

**Village of Sauk Village,  
Illinois**

**Annual Financial Report**

**For the Six-Month Period Ended April 30, 2013**

**Village of Sauk Village, Illinois**  
ANNUAL FINANCIAL REPORT  
For the Six-Month Period Ended April 30, 2013

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(Concluded)

## **FINANCIAL SECTION**

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the Board of Trustees  
Village of Sauk Village, Illinois

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sauk Village, Illinois (the Village), as of and for the six-month period ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Village's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this also includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Pension Fund, which is a pension trust fund, included as a fiduciary fund in the aggregate remaining fund information, whose accounts are included in the basic financial statements. Total assets and additions of the Firefighters' Pension Fund constitute all of the assets and additions of the fiduciary fund types reported herein, as of and for the period ended April 30, 2013, on pages 17 and 18. Those 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 Firefighters' Pension Fund in the Village's basic financial statements, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

(Continued)

To the Honorable Mayor and  
Members of the Board of Trustees  
Village of Sauk Village, Illinois

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***Auditors' Responsibility*** (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Summary of Opinions***

| <b>Opinion Unit</b>                                       | <b>Type of Opinion</b> |
|-----------------------------------------------------------|------------------------|
| Governmental Activities                                   | Qualified              |
| Business-Type Activities                                  | Unmodified             |
| Governmental Fund - General Fund                          | Unmodified             |
| Governmental Fund - Debt Service Fund                     | Unmodified             |
| Governmental Fund - Sauk Pointe Industrial<br>Park Fund   | Unmodified             |
| Governmental Fund - LogistiCenter at Sauk<br>Village Fund | Unmodified             |
| Enterprise Fund - Waterworks Fund                         | Unmodified             |
| Enterprise Fund - Sewerage Fund                           | Unmodified             |
| Aggregate Remaining Fund Information                      | Adverse                |

(Continued)

To the Honorable Mayor and  
Members of the Board of Trustees  
Village of Sauk Village, Illinois

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***Basis for Adverse Opinion on Aggregate Remaining Fund Information***

Management has not included the Police Pension Fund in the Village's financial statements. Accounting principles generally accepted in the United States of America require the Police Pension Fund to be presented, as a pension trust fund, in the aggregate remaining fund information financial statements. The amount by which this departure would affect the assets, liabilities, net position, additions, and deductions of the aggregate remaining fund information is not reasonably determinable, because the audit of the financial statements of the Police Pension Fund, which is being performed by other auditors, as of and for the year ended April 30, 2013, has not been completed.

***Adverse Opinion***

In our opinion, based on our audit and the report of the other auditors, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the Aggregate Remaining Fund Information of the Village, as of April 30, 2013, or the changes in financial position thereof for the six-month period then ended (aggregate nonmajor governmental funds) and the year then ended (fiduciary funds – pension trust funds) in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified Opinion on Governmental Activities***

The Police Pension Fund has not been subject to an actuarial valuation since May 1, 2011. As a result, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Village's net pension obligation to the Police Pension Fund and the related expense (which are recorded in the Government Activities), and the adequacy of the disclosures related thereto. Consequently, we were unable to determine whether any adjustments to the related amounts and disclosures were necessary.

***Qualified Opinion***

In our opinion, except for the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Village, as of April 30, 2013, and the changes in financial position thereof for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

To the Honorable Mayor and  
Members of the Board of Trustees  
Village of Sauk Village, Illinois

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### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the General Fund, the Debt Service Fund, the Sauk Pointe Industrial Park Fund, the LogistiCenter at Sauk Village Fund, the Waterworks Fund, and the Sewerage Fund, of the Village, as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As described in Note A to the financial statements, beginning with the six-month period ended April 30, 2013, the Village changed its fiscal year end to April 30. Our opinion is not modified with respect to this matter.

The financial statements of the Firefighters' Pension Fund, which were audited by other auditors, are as of and for the year ended April 30, 2013, rather than for the six-month period then ended.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund and Firefighters' Pension Fund historical data on pages 68 and 69, the other postemployment benefits data on page 70, and the budgetary comparison schedules and notes to required supplementary information on pages 71 and 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information, except for those amounts related to the Police Pension Fund, as described above, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

To the Honorable Mayor and  
Members of the Board of Trustees  
Village of Sauk Village, Illinois

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***Other Matters*** (Continued)

*Required Supplementary Information* (Continued)

Management has omitted the management's discussion and analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sauk Village's basic financial statements. The other schedules listed in the table of contents in the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MILLER, COOPER & CO., LTD.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
July 3, 2014

