beginning of Year	(346,582)	(2,314,657)	3,315,559	2,395,160	2,968,977	80,503
Net Position (Deficit), End of Year	\$ 1,131,201	\$ (346,582)	\$ 2,681,657	\$ 3,315,559	\$ 3,812,858	\$ 2,968,977

Governmental Activities

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

Operating grants and contributions reflect grant revenue and other intergovernmental contributions. Operating grants for public safety remained consistent, decreasing \$901 (5.9 percent). Operating grants and contributions for highways and street, which are for Motor Fuel Tax contributions increased slightly, rising \$11,530 (2.7 percent).

Property taxes historically have been one of the Village's largest revenue sources, generating \$3,100,931 (\$504,453 relates to the TIF districts), which represents 36.3% 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 percentage increase in the national Consumer Price Index (CPI), whichever is less. The increase in revenue from 2024 to 2025 of \$93,653 (3.1 percent) was due to a small increase in the tax levy as well as higher collections in the TIF districts.

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; these total \$3,465,120, which represents 40.5% of the total governmental activity revenue.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2025

Other revenue reflects investment interest income, rental income, foreclosure income, 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 2025 include an annual general wage adjustment of salaries.

General government program expenses decreased \$282,959 (3.9 percent). There were large fluctuations in several categories. Economic development expenditure decreased \$283,546 due to the 2024 project expenditures in Will County TIF 1 and no such project expenditures in any of the TIFs during 2025. Public safety expenditures decreased \$213,497 due to fewer vehicle purchases in 2025. Highway and street expenditures increased \$516,021, due to higher salt purchases, street light electricity expenditures, and road repairs.

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 \$6,023,192 for the year ended December 31, 2024, compared to \$7,167,639 for the year ended December 31, 2024, a decrease of \$1.1 million (16.0 percent). This is due to the recognition of \$1.1 million in ARPA grant revenue in 2024, while no such grant was received in 2025. Expenditures were \$4,882,892 for the year ended December 31, 2025, compared to \$4,988,412 for the year ended December 31, 2024, a decrease of \$105,520 (2.1 percent). Fire department vehicle purchases were down \$249,911, accounting for the decrease. These were offset by increases in other departments, none for significant amounts. At December 31, 2025, the General Fund reflected an increase in fund balance of \$178,219.

The Liability Insurance Fund accounts for resources restricted for Village's insurance coverage and the costs associated with maintaining that coverage. Fiscal year 2025 had no significant change from fiscal year 2024. Revenue was \$892,906 for the year ended December 31, 2025, up \$18,309 (2.1 percent) from 2024. Expenditures were \$1,383,586 for the year ended December 31, 2025, up \$48,125 (3.6 percent) from 2024. It also received transfers from the Water and Sewer Operations Funds for \$322,750 and the General Fund for \$185,000. At December 31, 2025, the fund balance increased from \$204,791 to \$221,861.

General Fund Budgetary Highlights

The Village Board adopted the appropriation ordinance for the year ended December 31, 2025. No amendments to the budget were made during the year. Actual revenue was lower than budgeted revenue by \$267,437. This was largely due to ambulance billing fees being lower than budgeted by \$103,759. It can also be attributed to interest income being lower than budgeted by \$48,417 as a result of lower-than-expected rates. Actual expenditures were lower than budgeted expenditures by \$369,726. A budgeted sidewalk replacement project for \$50,000 was not started during the fiscal year. Police department total salaries were approximately \$161,000 under budget, accounting for a large portion of the variance. Actual transfers out of \$92,081 were \$25,000 less than the budgeted amount by \$987,081 due to the ESDA fund not needing the full amount of the budgeted transfers for operations. All of this resulted in an overall budget variance of \$127,289 in the General Fund.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2025

Proprietary Funds

Net position of the Water and Sewer Operations Fund at December 31, 2025, totaled \$2,681,657. Net position decreased from December 31, 2024 by \$633,902. This can largely be attributed to increased water main repairs due to aging infrastructure that were higher than revenue collections.

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2025, was \$7,658,754. 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	
	2025	2024	2025	2024	2025	2024
Nondepreciable assets	\$ 578,386	\$ 578,386	\$ -	\$ -	\$ 578,386	\$ 578,386
Depreciable assets, net of accumulated depreciation						
Buildings and improvements	2,927,518	3,055,303	-	-	2,927,518	3,055,303
Land improvements	217,128	237,270	-	-	217,128	237,270
Water/sewer system	-	-	3,383,851	2,898,460	3,383,851	2,898,460
Equipment	735,043	790,152	116,828	135,714	851,871	925,866
Total capital assets	<u>\$ 4,458,075</u>	<u>\$ 4,661,111</u>	<u>\$ 3,500,679</u>	<u>\$ 3,034,174</u>	<u>\$ 7,958,754</u>	<u>\$ 7,695,285</u>

Total capital assets for governmental activities decreased due to the disposal of several vehicles offset by the addition of one new police vehicle, fire department equipment, and depreciation expense. Capital assets for business-type activities increased due to a water tower renovation project for \$615,928 offset by a vehicle disposal and depreciation expense.

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, 2025, the Village has total governmental activity bonded debt, promissory notes, TIF obligations, and compensated absences outstanding of \$3,185,699, 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 \$12,687,017; as such, the Village is currently significantly under the outstanding general obligation debt limit.

In the year ended December 31, 2025, total long-term debt decreased \$527,331. Payments made on the Bond, promissory notes, and TIF developer notes being made were partially offset by the increase in the compensated absences balance. No new debt was issued during the fiscal year.

Village of Steger, Illinois

Management's Discussion and Analysis

December 31, 2025

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
GO Bonds and premium	\$ 2,430,132	\$ 2,558,219	\$ -	\$ -	\$ 2,430,132	\$ 2,558,219
Promissory notes	207,503	314,873	8,101	14,581	215,604	329,454
TIF Senior Lien Capital						
Accretion Bonds	293,026	279,728	-	-	293,026	279,728
TIF Junior Lien Notes	66,000	66,000	-	-	66,000	66,000
TIF Developer Notes	26,532	97,047	-	-	26,532	97,047
Compensated absences	162,506	200,437	68,823	27,740	-	228,177
Total outstanding long-term debt	<u>\$ 3,185,699</u>	<u>\$ 3,516,304</u>	<u>\$ 76,924</u>	<u>\$ 42,321</u>	<u>\$ 3,031,294</u>	<u>\$ 3,558,625</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.

The Village's elected and appointed officials considered many factors when setting the fiscal year 2025 budget, including tax rates and fees that will be charged for its various activities. The state of the economy was a major factor, as the Village is faced with a similar economic environment as many other local municipalities are faced with, including inflation, interest rates, and the effects on residents and businesses of an extremely volatile economy.

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 Joseph Wiszowaty, 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 5,263,688	\$ 59,316	\$ 5,323,004
Restricted cash and investments	782,363	-	782,363
Receivables:			
Property taxes receivable	3,283,058	-	3,283,058
Accounts receivable	-	611,681	611,681
Grants receivable	27,391	840,134	867,525
Intergovernmental receivable	38,800	-	38,800
Other taxes receivable	439,056	-	439,056
Allowance for doubtful accounts	-	(169,999)	(169,999)
Internal balances	675,940	(675,940)	-
Prepaid expense and other assets	265,865	-	265,865
Net pension asset	812,072	203,018	1,015,090
Capital assets:			
Nondepreciable assets	578,386	-	578,386
Depreciable assets - net	3,879,689	3,500,679	7,380,368
Total assets	16,046,308	4,368,889	20,415,197
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension costs	2,220,047	107,888	2,327,935
Deferred OPEB costs	129,678	32,420	162,098
Total deferred outflows of resources	2,349,725	140,308	2,490,033
LIABILITIES			
Accounts payable	282,983	633,198	916,181
Due to police pension	164,926	-	164,926
Deposits payable	-	180,070	180,070
Accrued liabilities and other:			
Accrued salaries and wages	163,044	17,200	180,244
Accrued interest payable	1,068,027	18	1,068,045
Accrued retainage payable	-	219,953	219,953
Deferred grant revenue	-	349,953	349,953
Noncurrent liabilities:			
Due within one year:			
Compensated absences	16,251	6,882	23,133
Current portion of loans payable	493,273	6,480	499,753
Due in more than one year:			
Compensated absences	146,255	61,941	208,196
Long-term debt	2,529,920	1,621	2,531,541
Net pension liability	4,621,762	-	4,621,762
Net OPEB liability	466,714	116,679	583,393
Total liabilities	9,953,155	1,593,995	11,547,150

Village of Steger, Illinois
Statement of Net Position (Continued)
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the following year	\$ 2,635,997	\$ -	\$ 2,635,997
Deferred pension items	4,326,534	146,259	4,472,793
Deferred OPEB items	349,146	87,286	436,432
Total deferred inflows of resources	7,311,677	233,545	7,545,222
NET POSITION (DEFICIT)			
Net investment in capital assets	2,602,803	3,492,578	6,095,381
Restricted:			
Streets and highways	908,078	-	908,078
Public safety	164,368	-	164,368
Capital improvements	782,363	-	782,363
Economic development	1,201,705	-	1,201,705
Employee retirement	138,107	-	138,107
Unrestricted	(4,666,223)	(810,921)	(5,477,144)
Total net position (deficit)	\$ 1,131,201	\$ 2,681,657	\$ 3,812,858