## **BASIC FINANCIAL STATEMENTS**

**Village of Sauk Village, Illinois**  
**STATEMENT OF NET POSITION (DEFICIT)**  
April 30, 2013

|                                                   | Governmental<br>Activities | Business-type<br>Activities | Total           |
|---------------------------------------------------|----------------------------|-----------------------------|-----------------|
| <b>ASSETS</b>                                     |                            |                             |                 |
| Current                                           |                            |                             |                 |
| Cash and cash equivalents                         | \$ 1,409,656               | \$ -                        | \$ 1,409,656    |
| Receivables, net of allowances                    |                            |                             |                 |
| Property taxes                                    | 1,676,858                  | -                           | 1,676,858       |
| Intergovernmental                                 | 424,818                    | -                           | 424,818         |
| Charges for services and other                    | 197,439                    | 340,522                     | 537,961         |
| Deposits with paying agent                        | 8,552,311                  | -                           | 8,552,311       |
| Prepaid items                                     | 83,894                     | -                           | 83,894          |
| Noncurrent                                        |                            |                             |                 |
| Internal balances                                 | 412,269                    | (412,269)                   | -               |
| Land held for resale                              | 1,063,822                  | -                           | 1,063,822       |
| Unamortized bond issuance costs                   | 1,065,644                  | -                           | 1,065,644       |
| Capital assets not being depreciated              | 574,003                    | 7,500                       | 581,503         |
| Capital assets, net of accumulated depreciation   | 11,478,857                 | 2,556,863                   | 14,035,720      |
| Total assets                                      | 26,939,571                 | 2,492,616                   | 29,432,187      |
| <b>LIABILITIES</b>                                |                            |                             |                 |
| Current                                           |                            |                             |                 |
| Accounts payable                                  | 456,889                    | 343,826                     | 800,715         |
| Accrued payroll                                   | 201,187                    | 36,673                      | 237,860         |
| Accrued interest                                  | 626,201                    | -                           | 626,201         |
| Deposits payable                                  | -                          | 163,416                     | 163,416         |
| Unearned revenue                                  | -                          | -                           | -               |
| Due to county government                          | 374,937                    | -                           | 374,937         |
| Other                                             | 16,386                     | -                           | 16,386          |
| Noncurrent                                        |                            |                             |                 |
| Due within one year                               | 2,798,940                  | 30,236                      | 2,829,176       |
| Due in more than one year                         | 40,277,883                 | -                           | 40,277,883      |
| Total liabilities                                 | 44,752,423                 | 574,151                     | 45,326,574      |
| <b>NET POSITION (DEFICIT)</b>                     |                            |                             |                 |
| Investment in capital assets, net of related debt | 6,958,927                  | 2,564,363                   | 9,523,290       |
| Restricted by enabling legislation                | 11,348,066                 | -                           | 11,348,066      |
| Unrestricted                                      | (36,119,845)               | (645,898)                   | (36,765,743)    |
| Total net position (deficit)                      | \$ (17,812,852)            | \$ 1,918,465                | \$ (15,894,387) |

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
**STATEMENT OF ACTIVITIES**  
For the Six-Month Period Ended April 30, 2013

| Functions/Programs                 | Expenses     | Program Revenues     |                                    |
|------------------------------------|--------------|----------------------|------------------------------------|
|                                    |              | Charges for Services | Operating Grants and Contributions |
| Governmental activities            |              |                      |                                    |
| General government                 | \$ 1,544,776 | \$ 318,550           | \$ 1,995                           |
| Public safety                      | 2,135,176    | 161,721              | 35,415                             |
| Public works                       | 291,703      | -                    | 187,555                            |
| Interest                           | 1,120,976    | -                    | -                                  |
| Total governmental activities      | 5,092,631    | 480,271              | 224,965                            |
| Business-type activities           |              |                      |                                    |
| Waterworks                         | 1,001,026    | 691,201              | -                                  |
| Sewerage                           | 289,865      | 304,470              | -                                  |
| Total business-type activities     | 1,290,891    | 995,671              | -                                  |
| Total                              | \$ 6,383,522 | \$ 1,475,942         | \$ 224,965                         |
| General revenues                   |              |                      |                                    |
| Taxes                              |              |                      |                                    |
| Intergovernmental                  |              |                      |                                    |
| Interest                           |              |                      |                                    |
| Miscellaneous                      |              |                      |                                    |
| Transfers                          |              |                      |                                    |
| Total general revenues             |              |                      |                                    |
| Change in net position             |              |                      |                                    |
| Net position (deficit) - beginning |              |                      |                                    |
| Net position (deficit) - ending    |              |                      |                                    |

The accompanying notes are an integral part of this statement.

| Net (Expense) Revenue and<br>Changes in Net Position |                             |                 |
|------------------------------------------------------|-----------------------------|-----------------|
| Governmental<br>Activities                           | Business-type<br>Activities | Total           |
| \$ (1,224,231)                                       | \$ -                        | \$ (1,224,231)  |
| (1,938,040)                                          | -                           | (1,938,040)     |
| (104,148)                                            | -                           | (104,148)       |
| (1,120,976)                                          | -                           | (1,120,976)     |
| (4,387,395)                                          | -                           | (4,387,395)     |
| -                                                    | (309,825)                   | (309,825)       |
| -                                                    | 14,605                      | 14,605          |
| -                                                    | (295,220)                   | (295,220)       |
| (4,387,395)                                          | (295,220)                   | (4,682,615)     |
| 4,556,007                                            | -                           | 4,556,007       |
| 1,192,719                                            | -                           | 1,192,719       |
| 1,061                                                | -                           | 1,061           |
| 78,675                                               | 2,244                       | 80,919          |
| 104,546                                              | (104,546)                   | -               |
| 5,933,008                                            | (102,302)                   | 5,830,706       |
| 1,545,613                                            | (397,522)                   | 1,148,091       |
| (19,358,465)                                         | 2,315,987                   | (17,042,478)    |
| \$ (17,812,852)                                      | \$ 1,918,465                | \$ (15,894,387) |

# Village of Sauk Village, Illinois

Governmental Funds

## BALANCE SHEET

April 30, 2013

|                                        | General<br>Fund     | Debt<br>Service<br>Fund | Sauk Pointe<br>Industrial<br>Park Fund | LogistiCenter<br>at Sauk<br>Village Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------|---------------------|-------------------------|----------------------------------------|------------------------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                          |                     |                         |                                        |                                          |                                   |                                |
| Cash and cash equivalents              | \$ 24,779           | \$ 326,306              | \$ 8,117                               | \$ -                                     | \$ 1,050,454                      | \$ 1,409,656                   |
| Receivables, net of allowances         |                     |                         |                                        |                                          |                                   |                                |
| Property taxes                         | 1,358,108           | -                       | -                                      | -                                        | 318,750                           | 1,676,858                      |
| Intergovernmental                      | 406,750             | -                       | -                                      | -                                        | 18,068                            | 424,818                        |
| Other                                  | 169,401             | -                       | -                                      | -                                        | 28,038                            | 197,439                        |
| Deposits with paying agent             | -                   | 8,288,492               | -                                      | 116,232                                  | 147,587                           | 8,552,311                      |
| Prepaid items                          | 83,894              | -                       | -                                      | -                                        | -                                 | 83,894                         |
| Advances to other funds                | 484,875             | -                       | 12,609                                 | 215,341                                  | 1,540,384                         | 2,253,209                      |
| Land held for resale                   | -                   | -                       | -                                      | 1,063,822                                | -                                 | 1,063,822                      |
| Total assets                           | <u>\$ 2,527,807</u> | <u>\$ 8,614,798</u>     | <u>\$ 20,726</u>                       | <u>\$ 1,395,395</u>                      | <u>\$ 3,103,281</u>               | <u>\$ 15,662,007</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>   |                     |                         |                                        |                                          |                                   |                                |
| <b>Liabilities</b>                     |                     |                         |                                        |                                          |                                   |                                |
| Accounts payable                       | \$ 382,095          | \$ -                    | \$ -                                   | \$ -                                     | \$ 74,794                         | \$ 456,889                     |
| Accrued payroll                        | 200,718             | -                       | -                                      | -                                        | 469                               | 201,187                        |
| Advances from other funds              | 1,330,355           | -                       | 215,341                                | 125,791                                  | 169,453                           | 1,840,940                      |
| Unearned revenue                       | 1,612,205           | -                       | -                                      | -                                        | 292,413                           | 1,904,618                      |
| Due to county government               | 374,937             | -                       | -                                      | -                                        | -                                 | 374,937                        |
| Other                                  | 16,386              | -                       | -                                      | -                                        | -                                 | 16,386                         |
| Total liabilities                      | <u>3,916,696</u>    | <u>-</u>                | <u>215,341</u>                         | <u>125,791</u>                           | <u>537,129</u>                    | <u>4,794,957</u>               |
| <b>Fund balances (deficits)</b>        |                     |                         |                                        |                                          |                                   |                                |
| <b>Nonspendable</b>                    |                     |                         |                                        |                                          |                                   |                                |
| Deposits with paying agent             | -                   | 8,288,492               | -                                      | 116,232                                  | 147,587                           | 8,552,311                      |
| Prepaid items                          | 83,894              | -                       | -                                      | -                                        | -                                 | 83,894                         |
| Advances to other funds                | 484,875             | -                       | 12,609                                 | 215,341                                  | 1,540,384                         | 2,253,209                      |
| Land held for resale                   | -                   | -                       | -                                      | 1,063,822                                | -                                 | 1,063,822                      |
| <b>Restricted</b>                      |                     |                         |                                        |                                          |                                   |                                |
| Railroad noise and safety improvements | 249,549             | -                       | -                                      | -                                        | -                                 | 249,549                        |
| Special revenue purposes               | -                   | -                       | -                                      | -                                        | 741,469                           | 741,469                        |
| Debt service                           | -                   | 326,306                 | -                                      | -                                        | -                                 | 326,306                        |
| Capital projects                       | -                   | -                       | -                                      | -                                        | 283,480                           | 283,480                        |
| Unassigned                             | <u>(2,207,207)</u>  | <u>-</u>                | <u>(207,224)</u>                       | <u>(125,791)</u>                         | <u>(146,768)</u>                  | <u>(2,686,990)</u>             |
| Total fund balance (deficit)           | <u>(1,388,889)</u>  | <u>8,614,798</u>        | <u>(194,615)</u>                       | <u>1,269,604</u>                         | <u>2,566,152</u>                  | <u>10,867,050</u>              |
| Total liabilities and fund balance     | <u>\$ 2,527,807</u> | <u>\$ 8,614,798</u>     | <u>\$ 20,726</u>                       | <u>\$ 1,395,395</u>                      | <u>\$ 3,103,281</u>               | <u>\$ 15,662,007</u>           |

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Governmental Funds  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION (DEFICIT)  
April 30, 2013

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|                                         |               |
|-----------------------------------------|---------------|
| Total fund balance - governmental funds | \$ 10,867,050 |
|-----------------------------------------|---------------|