Village of Steger, Illinois
Statement of Activities
Year Ended December 31, 2025

	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	\$ 685,094	\$ 398,946	\$ 6,421	\$ -	\$ (279,727)	\$ -	\$ (279,727)
Public safety	5,140,129	442,124	14,462	-	(4,683,543)	-	(4,683,543)
Highway and streets	967,233	58,650	437,540	-	(471,043)	-	(471,043)
Economic development	(54,145)	-	-	-	54,145	-	54,145
Parks and recreation	425,820	127,445	-	-	(298,375)	-	(298,375)
Interest on long-term debt	300,022	-	-	-	(300,022)	-	(300,022)
Total governmental activities	7,464,153	1,027,165	458,423	-	(5,978,565)	-	(5,978,565)
Business-type activities:							
Water and sewer	5,811,684	2,574,854	2,934,575	-	-	(302,255)	(302,255)
Total primary government	13,275,837	3,602,019	3,392,998	-	(5,978,565)	(302,255)	(6,280,820)
General revenue:							
Property taxes					3,100,931	-	3,100,931
Unrestricted intergovernmental revenue - sales and income tax					507,951	-	507,951
Unrestricted intergovernmental revenue - utility tax and other taxes					2,957,169	-	2,957,169
Unrestricted investment income					186,923	-	186,923
Other miscellaneous income					320,624	51,103	371,727
Gain on extnguishment of debt						-	-
Total general revenue					7,073,598	51,103	7,124,701
Other financing sources:							
Transfers					382,750	(382,750)	-
Change in net position					1,477,783	(633,902)	843,881
Net position (deficit) - beginning of year					(346,582)	3,315,559	2,968,977
Net position (deficit) - end of year					\$ 1,131,201	\$ 2,681,657	\$ 3,812,858

Village of Steger, Illinois
Governmental Funds
Balance Sheet
December 31, 2025

	General Fund	Liability Insurance Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,703,240	\$ 78,263	\$ 2,482,185	\$ 5,263,688
Restricted cash and investments	782,363	-	-	782,363
Receivables:				
Property taxes	1,909,188	935,972	437,898	3,283,058
Grants	27,391	-	-	27,391
Intergovernmental	-	-	38,800	38,800
Other taxes	439,056	-	-	439,056
Other receivables	5,926	-	-	5,926
Due from other funds	1,144,526	-	8,770	1,153,296
Prepaid items	-	87,102	178,763	265,865
Total assets	<u>\$ 7,011,690</u>	<u>\$ 1,101,337</u>	<u>\$ 3,146,416</u>	<u>\$ 11,259,443</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ 121,870	\$ 4,673	\$ 156,017	\$ 282,560
Due to other funds	8,770	74,803	393,783	477,356
Due to police pension	164,926	-	-	164,926
Accrued payroll	127,613	-	35,431	163,044
Total liabilities	423,179	79,476	585,231	1,087,886
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for the following year	1,603,954	800,000	232,043	2,635,997
Unavailable revenues	27,391	-	-	27,391
Total deferred inflows of resources	1,631,345	800,000	232,043	2,663,388
FUND BALANCES (DEFICIT)				
Nonspendable	-	-	178,763	178,763
Committed for playground/recreation purposes	-	-	220,221	220,221
Restricted:				
Highway and streets	-	-	908,078	908,078
Public safety	90,928	-	73,440	164,368
Capital improvements	782,363	-	-	782,363
Economic development	-	-	1,201,705	1,201,705
Employee retirement	-	-	138,107	138,107
Unrestricted	4,083,875	221,861	(391,172)	3,914,564
Total fund balance (deficit)	<u>4,957,166</u>	<u>221,861</u>	<u>2,329,142</u>	<u>7,508,169</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 7,011,690</u>	<u>\$ 1,101,337</u>	<u>\$ 3,146,416</u>	<u>\$ 11,259,443</u>

Village of Steger, Illinois
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
December 31, 2025

Fund Balances Reported in Governmental Funds	\$ 7,508,169
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	4,458,075
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.	(3,023,193)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,074,376)
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	(162,506)
Pension benefits and related deferred inflows and outflows	(5,916,177)
Retiree health care benefits	(686,182)
	<hr/>
Net Position (Deficit) of Governmental Activities	\$ 1,131,201
	<hr/>

Village of Steger, Illinois
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Year Ended December 31, 2025

	General Corporate Fund	Liability Insurance Fund	Non-Major Funds	Total Governmental Funds
REVENUE				
Property taxes	\$ 1,457,764	\$ 756,832	\$ 886,335	\$ 3,100,931
Other taxes	499,475	-	8,476	507,951
Grants			6,421	6,421
Licenses and permits	245,069	-	-	245,069
Intergovernmental	2,971,631	-	437,540	3,409,171
Charges for services	544,786	-	186,095	730,881
Fines and forfeitures	54,645	-	-	54,645
Investment income	151,583	-	35,340	186,923
Miscellaneous	98,239	136,074	9,461	243,774
Total revenue	6,023,192	892,906	1,569,668	8,485,766
EXPENDITURES				
Current services:				
General government	880,665	138,357	288,120	1,307,142
Public safety	4,002,227	940,839	38,404	4,981,470
Highway and streets	-	249,046	798,952	1,047,998
Economic development	-	-	16,370	16,370
Parks and recreation	-	55,344	327,750	383,094
Debt service:				
Principal	-	-	302,891	302,891
Interest and fiscal charges	-	-	111,922	111,922
Total expenditures	4,882,892	1,383,586	1,884,409	8,150,887
Excess of revenue over expenditures	1,140,300	(490,680)	(314,741)	334,879
OTHER FINANCING SOURCES (USES)				
Transfers in	-	507,750	939,099	1,446,849
Transfers out	(962,081)	-	(102,018)	(1,064,099)
Total other financing sources (uses)	(962,081)	507,750	837,081	382,750
Net Change in Fund Balances	178,219	17,070	522,340	717,629
Fund Balances (Deficit) - Beginning of Year	4,778,947	204,791	1,806,802	6,790,540
Fund Balances (Deficit) - End of Year	\$ 4,957,166	\$ 221,861	\$ 2,329,142	\$ 7,508,169

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, 2025

Net Change in Fund Balances Reported in Governmental Funds	\$	717,629
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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		91,073
Depreciation expense		(149,424)

Repayment or extinguishment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		302,891
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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.		(13,298)
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Certain revenues and expenses recognized is different on full accrual basis than on the modified accrual basis.		(141,329)
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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.		37,931
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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.		577,551
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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.		54,759
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Change in Net Position (Deficit) of Governmental Activities	\$	1,477,783
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Village of Steger, Illinois
Proprietary Funds
Statement of Net Position
December 31, 2025

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and investments	\$ 59,316
Receivables:	
Customer receivables	611,681
Allowance for doubtful accounts	(169,999)
Due from other governments	840,134
Total current assets	1,341,132
Noncurrent assets:	
Net pension asset	203,018
Capital assets:	
Assets subject to depreciation - net	3,500,679
Total noncurrent assets	3,703,697
Total assets	5,044,829
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension costs	107,888
Deferred OPEB costs	32,420
Total deferred outflows of resources	140,308
LIABILITIES	
Current liabilities:	
Accounts payable	633,198
Due to other funds	675,940
Accrued salaries and wages	17,200
Accrued interest	18
Accrued retainage payable	219,953
Refundable deposits, bonds, etc.	180,070
Compensated absences	6,882
Current portion of leases payable	6,480
Deferred grant revenue	349,953
Total current liabilities	2,089,694
Noncurrent liabilities:	
Net OPEB liability	116,679
Compensated absences	61,941
Noncurrent portion of bonds payable	1,621
Total noncurrent liabilities	180,241
Total liabilities	2,269,935
DEFERRED INFLOWS OF RESOURCES	
Deferred pension cost reductions	146,259
Deferred OPEB cost reductions	87,286
Total deferred inflows of resources	233,545
NET POSITION (DEFICIT)	
Net investment in capital assets	3,492,578
Unrestricted	(810,921)
Total net position (deficit)	\$ 2,681,657

Village of Steger, Illinois
Proprietary Funds
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended December 31, 2025

	<u>Water and Sewer Operations Fund</u>
OPERATING REVENUE	
Charges for services	\$ 2,574,854
Miscellaneous revenue	<u>51,103</u>
Total operating revenue	2,625,957
OPERATING EXPENSES	
Water and sewer operations	5,661,739
Depreciation	<u>149,424</u>
Total operating expenses	5,811,163
OPERATING INCOME (LOSS)	(3,185,206)
NON-OPERATING REVENUE (EXPENSE)	
Grant revenue	2,934,575
Investment expense	<u>(521)</u>
Total non-operating revenue (expense)	2,934,054
Income (Loss) - Before transfers	(251,152)
Transfers In	-
Transfers Out	<u>(382,750)</u>
Net Change in Net Position	(633,902)
Net Position - Beginning of Year	<u>3,315,559</u>
Net Position - End of Year	<u><u>\$ 2,681,657</u></u>

**Village of Steger, Illinois
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2025**

	<u>Water and Sewer Operations Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,574,210
Payments to suppliers	(5,864,206)
Payments to employees and fringes	(437,031)
Prepays and other assets	<u>12,700</u>
Net cash and cash equivalents provided by (used in) operating activities	(3,714,327)
Cash Flows from Non-Capital Financing Activities	
Transfers to other funds	(382,750)
Interfund advances/due to other funds, net	<u>1,661,548</u>
Net cash and cash equivalents provided by (used in) non-capital financing activities	1,278,798
Cash Flows from Capital Financing Activities	
Grant receipts	2,580,042
Principal and interest paid	(71,035)
Purchase of capital assets	<u>(615,929)</u>
Net cash and cash equivalents provided by (used in) capital financing activities	1,893,078
Net Increase (Decrease) in Cash and Cash Equivalents	(542,451)
Cash and Cash Equivalents - Beginning of Year	<u>601,767</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 59,316</u></u>
Classification of Cash and Cash Equivalents	
Cash and investments	<u><u>\$ 59,316</u></u>

Village of Steger, Illinois
Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended December 31, 2025

Water and Sewer
Operations Fund

**Reconciliation of Operating Income (Loss) to Net
Cash from Operating Activities**

Operating income (loss)	\$ (3,185,206)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	149,424
Changes in assets and liabilities:	
Customer receivables	(51,747)
Prepaid and other assets	12,700
Accounts payable	(676,582)
Pension and OPEB adjustments	(4,750)
Accrued and other liabilities	<u>41,834</u>
Total Adjustments	<u>(529,121)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u><u>\$ (3,714,327)</u></u>

Village of Steger, Illinois
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2025

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,158,482
Investments:	
Pooled Investments	6,655,236
Total cash and investments	<u>8,813,718</u>
Due from municipality	164,927
Prepays	<u>734</u>
Total assets	8,979,379
LIABILITIES	
Expenses due/unpaid	<u>748</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 8,978,631</u></u>

Village of Steger, Illinois
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2025

	Pension Trust Fund
ADDITIONS	
Contributions:	
Contributions - municipal	\$ 676,799
Contributions - members	101,331
Total contributions	<u>778,130</u>
Investment income (loss):	
Interest and dividends	110,139
Net change in fair value of investments	994,907
Total investment income	1,105,046
Less investment expense	<u>(5,602)</u>
Net investment income	1,099,444
Total additions	<u>1,877,574</u>
DEDUCTIONS	
Administration	42,439
Benefits and refunds	770,343
Total deductions	<u>812,782</u>
NET CHANGE IN NET POSITION	<u>1,064,792</u>
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING OF YEAR, PREVIOUSLY REPORTED	7,983,839
Restatement - Error Correction	<u>(70,000)</u>
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING OF YEAR, RESTATED	7,913,839
NET POSITION RESTRICTED FOR PENSIONS - END OF YEAR	<u><u>\$ 8,978,631</u></u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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, 2025

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 funds include 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, 2025

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, 2025, 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, 2025

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, 2025

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 2024 levy was recorded as revenue in 2025. The 2025 levy had been recognized as receivable as of December 31, 2025, but recognition as revenue has been deferred to 2026 because the revenue is used to finance the 2026 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, 2025

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, Government National Mortgage Association securities/Ginnie Mae bonds (GNMAs), 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 \$6,104,367 (excluding \$1,000 in cash on hand) and the bank balance was \$6,247,135. 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, 2025, 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.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

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

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, 2025, the Village had investments of approximately \$3,943,939 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, 2025

The Village's deposits and investments at December 31, 2025, are comprised of the following:

Demand deposits	\$ 2,303,197
Petty cash	1,000
Illinois Funds	3,943,939
	<u><u>\$ 6,248,136</u></u>

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, 2025

NOTE 3: RECEIVABLES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables Accounts:		
Property taxes	\$ 3,283,058	\$ -
Utility billing	<u>-</u>	<u>611,681</u>
Grants	<u>27,391</u>	<u>840,134</u>
Other taxes:		
Franchise tax	14,705	-
Utility tax	33,356	-
Income tax	182,413	-
Telecom tax	11,688	-
Personal property replacement tax	7,047	-
Sales tax	126,355	-
Local use tax	13,255	-
Cannabis tax	2,666	-
Video gaming tax	<u>47,571</u>	<u>-</u>
Total other taxes	439,056	-
Intergovernmental:		
Motor fuel tax	<u>38,800</u>	<u>-</u>
Total intergovernmental	\$ 38,800	\$ -

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, 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>3,103,587</u>	<u>91,073</u>	<u>(374,155)</u>	<u>2,820,505</u>
	8,926,060	91,073	(374,155)	8,642,978
Less accumulated depreciation for:				
Land improvements	145,675	20,141	-	165,816
Buildings and improvements	2,384,227	127,784	-	2,512,011
Equipment	<u>2,313,436</u>	<u>115,664</u>	<u>(343,638)</u>	<u>2,085,462</u>
	<u>4,843,338</u>	<u>263,589</u>	<u>(343,638)</u>	<u>4,763,289</u>
Total capital assets being depreciated, net	<u>4,082,722</u>	<u>(172,516)</u>	<u>(30,517)</u>	<u>3,879,689</u>
Governmental activities capital assets, net	<u>\$ 4,661,108</u>	<u>\$ (172,516)</u>	<u>\$ (30,517)</u>	<u>\$ 4,458,075</u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 268,613	\$ -	\$ (79,754)	\$ 188,859
System Improvements	<u>7,857,171</u>	<u>615,929</u>	<u>-</u>	<u>8,473,100</u>
	8,125,784	615,929	(79,754)	8,661,959
Less accumulated depreciation for:				
Equipment	132,899	18,886	(79,754)	72,031
System Improvements	<u>4,958,711</u>	<u>130,538</u>	<u>-</u>	<u>5,089,249</u>
	<u>5,091,610</u>	<u>149,424</u>	<u>(79,754)</u>	<u>5,161,280</u>
Business-type activities capital assets, net	<u>\$ 3,034,174</u>	<u>\$ 466,505</u>	<u>\$ -</u>	<u>\$ 3,500,679</u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 4: CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 11,541
Public safety	194,158
Road and bridges	11,641
Economic development	-
Parks and recreation	<u>46,249</u>
Total Governmental activities	\$ <u>263,589</u>

Business-type activities:

Water and sewer	\$ <u>149,424</u>
Total Business-type activities	\$ <u>149,424</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>
Booster Club	General Fund	\$ <u>8,770</u>
		8,770
General Fund	Liability Insurance Fund	\$ 74,803
General Fund	Playground	883
General Fund	Road & Bridge	278,095
General Fund	MFT	3,490
General Fund	H.S.E.M.	1,242
General Fund	Debt Service	104,147
General Fund	I.M.R.F.	<u>5,926</u>
		468,586
Water and Sewer Operations Fund	General Fund	\$ <u>675,940</u>
		675,940

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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	\$ 185,000
		185,000
General Fund	Nonmajor governmental funds	
	Playground/Recreation	\$ 193,250
	Road and Bridge	215,000
	Debt Service	242,500
	H.S.E.M.	43,000
	Audit	44,000
	Capital	39,331
		777,081
Water and Sewer Operations Fund	Liability Insurance Fund	\$ 322,750
	IMRF	50,000
	Audit	10,000
		382,750
TIF 5 Fund	Debt Service	\$ 95,000
		95,000
Road & Bridge Fund	Debt Service	\$ 7,018
		7,018

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, 2025, that are payable by governmental activities.

Promissory Note

The Village has five promissory note outstanding for the purchase of various vehicles and equipment.

The note, issued in 2023 for \$58,555, and requires monthly principal payments of \$1,322, including interest at a rate of 3.95%. The note matures on April 25, 2027. The balance of the promissory note at December 31, 2025, is \$20,571 within governmental activities.

The note, issued in 2023 for \$53,082, and requires monthly principal payments of \$1,199, including interest at a rate of 3.95%. The note matures on May 10, 2027. The balance of the promissory note at December 31, 2025, is \$19,782 within governmental activities.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 6: LONG-TERM DEBT (CONTINUED)

The note, issued in 2023 for \$48,938, and requires monthly principal payments of \$1,105, including interest at a rate of 3.95%. The note matures on May 10, 2027. The balance of the promissory note at December 31, 2025, is \$18,238 within governmental activities.

The note, issued in 2023 for \$51,841, and requires monthly principal payments of \$1,080, including interest at a rate of 4.55%. The note matures on March 13, 2027. The balance of the promissory note at December 31, 2025, is \$8,100 within governmental activities and \$8,100 within business type activities.

The note, issued in 2024 for \$249,911, and requires monthly principal payments of 5,688, including interest at a rate of 4.35%. The note matures on February 29, 2028. The balance of the promissory note at December 31, 2025, is \$140,810 within governmental activities.

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 November 15, 2006, the Village issued \$496,609 of Senior Lien Tax Increment Revenue (Capital Appreciation) Bonds, Series 2006. The remaining outstanding bonds totaling \$279,729 at December 31, 2025, 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.

The 2006 Junior Lien Notes are subordinate to the respective senior lien bond. 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, 2025, was \$26,532. Since the amount of incremental taxes is uncertain, no repayment schedule has been calculated for these notes.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 6: LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

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 \$3.3 million, payable through fiscal year 2039. Interest and principal paid on the bonds in 2025 amounted to \$225,025.

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	\$ 2,515,000	\$ -	\$ (125,000)	\$ 2,390,000	\$ 130,000
Bond Premium	43,219	-	(3,087)	40,132	-
Promissory notes	314,873	-	(107,370)	207,503	111,741
TIF Senior Lien Capital					
Accretion Bonds					
Series 2006	279,728	13,298	-	293,026	225,000
TIF Junior Lien Notes					
Series 2006	66,000	-	-	66,000	-
TIF Developer Notes	97,047	-	(70,515)	26,532	26,532
Compensated absences	200,437	-	(37,931)	162,506	16,251
Total governmental activities	\$ 3,516,304	\$ 13,298	\$ (343,903)	\$ 3,185,699	\$ 509,524
Business-type activities					
Promissory Notes	\$ 14,581	\$ -	\$ (6,480)	\$ 8,101	\$ 6,480
Compensated absences	27,740	41,083	-	68,823	6,882
Total business-type activities	\$ 42,321	\$ 41,083	\$ (6,480)	\$ 76,924	\$ 13,362

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 6: LONG-TERM DEBT (CONTINUED)

Total interest expense on the notes payable for 2025 is approximately \$11,426. Annual debt service requirements to maturity for the promissory notes are as follows:

Years Ending December 31,	Governmental and Business-Type Activities		
	Principal	Interest	Total
2026	\$ 118,222	\$ 6,992	\$ 125,214
2027	86,066	2,271	88,337
2028	11,313	64	11,377
Total	\$ 215,601	\$ 9,327	\$ 224,928

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:

Years Ending December 31,	Governmental Activities	
	Accretion	Principal
2026	\$ 6,974	\$ 75,000
	\$ 6,974	\$ 75,000

Accrued values at December 31, 2025 **\$ 293,026**

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
2026	\$ 130,000	\$ 94,925	\$ 224,925
2027	135,000	89,625	224,625
2028	140,000	84,125	224,125
2029	145,000	78,425	223,425
2030	155,000	72,425	227,425
2031-2035	855,000	264,988	1,119,988
2036-2039	830,000	68,000	898,000
Total	\$ 2,930,000	\$ 752,513	\$ 3,142,513

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

Police

Tier 1	Normal retirement	Age 50 and 20 years of service or
	Early retirement	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 employees and their dependents may continue coverage under the 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 spouse. Effective in 2014, fully paid benefits for elected officials who retired after 2013 were eliminated by amendment. The Village pays 100% of the cost of coverage for Disabled officers.