Amounts reported for governmental activities in the statement of net position (deficit) differ from the governmental funds balance sheet because:

|                                                                                                                                                                                      |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Certain revenues that are unearned in the fund financial statements because they are not considered available are recognized as revenue in the government-wide financial statements. | 1,904,618 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                |            |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | 12,052,860 |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------|

|                                                                                                                                                                                                         |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Bond issuance costs that are recorded as an expenditure in the fund financial statements are an asset that is amortized over the life of the related bonds in the government-wide financial statements. | 1,065,644 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                             |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. | (626,201) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                                                                                                             |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Certain liabilities, including bonds payable, capital leases, premiums on bonds sold, compensated absences, net pension obligations, net other postemployment benefit obligations, and judgment liability, do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds. | <u>(43,076,823)</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|

|                                                  |                               |
|--------------------------------------------------|-------------------------------|
| Net position (deficit) - governmental activities | <u><u>\$ (17,812,852)</u></u> |
|--------------------------------------------------|-------------------------------|

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The accompanying notes are an integral part of this statement.

# Village of Sauk Village, Illinois

## Governmental Funds

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)

For the Six-Month Period Ended April 30, 2013

|                                                              | General<br>Fund  | Debt<br>Service<br>Fund | Sauk Pointe<br>Industrial<br>Park Fund | LogistiCenter<br>at Sauk<br>Village Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|------------------|-------------------------|----------------------------------------|------------------------------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                              |                  |                         |                                        |                                          |                                   |                                |
| Property taxes                                               | \$ 1,254,597     | \$ -                    | \$ 530,436                             | \$ 1,094,252                             | \$ 365,465                        | \$ 3,244,750                   |
| Licenses and permits                                         | 54,347           | -                       | -                                      | -                                        | -                                 | 54,347                         |
| Charges for services                                         | 528,297          | -                       | -                                      | -                                        | 35,018                            | 563,315                        |
| Utility taxes                                                | -                | -                       | -                                      | -                                        | 121,598                           | 121,598                        |
| Intergovernmental                                            | 785,191          | -                       | -                                      | -                                        | 178,924                           | 964,115                        |
| Fines and forfeitures                                        | 125,113          | -                       | -                                      | -                                        | -                                 | 125,113                        |
| Interest                                                     | 137              | 240                     | 48                                     | 3                                        | 633                               | 1,061                          |
| Contributions and donations                                  | 1,995            | -                       | -                                      | -                                        | -                                 | 1,995                          |
| Miscellaneous                                                | 75,650           | 3                       | -                                      | -                                        | 3,022                             | 78,675                         |
| <b>Total revenues</b>                                        | <b>2,825,327</b> | <b>243</b>              | <b>530,484</b>                         | <b>1,094,255</b>                         | <b>704,660</b>                    | <b>5,154,969</b>               |
| <b>Expenditures</b>                                          |                  |                         |                                        |                                          |                                   |                                |
| <b>Current</b>                                               |                  |                         |                                        |                                          |                                   |                                |
| General government                                           | 978,040          | -                       | -                                      | 3,500                                    | 294,433                           | 1,275,973                      |
| Public safety                                                | 1,614,995        | -                       | -                                      | -                                        | 234,306                           | 1,849,301                      |
| Public works                                                 | 59,900           | -                       | -                                      | -                                        | 97,465                            | 157,365                        |
| <b>Debt service</b>                                          |                  |                         |                                        |                                          |                                   |                                |
| Principal                                                    | 25,490           | 2,275,000               | -                                      | -                                        | 61,885                            | 2,362,375                      |
| Interest                                                     | 2,554            | 775,997                 | -                                      | -                                        | 13,022                            | 791,573                        |
| <b>Total expenditures</b>                                    | <b>2,680,979</b> | <b>3,050,997</b>        | <b>-</b>                               | <b>3,500</b>                             | <b>701,111</b>                    | <b>6,436,587</b>               |
| <b>Excess (deficiency) of<br/>revenues over expenditures</b> | <b>144,348</b>   | <b>(3,050,754)</b>      | <b>530,484</b>                         | <b>1,090,755</b>                         | <b>3,549</b>                      | <b>(1,281,618)</b>             |
| <b>Other financing sources (uses)</b>                        |                  |                         |                                        |                                          |                                   |                                |
| Transfers in                                                 | 332,107          | 1,697,519               | -                                      | 3,500                                    | 91,368                            | 2,124,494                      |
| Transfers (out)                                              | (3,500)          | -                       | (563,098)                              | (1,134,337)                              | (319,013)                         | (2,019,948)                    |
| <b>Total other financing<br/>sources (uses)</b>              | <b>328,607</b>   | <b>1,697,519</b>        | <b>(563,098)</b>                       | <b>(1,130,837)</b>                       | <b>(227,645)</b>                  | <b>104,546</b>                 |
| <b>Net change in fund balances</b>                           | <b>472,955</b>   | <b>(1,353,235)</b>      | <b>(32,614)</b>                        | <b>(40,082)</b>                          | <b>(224,096)</b>                  | <b>(1,177,072)</b>             |
| <b>Fund balances (deficits)</b>                              |                  |                         |                                        |                                          |                                   |                                |
| Beginning of period                                          | (1,861,844)      | 9,968,033               | (162,001)                              | 1,309,686                                | 2,790,248                         | 12,044,122                     |
| End of period                                                | \$ (1,388,889)   | \$ 8,614,798            | \$ (194,615)                           | \$ 1,269,604                             | \$ 2,566,152                      | \$ 10,867,050                  |