Employees Covered by Benefit Terms

At December 31, 2025, the following Village employees were covered by the benefit terms:

Active participants	28
Retired participants	3
	<u>31</u>

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 \$583,393 was measured as of December 31, 2025, as determined by an actuarial valuation as of December 31, 2025.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2025	\$ <u>744,734</u>
Changes for the year	
Service cost including administrative expenses	42,324
Interest on the total OPEB liabilities	29,391
Benefit changes	-
Differences between expected and actual experience	(178,114)
Assumption changes	(6,232)
Benefit payments	<u>48,710</u>
Net changes	<u>(161,341)</u>
Balance at December 31, 2025	\$ <u><u>583,393</u></u>

OPEB Expense and Deferred Inflows of Resource Related to OPEB

For the year ended December 31, 2025, the Village recognized OPEB expense of \$34,742. At December 31, 2025, 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	\$ 37,197	\$ (300,862)
Assumption changes	<u>124,901</u>	<u>(135,570)</u>
	<u><u>\$ 162,098</u></u>	<u><u>\$ (436,432)</u></u>

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

Years Ending December 31,	<u>Amount</u>
2026	\$ (36,973)
2027	(36,973)
2028	(30,577)
2029	(41,582)
2030	(51,159)
Thereafter	<u>(77,070)</u>
	<u><u>\$ (274,334)</u></u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumption and Other Inputs

The total OPEB liability in the December 31, 2025 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, 2025
Actuarial cost method	Entry-age normal
Discount rate	4.08% used as of January 1, 2025 4.83% as of December 31, 2025 The discount rate was based on the 20-year muni bond index rates
Salary increase	3.50% per annum
Mortality	Probabilities of death for participants were according to PubS base rates projected Fully Generationally using scale MP2021 for Police. For all others, the Pub 2010 base rates projected Fully Generationally using scale MP2021 was used.
Healthcare cost trend rates	For valuation calculations, blended rates are adjusted to reflect the individual participant age through actuarial rate factors. The factors used are from the Society of Actuaries June 2013 report: "Health Care Costs – From Birth to Death"

Changes in Assumptions

The discount rate was increased from 4.08% to 4.83% in accordance with GASB Statement Nos. 74/75.

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 4.83% 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 (3.83%) or 1 percentage point higher (5.83%) the current rate:

	1 % Decrease (3.83%)	Current Discount Rate (4.83%)	1 % Increase (5.83%)
Village's total OPEB liability	\$ <u>629,333</u>	\$ <u>583,393</u>	\$ <u>541,312</u>

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 5.75% Decr. to 3.5%	Current Healthcare Cost Trend Rates 6.75% Decr. to 4.5%	1 % Increase 7.75% Decr. to 5.5%
Village's total OPEB liability	\$ <u>530,433</u>	\$ <u>583,393</u>	\$ <u>643,614</u>

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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)			
IMRF - Regular	\$ (741,912)	\$ (185,478)	\$ (927,390)
IMRF - SLEP	(70,160)	(17,540)	(87,700)
Police	4,621,762	-	4,621,762
	<u>\$ 3,809,690</u>	<u>\$ (203,018)</u>	<u>\$ 3,606,672</u>
Deferred outflows of resources			
IMRF - Regular	\$ 411,476	\$ 102,868	\$ 514,344
IMRF - SLEP	20,074	5,019	25,093
Police	1,788,497	-	1,788,497
	<u>\$ 2,220,047</u>	<u>\$ 107,887</u>	<u>\$ 2,327,934</u>
Deferred inflows of resources			
IMRF - Regular	\$ (556,944)	\$ (139,236)	\$ (696,180)
IMRF - SLEP	(28,095)	(7,023)	(35,118)
Police	(3,741,495)	-	(3,741,495)
	<u>\$ (4,326,534)</u>	<u>\$ (146,259)</u>	<u>\$ (4,472,793)</u>

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, 2025

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, 2025 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled but not yet receiving benefits	45
Active plan members	29
Total employees covered by IMRF	108

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 2024 was 2.77%. For the fiscal year ended December 31, 2025, the Village contributed \$52,488 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, 2025, was measured as of December 31, 2025, 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, 2025

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, 2025	\$ 7,007,372	\$ 7,420,791	\$ (413,419)
Service Cost	104,192	-	104,192
Interest	497,596	-	497,596
Differences between expected and actual experience	380,943	-	380,943
Changes in assumptions	-	-	-
Contributions – employer	-	52,488	(52,488)
Contributions – employee	-	54,450	(54,450)
Net investment income	-	1,119,651	(1,119,651)
Benefit payments, including refunds	(392,144)	(392,144)	-
Miscellaneous other charges	-	270,113	(270,113)
Net changes	221,625	350,716	(513,971)
Balance at December 31, 2025	\$ 7,597,959	\$ 8,525,349	\$ (927,390)

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

For the year ended December 31, 2025, the Village recognized pension income of \$65,968. At December 31, 2025, 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	\$ 203,289	\$ (2,552)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	311,056	(693,628)
	\$ 514,345	\$ (696,180)

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
2026	\$ 276,452
2027	(184,069)
2028	(154,069)
2029	(116,439)
	\$ (118,835)

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

Actuarial Assumptions

The total pension liability in the December 31, 2025 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, 2025
Measurement date	December 31, 2025
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 non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) 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-2021. 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-2021.

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2025, 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.

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	\$ (43,921)	\$ (927,390)	\$ (1,633,633)

Pension Plan Fiduciary Net Position

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

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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, 2025 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

Contributions

As set by statute, the Village’s SLEP plan members are required to contribute 7.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the fiscal year ended December 31, 2025, the Village made \$4,388 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, 2025, was measured as of December 31, 2025, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of that date.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

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, 2025	\$ 278,880	\$ 314,951	\$ (63,071)
Service Cost	18,548	-	18,548
Interest	20,258	-	20,258
Differences between expected and actual experience	7,572	-	7,572
Changes in assumptions	-	-	-
Contributions – employer	-	4,388	(4,388)
Contributions – employee	-	9,246	(9,246)
Net investment income	-	53,759	(53,759)
Benefit payments, including refunds	(17,460)	(17,460)	-
Miscellaneous other charges	-	3,614	(3,614)
Net changes	28,918	53,547	(24,629)
Balance at December 31, 2025	\$ 307,798	\$ 395,498	\$ (87,700)

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

For the year ended December 31, 2025, the Village recognized pension expense of \$4,146. At December 31, 2025, 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	\$ 10,024	\$ -
Assumption changes	-	(791)
Net difference between projected and actual earnings on pension plan investments	15,069	(34,327)
Total	\$ 25,093	\$ (35,118)

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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
2026	\$ 8,546
2027	(6,850)
2028	(5,926)
2029	(5,795)
	<u>\$ (10,025)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2025 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, 2025
Measurement date	December 31, 2025
Actuarial cost method	Entry-age normal
Assumptions Inflation	2.25%
Salary increases	2.75% - 13.75%, including inflation
Investment rate of return	7.25%
Asset valuation method	Market value

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. 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-2021. 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-2021.

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2025, 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, 2025

NOTE 9: DEFINED BENEFIT PENSION PLAN – SHERIFF’S LAW ENFORCEMENT PLAN (SLEP)
(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	\$ (55,258)	\$ (87,700)	\$ (115,548)

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, 2025, 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	7
Active plan members	13
Total employees covered by plan	<u>31</u>

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.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

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, 2025, the Village's contribution was 66.02% of covered payroll, or \$736,234.

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). 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, 2024:

Asset Class	Target Allocation %	Long-Term Expected Rate of Return
U.S. Large	23.00%	5.60%
U.S. Small	5.00%	6.50%
International Developed	19.00%	6.70%
International Developed Small	5.00%	8.10%
Emerging Markets	6.00%	6.70%
Private Equity	7.00%	8.00%
High Yield Corp. Credit	3.00%	7.30%
Emerging Market Debt	3.00%	7.15%
Bank Loans	3.00%	6.70%
Private Credit	5.00%	8.40%
Real Estate	5.00%	6.20%
Infrastructure	3.00%	8.20%
Cash	1.00%	3.90%
Short-Term Gov't/Credit	3.00%	4.90%
U.S. Treasury	3.00%	4.70%
U.S. TIPS	3.00%	4.70%
Core Fixed Income	3.00%	5.60%

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

Rate of Return

The Long-Term Expected Rate of Return is intended to represent the best estimate of future real rates of return. Long-Term Expected Real Rates of Return under GASB are expected to reflect the period of time that begins when a Plan Member begins to provide service to the employer and ends at the point when all benefits to the Plan Member have been paid. The rates provided above are intended to estimate those figures.

The Long-Term Inflation Expectation is 2.50% and is included in the Long-Term Expected Rates of Return. The Long-Term Inflation Expectation is from the same source as the Long-Term Expected Real Rates of Return, and is not necessarily reflective of the inflation measures used for other purposes in the report.

Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. Higher volatility results in a greater difference.

For additional discussion regarding the Expected Return on Pension Plan Investments, please reference the Actuarial Funding Report. There are additional disclosures regarding reasonableness and market observations included in that report.