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
For the Six-Month Period Ended April 30, 2013

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|                                                        |                |
|--------------------------------------------------------|----------------|
| Net change in fund balances - total governmental funds | \$ (1,177,072) |
|--------------------------------------------------------|----------------|

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

|                                                                                                                                                                                      |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Certain revenues that are unearned in the fund financial statements because they are not considered available are recognized as revenue in the government-wide financial statements. | 1,378,729 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                                                                      |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions. | (361,362) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                  |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Bond issuance costs are recorded as an expenditure in the fund financial statements, but the cost is recorded as an asset in the statement of net position that is amortized over the life of the related bonds. | (45,132) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                                                                                               |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Premiums on bonds are recorded as other financing sources in the fund financial statements, but the premium is recorded as a liability in the statement of net position that is amortized over the life of the related bonds. | 13,104 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                                                                  |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt, consume the current financial resources of governmental funds. | <u>1,737,346</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|

|                                                  |                            |
|--------------------------------------------------|----------------------------|
| Change in net position - governmental activities | <u><u>\$ 1,545,613</u></u> |
|--------------------------------------------------|----------------------------|

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The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**

## Enterprise Funds

## STATEMENT OF NET POSITION

April 30, 2013

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|                                                 | Waterworks<br>Fund | Sewerage<br>Fund | Total        |
|-------------------------------------------------|--------------------|------------------|--------------|
| ASSETS                                          |                    |                  |              |
| Current                                         |                    |                  |              |
| Receivables, net                                | \$ 241,721         | \$ 98,801        | \$ 340,522   |
| Total current assets                            | 241,721            | 98,801           | 340,522      |
| Noncurrent                                      |                    |                  |              |
| Advances to other funds                         | -                  | 437,270          | 437,270      |
| Capital assets not being depreciated            | 7,500              | -                | 7,500        |
| Capital assets, net of accumulated depreciation | 2,051,126          | 505,737          | 2,556,863    |
| Total noncurrent assets                         | 2,058,626          | 943,007          | 3,001,633    |
| Total assets                                    | 2,300,347          | 1,041,808        | 3,342,155    |
| LIABILITIES                                     |                    |                  |              |
| Current                                         |                    |                  |              |
| Accounts payable                                | 335,735            | 8,091            | 343,826      |
| Accrued payroll                                 | 20,141             | 16,532           | 36,673       |
| Advances from other funds                       | 849,539            | -                | 849,539      |
| Deposits                                        | 163,416            | -                | 163,416      |
| Noncurrent                                      |                    |                  |              |
| Due within one year                             | 14,669             | 15,567           | 30,236       |
| Total liabilities                               | 1,383,500          | 40,190           | 1,423,690    |
| NET POSITION                                    |                    |                  |              |
| Invested in capital assets, net of related debt | 2,058,626          | 505,737          | 2,564,363    |
| Unrestricted (deficit)                          | (1,141,779)        | 495,881          | (645,898)    |
| Total net position                              | \$ 916,847         | \$ 1,001,618     | \$ 1,918,465 |

---

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Enterprise Funds  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Six-Month Period Ended April 30, 2013

|                                | Waterworks<br>Fund | Sewerage<br>Fund    | Total               |
|--------------------------------|--------------------|---------------------|---------------------|
| Operating revenues             |                    |                     |                     |
| Charges for services           | \$ 688,691         | \$ 304,470          | \$ 993,161          |
| Meter sales                    | 2,510              | -                   | 2,510               |
| Miscellaneous                  | 2,244              | -                   | 2,244               |
|                                | <u>693,445</u>     | <u>304,470</u>      | <u>997,915</u>      |
| Operating expenses             |                    |                     |                     |
| Operations                     | 907,560            | 278,392             | 1,185,952           |
| Depreciation                   | 93,466             | 11,473              | 104,939             |
|                                | <u>1,001,026</u>   | <u>289,865</u>      | <u>1,290,891</u>    |
| Operating income (loss)        | <u>(307,581)</u>   | <u>14,605</u>       | <u>(292,976)</u>    |
| Other financing sources (uses) |                    |                     |                     |
| Transfers in                   | 7,500              | 7,500               | 15,000              |
| Transfers out                  | (59,773)           | (59,773)            | (119,546)           |
|                                | <u>(52,273)</u>    | <u>(52,273)</u>     | <u>(104,546)</u>    |
| Change in net position         | (359,854)          | (37,668)            | (397,522)           |
| Net position                   |                    |                     |                     |
| Beginning of period            | <u>1,276,701</u>   | <u>1,039,286</u>    | <u>2,315,987</u>    |
| End of period                  | <u>\$ 916,847</u>  | <u>\$ 1,001,618</u> | <u>\$ 1,918,465</u> |