Net Pension Liability

The components of the net pension liability of the Village at December 31, 2025, were as follows:

Total pension liability	\$ 13,600,393
Plan fiduciary net position	8,978,631
	<hr/>
Village's net pension liability	\$ 4,621,762
	<hr/>
Plan fiduciary net position as a percentage of the total pension liability	66.02%

The Village's net pension liability reported at December 31, 2025, was measured as of December 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2025, rolled forward to December 31, 2025.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (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, 2025	\$ 13,012,022	\$ 7,983,839	\$ 5,028,183
Service costs	300,088	-	300,088
Interest	830,794	-	830,794
Differences between expected and actual experience	227,832	-	227,832
Change in assumptions	-	-	-
Change in benefit terms	-	-	-
Contributions – employer	-	676,799	(676,799)
Contributions – employee	-	101,331	(101,331)
Contributions - other	-	-	-
Net investment income	-	1,099,444	(1,099,444)
Benefit payments, including refunds	(700,343)	(700,343)	-
Miscellaneous other charges	-	(42,439)	42,439
Prior Period Adjustment	-	(70,000)	70,000
Net changes	(588,371)	994,792	(406,421)
Balance at December 31, 2025	\$ 13,600,393	\$ 8,978,631	\$ 4,621,762

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

For the year ended December 31, 2025, the Village recognized pension expense of \$261,534. At December 31, 2025, 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	\$ 542,304	\$ (1,071,121)
Changes of assumptions	1,045,173	(2,039,347)
Net difference between projected and actual earnings on pension plan investments	201,020	(631,027)
	\$ 1,788,497	\$ (3,741,495)

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 10: DEFINED BENEFIT PENSION PLAN – POLICE PENSION FUND (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
2026	\$ (531,807)
2027	(625,155)
2028	(375,143)
2029	(333,306)
2030	(87,587)
	\$ (1,952,998)

Actuarial Assumptions

The total pension liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate Used for the Total Pension Liability	6.50%
Expected Rate of Return on Investments	6.50%
High-Quality 20 Year Tax-Exempt G.O. Bond Rate	4.83%
Projected Individual Pay Increases	2.50-19.68%
Projected Total Payroll Increases	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate	2.50%

The Actuarial Assumptions (Economic) rates shown above are assumed to be annual rates, compounded on an annual basis. For more information on the selection of the actuarial assumptions, please see the Actuarial Assumption Summary document prepared for the Plan, available upon request.

Assumption Changes

The assumptions were changed from the prior year.

The High-Quality 20 Year Tax-Exempt General Obligation ("G.O.") Bond Rate assumption was changed from 4.08% to 4.83% for the current year. The underlying index used is The Bond Buyer 20-Bond G.O. Index as discussed in more detail later in this section. The choice of Index is unchanged from the prior year. The rate has been updated to the current Fiscal Year End based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 67 and Statement 68.

The Discount Rate used in the determination of the Total Pension Liability remained constant at 6.50%. The Discount Rate is impacted by a couple of metrics. Any change in the underlying High-Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended Discount Rate.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

The assumption changes stated above were made to better reflect the future anticipated experience of the Plan.

Discount Rate

The Discount Rate used in the determination of the Total Pension Liability is based on a combination of the Expected Rate of Return on Plan Investments and the Municipal Bond Rate.

Cash flow projections were used to determine the extent to which the Plan's Projected Fiduciary Net Position will be able to cover Projected Benefit Payments. To the extent that Projected Benefit Payments are covered by the Plan's Projected Fiduciary Net Position, the Expected Rate of Return on Plan Investments is used to determine the portion of the Net Pension Liability associated with those payments. To the extent that Projected Benefit Payments are not covered by the Plan's Projected Fiduciary Net Position, the Municipal Bond Rate is used to determine the portion of the Net Pension Liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are earlier in this section of the report. The expected contributions are based on the Funding Policy of the Plan.

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

The Employer's Net Pension Liability has been determined using the Discount Rate listed earlier in this section of the report. Below is a table illustrating the sensitivity of the Employer's Net Pension Liability to the Discount Rate assumption.

	One Percentage Decrease (5.50%)	Current Discount Rate (6.50%)	One Percentage Increase (7.50%)
Net pension liability of the Village	\$ <u>6,566,101</u>	\$ <u>4,621,762</u>	\$ <u>3,035,738</u>

The sensitivity of the Employer's Net Pension Liability to the Discount Rate is based primarily on two factors:

1. The duration of the Plan's Projected Benefit Payments. Younger Plans with benefit payments further in the future will be more sensitive to changes in the Discount Rate.
2. The Percent Funded of the Plan (ratio of the Plan Fiduciary Net Position to the Total Pension Liability). The higher the Percent Funded, the higher the sensitivity to the Discount Rate.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

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

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.

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, 2025, 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 Road and Bridge Fund had a deficit fund balance at December 31, 2025 of \$324,121. This deficit is 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, 2025, 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, 2025, 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 \$70,515 for the year ended December 31, 2025.

Village of Steger, Illinois
Notes to the Financial Statements
Year Ended December 31, 2025

NOTE 14: FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 102, *Certain Risk Disclosures*, was issued in October 2023 and is effective for fiscal years beginning after June 15, 2024. The objective of this Statement is to enhance the transparency of financial reporting by requiring disclosures about certain concentrations and constraints that could pose significant risks to a government's ability to continue providing services or meet its obligations. Management is currently evaluating the impact of this Statement on the Village's financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to enhance the effectiveness of the financial reporting model in providing information that is essential for decision-making and assessing a government's accountability. Management is currently evaluating the impact of this Statement on the Village's financial reporting.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement enhances the capital asset note disclosures required by GASB Statement No. 34 by requiring separate presentation of specific types of capital assets to improve transparency and comparability. Management is currently evaluating the impact of this Statement on the Village's financial reporting.

GASB Statement No. 105, *Subsequent Events*, was issued in December 2025. The statement establishes accounting and financial reporting requirements for subsequent events, clarifies the period during which subsequent events should be evaluated, distinguishes between recognized and nonrecognized subsequent events, and establishes related disclosure requirements. The requirements of this statement are effective for fiscal years beginning after June 15, 2026. Management has not yet determined the effect, if any, this statement will have on the City's financial statements.

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

NOTE 15: RELATED PARTY TRANSACTIONS

During the year ended December 31, 2025, the Village of Steger engaged in transactions with a family member of a member of management, a related party. The transactions consisted of vehicle maintenance. Total related-party transactions during the year amounted to \$32,750.

The transaction was entered into based on terms agreed to by the parties involved. As of December 31, 2025, the remaining balance associated with this related-party transaction totaled \$1,950.

Related-party transactions may not have occurred on terms equivalent to those that would prevail in arm's-length transactions with unrelated parties.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2026; the date financial statements were available to be issued.

NOTE 17: REPORTING UNITS AFFECTED BY RESTATEMENTS OF BEGINNING BALANCES

Error Correction. The beginning net position of fiduciary funds was restated to correct an error in the recording of the 60-day collection that was missed in the prior year. The following is the beginning net position as previously reported and as restated:

		Pension Fund
Net Position – Beginning as previously reported	\$	7,98,839
Error correction		(70,000)
Net Position – Beginning as restated	\$	<u>7,913,839</u>

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 42,324	\$ 42,730	\$ 34,924	\$ 49,182	\$ 48,309	\$ 42,601	\$ 76,514	\$ 84,785
Interest	29,391	26,954	28,003	14,925	18,910	23,452	51,778	44,555
Changes in benefit terms		-	-	-	(5,667)	-	(712,880)	-
Differences between expected and actual experience	(178,114)	-	(36,232)	-	(235,172)	-	116,864	-
Changes in assumptions	(6,232)	(18,828)	37,445	(145,838)	74,839	64,193	106,151	(117,739)
Benefit payments, including refunds	(48,710)	(42,152)	(39,074)	(36,870)	(34,298)	(47,040)	(43,757)	(44,086)
Net Change in Total OPEB Liability	(161,341)	8,704	25,066	(118,601)	(133,079)	83,206	(405,330)	(32,485)
Total OPEB Liability - Beginning of year	744,734	736,030	710,964	829,565	962,644	879,438	1,284,768	1,317,253
Total OPEB Liability - End of year	<u>\$ 583,393</u>	<u>\$ 744,734</u>	<u>\$ 736,030</u>	<u>\$ 710,964</u>	<u>\$ 829,565</u>	<u>\$ 962,644</u>	<u>\$ 879,438</u>	<u>\$ 1,284,768</u>
Covered-employee Payroll	\$ 1,809,581	\$ 2,139,266	\$ 2,066,924	\$ 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	32.24%	34.81%	35.61%	39.75%	48.00%	49.10%	46.65%	64.60%