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Enterprise Funds  
**STATEMENT OF CASH FLOWS**  
For the Six-Month Period Ended April 30, 2013

|                                                                | Waterworks<br>Fund | Sewerage<br>Fund | Total      |
|----------------------------------------------------------------|--------------------|------------------|------------|
| Cash flows from operating activities                           |                    |                  |            |
| Cash received from customers                                   | \$ 626,241         | \$ 312,090       | \$ 938,331 |
| Cash paid to suppliers                                         | (640,561)          | (19,216)         | (659,777)  |
| Cash paid to employees                                         | (242,145)          | (257,464)        | (499,609)  |
| Net cash provided by (used in) operating activities            | (256,465)          | 35,410           | (221,055)  |
| Cash flows from noncapital financing activities                |                    |                  |            |
| Transfers, net                                                 | (52,273)           | (52,273)         | (104,546)  |
| Changes in advances to/from other funds, net                   | 418,738            | 14,017           | 432,755    |
| Net cash provided by (used in) noncapital financing activities | 366,465            | (38,256)         | 328,209    |
| Cash flows from capital financing activities                   |                    |                  |            |
| Purchases of capital assets                                    | (110,000)          | -                | (110,000)  |
| Net change in cash and cash equivalents                        | -                  | (2,846)          | (2,846)    |
| Cash and cash equivalents                                      |                    |                  |            |
| Beginning of period                                            | -                  | 2,846            | 2,846      |
| End of period                                                  | \$ -               | \$ -             | \$ -       |

(Continued)

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Enterprise Funds  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Six-Month Period Ended April 30, 2013

|                                                                                               | <u>Waterworks<br/>Fund</u> | <u>Sewerage<br/>Fund</u> | <u>Total</u>        |
|-----------------------------------------------------------------------------------------------|----------------------------|--------------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided by operating activities        |                            |                          |                     |
| Operating income (loss)                                                                       | \$ (307,581)               | \$ 14,605                | \$ (292,976)        |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities |                            |                          |                     |
| Depreciation                                                                                  | 93,466                     | 11,473                   | 104,939             |
| Decrease (increase) in assets                                                                 |                            |                          |                     |
| Receivables                                                                                   | (61,357)                   | 7,620                    | (53,737)            |
| Increase (decrease) in liabilities                                                            |                            |                          |                     |
| Accounts payable                                                                              | 24,141                     | 5,733                    | 29,874              |
| Compensated absences                                                                          | (1,531)                    | (4,021)                  | (5,552)             |
| Deposits                                                                                      | (3,603)                    | -                        | (3,603)             |
| Net cash provided by (used in) operating activities                                           | \$ <u>(256,465)</u>        | \$ <u>35,410</u>         | \$ <u>(221,055)</u> |

(Concluded)

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Fiduciary Fund - Firefighters' Pension Trust Fund  
STATEMENT OF NET POSITION  
April 30, 2013

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|                                    | <u>Pension<br/>Trust Fund</u> | <u>Firefighters'<br/>Pension</u> |
|------------------------------------|-------------------------------|----------------------------------|
| ASSETS                             |                               |                                  |
| Cash and cash equivalents          | \$ 16,624                     |                                  |
| Investments                        | 138,781                       |                                  |
| Accrued interest                   | <u>827</u>                    |                                  |
|                                    | <u>156,232</u>                |                                  |
| NET POSITION                       |                               |                                  |
| Held in trust for pension benefits | \$ <u>156,232</u>             |                                  |

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The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
Fiduciary Fund - Firefighters' Pension Trust Fund  
STATEMENT OF CHANGES IN PLAN NET POSITION  
For the Twelve Months Ended April 30, 2013

|                                                 | <u>Pension<br/>Trust Fund</u>    |
|-------------------------------------------------|----------------------------------|
|                                                 | <u>Firefighters'<br/>Pension</u> |
| Additions                                       |                                  |
| Contributions                                   |                                  |
| Employer                                        | \$ 4,081                         |
| Members                                         | <u>5,691</u>                     |
| Total contributions                             | <u>9,772</u>                     |
| Investment income                               |                                  |
| Net appreciation in fair value of investments   | 1,393                            |
| Interest                                        | <u>3,667</u>                     |
|                                                 | 5,060                            |
| Less investment expenses                        | <u>(656)</u>                     |
| Net investment income                           | <u>4,404</u>                     |
| Total additions                                 | <u>14,176</u>                    |
| Deductions                                      |                                  |
| Administrative expense                          | <u>11,459</u>                    |
| Total deductions                                | <u>11,459</u>                    |
| Change in net position                          | 2,717                            |
| Net position held in trust for pension benefits |                                  |
| Beginning of year                               | <u>153,515</u>                   |
| End of year                                     | <u>\$ 156,232</u>                |

The accompanying notes are an integral part of this statement.

**Village of Sauk Village, Illinois**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sauk Village (the "Village") was incorporated in 1957. The Village is located in Cook County, Illinois, with a small portion located in Will County, Illinois. The Village operates under the mayor-trustee form of government. The Village Board consists of a mayor and six elected members that exercise all powers of the Village but are accountable to their constituents for their actions. The Village provides the following services as authorized by its charter: public safety (police, fire, civil defense and emergency), highways and streets, parks and playgrounds, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Beginning with the six-month period ended April 30, 2013, the Village changed its fiscal year end to April 30.

The following is a summary of the Village's significant accounting policies:

1. Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials, of the primary government, are financially accountable. Financial accountability is defined as:

- a. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- b. Fiscal dependency on the primary government.