GASB Statement No. 75 requires presentation of ten years. As of December 31, 2025, only eight 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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 104,192	\$ 105,747	\$ 95,332	\$ 93,553	\$ 88,797	\$ 108,622	\$ 120,411	\$ 115,564	\$ 131,361	\$ 107,083
Interest	497,596	483,945	477,376	454,838	435,520	433,742	413,730	381,901	380,346	353,403
Differences between expected and actual experience	380,943	(41,026)	(151,578)	88,969	58,216	(141,537)	60,750	221,046	(100,928)	85,679
Changes in assumptions	-	-	(6,556)	-	-	(47,784)	-	165,972	(160,612)	-
Benefit payments, including refunds	(392,144)	(327,041)	(331,327)	(323,420)	(313,497)	(323,717)	(302,220)	(242,380)	(200,677)	(197,470)
Net Change in Total Pension Liability	590,587	221,625	83,247	313,940	269,036	29,326	292,671	642,103	49,490	348,695
Total Pension Liability- Beginning of year	7,007,372	6,785,747	6,702,500	6,388,560	6,119,524	6,090,198	5,797,527	5,155,424	5,105,934	4,757,239
Total Pension Liability- End of year	<u>\$ 7,597,959</u>	<u>\$ 7,007,372</u>	<u>\$ 6,785,747</u>	<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>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 52,488	\$ 25,245	\$ 27,274	\$ 44,153	\$ 77,202	\$ 75,841	\$ 52,561	\$ 89,949	\$ 93,118	\$ 90,147
Contributions - Employee	54,450	52,837	47,644	48,818	46,425	44,208	51,941	52,500	53,379	53,447
Net investment income (loss)	1,119,651	706,384	729,447	(994,485)	1,176,644	892,412	996,801	(314,614)	880,186	315,419
Benefit payments, including refunds	(392,144)	(327,041)	(331,327)	(323,420)	(313,497)	(323,717)	(302,220)	(242,380)	(200,677)	(197,470)
Other (net transfer)	270,113	(106,709)	(22,436)	(11,729)	(8,779)	31,297	12,648	68,904	(62,366)	32,583
Net Change in Plan Fiduciary Net Position	1,104,558	350,716	450,602	(1,236,663)	977,995	720,041	811,731	(345,641)	763,640	294,126
Plan Fiduciary Net Position - Beginning of year	7,420,791	7,070,075	6,619,473	7,856,136	6,878,141	6,158,100	5,346,369	5,692,010	4,928,370	4,634,244
Plan Fiduciary Net Position - End of year	<u>\$ 8,525,349</u>	<u>\$ 7,420,791</u>	<u>\$ 7,070,075</u>	<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>
Village's Net Pension (Asset) Liability - Ending	<u>\$ (927,390)</u>	<u>\$ (413,419)</u>	<u>\$ (284,328)</u>	<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>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	112.21%	105.90%	104.19%	98.76%	122.97%	112.40%	101.11%	92.22%	110.41%	96.52%
Covered Payroll	\$ 1,210,009	\$ 1,174,156	\$ 1,050,980	\$ 1,084,845	\$ 1,027,995	\$ 982,398	\$ 1,137,676	\$ 1,166,655	\$ 1,186,212	\$ 1,187,698
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll	-76.64%	-35.21%	-27.05%	7.65%	-142.76%	-77.22%	-5.97%	38.67%	-45.24%	14.95%

Notes to Schedule:

There were no benefit changes during the year.

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 18,548	\$ 17,729	\$ 18,284	\$ 17,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	20,258	18,391	16,974	15,419	13,741	22,624	22,604	23,144	24,224	24,337
Differences between expected and actual experience	7,572	6,449	4,486	4,627	16,704	(123,906)	9,330	8,620	7,727	7,320
Changes in assumptions	-	-	(3,164)	-	-	711	-	6,061	(12,478)	-
Benefit payments, including refunds	(17,460)	(16,989)	(16,522)	(16,061)	(15,620)	(28,301)	(35,001)	(34,254)	(33,515)	(32,804)
Net Change in Total Pension Liability	28,918	25,580	20,058	21,078	14,825	(128,872)	(3,067)	3,571	(14,042)	(1,147)
Total Pension Liability- Beginning of year	278,880	253,300	233,242	212,164	197,339	326,211	329,278	325,707	339,749	340,896
Total Pension Liability- End of year	\$ 307,798	\$ 278,880	\$ 253,300	\$ 233,242	\$ 212,164	\$ 197,339	\$ 326,211	\$ 329,278	\$ 325,707	\$ 339,749
Plan Fiduciary Net Position										
Contributions - Employer	\$ 4,388	\$ 5,192	\$ 3,876	\$ 13,921	\$ 1,215	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	9,246	8,933	8,652	8,400	646	-	-	-	-	-
Net investment income (loss)	53,759	32,848	33,202	(51,419)	53,917	60,018	72,326	(30,952)	71,259	24,425
Benefit payments, including refunds	(17,460)	(16,989)	(16,522)	(16,061)	(15,620)	(28,301)	(35,001)	(34,254)	(33,515)	(32,804)
Other (net transfer)	3,614	(5,693)	6,766	(200)	(91)	(123,552)	7,387	14,352	(6,767)	6,760
Net Change in Plan Fiduciary Net Position	53,547	24,291	35,974	(45,359)	40,067	(91,835)	44,712	(50,854)	30,977	(1,619)
Plan Fiduciary Net Position - Beginning of year	341,951	317,660	281,686	327,045	286,978	378,813	334,101	384,955	353,978	355,597
Plan Fiduciary Net Position - End of year	\$ 395,498	\$ 341,951	\$ 317,660	\$ 281,686	\$ 327,045	\$ 286,978	\$ 378,813	\$ 334,101	\$ 384,955	\$ 353,978
Village's Net Pension (Asset) Liability - Ending	\$ (87,700)	\$ (63,071)	\$ (64,360)	\$ (48,444)	\$ (114,881)	\$ (89,639)	\$ (52,602)	\$ (4,823)	\$ (59,248)	\$ (14,229)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability										
	128.49%	122.62%	125.41%	120.77%	154.15%	145.42%	116.13%	101.46%	118.19%	104.19%
Covered Payroll	\$ 123,278	\$ 119,109	\$ 115,360	\$ 112,000	\$ 8,615	\$ -	\$ -	\$ -	\$ -	\$ -
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll										
	-71.14%	-52.95%	-55.79%	-43.25%	-1333.50%	-	-	-	-	-

Notes to Schedule:

There were no benefit changes during the year.

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 300,088	\$ 371,587	\$ 304,620	\$ 319,953	\$ 391,766	\$ 463,455	\$ 391,590	\$ 462,609	\$ 407,488	\$ 384,205
Interest	830,794	773,682	807,242	729,634	735,095	731,845	713,644	693,587	660,260	531,706
Differences between expected and actual experience	227,832	(845,074)	-	(9,568)	(329,795)	(600,664)	259,202	(393,605)	(4,804)	(153,823)
Changes in assumptions	-	(2,162,377)	574,080	(824,035)	(687,060)	345,752	598,563	(121,484)	1,075,738	1,742,755
Changes in benefit terms	-	-	1,536,469	(1,311,812)	-	-	95,977	-	-	-
Benefit payments, including refunds	(770,343)	(572,176)	(619,957)	(587,004)	(788,282)	(451,220)	(449,536)	(382,767)	(371,967)	(394,988)
Net Change in Total Pension Liability	588,371	(2,434,358)	2,602,454	(1,682,832)	(678,276)	489,168	1,609,440	258,340	1,766,715	2,109,855
Total Pension Liability- Beginning of year	13,012,022	15,446,380	12,843,926	14,526,758	15,205,034	14,715,866	13,106,426	12,848,086	11,081,371	8,971,516
Total Pension Liability- End of year	\$ 13,600,393	\$ 13,012,022	\$ 15,446,380	\$ 12,843,926	\$ 14,526,758	\$ 15,205,034	\$ 14,715,866	\$ 13,106,426	\$ 12,848,086	\$ 11,081,371
Plan Fiduciary Net Position										
Contributions - Employer	\$ 676,799	\$ 661,131	\$ 638,058	\$ 550,606	\$ 493,782	\$ 462,641	\$ 422,911	\$ 327,613	\$ 261,946	\$ 274,640
Contributions - Employee	101,331	108,135	112,694	91,417	91,075	95,838	108,013	111,215	104,006	101,635
Contributions - other	-	-	20,735	-	-	-	-	-	-	15,758
Net investment income (loss)	1,099,444	584,210	674,845	(550,372)	(20,571)	854,036	866,160	(321,333)	279,110	152,864
Benefit payments, including refunds	(770,343)	(572,176)	(619,957)	(587,004)	(788,282)	(451,220)	(449,536)	(382,767)	(371,967)	(394,988)
Administrative expenses	(42,439)	(38,325)	(38,032)	(40,851)	(33,362)	(38,094)	(35,841)	(32,841)	(30,807)	(24,412)
Prior Period Adjustment	(70,000)	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	994,792	742,975	788,343	(536,204)	(257,358)	923,201	911,707	(298,113)	242,288	125,497
Plan Fiduciary Net Position - Beginning of year	7,983,839	7,240,864	6,452,521	6,988,725	7,246,083	6,322,882	5,411,175	5,709,288	5,467,000	5,341,503
Plan Fiduciary Net Position - End of year	\$ 8,978,631	\$ 7,983,839	\$ 7,240,864	\$ 6,452,521	\$ 6,988,725	\$ 7,246,083	\$ 6,322,882	\$ 5,411,175	\$ 5,709,288	\$ 5,467,000
Village's Net Pension (Asset) Liability - Ending	\$ 4,621,762	\$ 5,028,183	\$ 8,205,516	\$ 6,391,405	\$ 7,538,033	\$ 7,958,951	\$ 8,392,984	\$ 7,695,251	\$ 7,138,798	\$ 5,614,371
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.02%	61.36%	46.88%	50.24%	48.11%	47.66%	42.97%	41.29%	44.44%	49.34%
Covered Payroll	\$ 1,115,212	\$ 1,080,108	\$ 998,851	\$ 919,792	\$ 955,398	\$ 1,145,479	\$ 1,070,145	\$ 1,116,996	\$ 1,074,571	\$ 1,040,747
Village's Net Pension (Asset) Liability as a Percentage of Covered Payroll	414.43%	465.53%	821.50%	694.88%	788.99%	694.81%	784.28%	688.92%	664.34%	539.46%

Notes to Schedule:

There were no benefit changes during the year.

Village of Steger, Illinois
Required Supplementary Information
Schedule of Village Contributions
Illinois Municipal Retirement Fund Regular Plan
Year Ended December 31, 2025

Year Ended	Actuarially determined contribution	Actual Contributions	Contribution Excess/ (Deficiency)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
12/31/2025	33,517	52,488	18,971	1,210,009	4.34%
12/31/2024	25,244	25,245	1	1,174,156	2.15%
12/31/2023	21,230	27,274	6,044	1,050,980	2.60%
12/31/2022	44,153	44,153	-	1,084,845	4.07%
12/31/2021	77,202	77,202	-	1,027,995	7.51%
12/31/2020	75,841	75,841	-	982,398	7.72%
12/31/2019	52,561	52,561	-	1,137,676	4.62%
12/31/2018	899	899	-	1,167	77.11%
12/31/2017	93,118	93,118	-	1,186,212	7.85%
12/31/2016	90,146	90,147	1	1,187,698	7.59%

Notes to Schedule of Village Contributions - Illinois Municipal Retirement Fund Regular Plan
Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Aggregate entry age normal
Amortization method Level percentage of payroll, closed
Remaining amortization period Non-Taxing bodies: 10-year rolling period
Taxing Bodies: 18-year closed period
SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 13 years for most employers (five employers were financed over 14 years; one employer was financed over 15 years; two employers were financed over 16 years; one employer was financed over 19 years; three employers were financed over 22 years; four employers were financed over 23 years and one employer was financed over 24 years).