Based on the above criteria, the Village does not have any component units.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), which was adopted by the Village, as of and for the six-month period ended April 30, 2013. In the government-wide financial statements, the Village is now required to report five elements on the statement of net position (formerly known as the statement of net assets), assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position (formerly known as net assets). The types of deferred outflows and inflows of resources to be reported currently consist of service concession arrangements and derivative instruments. As of April 30, 2013, the Village has no deferred outflows or deferred inflows of resources.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net position presents the Village's non-fiduciary assets and liabilities with the difference reported as net position in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net positions* arise when constraints placed on the use of net position are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consist of net positions that do not meet the criteria of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first to finance qualifying activities, then unrestricted resources as they are needed.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds, that are aggregated in the fund financial statements, are reported separately in the other supplementary information.

4. Basis of Presentation - Fund Accounting

The accounts of the Village are organized on the basis of funds, which are considered as separate accounting entities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures/expenses. The Village's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types and broad fund categories as follows:

a. Governmental Fund Types

Governmental funds are those through which governmental functions of the Village are financed. The Village's expendable financial resources (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following are the Village's governmental fund types:

- i. The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- ii. *Special revenue funds* are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are legally restricted to expenditures for specified purposes. The Village's special revenue funds are the Fire Protection, Motor Fuel Tax, Emergency Telephone System, Police Seizure, Working Cash, and Railroad Noise Mitigation Funds.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Presentation - Fund Accounting (Continued)

a. Governmental Fund Types (Continued)

iii. *Debt service funds* are used to account for the accumulation of resources for debt service payments. The Village's debt service funds are the Debt Service, Sauk Pointe Industrial Park, and Logistcenter at Sauk Village Funds.

iv. *Capital projects funds* are used to account for the use of resources for capital improvements. The Village's capital projects funds are the Utility Tax, Community Development Block Grant, Sauk Plaza Redevelopment Plan, SurreyBrook Plaza, and Municipal Building Funds.

b. Proprietary Fund Types

*Proprietary funds* are used to account for the Village's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

i. *Enterprise funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise funds are the Waterworks and Sewerage Funds.

c. Fiduciary Fund Types

*Fiduciary funds* are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

i. *Pension trust funds* are used to account for the Village's public safety employee pension funds. The Police Pension Fund (not included in this report) and the Firefighters' Pension Fund are the Village's pension trust funds.

ii. *Agency funds* are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The Flexible Benefits Fund, which had no balances at April 30, 2013, and which was closed in June 2013, was the Village's sole agency fund.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fund Balance

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), governmental funds report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

- a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as deposits with paying agent, prepaid expenditures, advances to other funds, or land held for resale.
- b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority (the Village Board). The Village Board commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Village removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. At April 30, 2013, the Village had no committed fund balances.
- d. *Assigned* - refers to amounts that are constrained by the Village's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Trustees or the individual the Village Board delegates the authority to assign amounts to be used for specific purposes. The Village Board has not delegated this authority, as of April 30, 2013. At April 30, 2013, the Village had no assigned fund balances.
- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally they act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal period for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements, imposed by the provider, have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. A six-month availability period is used for revenue recognition, for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are reported as general revenues.

Property taxes, interest revenue, and charges for services revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received, by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

The *Sauk Pointe Industrial Park Fund* is a debt service fund which accounts for the revenue generated from the tax incremental finance (TIF) district for office and light manufacturing development.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Logisticcenter at Sauk Village Fund* is a debt service fund which accounts for the revenue generated from the TIF district to finance the first phase development and construction of a one hundred and fifty-acre intermodal transportation facility.

The Village reports the following major proprietary funds:

The *Waterworks Fund* accounts for the provision of potable water services to the residents of the Village. All activities necessary to provide such services are accounted for in this Fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The *Sewerage Fund* accounts for the provision of sewerage services to the residents of the Village. All activities necessary to provide such services are accounted for in this Fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

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 revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Village reports unearned revenue on its balance sheet. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

7. Cash Equivalents

The Village considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Receivables

The recognition of receivables associated with nonexchange transactions is as follows:

- Derived tax receivables (such as sales, income, and motor fuel taxes) are recognized when the underlying exchange has occurred.
- Imposed nonexchange receivables (such as property taxes and fines) are recognized when an enforceable legal claim has arisen.
- Government mandates or voluntary nonexchange transaction receivables such as grants are recognized when all eligibility requirements have been met.

9. Investments

Investments are stated at fair value. Due to the nature of the Village's and Firefighters Pension Trust Funds' investments, fair value equals cost. Gains and losses on the sale of investments are recorded as interest income, at the date of sale or maturity.

10. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, and for lending/borrowing purposes. These receivables and payables are classified as "due from/to other funds" (the current portion of interfund transactions) or "advance from/to other fund" (the noncurrent portion of interfund transactions) on the fund balance sheets.

Advances between funds are offset by a nonspendable fund balance, in applicable governmental funds, to indicate that they are not available for appropriation and are not expendable, available financial resources.

11. Land Held for Resale

The Village values its land held for resale at the lower of cost or market.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Capital Assets

Capital assets, which include buildings, machinery and equipment, vehicles, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as having a useful life greater than one year with an initial individual cost of more than \$5,000 for machinery and equipment, \$25,000 for property and buildings, and \$50,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value, at the date of donation.

Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend assets' lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Description</u>              | <u>Years</u> |
|---------------------------------|--------------|
| Buildings and improvements      | 20 - 40      |
| Waterworks and sewerage systems | 10 - 40      |
| Machinery and equipment         | 5 - 25       |
| Vehicles                        | 4 - 15       |
| Water meters                    | 10 - 20      |
| Infrastructure                  | 15 - 40      |

13. Compensated Absences

Accumulated vacation and sick leave that are expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay them, typically the General Fund. Accumulated vacation and sick leave that are not expected to be liquidated with expendable, available financial resources are reported as long-term debt on the government-wide statement of net position. Accumulated vacation and sick leave of the proprietary funds is recorded as expenses and liabilities of that fund, as the benefits accrue to employees.

**Village of Sauk Village, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2013

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Long-Term Obligations

In the government-wide financial statements and 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 or business-type activities statement of net position. Items such as premiums, discounts, bond issuance costs and gains or losses on bond sales are capitalized and amortized over the life of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (Deficit)

The governmental funds balance sheet includes a reconciliation between fund balance – governmental funds and net position (deficit) – governmental activities as reported in the government-wide statement of net position (deficit).

One element of that reconciliation explains that “Certain liabilities, do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds.” The details of this difference are as follows:

|                                                                    |                      |
|--------------------------------------------------------------------|----------------------|
| Alternate revenue bonds payable                                    | \$ 39,070,023        |
| General obligation bonds payable                                   | 425,000              |
| Capital leases payable                                             | 231,147              |
| Premiums on bonds sold                                             | 423,240              |
| Compensated absences payable                                       | 146,091              |
| Net pension obligations                                            |                      |
| IMRF                                                               | 100,917              |
| Police (Unaudited)                                                 | 1,923,161            |
| Firefighters'                                                      | 74,135               |
| Net other postemployment benefit obligation                        | 512,610              |
| Judgment liability                                                 | <u>170,499</u>       |
| Net total long-term liabilities not reported in governmental funds | \$ <u>43,076,823</u> |

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) and the Government-wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net position – governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
(Continued)

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) and the Government-wide Statement of Activities (Continued)

|                                                                        |                     |
|------------------------------------------------------------------------|---------------------|
| Capital outlay                                                         | \$ -                |
| Depreciation expense                                                   | <u>(361,362)</u>    |
| Net total amount by which depreciation expense exceeded capital outlay | <u>\$ (361,362)</u> |

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, consume the current financial resources of governmental funds." The details of this difference are as follows:

|                                                          |                     |
|----------------------------------------------------------|---------------------|
| Decrease in accrued interest                             | \$ 28,129           |
| Interest accreted - capital appreciation bonds           | (325,504)           |
| Principal payments on alternate revenue bonds            | 2,225,000           |
| Principal payments on general obligation bonds           | 50,000              |
| Principal payments on capital leases                     | 87,375              |
| Net decrease (increases) in net pension obligations      |                     |
| IMRF                                                     | (6,328)             |
| Police (Unaudited)                                       | (161,591)           |
| Firefighters'                                            | 27,014              |
| Net increase in other postemployment benefits obligation | (60,416)            |
| Net increase in compensated absences                     | (16,834)            |
| Net increase in judgment liability                       | <u>(109,499)</u>    |
| Net changes in current financial resources               | <u>\$ 1,737,346</u> |

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE C - DEPOSITS AND INVESTMENTS

1. Village Deposits and Investments

At April 30, 2013, the Village's cash and cash equivalents, excluding the pension trust funds, consisted of the following:

|                           | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---------------------------|------------------------------------|-------------------------------------|---------------------|
| Cash and cash equivalents | \$ <u>1,409,656</u>                | \$ <u>-</u>                         | \$ <u>1,409,656</u> |

For disclosure purposes, this amount is segregated into three components, as follows:

|                                      | <u>Total</u>        |
|--------------------------------------|---------------------|
| Cash on hand                         | \$ 2,198            |
| Deposits with financial institutions | 704,636             |
| Illinois Funds                       | <u>702,822</u>      |
|                                      | \$ <u>1,409,656</u> |

*Deposits with Financial Institutions*

The Village maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is included in cash and cash equivalents on the governmental funds balance sheet or the enterprise funds statement of net position. In addition, deposits are separately held by several of the Village's funds.

Custodial risk for deposits with financial institutions is the risk that, in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a policy for custodial credit risk. At April 30, 2013, the carrying amount of the Village's deposits was \$704,636 with bank balances totaling \$1,259,602. At April 30, 2013, all of the Village's deposits were insured or collateralized.

**Village of Sauk Village, Illinois**  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2013

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments (Continued)

*Investments*

The Village's investment policy, which is consistent with state statutes, authorizes the Village to invest in deposits in interest-bearing savings accounts, interest-bearing certificates of deposits or interest-bearing time deposits, insured savings and loan institutions, the Illinois Funds, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same types of obligations, obligations of the U.S. Treasury and U.S. Agencies, or other securities guaranteed by the full faith and credit of the United States of America. The investment policy limits the Village's deposits to financial institutions that are members of the FDIC system.

The 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. The 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 The Illinois Funds are valued at The Illinois Fund's share price, the price for which the investment could be sold.

*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's investment policy does not specifically identify limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.