Asset valuation method 5-year smoothed market; 20 percent corridor
Wage Growth 2.75 percent
Inflation 2.25 percent
Salary increase 2.85 percent to 13.75 percent, including inflation
Investment rate of return 7.25 percent
Retirement age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.

Mortality For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) 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-2021. 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-2021.

Other There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2023 actuarial valuation; note two-year lag between valuation and rate setting.

Village of Steger, Illinois
Required Supplementary Information
Schedule of Village Contributions
Illinois Municipal Retirement Fund SLEP Plan
Year Ended December 31, 2025

Year Ended	Actuarially determined contribution	Actual Contributions	Contribution Excess/ (Deficiency)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
12/31/2025	\$ 4,389	\$ 4,388	\$ (1)	\$ 123,278	3.56%
12/31/2024	5,193	5,192	(1)	119,109	4.36%
12/31/2023	3,876	3,876	-	115,360	3.36%
12/31/2022	13,922	13,921	(1)	112,000	12.43%
12/31/2021	1,215	1,215	-	8,615	14.10%
12/31/2020	-	-	-	-	-
12/31/2019	-	-	-	-	-
12/31/2018	-	-	-	-	-
12/31/2017	-	-	-	-	-
12/31/2016	-	-	-	-	-

Notes to Schedule of Village Contributions - Illinois Municipal Retirement Fund SLEP Plan
Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Non-Taxing bodies: 10-year rolling period Taxing Bodies: 19-year closed period
Asset valuation method	5-year smoothed market; 20 percent corridor
Wage Growth	2.75 percent
Inflation	2.25 percent
Salary increase	2.75 percent to 13.75 percent, including inflation
Investment rate of return	7.25 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2023 valuation pursuant to an experience study of the period 2020-2022.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. 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-2021. 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-2021.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2023 actuarial valuation; note two-year lag between valuation and rate setting.

Village of Steger, Illinois
Required Supplementary Information
Schedule of Village Contributions
Police Pension Plan
Year Ended December 31, 2025

Year Ended	Actuarially determined contribution	Actual Contributions	Contribution Excess/ (Deficiency)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
12/31/2025	\$ 454,311	\$ 676,799	\$ 222,488	\$ 1,115,212	60.69%
12/31/2024	509,065	661,131	152,066	1,080,108	61.21%
12/31/2023	476,712	638,058	161,346	998,851	63.88%
12/31/2022	529,161	550,606	21,445	919,792	59.86%
12/31/2021	556,002	493,782	(62,220)	955,398	51.68%
12/31/2020	467,265	462,641	(4,624)	1,145,479	40.39%
12/31/2019	419,606	422,911	3,305	1,070,145	39.52%
12/31/2018	569,857	327,613	(242,244)	1,116,996	29.33%
12/31/2017	424,919	261,946	(162,973)	1,074,571	24.38%
12/31/2016	306,457	274,640	(31,817)	1,040,747	26.39%

Notes to Schedule of Village Contributions - Police Pension Plan

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Amortization target	90% funded over 17 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Total Payroll Increases	3.00%
Individual Pay Increases	3.50% - 11.0%
Investment rate of return	6.80%
Mortality Rates	PubS-2010 Adjusted for Plan Status & Demographics, as Described
Retirement Rates	Illinois Department of Insurance Actuarial Experience Study Dated March 4, 2022
Termination Rates	Illinois Department of Insurance Actuarial Experience Study Dated March 4, 2022
Disability Rates	Illinois Department of Insurance Actuarial Experience Study Dated March 4, 2022

Information above based on valuation assumptions used in the December 31, 2023 actuarial valuation; note two-year lag between valuation and rate setting.

Village of Steger, Illinois
Required Supplementary Information
Schedule of Investment Returns
Police Pension Fund
Year Ended December 31, 2025

Fiscal Year	Annual Money Weighted Rate of Return, Net of
2016	3.09%
2017	5.16%
2018	-5.94%
2019	16.50%
2020	13.82%
2021	-0.37%
2022	-4.77%
2023	11.10%
2024	9.59%
2025	13.21%

Village of Steger, Illinois
Required Supplementary Information
Budgetary Comparison Schedule
General Corporate Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 1,491,150	\$ 1,457,764	\$ (33,386)
Other taxes	528,000	499,475	(28,525)
Licenses and permits	212,650	245,069	32,419
State Shared revenue	3,030,000	2,971,631	(58,369)
Grant revenue	-	-	-
Charges for services	711,707	544,786	(166,921)
Fines and forfeitures	67,000	54,645	(12,355)
Investment income	200,000	151,583	(48,417)
Miscellaneous	50,122	98,239	48,117
Total revenues	<u>6,290,629</u>	<u>6,023,192</u>	<u>(267,437)</u>
Expenditures			
Current Services:			
General government	1,032,155	880,665	151,490
Public safety	4,220,463	4,002,227	218,236
Total expenditures	<u>5,252,618</u>	<u>4,882,892</u>	<u>369,726</u>
Excess of Revenue (Under) Over	<u>1,038,011</u>	<u>1,140,300</u>	<u>102,289</u>
Other Financing Sources (Uses)			
Transfers out	(987,081)	(962,081)	25,000
Total other financing uses	<u>(987,081)</u>	<u>(962,081)</u>	<u>25,000</u>
Net Change in Fund Balance	50,930	178,219	127,289
Fund Balance - Beginning of year	<u>4,778,947</u>	<u>4,778,947</u>	<u>-</u>
Fund Balance - End of year	\$ 4,829,877	\$ 4,957,166	\$ 127,289

Village of Steger, Illinois
Required Supplementary Information
Budgetary Comparison Schedule
Liability Insurance Fund
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 764,500	\$ 756,832	\$ (7,668)
Miscellaneous	140,000	136,074	(3,926)
Total revenues	<u>904,500</u>	<u>892,906</u>	<u>(11,594)</u>
Expenditures			
Current Services:			
General government	141,221	138,357	2,864
Public safety	960,308	940,839	19,469
Highway and streets	254,199	249,046	5,153
Parks and recreation	56,489	55,344	1,145
Total expenditures	<u>1,412,217</u>	<u>1,383,586</u>	<u>28,631</u>
Excess of Revenue (Under) Over	<u>(507,717)</u>	<u>(490,680)</u>	<u>17,037</u>
Other Financing Sources (Uses)			
Transfers in	507,750	507,750	-
Total other financing uses	<u>507,750</u>	<u>507,750</u>	<u>-</u>
Net Change in Fund Balance	33	17,070	17,037
Fund Balance - Beginning of year	<u>204,791</u>	<u>204,791</u>	<u>-</u>
Fund Balance - End of year	\$ 204,824	\$ 221,861	\$ 17,037

Village of Steger, Illinois
Notes to Required Supplementary Information
December 31, 2025

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.

Other Supplementary Information

**Village of Steger, Illinois
Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025**

Special Revenue Funds								
	I.M.R.F.	Playground/ Recreation	Road and Bridge	Motor Fuel Tax	E.S.D.A.	Auditing	Total Special Revenue Funds	
Assets								
Cash and investments	\$ 123,052	\$ 223,299	\$ 245	\$ 920,593	\$ 78,563	\$ 27,782	\$ 1,373,534	
Receivables:								-
Property taxes receivable	142,868	83,532	-	-	1,630	43,954	271,984	
Intergovernmental	-	-	-	38,800	-	-	38,800	
Due from other funds	-	8,770	-	-	-	-	8,770	
Prepaid items	-	-	-	-	-	-	-	
Total assets	265,920	315,601	245	959,393	80,193	71,736	1,693,088	
Liabilities								
Accounts payable	-	15,153	19,599	47,825	3,440	-	86,017	
Due to other funds	5,926	883	278,095	3,490	1,242	-	289,636	
Accrued payroll	-	8,078	26,672	-	681	-	35,431	
Total liabilities	5,926	24,114	324,366	51,315	5,363	-	411,084	
Deferred Inflows of Resources								
Property taxes levied for the following year	121,887	71,266	-	-	1,390	37,500	232,043	
Fund Balances (Deficit)								
Nonspendable	-	-	-	-	-	-	-	
Committed for playground/recreation purposes	-	220,221	-	-	-	-	220,221	
Restricted:								
Highway and streets	-	-	-	908,078	-	-	908,078	
Public safety	-	-	-	-	73,440	-	73,440	
Economic development	-	-	-	-	-	-	-	
Employee retirement	138,107	-	-	-	-	-	138,107	
Unassigned	-	-	(324,121)	-	-	34,236	(289,885)	
Total fund balances (deficit)	138,107	220,221	(324,121)	908,078	73,440	34,236	1,049,961	
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 265,920	\$ 315,601	\$ 245	\$ 959,393	\$ 80,193	\$ 71,736	\$ 1,693,088	

**Village of Steger, Illinois
Supplementary Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2025**

		Capital Project Funds						
	Debt Service Fund	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	\$ 200	\$ 204,432	\$ 314,969	\$ 2,660	\$ 586,390	\$ -	\$ 1,108,451	\$ 2,482,185
Receivables:								
Property taxes receivable	-	23,948	-	-	141,966	-	165,914	437,898
Intergovernmental	-	-	-	-	-	-	-	38,800
Due from other funds	-	-	-	-	-	-	-	8,770
Prepaid items	178,763	-	-	-	-	-	-	178,763
Total assets	<u>\$ 178,963</u>	<u>\$ 228,380</u>	<u>\$ 314,969</u>	<u>\$ 2,660</u>	<u>\$ 728,356</u>	<u>\$ -</u>	<u>\$ 1,274,365</u>	<u>\$ 3,146,416</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000	\$ 156,017
Due to other funds	104,147	-	-	-	-	-	-	393,783
Accrued payroll	-	-	-	-	-	-	-	35,431
Total liabilities	<u>104,147</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>585,231</u>
Deferred Inflows of Resources								
Property taxes levied for the following year	-	-	-	-	-	-	-	232,043
Fund Balances (Deficit)								
Nonspendable	178,763	-	-	-	-	-	-	178,763
Committed for playground/recreation purposes	-	-	-	-	-	-	-	220,221
Restricted:								
Highway and streets	-	-	-	-	-	-	-	908,078
Public safety	-	-	-	-	-	-	-	73,440
Economic development	-	228,380	244,969	-	728,356	-	1,201,705	1,201,705
Employee retirement	-	-	-	-	-	-	-	138,107
Unassigned	(103,947)	-	-	2,660	-	-	2,660	(391,172)
Total fund balances (deficit)	<u>74,816</u>	<u>228,380</u>	<u>244,969</u>	<u>2,660</u>	<u>728,356</u>	<u>-</u>	<u>1,204,365</u>	<u>2,329,142</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 178,963</u>	<u>\$ 228,380</u>	<u>\$ 314,969</u>	<u>\$ 2,660</u>	<u>\$ 728,356</u>	<u>\$ -</u>	<u>\$ 1,274,365</u>	<u>\$ 3,146,416</u>

Village of Steger, Illinois
Supplementary Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended December 31, 2025

Special Revenue Funds							
	I.M.R.F.	Playground/ Recreation	Road and Bridge	Motor Fuel Tax	E.S.D.A.	Auditing	Total Special Revenue Funds
Revenue							
Property taxes	\$ 116,783	\$ 68,274	\$ 159,563	\$ -	\$ 1,338	\$ 35,924	\$ 381,882
Intergovernmental	-	6,421	8,476	437,540	-	-	452,437
Charges for services	-	127,445	58,650	-	-	-	186,095
Miscellaneous	-	7,073	2,388	35,340	-	-	44,801
Total revenue	116,783	209,213	229,077	472,880	1,338	35,924	1,065,215
Expenditures							
Current services:							-
General government	192,620	-	-	-	-	95,500	288,120
Public Safety	-	-	-	-	38,404	-	38,404
Highway and streets	-	-	523,251	275,701	-	-	798,952
Economic development	-	-	-	-	-	-	-
Parks and recreation	-	327,750	-	-	-	-	327,750
Debt service							-
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	192,620	327,750	523,251	275,701	38,404	95,500	1,453,226
Excess of Revenue (Under) Over Expenditures	(75,837)	(118,537)	(294,174)	197,179	(37,066)	(59,576)	(388,011)
Other Financing Sources (Uses)							
Transfers in	50,000	193,250	215,000	-	43,000	54,000	555,250
Transfers out	-	-	(7,018)	-	-	-	(7,018)
Other financing sources and uses	-	-	-	-	-	-	-
Total other financing (uses) sources	50,000	193,250	207,982	-	43,000	54,000	548,232
Net Change in Fund Balances	(25,837)	74,713	(86,192)	197,179	5,934	(5,576)	160,221
Fund Balances (Deficit) - Beginning of year	163,944	145,508	(237,929)	710,899	67,506	39,812	889,740
Fund Balances (Deficit) - End of year	\$ 138,107	\$ 220,221	\$ (324,121)	\$ 908,078	\$ 73,440	\$ 34,236	\$ 1,049,961

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, 2025

	Capital Project Funds							
	Debt Service Fund	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	\$ -	\$ 38,765	\$ -	\$ 94,130	\$ 371,558	\$ -	\$ 504,453	\$ 886,335
Intergovernmental	-	-	-	-	-	-	-	452,437
Charges for services	-	-	-	-	-	-	-	186,095
Miscellaneous	-	-	-	-	-	-	-	44,801
Total revenue	-	38,765	-	94,130	371,558	-	504,453	1,569,668
Expenditures								
Current services:								
General government	-	-	-	-	-	-	-	288,120
Public Safety	-	-	-	-	-	-	-	38,404
Highway and streets	-	-	-	-	-	-	-	798,952
Economic development	-	3,814	3,814	3,816	4,926	-	16,370	16,370
Parks and recreation	-	-	-	-	-	-	-	327,750
Debt service								
Principal	232,374	-	-	70,517	-	-	70,517	302,891
Interest and fiscal charges	111,922	-	-	-	-	-	-	111,922
Total expenditures	344,296	3,814	3,814	74,333	4,926	-	86,887	1,884,409
Excess of Revenue (Under) Over Expenditures	(344,296)	34,951	(3,814)	19,797	366,632	-	417,566	(314,741)
Other Financing Sources (Uses)								
Transfers in	344,518	-	-	-	-	39,331	39,331	939,099
Transfers out	-	-	-	-	(95,000)	-	(95,000)	(102,018)
Other financing sources and uses	-	-	-	-	-	-	-	-
Total other financing (uses)	344,518	-	-	-	(95,000)	39,331	(55,669)	837,081
Net Change in Fund Balances	222	34,951	(3,814)	19,797	271,632	39,331	361,897	522,340
Fund Balances (Deficit) - Beginning of year	74,594	193,429	248,783	(17,137)	456,724	(39,331)	842,468	1,806,802
Fund Balances (Deficit) - End of year	\$ 74,816	\$ 228,380	\$ 244,969	\$ 2,660	\$ 728,356	\$ -	\$ 1,204,365	\$ 2,329,142

Single Audit Section



**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 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 Steger, Illinois (the Village) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 21, 2026. Our report includes a reference to other auditors who audited the financial statements of the Police Pension Fund, as described in our report on the Village's financial statements. The financial statements of the Police Pension Fund was 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.

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 2025-001 and 2025-002 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 item 2025-003 to be a significant deficiency.

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.



McConnell Jones

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*.

The Village's Response to Findings

Government Auditing Standards requires us to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Village's response includes the views of responsible officials and planned corrective actions for each finding. The Village's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response or on the corrective action plan.

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

September 21, 2026



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Village of Steger, Illinois, (the “Village”) with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Village’s major Federal Programs for the year ended December 31, 2025. The Village’s major Federal Programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal Programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal Program. Our audit does not provide a legal determination of the Village’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Village’s Federal Programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on our audit. 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 U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of each major Federal Program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Village's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



McConnell Jones

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McConnell Jones LLP

Houston, Texas

September 21, 2026

Village of Steger, Illinois
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2025

Federal Grantor/ Pass-through Grantor Program Title	Assistance Listing Number	Grant Number	Passed through to Subrecipients	Total Federal Expenditures
Federal Awards:				
Passed through Illinois Environmental Protection Agency:				
United States Environmental Protection Agency Clean Water State Revolving Fund	66.458	L17-4175	N/A	\$ 2,011,452
United States Environmental Protection Agency Clean Water State Revolving Fund	66.458	L17-6337	N/A	524,022
Total United States Environmental Protection Agency				<u>2,535,474</u>
Passed through Will County, Illinois:				
U.S. Department of the Treasury American Rescue Plan Act Relief Fund	21.027	N/A	N/A	406,421
Total Expenditures of Federal Awards				<u>\$ 2,941,895</u>

Village of Steger Park, Illinois
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Village of Steger Park, Illinois (the "Village") under programs of the federal government for the year ended December 31, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

Note 2 – Summary of Significant Accounting Policies

The expenditures included in the Schedules are reported for the Village's fiscal year ended December 31, 2025. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the Village for the purposes of the awards. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the Schedules may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The Village has followed all applicable guidelines issued by various funding agencies in the preparation of the Schedules.

The Village has elected not to use the 10 percent de minimis indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Village of Steger, Illinois
Schedule of Audit Findings and Questioned Costs
Year ended December 31, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? None reported

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
66.458	Clean Water State Revolving Fund	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee for federal programs? No

**Village of Steger, Illinois
Schedule of Audit Findings and Questioned Costs
Year ended December 31, 2025**

**SECTION II - FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

2025-001 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.

2025-002 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.

Village of Steger, Illinois
Schedule of Audit Findings and Questioned Costs
Year ended December 31, 2025

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.

2025-003 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.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.

VILLAGE OF STEGER

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Board of Trustees

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WILLIAM J. JOYCE

Village President
WJoyce@VillageofSteger.org
Joseph M. Zagone, Jr.
Village Clerk
JZagone@VillageofSteger.org

Corrective Action Plan December 31, 2025

2025-001 Segregation of Duties

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.

Contact person responsible for corrective action: Joseph Wiszowaty, Village Administrator

Anticipated Completion Date: 12/31/2026

2025-002 Maintenance of Capital Asset Records

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.

Contact person responsible for corrective action: Joseph Wiszowaty, Village Administrator

Anticipated Completion Date: 12/31/2027

2025-003 Written Policies

Planned corrective actions: The Village is looking into implementing written policies and procedures in the upcoming year in the areas recommended.

Contact person responsible for corrective action: Joseph Wiszowaty, Village Administrator

Anticipated Completion Date: 12/31/2027

**Village of Steger, Illinois
Schedule of Prior Year Findings
Year Ended December 31, 2025**

2024-001 Segregation of Duties

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.

Status: Not remediated

Reason for non-remediation: With a small staff the Village has limited options with separating employee duties.

2024-002 Maintenance of Capital Asset Records

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

Status: Not remediated

Reason for non-remediation: Infrastructure assets are missing from the listing resulting in incomplete capital asset records.

2024-003 Written Policies

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

Status: Not remediated

Reason for non-remediation: The Village has not documented policies and procedures in key areas.